

Follow-Up Visit Report

Los Angeles Harbor College
1111 Figueroa Place
Wilmington, CA 90744

This Report represents the findings of the External Evaluation Team that visited
Los Angeles Harbor College on April 16, 2013

Submitted to:

The Accrediting Commission for Community and Junior Colleges,
Western Association of Schools and Colleges

Submitted by:

Barbara McNeice-Stallard	Director of Research & Institutional Effectiveness, Administrative Accreditation Coordinator	Mt. San Antonio College
<i>Name of Team Chair</i>	<i>Title</i>	<i>Institution</i>
Susan Lamb	Vice President of Instruction, Accreditation Liaison Officer	Diablo Valley College
<i>Name of Team Member</i>	<i>Title</i>	<i>Institution</i>

DATE: May 10, 2013

TO: Accrediting Commission for Community and Junior Colleges

FROM: Barbara McNeice-Stallard, Team Chair

SUBJECT: Report of Follow-Up Visit Team to Los Angeles Harbor College, April 16, 2013

Introduction and Overview

An External Evaluation team visit was conducted to Los Angeles Harbor College in March 12-15, 2012. At its meeting of June 6-8, 2012, the Commission acted to require Los Angeles (LA) Harbor College to submit a Follow-Up Report followed by a visit. The visiting team, Ms. Barbara McNeice-Stallard and Ms. Susan Lamb, conducted the site visit to Los Angeles Harbor College on April 16, 2013. Follow-up team representatives for three college accreditation teams (LA Harbor College, LA Southwest College, and West LA College) conducted interviews at the LA District Office. The purpose of the team visit was to verify that the Follow-Up Report prepared by the College was accurate through examination of evidence, to determine if sustained, continuous, and positive improvements had been made at the institution, and that the institution has addressed the recommendations made by the External Evaluation Team, resolved the deficiencies noted in those recommendations, and meets the Eligibility Requirements, Accreditation Standards and Commission policies. As part of the visit, the team reviewed the Follow-Up Report, interviewed key individuals and went through items of written evidence that supported the college response.

In general, the team found that the College had prepared well for the visit by arranging for meetings with the individuals and groups agreed upon earlier with the Team Chair and by assembling appropriate documents in the meeting room used by the team. Over the course of the day, the team members from the three colleges met with the District personnel (e.g., Chancellor, Board of Trustee Members, Inspector General, Associate Vice Chancellor of Institutional Effectiveness, and others from fiscal and construction areas) to discuss the District Recommendations. A follow-up phone call and numerous emails were exchanged to discuss the Team's findings and to agree upon the response to the District Recommendations. The LA Harbor Evaluation Team members met with numerous college personnel (e.g., College President, the Accreditation Liaison Officers, Academic Senate President, members of the faculty, classified, managers, and students). Two meetings were held to discuss the Recommendations and one open meeting was held to allow a broader participation. A separate meeting was held with the College President. It should be noted that at the time of the visit in April 2013, the college recently learned that its President accepted a position at another Los Angeles College. When asked about the impact of this change, it was clear to the Team that the college's current operations would not be impacted by its President departure. Members of the college vocalized their upmost respect for President Martinez and his work to improve their integrated planning and to create a balanced budget over many years.

During a relatively short period of time, the college has achieved much related to ongoing and systematic cycle of evaluation, integrated planning and fiscal accountability issues. The college has improved a collaborative and evaluative decision-making process for its planning and program review processes. The District has resolved some of its construction issues such as the formation of the Independent Review Panel for the bond program. The District has resolved the audit material weaknesses and the independent auditor issued an unqualified opinion for its 2011 to 2012 fiscal year. The District has also adopted an allocation model for the colleges - one that is refined over time and that has a strong plan of action for the

future. The District Board of Trustees demonstrated that they understand their role as policy makers, how to communicate effectively with the District, and the need to operate in a respectful manner within delineated roles and responsibilities. The Board also has an actionable improvement plan that was developed March 19, 2013.

The Follow-Up Report and Visit were expected to document resolution of the following Recommendations including two Eligibility Requirements:

College Recommendation 1: As previously stated in Recommendation 2 by the 2006 Comprehensive Evaluation Team and in order to meet Standards, the planning process needs to reflect an ongoing and systematic cycle of evaluation, integrated planning, resource allocation, implementation, and re-evaluation that uses data as the central focus to inform decisions. The process needs to be made clear to the college constituencies so they understand the steps, as well as which plan informs which plan. In addition, human resource planning for classified personnel and administrators needs to be evidence-based and integrated with institutional planning and program review. An evaluation of the effectiveness of the planning process as well as the effectiveness of programs and services needs to be included. (I.B.2, I.B.3, I.B.6, I.B.7, III.A.6).

College Recommendation 2: In order to meet the Standard, and to adequately monitor salary and benefit expenditures and insure the institution practices effective oversight of finances, the team recommends that salary actions should first be reviewed for available and adequate funding prior to initiating the employment process. (III.D.2.d).

District Recommendation 1: In order to meet the Standards and Eligibility Requirements, the Teams recommend that the District actively and regularly review the effectiveness of the construction bond oversight structure and the progress in the planned lifting of the moratorium to ensure the financial integrity of the bond programs, and the educational quality of its institutions as affected by the delays of the planned facilities projects. (III.B.1.a; IIID.2.a; IVB.1.c; Eligibility Requirements 17 and 18).

District Recommendation 2: In order to ensure the financial integrity of the District and the colleges, and to meet the Standards and Eligibility Requirements, the Teams recommend the resolution of the material weakness and significant deficiencies cited in the 2010 financial audit be fully effected by the completion of next year's audit, and appropriate systems be implemented and maintained to prevent future audit exceptions. (IIID.2.a; IVB.1.c, Eligibility Requirements 17 and 18).

District Recommendation 3: (no longer required)

District Recommendation 4: To fully respond to the recommendation first tendered by the Comprehensive Evaluation Team in 2006, and to reflect a realistic assessment of financial resources, financial stability, and the effectiveness of short- and long-term financial planning for the district and the colleges, and in order to meet the Standards and Eligibility Requirements, the Teams recommend that the district adopt and fully implement as soon as is practicable an allocation model for its constituent colleges that addresses the size, economies of scale, and the stated mission of the individual colleges. (IIID.1.b, IIID.1.c, IIID.2.c, IVB.3.c; Eligibility Requirements 17 and 18).

District Recommendation 5: To meet the Standard, the Teams recommend that the Board of Trustees make visible, in behavior and in decision-making their policy role and their responsibility to act as a whole in the public's interest. Further, the Teams recommend continuing professional development for the Board of Trustees to ensure a fuller understanding of its role in policy governance and the importance of using official channels of communication through the Chancellor or his designee. (Standard IV.B.1.a.)

College Responses to the 2012 External Evaluation Team Recommendations

Per the Commission letter to the college on July 2, 2012, the college was required to resolve issues fully by March 2013 for college Recommendation 1 and District Recommendation 4 as these recommendations were not resolved in previous evaluation reviews. The following is the Team's evaluation of the progress the college made on meeting each Recommendation.

College Recommendation 1: As previously stated in Recommendation 2 by the 2006 Comprehensive Evaluation Team and in order to meet Standards, the planning process needs to reflect an ongoing and systematic cycle of evaluation, integrated planning, resource allocation, implementation, and re-evaluation that use data as the central focus to inform decisions. The process needs to be made clear to the college constituencies so they understand the steps, as well as which plan informs which plan. In addition, human resource planning for classified personnel and administrators needs to be evidence- based and integrated with institutional planning and program review. An evaluation of the effectiveness of the planning process as well as the effectiveness of programs and services needs to be included. (I.B.2, I.B.3, I.B.6, I.B.7, III.A.6).

Findings and Evidence: The college has taken a number of actions to improve the effectiveness of its planning processes, its evaluation of the processes, and its re-evaluation of it. College planning sessions were used to evaluate how well employees understood and were using the Unit, Cluster, and College Plans. There are numerous examples of how the college is evaluating its planning processes. Many pieces of evidence support the college's use of planning, data, and evaluation of planning based especially as noted at two campus-wide retreats (see "Clarifying our Planning Process: Using Outcomes to Implement Effective Decision Making" (June 25, 2012), "Evaluating our Planning Process: Using Outcomes to Improve our Planning Process" (January 25, 2013), "How do we shift gears and Plan for growth?" (January 25, 2013), and "Outcomes and Recommendations from the college's Planning Retreat presentations (January 25, 2013). Information from these documents indicate that the college is heavily focused on understanding its process (e.g., how their planning is organized), what data are used by which committees and programs (e.g., Achieving the Dream data recommends additional sections of basic skills English and math to allow student progression), and how decisions are made and then converted into recommendations and prioritized. The college is using fall as a time for planning and spring as a time for evaluation. At the time of the current visit, the college accomplished more cluster program reviews as part of their 6 year cycle. The Educational Master Plan (EMP) is the impetus for the Unit Plans. The college is using and valuing a governance approach by asking all employees and administrators to provide input as to how to improve their planning. The college's use of the Evaluation of the Planning/Shared Governance Process rubric allows it to both quantitatively and qualitatively evaluate how well the process is progressing and to make actions for improvement. From the results from this evaluation in its January 2013 report, the college noted similar findings as its earlier network analyses report including that committee chairs should be trained and that there should be a more structured approach to committee operations (e.g., Roberts Rules of Order). The college used these findings to re-align its committee meeting times, its chair training, and the structure and operation of its meetings.

The Institutional Effectiveness Office does a program review although they note that few institutional effectiveness offices do a program review. While the Colleges' Planning Policy and Procedure Manual had not been updated since 2010, it appears the college is more closely following it. The college is encouraged to review the manual periodically to ensure it truly represents the work of the institution and to adhere to the cluster cycle for all units.

While the college is doing stellar work, there continues to be issues with high workloads (e.g., Business

Office) that may at times not allow employees to freely participate in planning. The college is addressing this issue by providing various ways to encourage employee participation. Employees are encouraged to ask those who attended the meetings what happened and to contribute to the conversation. Administration has an open door policy that encourages dialogue. The college should continue to encourage the use of retreats and other avenues for ongoing employee participation. As one employee stated, “Leadership isn’t about one person. Lead where you are. Take initiative”.

In the Follow-Up Report, the college supplied evidence indicating many Units have accomplished their Unit Plans. The College’s Planning Documents Flow Process diagram indicates the nature of and influence of the Educational Master Plan, Functional Plans and how they are used in the Unit, Cluster, and College Plans. Evidence from the Results of Shared Governance Committee Network Analysis (Second Communication Audit November 2012) allowed the college to evaluate the communication flow of the college’s planning processes. Based on these findings, changes were made to the process such as committee chair training, increased structured operation of committees (i.e., Roberts Rules of Order), and getting commitment from committee members to be at the meetings and engage in the process. There is a shared governance calendar outlining all the college meetings. The Calendar allowed the college to understand how the meeting times were aligning and overlapping and to make appropriate changes.

The passing of Proposition 30 in November 2012 allowed the college to do budget allocation with these District restored funds. The college has succeeded in using planning, data, and college needs to decide and prioritize funding positions and resources. Gone are the days when the college could ask for new growth without supporting data. For example, the Dean of Academic Affairs requires data to show growth and where the growth would give the college more money. Based on the college’s work with the Achieving the Dream Coach’s presentation, the college knows that there are hidden costs of retention that must be addressed. The college is using this information to augment its funding formula. As one employee stated, it is “one of the most rewarding things because it so data driven and informed”. Data is also used to inform the Unit Plans (e.g., course student learning outcomes, budget allocation, and student degree attainment). For example, Administrative Services does a survey to ask students their perception about the bookstore, lighting, etc. The college evaluated the results and used them to advocate for and highly prioritize for improved lighting in areas on campus as well as more new and cleaner bathrooms. Both data based requests were achieved.

All Units are synchronized to the calendar for their Unit planning and the Unit Plans include human resources planning for classified employees and administrators with a strong evidence-based approach. The College Annual Plan 2012-13 provides strategic direction for the Unit and Cluster alignment to college goals and human resources issues throughout the report. One major change in the planning process was alignment of the planning template across all Clusters (i.e., program review) as well as the inclusion of data, student learning outcomes, and budget within the Cluster. The Part “D” of each Unit Plan prioritizes human resources based on the needs of the Unit for new and replacement positions. New budget requirements are allowing the planning processes to inform the resource allocation requests especially as it relates to new college employees. The Budget Committee went down the College Planning Council prioritized listing and approved what they could approve base on money available. Before the list reaches the Budget Committee it is ranked and it includes the true costs.

For human resources, the Human Resources Plan for 2012-13 outlined all data needed to request staffing, included all the data from the Cluster program reviews, and was a good example of how the college uses this process. The Plan includes numerous data pieces (e.g., Faculty FTE, 5 year or higher Graduation Rates) which were used to provide program review data that is then aligned with Unit Plan requests for staffing. Staffing positions for classified and administrators were rank ordered within the plan. The Plan also indicated where the budget will be obtained for these staffing resources. An important piece of the

college's work is its use of data to inform its hiring of replacement workers. When there is a retirement, the tendency used to be to simply ask for the same position. Now, the college evaluates the situation and data and makes the appropriate recommendation. For example, new buildings require building engineers with today's expertise. This piece of information is key data used to advise the college about the suggested hiring for a new building engineer position. The same was noted with payroll in so far as when there was a retirement, the college evaluated the skill set needed for the position and recommended that a higher level payroll position be requested. The transparency of the data used to justify these changes helps the college employees understand the decision making.

When program reviews and resulting Unit and Cluster Plans are submitted for incorporation into the College Plan, the College Planning Council uses a Rubric for evaluating each and in their electronic system members can click on the link that takes them to the data that informs this prioritization process. The transparency of the process is evident as is the use of data. The college only funded those positions which went through this process. The program review process, which is data rich, provides data for the prioritization of human resources for classified and administrators thus allowing for clear evidence of use of data for decision making.

The Visiting Team was able to confirm these activities by reviewing evidence as noted above, as well as other evidence in the Follow-Up Report, and throughout the web pages. Meetings with employees also provided evidence to indicate that employees were able to clearly and easily discuss the improvements that were made. Numerous employees across all sectors were able to articulate the changes, how the flow worked, and how it is sustainable. Employees were supportive of these changes. As one employee stated, "No longer is there a scramble for determining how to spend the money. It is so much easier this year to spend \$2.3 million. Don't need to call a meeting, just need to fund from the list." The college is also looking at the impact of new budget line items for the next three years to ensure that it will be able to sustain the cost. No longer does the college automatically replace positions due to retirement – they use data, program review, planning, and prioritization processes.

Conclusion: The college has fully addressed the recommendation, corrected the deficiencies, and now is in compliance with the Eligibility Requirements, Accreditation Standards and Commission policies. As a result of various policy and procedural improvements implemented since the 2012 visit, the college's planning processes for program review and resource allocation were dramatically improved and are now considered examples of good practices. Based on the interviews, it is clear that college employees have a vested interest in and alignment to the planning processes. The college indicated that there was an upcoming college-wide forum (April 26, 2013) to work on their future plans that will be incorporated into their EMP. Continued adherence to the process should result in program reviews now being conducted systematically in all areas of the college with results used for successful planning and budgeting.

College Recommendation 2: In order to meet the Standard, and to adequately monitor salary and benefit expenditures and insure the institution practices effective oversight of finances, the team recommends that salary actions should first be reviewed for available and adequate funding prior to initiating the employment process. (III.D.2.d).

Findings and Evidence: At the time of the current visit, the college supplied information indicating that it had changed from a de-centralized budgeting model to a centralized budgeting model. The model is decreasing the probability of the college funding positions without funding available. A Budget Timeline prescribes deadlines for budget requests on a yearly basis. The Quarterly Reconciliation Meetings have taken place four times since this process was instituted. The Units that were in the past in deficit mode are no longer in deficit mode. These Quarterly meetings are allowing Units to better align their budget requests with their budget spending and to align their priorities with the EMP. The college has a balanced

budget.

Creation of the Personnel Request Form has facilitated the process for College Units to request positions for hire, indicate alignment with their planning, ensure that administration reviews the request and that there is provision of needed budget before the position is approved for hiring. Final decisions on hiring are based on the College Annual Plan and the Human Resources Plan. The Cluster plans are reviewed to ensure that the human resource requested aligned with the plan.

The Budget Committee has an improved role in collaborative decision-making in hiring full-time faculty via the Faculty Obligation Number (FON). An open discussion, using data, with the College President, the Budget Committee, and the College Planning Council allows the college to make informed decisions on how many faculty members to hire. The participants within one planning Cluster also include representatives (faculty and classified) from other Clusters, thus allowing for other employees to understand what are the issues of particular Clusters. The college is commended for its extensive use of integrated, data driven, and decision-making planning resulting in a multiple voices representation for each Cluster. As one employee said, it is “An eye opener for me to see how things were working in their area. I can help faculty understand it more.”

In the Follow-Up Report, the college provided the following evidence to support their work which was confirmed by the team. Minutes from the Budget Workshop and College Planning Council indicated the level of work accomplished. Meetings with employees also provided evidence to indicate human resource planning linked to resources is a sustained activity at the College. Employees were supportive of these changes and seemed to understand them and were making a good effort to adhere to them. One employee stated, “Everyone that is now involved in planning is being asked ‘Where is your data and is it in your plan?’ The dean of Research does not have to ask it any more. Everyone is asking it.” The employees’ ability to articulate the plan is far improved from the visit last year.

Conclusion: The college has fully addressed the recommendation, corrected the deficiencies, and now is in compliance with the Eligibility Requirements, Accreditation Standards and Commission policies. As a result of various policy and procedural improvements implemented since the 2012 visit, the college’s resource allocation process as it pertains to salary actions is a model of good practice. In particular, the model involves looking at a three-year budgetary future to determine if the funding is sustainable. The impact of that predictive model should result in a decision driven allocation model being conducted systematically.

District Responses to the 2012 External Evaluation Team Recommendations

LACCD - District Recommendation 1 (2012): In order to meet the Standards and Eligibility Requirements, the Teams recommend that the District actively and regularly review the effectiveness of the construction bond oversight structure and the progress in the planned lifting of the moratorium to ensure the financial integrity of the bond programs, and the educational quality of its institutions as affected by the delays of the planned facilities projects. (Standard III.B.1.a, III.D.2.a., IV.B.1.c.; Eligibility Requirements 17 and 18).

Findings and Evidence: The District has taken a number of actions to improve the effectiveness of its construction bond program including the effectiveness of the bond oversight structure and a review of the LACCD Building program. The Chancellor formed an Independent Review Panel made up of experts in various areas to provide recommendations on a variety of topics including the building program’s

operations, internal and external controls to provide a “checks and balances” system of control, and construction related policies, practices and procedures. The Independent Review Panel was made up of prominent local construction industry and business community experts tasked with addressing specific areas of concern related to ethics, cost containment, education and communication and program effectiveness. In October 2011, prior to the issuance of its full report the Panel recommended a moratorium on all new construction projects that had not yet been awarded to permit adequate time for the hiring of a new District Executive Director of Facilities Planning and Development. On January 4, 2012, the Panel issued its full report on the District’s Building program, which included seventeen (17) recommendations to strengthen the District’s bond construction program. The Executive Director subsequently hired brought a breadth and depth of experience in education bond construction programs of similar complexity and dollar volume to that of the District.

The temporary moratorium, since lifted, also allowed the District the opportunity to conduct a thorough evaluation to determine whether the colleges could afford the costs of maintaining and operating the new buildings, whether there was sufficient capital to build projects with currently authorized bond funds, and, whether or not the planned facilities matched the current projected facilities needs of each college. Over the past year, numerous changes have been made to the bond construction program including a more centralized approach to construction program management, leaving the College Presidents responsible for defining and ensuring appropriate responses to educational and programmatic needs, but transferring the responsibility for managing and executing the design and construction of the buildings to an industry “best practice” of having the College Program Managers report to the District’s Executive Director of Facilities. In addition, a \$160 million District bond reserve was established to address contractor defaults, claims and other unforeseen conditions and other unbudgeted risks. With these improvements, project budget shortfalls were addressed before the situations escalated; further the potential overbuilding at any of the campuses was averted to ensure that the colleges maintained appropriate lecture, laboratory, and office capacity.

Separate audit practices to reconcile all obligations and expenditures related to general obligation Proposition 39 bond funds were implemented and conducted between the District and Build LACCD financial systems on a monthly basis. Since 2012, the District has also provided additional training to ensure that the reconciliations are prepared in a timely manner and identified a dedicated employee responsible for the reconciliation task. The Board of Trustees passed Board Resolution BT6 to “lock-in” a baseline scope and budget at the project level for all remaining work at the colleges, versus its previous practice of providing a total college allocation for construction projects. In addition, the revised Master Budget Plan also requires District level approvals for proper use of Prop A/AA and Measure J bond ballot funds, and any changes in scope of college construction projects.

One of the most significant requirements in regard to Proposition 39 bond programs is related to establishment of a citizens’ oversight board. While the chair and vice chair of the District’s Citizens Oversight Committee (DCOC) appeared to be forthright, dedicated, and concerned, the Committee as a whole had not performed as it should. The District conducted a review and recommended revisions to the appointment practice to the DCOC and formalized the process and procedures for the DCOC’s activities including providing a part-time and full-time dedicated staff, and requiring and ensuring more rigor in regard to attendance at DCOC meetings by all committee members. As a result, the DCOC is fully staffed and augmented with new members from the construction industry and the DCOC by-laws have been updated to reflect the changes made to the process and procedures for the DCOC.

In addition to the Independent Review Panel’s seventeen (17) recommendations, the Chancellor and Board of Trustees created a Capital Construction Committee of the full Board (seven Trustees) to provide policy guidance, oversight of the bond program, and approval of master plans and environmental impact reports. Board Ad Hoc Committees were also formed to consider additional policies to further strengthen

oversight and control and an Independent Office of Inspector General and Whistleblower program was created. The one area in regard to this recommendation that was discovered during the Team's follow-up visit to the District that had not been previously identified is that the District has decided to eliminate the Office of Inspector General and replace it with a Bond Monitor Manager that will be solicited through a bid process to provide oversight with regard to fraud, whistle blower reporting, and elimination of waste in the bond construction program. The Office of Inspector General contract was discontinued with a thirty (30) day notice by the Board effective as of the end of April 2013. There will be a period of time where some of the duties of the Office of Inspector General will be handled by the College Program Management firms reporting through the new external Program Manager firm for action by the Executive Director and the District's Internal Auditor with regard to reporting of fraud and other whistle blower types of activities.

Conclusion:

The District has fully addressed the recommendation, corrected the deficiencies, and now is in compliance with the Eligibility Requirements, Accreditation Standards and Commission policies. As a result of various policy and procedural improvements implemented since the original accreditation visit in 2012, the District has increased its Proposition 39 compliance and improved upon its financial controls and reporting practices. Of particular note in regard to Recommendation 1 for the District is the deep commitment made in creating the Independent Review Panel and the District's immediate efforts in addressing the seventeen (17) recommendations made by the Panel and other areas of concern identified by the accreditation visiting team in 2012 to fully meet the Standards and Eligibility Requirements. As of the follow-up team visit to the District in April 2013, the Board and District confirmed its intent to continue to implement the recommendations of the Independent Review Panel and intent to consider additional Ad Hoc Committee policies to strengthen bond oversight and control. The Board also plans to increase the number of Independent Performance Auditor's reports conducted on the bond program. In light of the follow-up visit and evidence provided during the visit, the Teams have determined that the District has made significant improvements to the effectiveness of its bond construction program, including oversight internally and externally. The District lifted the construction moratorium upon ensuring the financial integrity of the bond construction programs and the facility requirements at each of its institutions to provide educational quality. Therefore, the Teams have determined that the District has satisfactorily responded to the ACCJC Recommendation 1 (2012) and should continue the improvements to its facilities construction program and its oversight to ensure the effectiveness of its \$6 billion bond construction program as approved and authorized by the District's voters and defined in Proposition A/AA and Measure J.

LACCD – District Recommendation 2 (2012): In order to ensure the financial integrity of the District and the colleges, and to meet the Standards and Eligibility Requirements, the Teams recommend the resolution of the material weakness and significant deficiencies cited in the 2010 financial audit be fully effected by the completion of next year's audit, and appropriate systems be implemented and maintained to prevent future audit exceptions. (Standards III.D.2.a., IV.B.1.c.; Eligibility Requirements 17 and 18).

Findings and Evidence: When the Teams visited the District in 2012, there were several outstanding 2011 Audit findings identified by the independent auditing firm that were related to audit findings for fiscal year 2011, 2010 and 2009 financial statements; as well as state and federal findings. Several findings were identified as being "significant deficiencies;" with regard to Employee Benefits, Risk Management, and Information Technology and a "material weakness;" was identified with regard to the Capital Assets and General Obligation Bond Program. Findings can be an opportunity to avoid such a situation from occurring in a future audit; however, when findings are material and recurring they can become a cause for concern for any organization.

The 2012 audits were completed and accepted by the Board of Trustees as of December 19, 2012 in accordance with the California Community College System's requirement that all Districts have an annual independent audit conducted and submitted to the State Chancellor by December 31st of each fiscal year. The audit was conducted in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in the *Government Accounting Standards* issued by the Comptroller General of the United States.

Conclusion: The District has fully addressed the recommendation, corrected the deficiencies, and now is in compliance with the Eligibility Requirements, Accreditation Standards and Commission policies. The independent auditor issued an unqualified opinion for the 2011-12 fiscal year. At the time of this writing, the District's audit findings from 2010 had been addressed. In addition, three of the financial statement audit findings identified during the 2010-11 audit have been fully implemented. It should be noted that findings 11-01 and 11-04 identified in the 2011 Audit have been brought forward as Financial Statement finding 12-01 related to Student Financial Assistance – Special Tests Provisions – Verification and 12-02 related to Competitive Grants for worker Training and Placement in High Growth and Emerging Industry Sectors (ARRA) – Eligibility in the 2011-12 audit report. Both 12-01 and 12-02 findings have been identified by the auditors as “significant deficiencies” requiring measures to better ensure appropriate internal controls; however, neither is considered to be material weaknesses. No material weaknesses with internal control over major Federal Awards programs were identified.

The primary audit issues pertaining to the Capital Assets and General Obligation Bond Program have been addressed. The District has implemented policies and procedures for monthly reconciliations in collaboration with Build LACCD in regard to 2011 Audit findings FS-11-01 - Capital Assets and General Obligation Bond Program. The District has implemented two of three phase processes to improve the process of reconciling and reporting of bond funded furniture, fixtures and equipment (FF&E) to include fixed asset inventory and reconciliation, which was completed in September 2012 and additional technology solutions are in progress. The District also requires all employees having procurement responsibility to annually submit a California Fair Political Practices Commission Statement of Economic Interests (Form 700). The District purchased e-filing of Form 700 software in January 2012, which has a “look-up” function to cross reference information on Form 700 with District and Build LACCD. The District has also implemented a reconciliation process and appropriate internal control practices with regard to Employee Benefits and Risk Management issues identified in the 2011 audit.

Based upon the information reported in the follow up report and interview data along with additional evidence provided during the follow up visit, the Teams have determined that the District has responded appropriately with regard to timely completion of its 2011-12 Audit and resolved any material deficiencies noted in the 2010 Audit related to ACCJC's Recommendation 2 (2012).

LACCD – District Recommendation 4 (2012): To fully respond to the recommendation first tendered by the Comprehensive Evaluation Team in 2006, and to reflect a realistic assessment of financial resources, financial stability, and the effectiveness of short- and long-term financial planning for the district and the colleges, and in order to meet the Standards and Eligibility Requirements, the Teams recommend that the district adopt and fully implement as soon as is practicable an allocation model for its constituent colleges that addresses the size, economies of scale, and the stated mission of the individual colleges. (Standards III.D.1.b., III.D.1.c., III.D.2.c., IV.B.3.c.; Eligibility Requirements 17 and 18).

Findings and Evidence: This recommendation required the District to develop, adopt, and fully implement a resource allocation model as soon as practicable to address the size, economies of scale, and

mission of each college within the LACCD. The evidence provided prior to and during the Teams follow-up visit identified several ways in which the District has addressed financial resource allocation to create a more equitable and efficient model. In February 2011, the District created an Executive Committee of the District Budget Committee (ECDBC) to review the district's budget allocation formula, examine base allocations for each college, review the treatment of college ending fund balances, and develop a college deficit repayment policy to the District. The District initially implemented a financial resources allocation model similar to the State's SB 361 allocation model; however, subsequently determined that two additional phases were necessary to create an allocation model that addresses all of the issues related to this recommendation.

The first phase provided for increases to the colleges' basic allocation to include minimum administrative staffing and maintenance and operations (M&O) costs. The second phase calls for the ECDBC to study the remaining allocation changes necessary to identify college needs (including M&O), as well as provide sufficient funding for colleges to deliver equitable access for non-traditional and underserved populations of students. At the June 13, 2012 meeting the Board of Trustees adopted Phase I, which included providing a set-aside from the District's reserve (or from new revenue received) in order to mitigate an adverse effect on any college as a result of a reduction in its budget allocation pursuant to the implementation of the changes tied to Phase I. The Phase I implementation included no reductions in the 2012-13 budget year to any college and a one-third reduction to occur each year over the next three years through 2015-16. In so doing the District satisfied the fundamental features of the recommendation in question.

Phase II will address how the District will tie any growth resources as they occur from the State to the financial resources allocation model for the colleges. The District Budget Committee based upon the review and recommendations of the ECDBC is committed to continue addressing Phase II impacts during the 2013-14 budget development process. In addition, the Board's action taken in June 2012 included a requirement that an assessment of the budget allocation model be conducted annually. The District Budget Committee is scheduled to evaluate the new model at the end of the current 2012-13 budget year to see if the new plan has been effective in addressing the needs of the smaller colleges. If needed, the District will develop a plan to modify the existing budget allocation model further. Progress on Phase II is to be reported to the District Budget Committee on an on-going basis with full implementation of all phases related to the new model expected to be completed by December 2013 for use in the development of the 2014-15 academic year' budget.

Conclusion: The District has fully addressed the recommendation, corrected the deficiencies, and now is in compliance with the Eligibility Requirements, Accreditation Standards and Commission policies. The follow-up visit indicates that the District has provided clear evidence to show that it continues to refine its budget allocation model in order to address the size, economies of scale, and stated mission of the individual colleges. Three of the colleges that experienced excess allocation of budgets in the past will begin the three-year pay-back period as of the 2013-14 academic year and six of the colleges will receive additional budget allocations during the 2013-14 academic year. The 2012-13 academic year was identified during the Phase I process as the "hold harmless" year for the colleges to permit time for the three colleges that will lose budget allocation to make the necessary adjustments in their college budget planning for 2013-14. During the Team's follow-up visit, Phase II was identified as being the "icing on the cake" to resolve some of the long-standing inequities in the budget allocation process between the large and small colleges to ensure that adequate funding is provided to each of the colleges in order to serve its stated mission. In addition, as of 2012-13, all of the colleges will be allowed to retain their balances up to 5% of their annual budget allocations for future planning purposes.

LACCD - District Recommendation 5 (2012): To meet the Standard, the Teams recommend that the Board of Trustees make visible, in behavior and in decision-making their policy role and their responsibility to act as a whole in the public's interest. Further, the Teams recommend continuing professional development for the Board of Trustees to ensure a fuller understanding of its role in policy governance and the importance of using official channels of communication through the Chancellor or his designee. (Standard IV.B.1.a.)

Findings and Evidence: During the visit, the follow-up team representatives for all three college accreditation teams conducted three interviews. One with two publicly elected Board of Trustees members and a separate interview with the student body elected Board of Trustees member. The follow-up team representatives also interviewed the District Chancellor to confirm evidence provided in advance of the follow-up visit to demonstrate that the Board understands and is following its policy-making role and its responsibility in acting as a whole to best serve the interest of the public rather than acting individually. Discussions during the visit also addressed the efficacy of improvements that have been made to obviate circumvention of the Chancellor by members of the Board.

Since February 21, 2012 the Board has held three Board retreats with the second held on April 19, 2012 and the third held on November 13, 2012. The retreats were conducted with an emphasis on improving performance that included annual board development, orientation, and assessment methods to measure improvements. All three retreats were facilitated by external instructors possessing expertise in board governance to include policy making, legal, and accreditation related roles and responsibilities for elected Board members. In January 2013, the Board conducted a self-evaluation to measure its improvement as compared to an evaluation conducted in 2012 to determine the areas in which there was an increase in measured commitment.

The self-evaluation survey instrument drew upon input from a broad base of district personnel including campus presidents, district senior staff, union leaders, academic senate leaders and student government leaders. The Administration and Finance areas of the self-evaluation survey had a relatively high proportion of items that exhibited a net increase in commitment in these areas of Board responsibility. The Community Relations and Education areas experienced the least improvement. Therefore, the Board committed to the development of concrete action items to improve in this area and intend to assess their progress in the next evaluation. In addition, to reinforcing the role of the Chancellor as the Board's conduit of communication to staff and to address the issue of Board behavior, all Board members completed the ACCJC's online accreditation training and approved on January 30, 2013, a revision to the Board's Rule 2300.10 (Code of Conduct) and 2105 (The Board of Trustees) language to include a pledge to follow official channels of communication with the Chancellor in gathering any information from staff that is not contained in the public record. Language also included a commitment to civility and courtesy in order to demonstrate in word and deed a respect of others and a willingness to acknowledge that reasonable people can respectfully disagree based upon divergent views. The Board also committed to attend conferences and visitations to other district board meetings to gain a broader understanding of operating methods and challenges facing neighboring districts.

Conclusion: The District has fully addressed the recommendation, corrected the deficiencies, and now is in compliance with the Accreditation Standards and Commission policies. The follow up visit indicates that the Board of Trustees has provided clear evidence to show its commitment to ensuring that Board members understand their role as policy makers, the importance of using official channels of communication through the Chancellor or assigned designee, and the need to operate in a respectful manner as a body representing the public's interest in regard to policy and governance making for the LACCD. The Board of Trustees provided to the Team representatives an actionable improvement plan which was developed on March 19, 2013 to address the Accreditation Standards and deficiencies noted. The Board members interviewed reported upon the improvements made thus far and the continued

commitment of all Trustees to openly address deficiencies noted in the last evaluation on an on-going basis and through subsequent annual retreats.