



**ACCREDITING
COMMISSION
for COMMUNITY and
JUNIOR COLLEGES**

10 COMMERCIAL BOULEVARD
SUITE 204
NOVATO, CA 94949
TELEPHONE: (415) 506-0234
FAX: (415) 506-0238
E-MAIL: accjc@accjc.org
www.accjc.org

Chairperson
LURELEAN B. GAINES
East Los Angeles College

Vice Chairperson
MICHAEL T. ROTA
University of Hawaii

President
BARBARA A. BENO

Vice President
SUSAN B. CLIFFORD

Vice President
STEVE MARADIAN

Vice President
GARMAN JACK POND

Associate Vice President
LILY OWYANG

June 30, 2010

Mr. Elihu Harris, Chancellor
Peralta Community College District
333 East Eighth Street
Oakland, California 94606

Dear Chancellor Harris:

The Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges, at its meeting June 9-11, 2010, reviewed the Peralta District Special Report Regarding Independent Audit Findings, submitted in response to the Commission's November 18, 2009 letter to Chancellor Elihu Harris, which required response to Commission concerns about the District's fiscal condition and external audit findings. The Commission also reviewed the District's May 27, 2010 addendum and response to the Team Report that was sent to the District on May 20, 2010). The Commission did not review a report submitted by the Peralta Community College District (CCD) on June 10, 2010 because it arrived after the Commission meeting started. The Commission also heard testimony provided by Peralta CCD Board Vice President Mr. William Riley, Vice Chancellor for Education Services Dr. Wise Allen, and Fiscal Advisor to the District Mr. Tom Henry.

The Commission reviewed the institutional Follow-Up Reports for Berkeley City College, the College of Alameda, Laney College, and Merritt College, and the visiting team reports for College of Alameda and Merritt College. These reports examined the colleges' and the District's responses to recommendations made by the 2009 comprehensive evaluation teams. These recommendations included three specific recommendations about District level financial management and governance.

The Commission took action to place Berkeley City College, College of Alameda, Laney College and Merritt College on **Probation** due to the Peralta Community College District's significant deficiencies in meeting Standards III.C, D and IV.A, B. The Commission also took action to require all four colleges and the Peralta Community College District to complete a Follow-Up Report by **October 15, 2010** that demonstrates progress in addressing and resolving all of the deficiencies identified by the 2009 team, the external audit findings identified in the Commission's November 18, 2009 letter to Chancellor Harris, and the deficiencies identified by the 2010 Special Visit Team. The Follow-Up Report will be followed by a visit of Commission representatives.

Mr. Elihu Harris
Peralta Community College District
June 30, 2010
Page Two

The Peralta CCD and its Board of Trustees provide policy and fiscal management services that support the four colleges of the District. When the District and its Board of Trustees fail to operate in a manner that meets Accreditation Standards, the deficiencies may jeopardize the accreditation of all of the District's colleges. Responsibility for correcting the deficiencies is with both the District as well as the colleges. (Please see *Policy and Procedures for the Evaluation of Institutions in Multi-College/Multi-Unit Districts or Systems.*)

The Commission requested that I convey to you the serious nature of its concerns about the fiscal solvency and stability of the District and about the District's governance systems. The Commission accredits colleges. Therefore, Commission actions usually direct the colleges to resolve deficiencies and to meet the Standards. However, in cases where the district or system operations and leadership play an important role in assuring institutions come into compliance with Accreditation Standards, it is the Commission's practice to identify the relevant issues in writing for the District Chancellor. Standards IV.B.1-3 lists those sub-sections specific to the district and board's responsibilities with respect to financial management. Internal controls and sound fiscal management are joint responsibilities at the campus and district levels (I.B.2.d and IV.B.3.c, and d).

The Commission notes that the District undertook significant and important steps to address the serious issues associated with information systems and fiscal management breakdowns, beginning in January 2010 with the hiring of EdMAC consultants and with a change of personnel. The Commission also recognizes that the 2009 external audit report, when completed, will help the District identify and rectify additional problems that may not yet be known. While the District has made a good beginning to correct its operations, there is much yet to do before sound management is re-established.

Deficiencies Identified by the 2009 Comprehensive Evaluation Teams

The Comprehensive evaluation teams that visited all four Peralta colleges and the District office in 2009 provided three recommendations to address deficiencies in the District's operations. The District staff and the College staff should review the 2009 comprehensive team reports for the context and background to these three recommendations, which have been renumbered for consistency and are included below. *The 2010 Special Visit team found that the District has not fully addressed these recommendations nor resolved the deficiencies associated with them.* The District's report must demonstrate that these deficiencies have been fully resolved and that the colleges and the district meet all associated Accreditation Standards.

Mr. Elihu Harris
Peralta Community College District
June 30, 2010
Page Three

2009 Team Recommendation 1. *Board and District Administration:* The team recommends that the District assess the overall effectiveness of its service to the colleges and provide clear delineation of functional responsibilities and develop clear processes for decision making. (Standards IV.B.1, IV.B.3, a, b, c, f and g)

2009 Team Recommendation 2. *Management Systems:* The team recommends that the District immediately resolve the functional issues associated with the implementation of the district-wide adopted software management systems for students, human resources, and financial administration. (Standards III.C.1.a, III.C.1.c, III.C.1.d, and IV.B.3.b)

2009 Team Recommendation 3. *Financial Resources and Technology:* The team recommends that the District take immediate corrective action to implement all appropriate controls and necessary MIS system modifications to achieve access to a fully integrated computer information management system, including modules for student, financial aid, human resources, and finance data, in order to assure financial integrity and accountability. All corrective action and system testing should be completed within two years and the governing board should receive regular implementation progress reports until project completion. (Standards III.D.1.a, III.D.1.b, and III.D.2.a)

Audit Findings Identified in the Commission's November 18, 2009 Letter to Chancellor Harris

The evaluation team that made a Special Visit to the Peralta Community College District on April 19, 2010, examined the District's response to several reporting requirements that were communicated in the Commission's November 18, 2009 letter to Chancellor Harris. That letter required that the District demonstrate resolution of the audit findings and compliance with Accreditation Standards. Major concerns were the District's strategy for paying post employment health benefits, and audit report findings showing very significant lack of internal controls and proper fiscal management.

The following reporting requirements have not been satisfactorily addressed; audit findings have not been resolved and the District is not in compliance with Accreditation Standards.

Mr. Elihu Harris
Peralta Community College District
June 30, 2010
Page Four

Reporting Requirement 1: Other Post Employment Benefits (OPEB) Liabilities

The Commission requires the District to provide an update on the value of the Deferred Compensation Trust Fund and that the District describe its plans to pay for the growing long-term debt. The District should specifically address whether the reported unrealized losses have been reduced as a result of market improvements since December 31, 2008, or if losses on investments continue to occur and if so, how will the losses impact long-term debt of the District. (Standards III.D.2.d and IV.B.3.d)

Reporting Requirement 2: The District's Internal Control Structure

The Commission asks the District to provide an update on its actions taken to address the following findings reported in the audit report. (Standards III.D.2 and III.D.2.d)

- a. 2008-1 Oversight and Monitoring. The District is to provide the Commission with additional information about actions taken to implement the audit recommendations reported in 2007 that remained in 2008. (Standard III.D.2 and III.D.2.d)
- b. 2008-2 Financial Accounting System Procedures. The Commission requires the District and each College to provide information about the actions taken to ensure all transactions are recorded and what activities are now occurring to ensure all transactions are reported and that the financial statements provided to the Commission are accurate. (Standards III.D.2 and III.D.2.d)
- c. 2008-3 Information Systems. The Commission requires the District and each College to provide a report on action taken to determine that accounting transactions are appropriately recording financial, procurement, and payroll transactions. (Standard III.D.2.g)
- d. Bursar's Office and Trust Fund Activity Reporting Changes. The Commission requires Laney College provide an update on changes that have occurred to correct internal control weaknesses and action taken to implement appropriate separation of duties, an accounting system that correctly captures revenues and classifies them as such, and action taken to ensure there is adequate oversight of expenditure decisions and transaction processing. (Standards III.D.2.c, III.D.2.d, and III.D.2.e)

As a result of Laney College's reported weaknesses in the internal control structure related to Federal funds, the Commission requires that Laney College, in cooperation with the District, provide information about its Student Financial Aid processing and specifically whether the weaknesses reportedly occurring in the Bursar's Office also exist in the accounting and reporting of Student Financial Aid. (Standard III.D.2.d)

- e. Accounts Payable/Purchasing Functions. The Commission requires that the District describe actions implemented to establish the appropriate separation of duties in the procurement cycle to include the cited weakness in the accounts payable process.

The Commission requires the District to conduct an assessment of the internal control structure for critical non-financial transactions including grade reporting and student record data to determine if additional changes in the internal control structure may be necessary to ensure information regarding student grade reporting and student records are accurate and protected from unauthorized disclosure. (Standards II.B.3.f, III.D.1.b, III.D.2.g, IV.B.3.d, IV.B.1, IV.B.1.B, and IV.B.1.c)

2010 Special Visit Team Recommendations

The 2010 Special Visit Team made a number of recommendations that should assist the District and the Colleges in improving practices and meeting Standards. The Colleges and the District are encouraged to read the Special Visit Report for the full context and meaning of these recommendations.

(2010) Recommendation 1: In order to meet standards at all times, all personnel selection actions must adhere to the established policies and procedures. (Standard III.A.1.a)

(2010) Recommendation 2: In order to meet the Standard, the team recommends the District evaluate the reporting structure with regard to the inspector general so that the position is properly placed in the hierarchy of the District organization. (Standard IV.B.1.j)

(2010) Recommendation 3: In order to meet the Standards, the team recommends the District clarify the role of the board members with respect to the work of the District managers. This would include a review of reporting structures, methods for board inquiries, distinction between board policy setting and oversight, and management, leadership, and operational responsibilities for the District. (Standards IV.B.1.d, IV.B.1.j)

Mr. Elihu Harris
Peralta Community College District
June 30, 2010
Page Six

(2010) Recommendation 4: In order to meet the Standard, the team recommends the District provide ongoing and annual training for board and management on roles and functions as it relates to District policy and operations. (Standard IV.B.1.f)

(2010) Recommendation 5: In order to meet the Standard, the team recommends the District engage in ongoing discussion about the role of the board and how it serves its trustee role for the good of the District. The role of the board should be reviewed regularly with each board member. (Standards IV.B.1, IV.B.1.j)

(2010) Recommendation 6: In order to meet the Standards, the team recommends the board consider regular review of the code of ethics to assure thorough understanding and application of its intent. (Standard IV.B.1, e, IV.B.1.h)

(2010) Recommendation 7: In order to meet the Standard, the visiting team recommends a change in the reporting relation of the Inspector General from the Board of Trustees to the Chancellor. (Standard IV.B.1.j)

(2010) Recommendation 8: In order to meet the Standard, the team recommends a regular review of board roles to assure that the board is relying on the Chancellor to carry out the policy set by the board. (Standard IV.B.1.j)

(2010) Recommendation 9: The team recommends the Board of Trustees and District adhere to their appropriate roles. The District must serve the colleges as liaison between the colleges and the Board of Trustees while assuring that the college presidents can operate their institutions effectively. Meanwhile, the Board must not interfere with the operations of the four colleges of the district and allow the Chancellor to take full responsibility and authority for the areas assigned to district oversight. (Standard IV.B.3.a-g)

The recommendations contained in the Evaluation Team Reports represent the observations of the evaluation teams at the time of the visit. The Commission reminds you that while you may concur or disagree with any part of the teams' reports, the colleges, the District and the Board are expected to use the report to improve educational programs and services of the college, district functioning and governance, and board oversight and to resolve deficiencies identified by the Commission.

Mr. Elihu Harris
Peralta Community College District
June 30, 2010
Page Seven

I wish to inform you that under U.S. Department of Education regulations, institutions out of compliance with Standards or on sanction are expected to correct deficiencies within a two-year period or the Commission must take action to terminate accreditation. The Peralta Community College District must correct the deficiencies noted no later than June 2011.

A final copy of the Evaluation Team Report is attached. Additional copies may now be duplicated. The Commission requires you to give the team report and this action letter dissemination to your Colleges and to those who were signatories of your report. The Commission also requires that the college reports, team reports, and the audit report be made available to students and the public. Should you want an electronic copy of the Evaluation Team Report, please contact Commission staff.

On behalf of the Commission, I wish to express continuing interest in the educational quality and success of students of the Peralta Community College District. Professional self-regulation is the most effective means of assuring integrity, effectiveness, and quality.

Sincerely,



Barbara A. Beno, Ph.D.
President

cc: Mr. Abel Guillen, Board Chair
Dr. Wise Allen, Vice Chancellor
Dr. Betty Inclan, President, Berkeley City College
Dr. George Herring, President, College of Alameda
Dr. Elnora Webb, Interim President, Laney College
Dr. Robert Adams, President, Merritt College
Ms. Linda Henderson, US Department of Education

Enclosure