



## **Follow-Up Report**

**Submitted by**

**Peralta Community College District  
Berkeley City College  
College of Alameda  
Laney College  
Merritt College**



**To**

**Accrediting Commission for Community and Junior Colleges  
Western Association of Schools and Colleges**

**April 1, 2011**

**Wise E. Allen, Ph.D., Chancellor**

**Peralta Community College District Board of Trustees**

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## Certification of the April 1, 2011, Follow-Up Report

**Date:** March 29, 2011

**To:** Accrediting Commission for Community and Junior Colleges  
Western Association of Schools and Colleges

**From:** Peralta Community College District  
333 East Eighth Street  
Oakland, CA 94606

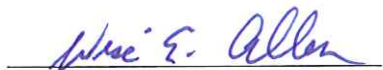
This Follow-Up Report is submitted for the purpose of assisting in the determination of the accreditation status of the four colleges of the Peralta Community College District (Berkeley City College, College of Alameda, Laney College, and Merritt College.)

We certify that there was participation by the district community and the Follow-Up Report reflects accurately the progress to date in meeting recommendations as required by the Accrediting Commission for Community and Junior Colleges (ACCJC).


Signed:

  
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# **Statement on Report Preparation and Overview of ACCJC Recommendations since June 30, 2009**

## **Overview of ACCJC Recommendations since June 30, 2009:**

In March 2009, four ACCJC visiting teams conducted site visits at the four colleges of the Peralta Community College District: Berkeley City College, College of Alameda, Laney College, and Merritt College. These site visits were a follow-up to the submission of comprehensive self-study evaluation reports from each of the four colleges. The ACCJC action letter of June 30, 2009 requested a March 15, 2010 Follow-up Report to address three district-level recommendations. The June 30, 2009 letter also requested submission of a March 15, 2011 Follow-Up Report regarding cited district recommendations. The three 2009 district-level recommendations, which were responded to in the March 15, 2010 Follow-up Report filed with ACCJC, are as follows:

**2009 Team Recommendation 1. *Board and District Administration:*** The team recommends that the District assess the overall effectiveness of its services to the colleges and provide a 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 districtwide adopted software management systems for student, human resources, and financial aid 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 systems modifications to achieve access to a fully integrated computer information management system, including modules for student, financial aid, human resources, and finance, 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).

In November, 2009, ACCJC requested the Peralta Community College District to provide a Special Report responding to six specific audit findings in the district's 2007-2008 independent audit report from Varinek, Trine, Day & Co., LLP (VTD). The Special Report was filed with ACCJC on April 1, 2010. The six audit findings responded to in the Special Report are as follows:

**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. (Standard III.D.2, Standard 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, Standard III.D.2.d)*

**b. 2008-2 Financial Accounting System Procedures.**

*The Commission asks 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. (Standard III.D.2, Standard III.D.2.d)*

**c. 2008-3 Information Systems.**

*The Commission asks 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. 2008-8 Bursar's Office and Trust Fund Activity Reporting Changes.**

*The Commission requests 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. (Standard III.D.2.c, Standard III.D.2.d, Standard III.D.2.e)*

*As a result of Laney College's reported weaknesses in the internal control structure related to Federal funds, the Commission requests 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. 2008-11 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. (Standard II.b.3.f, Standard iii.D.1.b, Standard III.D.2.g, Standard IV.B.3.d, Standard IV.B.1.b, IV.B.1.c.*

In December 2009, the Peralta Community College District hired Mr. Tom Henry, CEO of EdMAC, to assemble a team to assist the district in resolving financial issues which prompted the ACCJC 2009 Financial Resources and Technology recommendation and which also caused ACCJC to request a Special Report regarding the previously cited audit findings. Mr. Tom Henry continues as the Fiscal Advisor for the Peralta Community College District. It also should be noted that the Governing Board approved the hiring of a new Vice Chancellor of Finance and Administration on July 20, 2010; approved the hiring of a new Payroll Manager on October 26, 2010; and approved the hiring of a new Associate Vice Chancellor of Budget and Finance on November 9, 2010.

An ACCJC Special Visit Team came to the Peralta Community College District Office on April 19, 2010 as a follow-up to the two reports which had been filed with ACCJC. The Special Visit Team, given the financial audit issues in the April 1, 2010, Special Report, focused primarily on the finances and financial management of the Peralta Community College District and focused on the role and functions of the Governing Board in relation to the Chancellor/Chief Executive Officer and other district and college administrators.

Following the April 19, 2010 ACCJC site visit, the Peralta Community College District filed additional reports with ACCJC, a Response to the Special Visit Team's Evaluation Report dated May 27, 2010 and a Report dated June 10, 2010 responding to questions from ACCJC. The goal and purpose of each was to keep the Commission up-to-date regarding ongoing actions the district had taken to resolve the district-level recommendations.

On June 10, 2010, the Peralta Community College District Chancellor, Dr. Wise Allen; the PCCD fiscal advisor, Mr. Tom Henry; and the then Vice President of the PCCD Governing Board, Dr. William Riley (now the president of the Governing Board), during the Commission closed session meeting, provided further information regarding progress toward resolving the ACCJC's Special Visit Team's recommendations. Specifically, they provided an update to the Commission regarding progress in resolving the recommendations which focus on district finances and financial management and the efforts the Governing Board had taken to address nine (9) new issues which were cited in the Special Visit Team's confidential report (April 2010).

At the June 2010 ACCJC meeting, the Commission took action to place Berkeley City College, the College of Alameda, Laney College, and Merritt College on "Probation" given the Peralta Community College District's significant deficiencies in meeting Standards III.C and D and IV.A and B. The Commission also took action requiring the Peralta Community College District to complete a Follow-up Report by October 15, 2010 demonstrating progress in addressing and resolving all of the original district-level deficiencies identified in the ACCJC letter of June 30, 2009, the external audit findings identified in the Commission's November 18, 2009 letter, and the district-level deficiencies identified by the 2010 Special Visit Team. Those new (additional) recommendations identified and cited in the ACCJC June 30, 2010 letter are as follows:

**(2010) Recommendations 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 Standards, 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)*

**(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. (Standard 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 visiting 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. (Standards IV.B.3.a-g).*

The ACCJC action letter of June 30, 2010, requested that a district-level response be provided for the original 2009 recommendations (previously cited) regarding Financial Resources and Technology, Management Systems, and Board and District Administration; the audit issues identified in the ACCJC letter of November 2009 (previously cited); and the nine (9) 2010

recommendations from the ACCJC Special Visit Team Report (previously cited). The Peralta Community College District filed the required October 15, 2010 Follow-up Report.

On November 4, 2010 an ACCJC three-member team came to the Peralta Community College District Office as a follow-up to the October 15, 2010 Follow-Up Report filed with ACCJC. The ACCJC team met with various district administrators including the Chancellor, the Vice Chancellor of Educational Services, the Vice Chancellor Finance and Administration, the Vice Chancellor of General Services, the Vice Chancellor of Student Services, the Associate Vice Chancellor for IT, the interim Vice Chancellor of Human Resources, the Associate Vice Chancellor of Academic Affairs, and the district Director of Financial Aid. Further the team met with the District Fiscal Advisor; a member of the Recovery Team who serves as Budget Director; two members of the Board of Trustees; the District Academic Senate president and past-president; and the facilitator for the Planning and Budgeting Council.

**Follow-Up Visit Report (November 2010) and Current Recommendations per ACCJC action letter, January 31, 2011:**

A confidential Follow-Up Visit Report was sent to the PCCD Chancellor on November 29, 2010 in advance of the January 2011 Commission meeting. The PCCD Chancellor, the District Fiscal Advisor, and the President of the Governing Board appeared before the Commission on January 13, 2011 to discuss the Follow-Up Visit Report and to update the Commission on the district actions being taken to remedy the deficiencies. On January 30, 2011 an ACCJC action letter and the final Follow-Up Visit Report were sent to the PCCD Chancellor. While the June 30, 2009 ACCJC action letter requested submission of a Follow-Up Report by March 15, 2011, the January 31, 2011 ACCJC action letter re-stated the need to file a Follow-Up Report by March 15, 2011 and to address the recommendations cited in the January 31, 2011 Action Letter. At the request of the Chancellor of the Peralta Community College District, the Commission agreed to extend the submission date of the report to April 1, 2011.

In reviewing the ACCJC report of the visiting evaluation team, the following evaluative statements in the "Conclusion" to the report are reflective of the progress PCCD has made in addressing the ACCJC recommendations and accreditation standards:

"The Peralta Community College District has made remarkable progress toward meeting the accreditation standards since the last visit in April 2010. During the last visit there was an atmosphere of denial and defensiveness among the staff who were interviewed. During this visit (11-04-10) the staff seemed to not only accept their situation, but they felt confident that the district will eventually resolve its situation. The two Board members who were interviewed expressed a complete commitment by the Board to allow the Chancellor to run the district in order to better serve the students. They demonstrated a strong willingness to discuss and to be trained on the roles of the Trustees versus the role of the Chancellor. Without question, the hiring of Dr. Allen as interim chancellor has proven to be the first of several strategic and key personnel changes. The appointment of the two Vice Chancellors (Educational Services and Finance), especially the Chief Business Officer, Ron Gerhard, was also an important step in stabilizing the leadership and in giving the staff the confidence in the administration and



themselves to resolve the district's situation. Keeping Tom Henry employed as the fiscal advisor was also critical to staff's confidence level." (pp. 6-7)

"Additionally, the District has established a constructive and collaborative working relationship with the State Chancellor's Office in all matters of financial reporting and student progress. This is a significant change from the last visit where their relationship was viewed with some suspicion." (p. 7)

"The culmination of the district's effort to address its governance and fiscal issues is presented in the Corrective Action Matrix, dated September 30, 2010. This document systematically addresses, on a point by point basis, every issue from the Grand Jury investigation, accreditation recommendations, and audit findings. The matrix is a 'blueprint' for success, and if the district continues to use it as a guide, there is no question that the district will correct its situation." (p. 7)

"It appears that the District has invested significant effort in the resolution of the recommendations from both 2009 and 2010; however, there is still significant effort required to bring these issues to final resolution." (p. 7)

At the end of the Report from the Evaluation Team (November 2010), there are four (4) new recommendations which also are cited in the January 31, 2011 ACCJC action letter and which are to be addressed in this April 1, 2011 Follow-Up Report:

**Recommendation 1 (1-31-11):** The team recommends that the 2010 Recommendation 5 be revised to include the following language: The team additionally recommends that the Board of Trustees continue to redefine the appropriate role of the Board and its relationship to the Chancellor. The Board of Trustees should also refine and change the roles and charges of the Board Committees so that they reflect an appropriate policy role for the Board.

**Recommendation 2 (1-31-11):** The team recommends that the district continue to monitor its progress toward meeting the issues listed in the Corrective Action Matrix. In particular, the district needs to plan to address the OPEB bond and to be evaluated on keeping to its 2010-11 budget.

**Recommendation 3 (1-31-11):** The team recommends that the Board of Trustees develop and implement a plan to review all Board policies so that the policies reflect only policy language and that the operational processes for these policies be reflected in a system of administrative regulations.

**Recommendation 4 (1-31-11):** The team recommends that the district continue to address all recommendations from 2009, 2010, and the current visit (November 2010). Although the district has invested substantial effort to address all recommendations, it is incumbent on the district to ensure that these efforts continue and are institutionalized within the district.

Further, the January 31, 2011 ACCJC action letter requests that five (5) activities also be addressed in the Follow-Up Report:

1. The status update of the PeopleSoft financial modules. The institutional Follow-Up of non-financial modules was conducted. The CAM states that ‘the District is working on resolving the issues associated with the implementation of the adopted software management systems for student, human resources, and financial aid administration.
2. The status of OPEB liabilities, and according to the CAM, a report is due June 2011. The Commission also requests a copy of the consultant KNN report on the OPEB.
3. The status of the corrective action plans as related to **all** audit recommendations and federal awards delegated to the “new” Chancellor as referenced in the CAM.
4. The status of the new Chancellor search and the District response to sustain leadership continuity in the Chancellor position.
5. The status on the training of the Governing Board in terms of financial roles and responsibilities as delegated to the new Chancellor in the CAM. (p. 2)

### **Report Preparation:**

This Follow-Up Report provides an update on progress since October 15, 2010 through March 15, 2011 in resolving the deficiencies stated in the ACCJC recommendations [addressing the four (4) recommendations and five (5) activities]; provides a current Corrective Action Matrix; and the OPEB PPT Reports provided to the Governing Board on February 15, 2011 and March 29, 2011.

The Vice Chancellor of Educational Services, the Vice Chancellor of Budget and Finance, the Fiscal Advisor for the Peralta Community College District, and the Associate Vice Chancellor of Information Technology provided the information contained in this report and reviewed the report for data driven facts, as well as accuracy.

This report was completed on March 23, 2011 and forwarded to the Governing Board for review, discussion, and action at their March 29, 2011 Board meeting.

The Chancellor looks forward to working with the ACCJC visiting team chair, as well as the team members, for the follow-up visit on April 11, 2011 and April 12, 2011. PCCD views the ACCJC team visit as an opportunity to ensure ongoing dialogue with ACCJC, to answer any questions regarding the PCCD’s Follow-Up Report, and to provide evidence relative to the accreditation progress made by the PCCD. Additionally, PCCD will update the visiting team as to actions taken since the completion of the writing of this Follow-Up Report, and to respond to any questions and provide any additional information requested by the ACCJC visiting team.

All documents listed as Evidence can be found at the following website:

<http://eperalta.org/wp/accreditation/follow-up-report-documentation-april-1-2011/>

## **Response to 2009 Recommendation 1 and Recommendation 4 (1-31-11)**

**2009 Team Recommendation 1. Board and District Administration:** The team recommends that the District assess the overall effectiveness of its services to the colleges and provide a 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)

**Recommendation 4 (1-31-11):** The team recommends that the district continue to address all recommendations from 2009, 2010, and the current visit (November 2010). Although the district has invested substantial effort to address all recommendations, it is incumbent on the district to ensure that these efforts continue and are institutionalized within the district.

### **Response**

This response will provide information for the time period of October 15, 2010 through March 15, 2011. This response, as well as others in this report, incorporates the new Recommendation 4, as cited above, since the intention of the recommendation is to stress the need for the Peralta Community College District to “institutionalize” all actions and activities taken to date in response to all ACCJC recommendations.

In assessing the Peralta Community College District’s action in resolving the 2009 Recommendation 1, the visiting team in the Follow-Up Visit Report (November 2010) reported the following: “The District’s responses to the 2009 recommendations stated in the 2010 ACCJC Accreditation Letter of June 30, 2010 are addressed and they have been met. The corrective actions required by ACCJC were to assess the overall effectiveness of the District services to the colleges, provide clear delineation of functional responsibilities, and develop clear processes for decision making. The District, led by the Chancellor and the Vice Chancellor of Educational Services, developed and now has an ongoing process of assessing the overall effectiveness of the District services to the colleges and a clear delineation of functional responsibilities. This process was described and outlined in the October 15, 2010 Follow-Up Report.” (p. 1)

The visiting team report goes on to say, “As a result the District created a new District Planning and Budget Integration (PBI) Process. The primary focus of the process is on the services, functions, and accountability to the colleges. The committees that compose this PBI process are education, facilities, technology, and the Planning and Budgeting Council. The procedures for the PBI process were adopted by the Board in August 2009. A web site was created which documents the work of all committees and serves as a historical record of the actions taken and motions recorded. Evaluation of the first year using the process revealed positive responses from the colleges and District personnel. A manual was created to provide clarity about District services and to delineate district and college functions.” (pp. 1-2)

## Introduction

As the ACCJC visiting team cited, one important step taken by PCCD in addressing this recommendation was to create a *District Function Guide* (<http://eperalta.org/wp/accreditation/files/2010/09/Manual-of-District-Functions.pdf>) which was first created in academic year 2009-2010 and was updated for the current academic year, 2010-2011. This manual provides a clear delineation of functional responsibilities at the district service centers and provides detail on the guiding framework for district-wide decision making and information about the district service centers and the services each provides. As noted previously, the ACCJC November 4, 2010 visiting team references this manual in their Follow-Up Visit Report.

The PCCD October 15, 2010 Follow-Up Report provided detail as to how district services were and are addressed in strategic planning; how the creation of the Strategic Management Team (SMT) in September 2006 has been critical to addressing responsibilities and processes for decision making at the district level and has fostered collaborative working relationships between the colleges and the district office service centers; and the importance of the Planning and Budgeting Integration (PBI) process to provide district-level shared governance for district-level processes and planning.

As noted in the October 15, 2010 Follow-Up Report, the Planning and Budgeting Integration (PBI) process has served to establish a clear delineation of functional responsibilities and clarity regarding processes for decision making, is the process used to make district-level planning and budgeting decisions, was evaluated at the end of spring 2010, will be evaluated again in spring 2011, and every spring thereafter. As noted previously, each PBI committee (Education, Technology, Facilities, Planning and Budgeting Council) is chaired by a Vice Chancellor or Associate Vice Chancellor; each PBI committee includes one college president; each committee has a membership of key faculty, staff, and administrators; each provides planning and budgeting recommendations to the Chancellor for review and action; and each obligates all members to communicate this district-level work with their constituencies. It is through structure and process which produces outcomes that the Peralta Community College District continues to address this recommendation. That structure and process is being institutionalized and through annual evaluation continues to evolve and integrate itself into the moral fiber of the PCCD.

The October 15, 2010 Follow-Up Report submitted to ACCJC provides extensive detail and rationale for and development of the Planning and Budgeting Integration (PBI) process and committees. The PBI process was an effort to streamline the then existing district-level committee structure, to focus on key district functions and planning needs, and to have an understandable process for making district-level planning decisions, in order for the Governing Board and Chancellor ultimately to have data for decision making. The October 15, 2010 Follow-Up Report also detailed the purpose and function of each committee (Education, Technology, Facilities, and the Planning and Budgeting Council), the measureable accomplishments achieved in 2009, and the key topics/issues which each committee is focusing on in the 2010-2011 academic year.

As noted in the October 15, 2010 Follow-Up Report, at an annual summit, Summit 2010 (August 27), each of the Planning and Budgeting process committees determined key issues each would focus on in academic year 2010-2011. The committees' issues/goals are as follows:

The Education Committee is focusing on the following:

- SLOs/SAOs and assessment
- Program Reviews and looking at prioritization, viability, and consolidation
- Basic Skills and student success and persistence
- Review of Student Services given the decreases in state categorical funding

The Technology Committee is focusing on the following:

- Smart Classrooms and district-level coordination
- Distance Education and ongoing continuous improvement
- How to maintain existing technology and have appropriate funding

The Facilities Committee is focusing on the following:

- Creating a system to advance projects
- Addressing uncommitted Measure A funds
- The Department of General Services process for work orders
- Effective communication with the colleges

The Planning and Budgeting Council is focusing on the following:

- The 2010-2011 budget
- The Recovery Plan which has been submitted with the California Community Colleges Chancellor's Office
- Follow-Up to the district-wide Budget Workshop (9/20/10)
- Drafting the 2011-2012 budget, using specific deadlines
- Relooking at the budget allocation model (meetings on 1/19/11 and 2/11/10)

The report currently provides information regarding the work of the four committees during the time period of October 15, 2010 to March 1, 2011.

## **The Planning and Budgeting Integration Process Committee Work: Moving Forward/ Institutionalizing the Process**

The four district-level planning committees continue to meet as per the monthly dates agreed upon in August 2010. A brief synopsis of the work of these committees from October 2010 through March 1, 2011 follows.

### **Education Committee**

Some key areas the Education Committee has been addressing to date in 2010-2011 are as follows:

- SLO/SAO assessment
- Follow-up on district-wide instructional discipline meetings
- Basic Skills and Accelerated Learning (including a presentation by Chabot College faculty)
- Full-time faculty hiring prioritization (forwarded to the Planning and Budgeting Council)
- Planning for a district-wide Assessment Summit
- Recommendation to implement the Degree Audit/Academic Advising module in the PeopleSoft system (forwarded to the Planning and Budgeting Council)
- Addressing SB 1440 and CSU Transfer (TMC) Degrees.

All key documents from the Education Committee meetings can be found at the following website: <http://eperalta.org/wp/pbi/educational-committee/>

### **Technology**

Some key areas the Technology Committee has been addressing to date in 2010-2011 are as follows:

- Smart classrooms
- Technology training
- Classroom video streaming
- Web Conferencing
- Updates on IT planning and staffing
- Online student services
- Moodle
- Updating the IT strategic plan
- Regular updates from the IT Committees at the four colleges
- Funding for “refreshing” instructional computers

### **Facilities**

Some key areas the Facilities Committee has been addressing to date in 2010-2011 are as follows:

- Smart Classrooms
- Measure A expenditures
- College Facilities Committees reports
- Kaiser Convention Center business plan

- District-wide security camera project
- Emergency Preparedness Master Plan
- Five-Year Scheduled Maintenance Plan
- Sustainability – Solar Panels

### **Planning and Budgeting Council**

Some key areas the Planning and Budgeting Council has been addressing to date in 2010-2011 are as follows:

- Prioritizing full-time faculty hiring (recommendations forwarded to the Chancellor)
- Funding Library Databases (request forwarded to the Chancellor and approved by the Board)
- Measure A Report
- PCCD Foundation Report
- Review of Budget Allocation Models from other districts in order to revise the PCCD model
- Budget Development Principles and Guidelines
- Regular updates on the State budget
- Regular reports from the Education, Technology, and Facilities Committees
- Budget Allocation Model Workshops (1/19/11 and 2/11/11)

All key documents from the Planning and Budgeting Council meetings can be found at the following website: <http://eperalta.org/wp/pbi/planning-and-budgeting-council/pbc-documents/>

Each of the planning committees is moving ahead with a very robust agenda. Key issues are being identified and addressed. Even in this time of anticipated reduction in State funding in 2011-2012, the district planning committees continue to address planning in a strategic manner and are factoring in potential budget cuts.

The Planning and Budget Integration process, through the work of the four committees, continues and it has been a major asset at the district-level. Once again, at the conclusion of the spring 2011 semester, the process will be evaluated and any needed changes or improvements will be addressed.

### **Evidence**

All key documents for the Planning and Budgeting Integration process can be found at the following website: <http://eperalta.org/wp/pbi/>

## **Recommendation 1 (1-31-11): Role of the Board of Trustees and Board Committees**

### **Recommendation 3 (1-31-11): Board Policies and Administrative Procedures**

**Recommendation 1 (1-31-11):** The team recommends that the 2010 Recommendation 5 be revised to include the following language: The team additionally recommends that the Board of Trustees continue to redefine the appropriate role of the Board and its relationship to the Chancellor. The Board of Trustees should also refine and change the roles and charges of the Board Committees so that they reflect an appropriate policy role for the Board.

*[(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. (Standard IV.B.1, IV.B.1.j)]*

**1/31/11 Activity Request #5:** The status on the training of the Governing Board in terms of financial roles and responsibilities as delegated to the new Chancellor in the CAM.

**Recommendation 3 (1-31-11):** The team recommends that the Board of Trustees develop and implement a plan to review all Board policies so that the policies reflect only policy language and that the operational processes for these policies be reflected in a system of administrative regulations.

## **Introduction**

The visiting team in their Follow-Up Visit Report (November 2010) stated that the following Governing Board recommendations have been met and references are provided from the Follow-Up Visit Report:

**(2010) Recommendations 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)*

**“The District has met this recommendation.** All personnel actions are now directed through the human resources staff of the district and colleges. Board members no longer sit on committees or call presidents or college administrators to make recommendations about hiring decisions. The Board has fully recognized their responsibilities and enthusiastically embraced their role.” (p. 4)

**(2010) Recommendation 2:** *In order to meet the Standards, 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).*



**“The District has met this recommendation.”** (p. 4) The inspector general resigned effective January 4, 2011 and there are no plans to fill this position.

**(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)*

**“The District has met this recommendation.** Through professional development workshops, policy changes, and organizational changes at the district level, they comply in action and spirit with the standard.” (p. 4)

**(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)*

**“The District has met this recommendation.”** (p. 5)

**(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)*

**“The district has met this recommendation** as noted in the adoption of board policies on ethics, conflict of interest, and their annual self evaluation.” (p. 5)

**(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)*

As per the 11-04-10 visiting team report, **“the District meets this recommendation** and has done so through Board action, changes in organizational charts, and through the actions now being carried out by the Chancellor and his staff.” (p. 6)

**(2010) Recommendation 8:** *In order to meet the Standard, the visiting 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)*

**“The District meets this recommendation.”** (p. 6)

**(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. (Standards IV.B.3.a-g)*

**“The District has met this recommendation.”** (p. 6)

The ACCJC visiting team determined that the PCCD has resolved eight of the nine 2010 recommendations related to the Governing Board which were cited in the June 30, 2010 ACCJC action letter. The Governing Board is committed and agrees to the importance of addressing the substance of these recommendations in an ongoing manner. The Board understands the importance of the ACCJC accreditation standards regarding “Leadership and Governance” (Standard IV) and how those standards help drive quality education for the PCCD students. The Governing Board made that commitment at various training workshop including the June 10, 2010 workshop led by Bill McGinnis; the July 19, 2010 workshop led by Chancellor Allen; the September 14, 2010 workshop led by Dr. Cindra Smith; and the October 19, 2010 workshop led by Warren Kinsler. These workshops were noted in the October 15, 2010 Follow-Up Report.

The Governing Board is aware of the specific elements in Standard IV listed below and took action on March 15, 2011 with a first reading to revise and adopt Board Policy (BP) addressing Policy development and Administrative Procedure (AP) development and with a second reading on March 29, 2011 will formally adopt the revision/ new process. BP and AP 1.25 address the appropriate roles of the PCCD Board and its relationship to the Chancellor relative to policy development and administrative procedures development. On February 1, 2011, the PCCD Governing Board passed a resolution to place all board standing committees in abeyance while the Governing Board, with the assistance of the Chancellor, evaluates whether it is more effective to have the Governing Board as a whole consider committee topics at regular Board meetings. The chairs of the suspended Board committees are working with the Chancellor and the Board President to place critical issues on the Board meeting agendas. At this point, the “new” process is working well.

“In addition to the leadership of individuals and constituencies, institutions recognize the designated responsibilities of the governing board for setting policies and of the chief administrator for the effective operation of the institution” (Standard IV.B); and

“The governing board delegates full responsibility and authority to him/her (the Chancellor) to implement and administer board policies without board interference and holds him/her accountable for the operation of the district/system or college, respectively” (Standard IV.B.j).

## **Response to current Governing Board recommendations:**

### **Recommendation 1 (1-31-11)**

### **Recommendation 3 (1-31-11)**

#### **Includes Activity Request #5**

The ACCJC visiting team determined that (2010) Recommendation 5 has not been fully resolved. The visiting team then updated this recommendation and added a new recommendation for the Governing Board which also must be addressed and resolved. This report will now address these two recommendations. Further, the 1/31/11 activity request #5: “The status on the training of the Governing Board in terms of financial roles and responsibilities as delegated to the new Chancellor in the CAM” is included in this response regarding board roles and responsibilities.

**(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. (Standard IV.B.1, IV.B.1.j)

The visiting team report states: “While the District has made significant progress with this recommendation by changing their policies and practices, it is not fully met. There remains the board committee structure which must be reconciled with their new roles and responsibilities.” (p. 5)

In keeping with their assessment, the visiting team revised the original recommendation as follows:

**Recommendation 1 (1-31-11):** The team recommends that the 2010 Recommendation 5 be revised to include the following language: The team additionally recommends that the Board of Trustees continue to redefine the appropriate role of the Board and its relationship to the Chancellor. The Board of Trustees should also refine and change the roles and charges of the Board Committees so that they reflect an appropriate policy role for the Board.

In addition the following activity request (#5) is embedded in this recommendation: “5. The status on the training of the Governing Board in terms of financial roles and responsibilities as delegated to the new Chancellor in the CAM.”

In responding to this recommendation with regard to the roles of Governing Board committees, the Governing Board announced at the January 18, 2011 Governing Board meeting that Governing Board committee meetings would be suspended and topics previously covered at committee meetings would be included in general Governing Board meetings. The minutes from the January 18, 2011 meeting states the following: “Trustee Withrow announced that instead of having an audit and finance committee meeting, there will be a committee category at the end of the February general Board meeting. Trustee Yuen shared that the facilities and land use committee meetings will be suspended for this month, and these issues will be incorporated into the general meeting. Trustee Gulassa announced suspending the policy review committee meeting.”

At the February 1, 2011 Governing Board meeting, the Governing Board unanimously passed the following agenda item: “Consider Board Approval to Place All Board Standing Committees in Abeyance Until Further Notice. Consider approval to place all board standing committees in abeyance while the Governing Board evaluates whether it is more effective to have the Board as a whole consider committee topics at regular Board meetings. The respective chairs of the board committees shall work with the Board President to assure placement of critical issues on the Board agenda.” In addressing this ACCJC recommendation regarding Board committees, the Chancellor has provided the Board with a draft policy that eliminates Board committees and establishes a committee of the whole. The Board has taken the proposed policy under review and has suspended previous board committees. This policy review will continue to refine and change the roles and charges of the Board, so that the new process reflects an appropriate role for the Board consistent with ACCJC Standard IV.B.1.3.

As a result of the agreement to suspend Board Committee meetings, it was announced on February 1, 2011, that an OPEB report would be provided to the Governing Board on February 15, 2011 and that this would be viewed not only as a report but also as a financial training workshop regarding Board financial responsibilities.

On February 15, 2011 the Governing Board entered into a financial training workshop on the current status of OPEB bonds, with a purpose to both train the Governing Board on financial responsibilities and to provide them information necessary for decisions the Governing Board will need to make regarding the OPEB bond investments. The report and training was led by an independent external financial group, KNN (Kelling, Northcross and Nobriga), and included a Swap consultant, a financial advisor, and the Vice Chancellor of Finance and Administration.

In keeping with training the Governing Board regarding financial roles and responsibilities, on October 26, 2010, the Vice Chancellor of Finance and Administration instructed the Governing Board on the current budget activity calendar being used by the district Office of Finance. On November 9, 2010, the Vice Chancellor provided the Governing Board an update on the 2010-2011 budget. On December 7, 2010, the Vice Chancellor conducted a Governing Board Study Session to review Student Services Funding and the impact of cuts in the categorical programs. The Vice Chancellor of Finance and Administration, on January 18, 2011, provided the Governing Board a budget presentation providing an overview of projections for the 2011-2012 budget

([http://peraltaccd.granicus.com/MetaViewer.php?view\\_id=2&clip\\_id=335&meta\\_id=33209](http://peraltaccd.granicus.com/MetaViewer.php?view_id=2&clip_id=335&meta_id=33209) ).

**Recommendation 3 (1-31-11):** The team recommends that the Board of Trustees develop and implement a plan to review all Board policies so that the policies reflect only policy language and that the operational processes for these policies be reflected in a system of administrative regulations.

## **Response**

The Peralta Community College District Chancellor will lead the effort to continue the review of Board policies and to see that administrative procedures which may be a part of policy are separated out into distinct administrative procedures documents. In order to accomplish this plan, the Chancellor is working with the five Vice Chancellors and General Counsel to accomplish the review and he sees this as an ongoing effort given the number of policies currently in place and the ongoing potential that a new policy may be required.

The current Peralta Community College District Board Policy Manual is divided into ten (10) chapters, as follows, and the lead for review is listed:

Chapter 1: Board of Trustees (23 policies) [Lead: Chancellor]

Chapter 2: Organization for Administration (15 policies) [Lead: Chancellor and General Counsel]

Chapter 3: Personnel (57 policies) [Lead: Vice Chancellor of Human Resources]

Chapter 4: Student Personnel Services (34 policies) [Lead: Vice Chancellor of Student Services]

Chapter 5: Educational Services (22 policies) [Lead: Vice Chancellor of Educational Services]

Chapter 6: Business Services (49 policies) [Leads: Vice Chancellor of Finance and Administration and the Vice Chancellor of General Services]

Chapter 7: Board Policy related to Matriculation (18 policies) [Leads: Vice Chancellor of Educational Services and Vice Chancellor of Student Services]

Chapter 8: Due Process (1 policy): [Lead: Vice Chancellor of Human Resources and General Counsel]

Chapter 9: Prerequisites, Corequisites, Advisories and other Limitations on Enrollment (2 policies) [Lead: Vice Chancellor of Educational Services]

Chapter 10: Disproportionate Impact (2 policies) [Leads: Vice Chancellor of Educational Services and Vice Chancellor of Student Services]

In this review process, there may be some policies which need to be moved to different chapters based on the purpose of the chapter and some policies which could be eliminated given the purpose of the policy. Further, the first six (6) chapters will be the main focus of the Chancellor's plan of action. In terms of Chapter 7, there have been no changes to the Title 5 requirements for Matriculation and the "Model District Policy" which Peralta adopted. In terms of Chapter 9, there have been no recent changes in Title 5 requirements for Prerequisites, Corequisites, or Advisories. If there is a change from data analysis to content review for cross-discipline prerequisites, then the appropriate policy and administrative procedures will be modified. Chapter 10 will need to be reviewed to determine if a policy is needed given Title 5 regulations which address disproportionate impact. The one policy in Chapter 8 may be able to be moved to Chapter 3.

It should be noted that several policies and procedures in Chapter 4 and 5 have been updated within in the last two years because of changes in district practices or changes in Title 5 regulations. Various specific policies and procedures in Chapter 6 are currently being revised and the revised policies will be taken to the Board for approval and the administrative procedures for review.

The Chancellor, working with his staff, has developed a new draft policy that addresses the distinction between policies and administrative procedures as recommended in this ACCJC Recommendation 3 (Board Policies) [1-31-11]. This recommended Policy and Administrative Procedures clearly separates administrative procedures from policy. This draft policy and administrative procedure, was submitted for review, discussion and adoption to the Governing Board at its March 15, 2011 meeting and will be formally adopted at the March 29, 2011 Board meeting (BP 1.25). The Chancellor also has submitted this draft Policy and Administrative Procedures to the district's Planning and Budgeting Council to incorporate the "shared governance process". A review will occur by the Chancellor and/or his staff of the current policies and administrative procedures to determine whether the current policies are consistent with accreditation requirements, federal requirements, and California education code and Title 5 regulations.

## **Evidence**

1. GB Board of Trustees Meeting - January 18, 2011 agenda
2. GB Board of Trustees Meeting - January 18, 2011 minutes
3. GB 2-1-11 Board of Trustees agenda
4. GB Board of Trustees Meeting - February 1, 2011 minutes
5. GB Board of Trustees Meeting - February 15, 2011 agenda
6. GB Board of Trustees Meeting - February 15, 2011 minutes
7. BP 1.05 Board Duties and Responsibilities 10-26-10
8. BP 1.21 Board Committees 10-26-10
9. BP 6.86 Conflict of Interest Code 10-12-10
10. AP 6.80 Capital Construction Planning 10-04-10
11. GB Clarification and Reinforcement of Board Roles 9-28-10
12. GB Board Training Duties and Responsibilities 10-26-10
13. GB Study Session - Student Services Budget 12-7-10
14. GB Board Self-Evaluation Form 2010
15. GB Board Budget Update 11-9-10
16. GB Board Presentation on Budget Activity Calendar 10-26-10
17. GB Budget Presentation to the Governing Board 1-18-11
18. Board Policy - Investments – PCCD
19. Administrative Procedures - Investments – PCCD
20. BP 5.22 Academic Standards (sample updated policy)
21. AP 5.22 Academic Standards (sample updated procedure)
22. Revised AP 2.03
23. BP 1.25 - Policy Development - Rev 3-15-11
24. 3-15-11 Board of Trustee Minutes

## **Response to 2009 Recommendation 2 And Recommendation 4 (1-31-11)**

**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 student, human resources, and financial aid administration. (Standards III.C.1.a, III. C.1.c, III.C.1.d, and IV.B.3.b)

**Recommendation 4 (1-31-11):** The team recommends that the district continue to address all recommendations from 2009, 2010, and the current visit (November 2010). Although the district has invested substantial effort to address all recommendations, it is incumbent on the district to ensure that these efforts continue and are institutionalized within the district.

**1/31/11 Activity Request #1:** ....The institutional Follow-Up of non-financial modules was conducted. The CAM states that ‘the District is working on resolving the issues associated with the implementation of the adopted software management systems for student, human resources, and financial aid administration.

### **Introduction**

Both the March 15, 2010 Follow-Up Report and the October 15, 2010 Follow-Up Report provided a detailed analysis regarding the process for utilizing and/or implementing the non-financial modules in the PeopleSoft enterprise management system (the focus of this recommendation). In providing an updated response to this recommendation, the information provided in those two reports will not be repeated, but rather an update will be provided regarding action taken since October, 2010, to fully utilize the non-financial modules and in effect to institutionalize processes to address the non-financial modules.

As noted previously, with the acquisition of the PeopleSoft enterprise management system, the district purchased a very robust system and it was readily understood that utilization of the various non-financial modules would happen over time. Utilization is more than “turning on” the functionality or module, but requires written procedures to be followed when using a specific functionality/module and ongoing training of the end users, as well as an ongoing assessment of “business” practices. It also requires encouraging end users to peruse all steps in the procedures.

This current response, as well as the March 15, 2010 response and the October 15, 2010 response addresses the activity request in the January 31, 2011 ACCJC action letter to report on “1. ... The Institutional Follow-Up report states that a review of the non-financial modules was conducted. The CAM states that ‘the District is working on resolving the issues associated with the implementation of the adopted software management systems for student, human resources, and financial aid administration.’ ” The focus of this response is on the non-financial modules of PeopleSoft.

In order to better manage utilization and implementation of the non-financial modules, as noted in the October 15, 2010 Follow-Up Report, the Vice Chancellor of Educational Services resurrected the original “change management process” of functionality teams and a coordinating group, the PeopleSoft Resolution Team. This structure, detailed in the October 15, 2010 Follow-Up Report, provides a method for all end user groups to address their “issues” (functionality concerns) and for IT programmers and functional analysts to respond either through changes in the system or clearer procedures in specific areas.

Regarding the production database, all process changes are now authorized and documented whenever a modification or addition is requested of IT. The functional authorizer digitally signs a document while IT countersigns to signify the completed migration of any objects – forms, reports, and/or scripts – from a testing to production database instance. Moreover, any requisite changes to security also are included in the project migration form. In this way, customizations are recorded with clearly defined governance.

The October 15, 2010 Follow-Up Report documented: the “Guiding Principles and Accountability in the Improved Process,” the “PeopleSoft Resolution Team Charge,” the “PeopleSoft Resolution Team Membership,” the “PeopleSoft Functionality Teams and Charge,” the “Membership of the PeopleSoft Functionality Teams.” The 12 functionality teams are vital in responding to this recommendation and for institutionalizing a process for ongoing management of the non-financial PeopleSoft modules/functionality. Those teams include: Financial Aid, Counseling, Human Resources, Library, Matriculation, Schedulers, Student Finance, Students, Budget/Finance, Admissions and Records, Institutional Effectiveness, and Instructional Faculty. These functionality teams address the gamut of the non-financial modules in the PeopleSoft system. (The website for the PeopleSoft Resolution Team is <http://eperalta.org/wp/prt/> .)

The following provides the ACCJC visiting team with greater clarity and updating regarding the October 15, 2010 Follow-Up Report.

- The **Financial Aid** team meets regularly, continues to improve the financial aid process, has centralized specific services, and has drafted a Procedures Manual and Student Handbook and with a permanent district Director of Financial Aid all processes are addressed in an effort to make the financial aid process user friendly for the students; the team is working with EMASPro on a SAFE-Web financial aid system which will incorporate an integrated module with the PeopleSoft system and is targeted to “go live” for the 2012-2013 processing year;
- The **Counseling** team during the academic year has met monthly and has a defined list of deliverables, such as Degree Audit module [academic advising] (counselors are currently a part of the implementation team), transcripts queries, and integration of SARS with MIS data reporting, that are being addressed in the current academic year;
- The **Human Resources** team meets monthly with an IT programmer and there is ongoing progress; the Vice Chancellor of Finance and Administration and the Vice Chancellor of Human Resources meet to itemize system upgrades and improvements for 2010-2011;



the current focus is on the full utilization of the position control module, accounting accrual actuals, benefit encumbrance, electronic personnel action request forms and process, and processing payroll for adjunct faculty (pro-rata).

- The **Library** faculty for years have held monthly district-level meetings to coordinate their efforts; this existing group provides feedback regarding their use of the PeopleSoft system; and have been actively involved in the purchase of an integrated library system, the Millennium Integrated Library System;
- The district-level **Matriculation Committee** has been meeting since the early 1990s and continues to meet monthly; this existing group is providing feedback on functions needed in the PeopleSoft system (functions that were not possible in the Legacy system); and there is overlap with the Counseling team; the current focus is on the implementation of the Degree Audit module (academic advising), probation/dismissal, and ongoing use of wait lists;
- The college **Schedulers** since 2007 have met regularly with the Office of Educational Services Curriculum & Systems Technology Analyst to improve the scheduling functions and to fix “glitches”, and that process is ongoing;
- **Student Finance:** The district initially hired a CIBER Student Financials Consultant in January 2010 to reestablish the general ledger interface between the student finance module and the finance module. This allowed all student receivable and payable data to be processed successfully to the general ledger for reconciliation. The consultant applied updates and fixes to the system and met regularly with district staff to test the system prior to full implementation. By October 2010, the consultant began transitioning the work process to a permanent district Student Finance System Analyst;
- **Students:** the coordinator of Student Ambassadors at Berkeley City College and the Merritt College Vice President of Student Services regularly attend the PeopleSoft Integration Team meetings and provide feedback from students regarding the PeopleSoft system;
- **Budget/Finance:** with the creation of a Financial Recovery Team and the hiring of a new Vice Chancellor of Finance and Administration, there are now monthly meetings with the four college business officers; procedural manuals are being developed; there is greater openness to using the expertise of the college business officers;
- **Admissions and Records:** district office staff and college staff meet regularly and in their meetings address any and all issues related to their work using the PeopleSoft system;
- **Institutional Effectiveness:** the Associate Vice Chancellor of Academic Affairs, who is a skilled institutional researcher, has assisted in making many improvements to the BI (Business Intelligence) tool, which draws on the PeopleSoft data warehouse to generate data dashboards and a wide variety of reports that are made available directly to the

colleges. In addition, institutional researchers can use more advanced features of the BI tool to create custom reports at the request of the colleges and district. Reports generated by the BI tool, along with college fact books and a wide range of other research data are posted on the Institutional Research (IR) website: <http://eperalta.org/wp/indev/>. As part of the institutional effectiveness effort, college representatives can provide feedback, through college-level and district-wide committees, about the functionality of the BI tool and its ability to provide research data needed by the colleges. In addition to the feedback presented through committees, Institutional Research periodically surveys the Peralta community about these issues. For example, a PeopleSoft functionality survey was conducted in fall, 2009, with over 300 responses across Peralta district. This survey will be updated and re-administered in spring, 2011. The PeopleSoft functionality survey, along with a summary of its results, can be found on the IR website at: <http://eperalta.org/wp/indev/surveys>.

- **Instructional Faculty:** with the increase in IT technical analysts and functional analysts, “issues” (functionality concerns) will be addressed in a reasonable time frame; there has been an implementation of the “wait list” function, permission numbers, student no-show dropping process, and other needs are being identified.

The following information provided in the October 15, 2010 Follow-Up Report continues to demonstrate the effort to manage and fully utilize the PeopleSoft system.

The following list itemized various “issues” or items which have been addressed and was noted in the October 15, 2010 Follow-Up Report.

- Modification to the search variables/options for course search in the online class schedule;
- Ability to now identify and notify students with a failed grade in a pre-requisite course in progress;
- Pre-requisite (milestones) link on the Web (realizing it was unrealistic to have a drop down menu with 400 options);
- Sent out information about Peralta student e-mails (now available in the PeopleSoft system, and were not possible in Legacy) and included student e-mail addresses in class rosters;
- Due dates on each class census roster so that dynamically dated classes will file census rosters on time; the goal is to post a calendar on the portal;
- Provided a written explanation of SEOG awards;
- Set meetings with Regent, CIBER, Peralta IT, FAOs, Associate Vice Chancellor of Student Services, financial aid consultant, which eventually led to moving to the SAFE system, which has resolved previous financial aid issues;
- Completed a Financial Aid policies and procedures manual;
- Completed a Financial Aid Handbook;
- Created a list of required documents to collect from Financial Aid students;
- Hired IT programmers;

- Created a demo of PeopleSoft Academic Advisement (degree audit) application to be assessed in 2010-2011 and since October 15, 2010 this module is now in implementation phase which began February 2011;
- Faculty training;
- Add Card procedures;
- High School concurrent enrollment and process in PeopleSoft;
- Send out a listing of incomplete grade rosters each term;
- Process and system steps for fee collection;
- Training by Web demo on how to create a roll book in Excel;
- Ability to have batch holds on student accounts when Easy Pass fees are not paid;
- Update returning student addresses;
- Accuracy in MIS reports to help finalize the production schedule.

Major accomplishments during Spring Semester 2010 included the following:

- 11 upgrades to student financials
- 11 upgrades and the testing procedure which improved registration, the catalog, scheduling, etc., and added a Textbook tab in scheduling
- BI/Data Warehouse upgrades providing for increased use of data in the PeopleSoft system for research purposes
- Improved use of the drop function for non-completed pre-requisites
- New queries, especially for “special populations”, which has enhanced MIS submissions
- Set a separate, user friendly process, for registering Contract Education students and charging them the appropriate fee.
- Set system process for collecting student fees and placing “hard holds” on student records for non-payment.

Two major accomplishments related to the PeopleSoft update occurred during Summer Session 2010:

- Successfully piloted a Wait List function (with electronic permission numbers) which numerous faculty members requested, a function not possible in the Legacy system. This feature will be in full use for Spring 2011 registration.
- Ability to drop “No Show” students prior to census day.

As noted in the October 15, 2010 Follow-Up Report, the district is systematically addressing this ACCJC recommendation, and has been committed to implementing the non-financial PeopleSoft modules in a more effective manner and to address end-user needs efficiently. The district recognizes the need to use the PeopleSoft non-financial modules effectively to provide end users an effective and efficient means to use the system and in so doing to effectively manage their “work”, be it students, faculty, classified staff, or administrators.

The following provides an update on actions taken from October 2010 until March 2011 regarding the non-financial PeopleSoft modules/functionality.

## **Update on implementation/utilization of PeopleSoft non-financial modules**

A major meeting of the PeopleSoft Resolution Team (PRT) was held on February 14, 2011 (the next meetings are March 28, 2011 and May 16, 2011) and there were 27 participants including the 12 functionality team representatives, all IT programmers and analysts, the incoming Director of Enterprise Services, the Associate Vice Chancellor of IT, the Associate Vice Chancellor of Academic Affairs, and the Vice Chancellor of Educational Services (chair).

The meeting provided an opportunity to update everyone on the various and many activities underway to fully implement non-financial PeopleSoft modules. Throughout the meeting it was noted that in a district of four colleges and various district service centers communication is critically important to effective, successful implementation. This meeting provided the opportunity to be introduced to all IT programmers and system analysts and the incoming Director of Enterprise Services. In this process, it was readily noted how much of the implementation of the non-financial modules has been moved from outside consultants to in-house permanent staff. The steps taken to hire new permanent staff, to continue the practice of the PeopleSoft Resolution Team, and in a systematic manner address the full robust functionality of the PeopleSoft system suggests that institutionalizing a process is extremely important to move the district forward.

One key presentation at the PRT meeting was made by a contractor who has been hired and is now responsible for implementing the Degree Audit Module (academic advising). This module alone will be a major accomplishment in the movement forward in effective use of the PeopleSoft system. The Degree Audit Module (academic advising) is critical to Admissions and Records in determining student completion of degrees and certificates; completion of transfer general education requirements; correct calculation of grade point average and the many versions which have to be calculated depending on the purpose; and a more streamlined approach to working with student academic records. This module also will be invaluable to counselors when they work with a student and in writing a student education plan (SEP). This module will provide an automated method for financial aid staff to review a student's educational plan and grade point average.

The implementation of the Degree Audit Module (academic advising) will include a discovery phase to review Peralta business practices, update the Fit-Gap analysis previously conducted, engage a programmer to work with district IT, incorporate a testing phase prior to launch (include counselors, admissions and records staff, and financial aid analysts), make all necessary corrections prior to launch, and do any needed customizations identified in the testing phase. The method for implementing the Degree Audit Module (academic advising) by its very structure will allow for a "cleaner" approach and should guarantee fewer implementation problems.

Another implementation which was spotlighted was the Wait List and Permission Numbers function. The process was beta tested in summer 2010 and was fully implemented for spring 2011. Extensive training was provided. There will be follow-up trainings for those who were unable to attend and online training will be provided. In the end, approximately 13,890 students used the wait list function; approximately 6,740 wait list students were given permission

numbers which they used to register. Approximately 5,625 students dropped themselves from the wait list, generally because the students found another class in which to enroll. In general, it was agreed that the PeopleSoft system was effective. There will be some slight modification prior to summer 2011 regarding business practices when permission numbers are available, for how long, for all classes or only full-term classes, and how to best communicate with faculty and students.

The new Director of Enterprise Services stated that in addressing system functionality he is hoping to achieve the following in relatively short order: (1) provide transparency to all stakeholders about what IT is working on and may use Footprints to provide this information; (2) publicize a methodology for distinguishing projects from fixes, with priority given to fixes in order to ensure the continuity and integrity of business processes; and (3) working with the administrative facilitators who make up the PeopleSoft Resolution Team in order to determine the priority for IT projects.

The following reflects current processes in the various functionality areas. The movement forward demonstrates that process exists and institutionalization is happening.

**Financial Aid:** The district Director of Financial Aid continues a very aggressive approach to full implementation of a SAFE Web financial aid process and linking SAFE to PeopleSoft. The following are the various steps currently being taken.

- Continuing to work on the functional screens in the financial aid system.
- Meet weekly with the SAFE-Web team for a web based system.
- SAFE Project Coordinator, the Associate Vice Chancellor of IT, an IT programmer, and the district Director of Financial Aid have set a timeline for interfacing the SAFE system with PeopleSoft.
- Address the interface with enrollment information.
- Configure a Satisfactory Academic Progress file.
- Create a program to monitor repeat coursework and exclude repeats from enrollment units.
- Interface a program to monitor remedial units.
- Interface financial aid award information in a student portal.
- Configure legacy SAFE to GL feed; build SAFE-Web to GL feed; build PeopleSoft/SAFE web check-writing program.

**Counseling:** The major effort in this area, as noted previously, was to hire a consulting group to implement the degree audit system (academic advising). Also, work on using PeopleSoft for probation and dismissal, term activation for students, deactivating old student records, as well interfacing the SARS system with PeopleSoft for MIS purposes will address counselor priorities.

**Human Resources:** The Director of Human Resources noted that many key processes are being worked on which will improve the flow of work in HR and the amount of time to process various key tasks.

HR is working to establish an online employment application and has reviewed the practices of the Bay 10 colleges to assess effective online options. It is anticipated that within approximately two months this project will be completed.

HR is also working on the Leaves and Absences Module so that the data can be handled automatically by PeopleSoft and require less staff time and inputting of data. This module addresses Time and Labor, hourly student workers, and other functions. Full and effective use of the module includes the decision whether to upgrade from PeopleSoft 8.9 to 9.0 or 9.1.

Further, HR is working on an electronic Personnel Action form. At a minimum there will be an online PDF form which can be routed through e-mail. The ultimate goal is a form in the PeopleSoft system. This will require detailing business processes, detailed elements, and to place all requirements in writing. This process is getting the needed attention and in this process a Personnel Action Request guide book is being formulated.

**Library:** While a functionality team was created to include librarians in this process, the librarians have readily noted that they make limited use of the PeopleSoft system in their role as librarian. The Librarians do make use of student holds and student fines based on usage issues. The major Library accomplishment has been the endorsement, with Board approval, to purchase an integrated library system for the four colleges in a need to move from the current Horizon system which the provider froze at 2008 and decided not to provide any new updates or improvements. The new system will be the Millennium Integrated Library System which includes an online public access catalog with Research Pro (federated searching), cataloging, circulation, course reserves, acquisitions, serials, remote patron authentication, report generator, and electronic reserves.

**Matriculation:** The work of the district Matriculation Committee interfaces with counseling, admissions and records, as well as assessment. The Matriculation Committee has addressed Wait Lists and Permission Numbers, interfacing SARS with PeopleSoft, the Degree Audit Module, probation/dismissal functions, fee collection- all of which are being addressed and being implemented for use. In addition, Matriculation also has emphasized the ongoing need for training which is being addressed by the district staff development officer through face-to-face training and online training.

**Schedulers:** There are not any real outstanding issues which the schedulers need to address since they have been working with the various scheduling functions for almost four years. Currently, the analyst working with the schedulers is working on a method of allowing for cohort registration through linked classes rather than having to enroll in each class individually. Also, since scheduling includes faculty assignment, especially with adjunct faculty, the analyst in this area is working with HR on the pro-rata connection to assignment and the fact that assignments can vary from semester to semester.

**Student Finance:** The transition of work flow from the CIBER Student Financials Consultant to the district Student Finance Systems Analyst included training in all functional facets of the student finance module. Together the consultant and analyst worked on corrections and updates to the student financial system, such as tuition and fee corrections, refund calendars, and

payment schedules. Over 600 lines of student financial accounting strings were updated for general ledger processing. With these efforts the district was able to successfully reconcile student receivables for 08/09 and 09/10 fiscal year. In addition, inactive PeopleSoft functionality was configured to aid in collecting receivables and to allow a more streamlined approach to reconciliation. This functionality includes:

- Clean up of 99% of all Conversion transactions in PeopleSoft. Only 1% or 80 transactions remain outstanding.
- Clean up of 90% of all Financial Aid transactions in PeopleSoft. Only 10% or 220 transactions remain outstanding,
- Configuration and documentation of the Student Collections module. This module allows a collection record to be established and gives the user the ability to document all collection efforts. The appropriate staff have been trained. Other collections efforts include reporting to COTOP which is projected for October 2011.
- Configuration and documentation of billing process. This process will allow Finance to generate a student invoice. IT has projected a paper invoice will be ready by Summer 2011.
- Configuration and documentation of Payment Plans. This module allows a student to be placed on payment plan for 4 months. The appropriate staff have been trained.
- Configuration and documentation of Aging Student Accounts. This process allows Finance to correctly age a student account into an aging category. A custom aging report was built by an IT programmer and will be used for COTOP reporting.
- District staff have been trained and college staff have been projected to be trained to reduce the amount of user errors occurring in the system.
- Improved communication and solutions regarding student accounts.

**Students:** Students in most instances are the end users of PeopleSoft non-financial functions/modules. Students have expressed interest in being included in testing new modules or functions. They are requesting increased communication and a way to more effectively encourage student use of Peralta e-mail. Students are extremely thankful for the many improvements in the financial aid system.

**Admissions and Records:** The major PeopleSoft functionalities currently being addressed by Admissions and Records include using the Probation and Dismissal functions in the management system and setting term activation of student enrollment appointments, including priority registration.

**Institutional Effectiveness:** The Institutional Effectiveness functionality team continues to address any and all data needs suggested by the field. District Institutional Research has a robust amount of data available for use throughout the district and which is available online ( <http://eperalta.org/wp/index/> ). The interface of extracting data from PeopleSoft has been ongoing and has grown leaps and bounds. It is worth saying that end users are impressed with the kind of data which is now being made available for use in a variety of ways.

**Instructional Faculty:** A major upgrade for instructional faculty, as noted before, has been the implementation of the Wait List function and the use of electronic permission numbers. While there were a few implementation issues, many of which seemed to focus on training, instructional faculty were “appreciative” of this implementation. Instructional faculty continue to be notified and trained on how to drop students, how to complete the census roster, how to enter grades and positive attendance, etc. A function that also will receive focus is an online term grade roster.

**Budget/Finance:** An administrator in the Office of Finance attends the PeopleSoft Resolution Team meetings since there are many areas of connection between PeopleSoft financial modules and non-financial modules. For example, there is a link between HR and payroll; the posting and coding of financial aid checks; a connection between benefits and finance; and a connection between scheduling of courses in the student administration modules and the processing of adjunct payroll (the Pro-Rata Project). With the addition of a new Vice Chancellor of Finance and Administration, Payroll Manager, and Budget Director, there are more qualified individuals on staff now to bridge the connections needed in PeopleSoft between the finance and non-finance areas.

The current Issues Log for the PeopleSoft Resolutions Team is Evidence document #83.

## **Evidence**

1. A&R Academic Advisement 120310
2. A&R Academic Advisement #2 120310
3. BM Bus Issue Log
4. COUN – A&R Degree Audit Module Contract
5. COUN A&R Advisement Module Presentation Notice
6. COUN CFT 12-08-10 Minutes
7. COUN Counseling CFT Priorities-Revised 9-29-10
8. COUN Delete query for HAD service Indicators
9. COUN HAD service Indicators Removed
10. FA Financial Aid Update 9-24-10.php
11. FA Financial Aid Recovery Procedures
12. FA PROCEDURE, 2010 PCCD Summer Pell Grant Awarding Policy
13. FA PROCEDURES Draft Financial Aid 2010
14. FA PROCEDURES Draft Financial Aid 2010 #2
15. HR 1 Autonomy LO Features & Benefits 2010 v3
16. HR 2 Autonomy Liquid Office
17. HR 3 Cardiff LO PeopleSoft Integration
18. HR 4 GT Customer Results and Comments
19. HR 5 GT ePAF Solution – new
20. HR 6 GT ePAF Solution 2010
21. HR and Payroll Enrollments for Workers Comp and OPEB
22. HR and Payroll Meeting Notes Benefits Enrollment file
23. HR and Payroll PCCD Meeting Minutes 01-13-2011



24. HR and Payroll PCCD Meeting Minutes 11-04-2010
25. HR and Position Control 9-28-10
26. HR Date fields as defined on Employment Data link on Job
27. HR EB5C ePARs Peralta 1-14-11
28. HR Finance and HR enhancements
29. HR PCCD Meeting Minutes 02-10-2011
30. HR PCCD Meeting Minutes 10-14-2010
31. HR PCCD Meeting Minutes 12-02-2010
32. HR Peralta Prorata Payroll Process DRAFT 12-10-10
33. HR-Payroll paystub information
34. IF Attendance Verification Roster Memo for F'10
35. IF Create a Grade Roster in Excel using your Passport Roster
36. IF faculty help
37. IF- FC Enter Grades and Positive Attendance
38. IF- FC Rollbook Documentation
39. IF- FC Submit Attendance Roster
40. IF FC Submit Census Roster
41. IF FC Submit Census Roster #2
42. IF FC Viewing Your Schedule and Class Roster
43. IF How to find your permission numbers
44. IF How to use the Wait List
45. IF Instructional Faculty PSFT issues 11-30-10
46. IF Passport Training Fall 2010
47. IF Short-Term Spring '11 Add Process
48. IF Spring '11 No Show Roster
49. IF Wait List Facts
50. IF Wait List Information
51. LIB Library- PRT list for libraries, Fall 10
52. Library DataBase approval
53. MC District Matriculation Committee Agenda 9-30-10
54. MC District Matriculation Committee Agenda 2-4-11
55. MC District Matriculation Committee Agenda 11-5-10
56. MC District Matriculation Committee Agenda 12-3-10
57. MC District Matriculation Meeting Notes 10-2-10
58. MC District Matriculation Meeting Notes 11-05-10
59. MC PCCD Matriculation Committee Resolutions
60. PRT 9-14-10
61. PRT Admin Procedures August 30, 2010
62. PRT agenda November 9, 2010
63. PRT Agenda-February 14, 2011
64. PRT Meeting Notes 02-14-11
65. SCH Academic Specialists 10Sept10-Agnda
66. SF Batch Tuition Calculations
67. SF Consultant Meeting
68. SF Student Financials Issues Log 9 Nov 2010
69. SF Student Financials Meeting 01-05-11

70. SF Student Financials Meeting 01-12-11
71. SF Student Financials Meeting 01-18-11
72. SF Student Financials Meeting 11-02-10
73. SF Student Financials Meeting 12-14-10
74. SF Student SF Financials Issues Log 9 Nov 2010 updated
75. SF update 1-24-11
76. SF Write Off Business process and Charge Codes 12-07-10
77. Students Splash Screen
78. Beta Testing Probation Functionality
79. Probation- Dismissal Coding
80. Academic Advising - Degree Audit Fit Gap Schedule
81. Academic Advising Overview - Module Implementation
82. PeopleSoft Project Migration Form
83. PRT Issues Log 2011
84. PRT PeopleSoft Resolution Team Agenda 3-28-11

## **Response to 2009 Team Recommendation 3 and Recommendation 2 (1-31-11)**

**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 systems modifications to achieve access to a fully integrated computer information management system, including modules for student, financial aid, human resources, and finance, 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).

**Recommendation 2 (1-31-11):** The team recommends that the district continue to monitor its progress toward meeting the issues listed in the Corrective Action Matrix. In particular, the district needs to plan to address the OPEB bond and to be evaluated on keeping to its 2010-11 budget.

**1/31/11 Activity Request #1:** The status update of the PeopleSoft financial modules.

**1/31/11 Activity Request #2:** The status on OPEB liabilities, and according to the CAM, a report is due June 2011. The Commission also requests a copy of the consultant KNN report on the OPEB.

**1/31/11 Activity Request #3:** The status of the corrective action plans as related to **all** audit recommendations and federal awards delegated to the “new” Chancellor as referenced in the CAM.

### **Response**

In the past eight (8) months, the Peralta Community College District has made great strides towards implementing, configuring, and reprogramming PeopleSoft to fit the needs and business processes of the District’s Finance Operations. Some key examples are provided below. Further, Board Policies and Administrative Procedures (operating procedures) have been and continue to be developed and/or revised to provide internal controls, training, and accountability over the processing of financial transactions.

The initial configuration of the PeopleSoft Finance modules did not adequately mirror the common business practices of the PCCD Finance Department. Major efforts have been made to address and correct many of these instances. For example, with the initial implementation, no effort had been made to automate the employee benefit mapping to the general ledger. Consequently, all posting of PERS, STRS, FICA, Medicare, SUI, and health and welfare benefits had to be done through a manual process. This labor intensive process was the major cause of

significant delays in payroll being posted to the general ledger (often a 3 to 6 month delay) and the ability of the district to close its books. As of October 1, 2010, this process has been automated within the PeopleSoft system and payroll is posted timely and accurately.

Since November 2010, monthly expenditure reports are sent to college administration and in the case of central services to the appropriate Vice Chancellor, providing accurate and timely financial information from which managers with budget responsibility can track the status of expenditures (for accuracy) and which provide a means to ensure the program/ department/ college spends within their respective budgets.

Another example of an ongoing effort to configure PeopleSoft to fit the business practice of the district is the Pro-Rata Project. Pro-Rata is the term used to describe the payroll cycle primarily for hourly faculty assignments (adjunct faculty). Previously, this payroll process was initiated by the Office of Information Technology and in many respects was fraught with inconsistencies and in some instances errors. Identifying the various issues that previously existed, the district hired an outside Information Technology firm, which has experience in customizing and implementing an automated part-time faculty payroll process within an ERP system at another large community college district, to customize PeopleSoft to fit the desired business practice. A Project Kick-Off meeting was held that included Vice Chancellors, Vice Presidents of Instruction, college schedulers, and programmers to evaluate the existing business process and as a group to redefine the process for efficiencies intended. Then, based upon their input and mapping, the programmers will customize PeopleSoft for the desired result. Currently, this project is in phase 2 of 3 and is expected to be completed by mid-summer 2011.

These are just two examples of projects either completed or being implemented that demonstrate the district's focused effort on implementing appropriate controls and necessary MIS systems modifications to achieve access to a fully integrated computer information management system. For a more complete listing of projects that have either been completed or in progress, please see the Corrective Action Matrix (CAM) provided later in this report. The CAM is an evolving, living document that has been presented to the Governing Board's Audit and Finance Committee and more recently submitted to the full Governing Board at their February 1, 2011 meeting.

At the February 15, 2011 Governing Board meeting, KNN (Kelling, Northcross, and Nobriga) and district management presented to the full Board the current status of the Other-Post Employment Benefits (OPEB) program. The objective of the presentation was to: (1) provide an overview of the program structure; (2) outline current challenges; and (3) provide options and recommendations for the Governing Board to consider.

The current OPEB program structure has two major components. They include:

1. The actuarial valuation of the OPEB liability for current and future retirees
2. The investments intended over time to fund the estimated actuarial liability.

Within these two major components there are various subcomponents, most notably on the investment side. These subcomponents include:

1. The Retirement Board and their oversight of the investment program
2. The investments themselves and annual returns
3. The debt service related to the OPEB bonds sold
4. The SWAP agreements entered into to hedge interest rate risk.

As previously noted, within the report five (5) primary issues were identified. They are:

1. The escalating debt service on the bonds sold and its impact upon the general fund
2. SWAP structure
3. The bond structure
4. Ongoing management of the program
5. Establishment and constituting the Retirement Board.

In summary, the recommendation moving forward calls for restructuring of the bonds in a manner that ultimately smoothes out the debt service payments required by the General Fund, terminates the SWAP agreements that are near term, provides significant General Fund relief, and dependent upon market conditions would allow the district to be in a position to restructure the variable rate bonds into more stable and conservative fixed rate investments. Please see the PowerPoint presentation at [http://peraltaccd.granicus.com/MetaViewer.php?view\\_id=2&clip\\_id=339&meta\\_id=34096](http://peraltaccd.granicus.com/MetaViewer.php?view_id=2&clip_id=339&meta_id=34096) that was presented to the Governing Board on February 15, 2011 for more detailed information. This report also is provided later in this follow-up report.

On March 15, 2011 the Governing Board's reviewed a resolution calling for the Board to approve the creation of a Retirement Board. The Board will take final action on the resolution at the March 29, 2011 Board meeting. There are two other items planned for the Governing Board's March 29, 2011 meeting agenda. One item will be the updated actuarial study. The other will be a resolution for the Board to consider action that would allow district management to take action to begin addressing funding the OPEB liability. These additional materials will be provided to the ACCJC visiting team in April 2011.

In previous reports and documents from ACCJC visiting teams, there have been statements made which call into question the district's immediate and long-term viability, as a result of the OPEB challenges. While the challenges are formidable and complex, given the steps the district has already taken (i.e., charging programs 12.5% for OPEB liability), plus the implementation of the recommendations as presented, the district over time and with constant monitoring can successfully address and manage the issues.

Regarding the Corrective Action Matrix (CAM) and status of previous years' audit findings, the District has made significant progress within a short period of time towards addressing all previous year audit findings. One key aspect that must be taken into consideration is that the 2009 audit report was not finalized and published until August 5, 2010. This is more than 1 month after the subsequent fiscal year had ended and leaving little if any time for the District to take corrective action and implement plans to address those findings. Despite this timeline challenge, the District has made remarkable progress. For example, the District's 2009 audit

report contained 53 audit findings. In the District's 2010 audit reports, it shows that the District had implemented corrective actions on 18 of the 2009 audit findings. As noted in the CAM, these findings have been corrected. The remaining 35 audit findings from 2009 are either in a "not implemented" or "partially implemented" status. Work continues on these audit findings. Further, as a result of the 2010 audit, five (5) new audit findings were identified. These five (5) new findings are being identified, tracked, and addressed in the same manner as the 2009 audit findings. The District is confident that corrective actions will be taken so that in the 2011 audit report the vast majority of the remaining and outstanding findings will be implemented.

## **Evidence**

1. Peralta CCD Audit Report 6-30-10
2. Peralta CCD 2010 Measure A Audit Report
3. 311 Report 9-30-10
4. 311 Report 10-26-10
5. 311Q Report 12-7-10
6. 311Q Report 2-7-11
7. 1-18-11 Budget Presentation
8. 2011-12 Base Budget Development Guidelines
9. Budget Adjustment Report 12-06-10 (sample)
10. Budget Expenditure Report 10-26-10 (sample)
11. Business Officers' Audit assignments
12. Checklist for Fiscal Monitoring Accounting Advisory
13. Financial Activity Calendar
14. GB Study Session - Student Services Budget 12-7-10
15. SOP Purchasing Manual 2011
16. AP Procedures Manual 2011
17. Chancellor's Fiscal Advisory and Cash Management memo
18. Chancellor's Fiscal Oversight overtime memo 120910
19. Chancellor's State of the Budget Update 2-8-11
20. KNN Scope of Service for OPEB
21. Revised AP 2.03 Fiscal Management
22. VTD Training 12-15-10 for the Peralta Community College District
23. Year end assignments report
24. Year-End Requisitions Cut Off Notification 2010-11 memo
25. District Office Variance Report (sample)
26. OPEB Report to the Board February 15, 2011
27. Training - Budget Workshop 2-24-2011
28. Training - Payroll FAQ
29. Training - Purchasing Overview
30. Training - AP Workshop Feb 24 2011
31. Resolution to establish a Retirement Board and Trust for the Peralta OPEB Program 3-15-11
32. June 30, 2010, PCCD Single Audit Report (VTD)
33. June 30, 2010, PCCD GASB 45 Actuarial Valuation: Final Results
34. Governing Board meeting agenda: March 29, 2011

**Activity Request: “4. The status of the new Chancellor search and the District response to sustain leadership continuity in the Chancellor position.”**

**Response**

This response will provide detail regarding the Chancellor Search process and the steps taken to hire a new Chancellor. The search process began in February 2010 with the convening of a Governing Board Chancellor’s Search Committee; the hiring of College Search Services on April 27, 2010 to facilitate the search process; the Governing Board interviewing three finalist in Closed Session on November 30, 2010; and the Governing Board on December 7, 2010 taking action to reopen the search process for a new Chancellor. Further, on February 15, 2011, the Governing Board extended the contract of the interim Chancellor, Dr. Wise Allen, until June 30, 2012 or until such time a new Chancellor is hired. The Governing Board will re-open the Chancellor search process in September 2011.

The following is a chronology of activity by the Peralta Community College District Chancellor Search process in 2010. The following website provides all the documents related to the Chancellor Search process: <http://peralta.edu/apps/docs.asp?Q=1704>

February 5, 2010: A Governing Board Chancellor’s Search Committee met to determine a method for conducting a Chancellor’s Search. At this initial meeting, process and timeline were discussed. It was determined that the use of a search firm would be beneficial to the district’s process. It also was determined that in working with a search firm some of the steps in the search process would include: assessing district needs and developing a job description; establish a process for advertising and recruiting; have a method for screening applications; establish a screening/selection committee to review applications and select interviewees; conduct a first round of interviewees and include other assessments; conduct candidate forums; set interviews with the Governing Board; negotiate a contract; and announce the candidate selected.

February 10, 2010: As a follow-up to the February 5, 2010 meeting the District Office of Human Resources issued RFQ requests (Requests for Qualifications) to a number of search firms (approximately 20).

February 22, 2010: This date was set as the deadline for replies to the district’s RFQ requests to search firms. Ten (10) replies were received from interested search firms.

March 5, 22, and 26, 2010: The Governing Board’s Chancellor’s Search Committee met on these dates to determine how to review the applications of the ten firms and determine which firms would be forwarded to the full Board for review. In the end, it was decided to forward Community College Search Services, PPL (Professional Personnel Leaders), and ACCT (the Association of Community College Trustees) to the full Board for review.

April 13, 2010: At the April 13, 2010 Governing Board meeting, CCSS, PPL, and ACCT made public presentations regarding their services and their proposed method for working with the Peralta Community College District to conduct a search to hire a new Chancellor.

April 27, 2010: At this Governing Board meeting, the Governing Board voted to approve CCSS (Community College Search Services) as the search firm the district would work with to select and hire a new Chancellor.

From this point forward, Dr. Michael Viera became the CCSS lead working with the district. Dr. Viera engaged in numerous conference calls with the Office of Human Resources and the President and Vice President of the Governing Board.

Dr. Viera conducted “input” forums for the various constituent groups in the district:

May 20, 2010: A faculty forum was held.

June 7, 2010: A student and community forum was held.

June 7, 2010: An administrators and confidential employees forum was held.

These forums were closed forums designed specifically for the intended group and providing the opportunity for “frank and honest” input.

June 7, 2010: Dr. Michael Viera conducted an evening special meeting of the Governing Board. The agenda of that meeting included the following items: Review of the search process and calendar; selection of a search committee; a proposed Chancellor’s selection policy; challenges and issues facing the Peralta Community College District and the next Chancellor (included forum comments); professional and personal characteristics of the next Chancellor; and review of the Chancellor’s Search Brochure.

June 25, 2010: Printed brochures for the Chancellor’s Search were delivered to the district and were sent out shortly thereafter.

July/August, 2010; The PCCD Chancellor position was advertised in the Chronicle of Higher Education, the AACC Careerline, Insider Higher Education, Latinos in Higher Education, and the Registry of the California Community Colleges State Chancellor’s Office.

July 27, 2010: The Governing Board Chancellor’s Search Committee reconvened to determine the composition of a selection/hiring committee. Following this meeting, the various constituencies, including the community at-large, were requested to appoint members to the hiring committee. The appointments happened in August, 2010 and the full Governing Board on September 14, 2010 reviewed and approved the membership of the hiring/selection committee, which included representatives from all colleges, constituencies, and the community.

In selecting appointees to the hiring committee, hiring committee responsibilities, which were provided by Dr. Viera, were stressed, which included: attendance at all meetings for the full length of the meeting; an absence would result in the person being dropped from the committee; confidentiality; commitment to work cooperatively with other committee members; while committee members were appointed from different constituencies their work on the committee should reflect their perspective as to what is best for Peralta as a whole rather than what is best for a specific constituent group; commitment to be prepared for the tasks assigned for each meeting; be respectful of all committee members and opinions expressed; and most importantly a commitment to read and score all applicant materials prior to the September 30, 2010 committee meeting.



September 16, 2010: Dr. Viera convened the hiring (search) committee. The agenda included: introductions, charge to the committee, explanation of the search process, a review of the calendar and timeline, addressing confidentiality and rumor control, committee by-laws, a review of the search brochure criteria, and creation of a criteria measure for application review.

September 23, 2010: Dr. Viera held a second meeting of the hiring (search) committee to review the following: status of recruitment, review of screening criteria, initial screening demonstration, format of interviews, draft interview questions, review of search calendar, confidentiality reminder, and a charge to review applicant materials for scoring by September 30, 2010.

September 30, 2010: This was the final meeting Dr. Viera held with the committee prior to candidate interviews. In this meeting the agenda addressed: finalization of interview questions, finalization of screening “late” applications; applicant scoring; selection of those to be interviewed; materials for candidates; setting the interview site and arrangements; review of the interview schedule; review of confidentiality.

October 14 and 15, 2010: Both days were devoted to interviewing candidates. The names of three finalists were forward to the Office of Human Resources.

November 29 and 30, 2010: Open forums for the three candidates were conducted. On November 29, 2010 an evening forum was held at the District Office Board Room. On November 30, 2010 a late afternoon forum was held in the auditorium at Berkeley City College.

November 30, 2010: In the evening, the full Governing Board met in closed session to interview the three finalists individually.

December 7, 2010: At a meeting of the Governing Board, in reporting out actions from Closed Session, it was reported that the Board took action to reopen the search process for a new Chancellor.

February 15, 2011: At a meeting of the Governing Board, in reporting out actions from Closed Session, it was reported that the Board took action to extend the contract of the interim Chancellor, Dr. Wise Allen, until June 30, 2012 or until such time that a new Chancellor is hired.

The Governing Board by consensus has decided to reopen the Chancellor search process in September 2011. The tentative calendar (prepared by Dr. Michael Viera, CCSS) for this phase of the search process is as follows:

Spring Semester 2011: The Governing Board will meet with constituent groups to review the process and the calendar for reopening the Chancellor search. The selection committee will be constituted before the end of the spring semester.

September 2011: The Governing Board will approve the process and calendar at the first meeting of the Board in September after having met with the Selection Committee to review the process. The CSS consultant will work with district HR and Graphics to develop advertising materials based on direction from the Governing Board.

October – December 2011: The CCSS consultant will conduct a nationwide search and recruitment process in conjunction with a national advertising campaign (90 days). The Selection Committee will meet in November to discuss the screening form and look at potential interview questions and review process. The application “deadline” will be open until filled with a “soft close” in January 2012.

January 2012: The Selection Committee will hold a third meeting to select those applicants to interview.

February 2012: The Selection Committee will interview the applicants (two days). Confidential reference reports will be prepared by CCSS; a minimum of two weeks to prepare for the Governing Board.

March 2012: The Governing Board will interview the finalists and public forums will be conducted.

March-April 2012: The Governing Board may choose to conduct a site visit at the finalist’s district.

April 2012: A final decision by the Governing Board and contract negotiations with the selected applicant (finalist).

June 2012: The new Chancellor will begin employment with the Peralta Community College District.

During this process, Community College Search Services will provide the Governing Board with regular updates on the status of the search process.

## **Governing Board Review**

The President of the Governing Board was copied on the January 31, 2011 ACCJC action letters sent to the Presidents of the four Peralta Colleges (Berkeley City College, College of Alameda, Laney College, and Merritt College) and to the Chancellor of the Peralta Community College District. The letter to the Chancellor outlined the Commission's action regarding the October 15, 2010 Follow-Up Report and the ACCJC visiting team's follow-up report (November 2010). The Governing Board President and the Chancellor shared the information with the full Governing Board.

This Follow-Up Report was agendaized as an action item for the March 29, 2011 meeting of the Governing Board.



**The Peralta Community College District**

**Corrective Action Matrix**

**PERALTA COMMUNITY COLLEGE DISTRICT  
CORRECTIVE ACTION MATRIX  
PENDING ACTIONS**

Auditing/ Agency	Corrective Action	Responsibility/Point	Due Date	Status	Systematic/Source Integration
<b>ACCJC</b>					
<p>2010 ACCJC Accreditation Letter June 30, 2010</p> <p>2009 Team Recommendation 1</p> <p>Board and District Administration</p>	<p>Assess Overall Effectiveness of District Services to Colleges</p> <p>Provide Clear Delineation of Functional Responsibilities</p> <p>Develop Clear Processes for Decision Making (Standards IV.B.I, IV.B3, a,b,c,f, &amp; g)</p>	<p>Responsible: Chancellor</p> <p>Point: Vice Chancellor of Educational Services</p>	<p>October 15, 2010</p> <p><b>Completed.</b></p> <p><b>Process is ongoing as part of institutionalization</b></p>	<p>The Peralta Community College District (PCCD) has assessed the overall effectiveness of the PCCD’s services to colleges and provided clear delineation of functional responsibilities. There is a clear process for district-level decision making.</p> <p>Per ACCJC Follow-Up Report (11-23-10) “The corrective actions required by ACCJC were to assess the overall effectiveness of the District services to the colleges, provide clear delineation of functional responsibilities, and develop clear processes for decision making. The District, led by the Chancellor and the Vice Chancellor of Educational Services, developed and now has an ongoing process of assessing the overall effectiveness of the District services to the colleges and a clear delineation of functional responsibilities. This process was described and outlined in the October 15,</p>	<p>District Planning and Budget Integration process completing its second year. The model focuses on services, functions, accountability (Education Committee; Facilities Committee; Technology Committee, Planning and Budgeting Council); monthly meetings held since it has been institutionalized.</p> <p>Adopted PBI Procedures Handbook (August 2009; updated August 2010).</p> <p>Web site documents all agenda, minutes and actions and is updated regularly.</p> <p>Evaluated first year process for effectiveness and will do so again in May 2011.</p> <p>Summit 2009 and 2010.</p> <p>Manual of District Functions provides clarity about district services.</p> <p>Annual institutional goals are integrated into</p>
<p>2011 ACCJC Accreditation Letter January 31, 2011</p> <p>Recommendation 4</p>	<p>Continue to address all recommendations from 2009, 2010, and the current visit (November 2010). Although the district has invested substantial efforts to address all recommendations, it is incumbent on the district to ensure that these efforts continue and are institutionalized within the district.</p>				

**PERALTA COMMUNITY COLLEGE DISTRICT  
CORRECTIVE ACTION MATRIX  
PENDING ACTIONS**

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				<p>2010 Follow-Up Report.” (pg. 1) “As a result the District created a new District Planning and Budget Integration (PBI) Process. The primary focus of the process is on the services, functions, and accountability to the colleges. The committees that compose this PBI process are education, facilities, technology, and the Planning and Budgeting Council. The procedures for the PBI process were adopted by the Board in August 2009. A web site was created which documents the work of all committees and serves as a historical record of the actions taken and motions recorded. Evaluation of the first year using the process revealed positive responses from the colleges and District personnel. A manual was created to provide clarity about District services and to delineate district and college functions.” (pp. 1-2)</p> <p>Per PCCD: The District will continue with the Planning and Budget Integration (PBI) process and evaluate the process on an annual basis.</p>	<p>administrative evaluations.</p>

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				<p>This report provides an update on the PBI process since October 15, 2010.</p> <p>As per the new Recommendation 4, moving forward with the PBI process ensures “that these efforts continue and are institutionalized within the district.”</p> <p>The District annually will update the “District Function Guide and Contact Information Manual”.</p> <p><b>(Refer to October 15, 2010 Follow-Up Report and the April 1, 2011 Follow-Up Report)</b></p>	
<p>2010 ACCJC Accreditation Letter June 30, 2010</p> <p>2009 Team Recommendation 2 Management Systems</p> <p>2011 ACCJC Accreditation Letter January 31, 2011</p> <p>Recommendation 4</p>	<p>Resolve the functional issues associated with the implementation of the district-wide adopted software management systems for student, human resources, and financial aid administration. (Standards III.C.1.a, III.C.1.c, III.C.1.d, and IV.B.3.b)</p> <p>Continue to address all recommendations from 2009, 2010, and the current visit (November 2010). Although the district has invested substantial efforts to address all recommendations, it is incumbent</p>	<p>Responsible: Chancellor Point: Vice Chancellor of Educational Services, Vice Chancellor for Finance and Administration, Vice Chancellor of Human Resources, Vice Chancellor for Student Services, and Associate Vice Chancellor of Information Technology</p>	<p>June 30, 2011</p>	<p>The Student Administration System is robust and IT oversees the system and works with key administrators and constituents to effectively utilize the system.</p> <p>While this recommendation is not specifically commented on in the Follow-Up Visit Report (11-23-10), the new Recommendation 4</p>	<p>Hired additional IT staff (programmers and analysts) and a new Director of Enterprise Services to manage the PeopleSoft system.</p> <p>Created a PeopleSoft Resolution Team (made up of lead administrators and IT programmers; chaired by Vice Chancellor of Educational Services) and meets quarterly.</p> <p>Created 12 PeopleSoft</p>



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<p>2011 ACCJC Accreditation Letter January 31, 2011</p> <p>Activity Request #1.</p>	<p>on the district to ensure that these efforts continue and are institutionalized within the district.</p> <p>The Institutional Follow-Up report states on page 2 that a review of non-financial modules was conducted in January 2010 by the new Vice Chancellor of Educational Services. The CAM states that “the District is working on resolving the issues associated with the implementation of the adopted software management systems for student, human resources, and financial aid administration.”</p>			<p>requests that the district continue to address this recommendation to ensure that the current district process and practice for addressing PeopleSoft functionality will be institutionalized.</p> <p>Further, the activities related to resolving this recommendation was requested in the <b>January 31, 2011 ACCJC action letter</b>:</p> <p>1. .... The institutional Follow-Up report states on page 2 that a review of non-financial modules was conducted in January 2010 by the new Vice Chancellor of Educational Services. The CAM states that “the District is working on resolving issues associated with the implementation of the adopted software management systems for student, human resources, and financial aid administration.</p> <p>The current report will provide an update since October 15, 2010 regarding the work of the PeopleSoft Resolution Team, the 12 Functionality Teams, and the work of IT programmers and analysts to improve the PeopleSoft</p>	<p>Functionality Teams which meet at least quarterly.</p> <p>Established IT task-based issues/priority log; identifies corrective actions and tasks.</p> <p>Maintain log of completed enhancements to PeopleSoft (for communication purposes); is updated quarterly.</p> <p>The PRT Web site for communication is regularly updated.</p> <p>Degree Audit/Academic Advising Module is in process; the Wait List and permission numbers are fully activated.</p> <p>Implemented student payment plan.</p> <p>Automation of part-time faculty reporting and pay in progress.</p> <p>Establish a mechanism for providing an on-going PeopleSoft product training.</p>

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				<p>system since the system is a dynamic system and not a static one. This addresses the original 2009 recommendation regarding non-financial modules in the PeopleSoft system.</p> <p><b>(Refer to October 15, 2010 Follow-Up Report and the April 1, 2011 Follow-Up Report)</b></p>	<p>Evaluations of Time and Labor, Absence Management, and Benefit Administration in process; objective is to improve business operations.</p> <p>Upgrade of District IT infrastructure in progress; improve system reliability and performance.</p> <p>Internal control/monitoring reports for HR, FS, and SA completed; topics include Budgets/Expenses, LAR tracking, etc.</p> <p>System integration of Student Administration and Legacy Financial Aid system completed.</p> <p>Financial Aid and General Ledger interface development in progress.</p>
<p>2010 ACCJC Accreditation Letter June 30, 2010</p> <p>2009 Team Recommendation 3</p> <p>Financial Resources and</p>	<p>Implement all appropriate controls and necessary MIS systems modifications to achieve access to a fully integrated computer information management system, including modules for student, financial aid, human resources, and finance, in order to assure</p>	<p>Responsible: Chancellor Point: Vice Chancellor of Educational Services, Vice Chancellor for Finance and Administration, Vice Chancellor of Human Resources, Vice Chancellor for Student Services, and</p>	<p>June 30, 2011</p>	<p>The PCCD is taking immediate corrective action to implement appropriate controls and MIS systems modifications. The Governing Board will receive regular</p>	<p>The Vice Chancellor for Finance, Associate Vice Chancellor of Finance, the Budget Director, and the Payroll manager lead the process for full implementation of the PeopleSoft system and</p>

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<p>Technology</p> <p>2011 ACCJC Accreditation Letter January 31, 2011</p> <p>Recommendation 4</p> <p>2011 ACCJC Accreditation Letter January 31, 2011</p> <p>Activity Request #1.</p> <p>2011 ACCJC Accreditation Letter January 31, 2011</p> <p>Activity Request #3.</p>	<p>financial integrity and accountability. Board receive implementation process reports until project completion. (Standards III.D.1.a, III.D.1.b, and III.D.2.a)</p> <p>Continue to address all recommendations from 2009, 2010, and the current visit (November 2010). Although the district has invested substantial efforts to address all recommendations, it is incumbent on the district to ensure that these efforts continue and are institutionalized within the district.</p> <p>The status on the PeopleSoft update on financial modules.</p> <p>The status of the corrective action plans as related to <u>all</u> audit recommendations and federal awards delegated to the “new” Chancellor as referenced in the CAM.</p>	<p>Associate Vice Chancellor of Information Technology</p>		<p>implementation progress reports through project completion.</p> <p>The ACCJC Follow-Up Visit Report (11-23-10) notes the progress that the District has made in resolving this recommendation, but notes the continued effort needed to reach full resolution. This Recommendation would now include the new Recommendation 1 (1-31-11) requiring the District to “monitor the progress toward meeting the issues listed in the Corrective Action Matrix” and in particular “to address the OPEB bond and to be evaluated on keeping to its 2010-2011 budget.”</p> <p>The April 1, 2011 Follow-Up Report provides an update since October 15, 2010 addressing <i>Financial Resources and Technology</i>. In addition this updated Corrective Action Matrix is provided at the end of the April 1, 2011 Follow-up Report, as well as the OPEB bond report.</p> <p><b>(Refer to October 15, 2010 Follow-Up Report and the April</b></p>	<p>development of “business” process manuals. The full implementation of the system also assists in addressing audit findings.</p> <p>Training 2/24/11</p> <p>Implementation of Payroll, internal controls to bring PeopleSoft in alignment with business process in the area of hourly adjunct payroll.</p> <p>Online Personal action forms and time and effort reporting.</p> <p>Integration security access control underway.</p>

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<p>2010 ACCJC Accreditation Letter November 18, 2009 &amp; June 30, 2010</p> <p>Reporting Requirement 1</p> <p>Other Post Employment Benefits (OPEB) Liabilities</p> <p>2011 ACCJC Accreditation Letter January 31, 2011</p> <p>Recommendation 2</p> <p>2011 ACCJC Accreditation Letter January 31, 2011</p> <p>Activity Request #2</p>	<p>District Required to provide ACCJC an update on the value of the Deferred Compensation Trust Fund and describe its plan to pay for the growing Long-Term Debt. (Standards III.D.2.d and IV.B.3.d)</p> <p>The district continue to monitor its progress toward meeting the issues listed in the Corrective Action Matrix. In particular, the district needs to plan to address the OPEB bond and to be evaluated on keeping to its 2010-2011 budget.</p> <p>The status on OPEB liabilities, and according to the CAM, a report is due June 2011. The Commission also requests a copy of the consultant KNN report on the OPEB.</p>	<p>Responsible: Chancellor Point: Vice Chancellor For Finance &amp; Administration</p>	<p>June 30, 2011</p>	<p><b>1, 2011 Follow-Up Report.)</b></p> <p>The PCCD's last Actuarial completed June 30, 2008 indicates a Retiree Health Actuarial Obligation of approximately \$153 million. An updated Actuarial obligation calculation was completed as of February 2011.</p> <p>The PCCD has hired a new financial adviser and a new Vice Chancellor of Finance and Administration. <b>(Refer to District's October 15, 2010 ACCJC Follow-Up Report and the April 1, 2011 Follow-Up Report)</b></p> <p>Monitor status through this Corrective Action Matrix</p>	<p>An actuarial study was completed by Bartlett in February 2011. A funding and investment analysis was conducted and presented to the Board in February 2011. The Board was initially briefed on the history of investment and current status of OPEB bond investments and will decided on "next steps" from the recommendations provided.</p> <p>Will decide the next step at the March 29, 2011 Board meeting.</p>



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				<p><b>October 15, 2010 ACCJC Follow-Up Report)</b></p> <p>Per the Follow-Up Visit Report (November 2010), "The District has met this recommendation."</p> <p>The District will continue to adhere to established policies and procedures.</p>	<p>that policy and procedures will be followed as written.</p> <p><b>"The District has met this recommendation."</b></p>
<p>2010 ACCJC Accreditation Letter June 30, 2010</p> <p>2010 Special Visit Team Recommendation</p> <p>2010 Recommendation 2</p>	<p>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.I.J)</p>	<p>Responsible: Board Point: Chancellor</p>	<p>July 31, 2010</p> <p><b>Per the November 2010 Visiting Team Report, "The District has met this recommendation."</b></p>	<p>At the July 20, 2010 meeting of the Governing Board, the Trustees unanimously voted to delegate to the Chancellor the reorganization of the Inspector General's Position for Reporting Purposes</p> <p>Per the Follow-Up Visit Report (November 2010), "The District has met this recommendation."</p> <p>The position of Inspector General reports to the Chancellor. The Inspector General resigned from the district on January 4, 2011. There are no plans to fill the position. <b>(Refer to District's October 15, 2010 ACCJC Follow-Up Report)</b></p>	<p>Issue resolved: the Inspector General is a direct report to the Chancellor.</p> <p>Reaffirmed at the September 14, 2010 Board training. The Inspector General resigned; there are no plans to fill the position.</p> <p><b>"The District has met this recommendation."</b></p>

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<p>2010 ACCJC Accreditation Letter June 30, 2010</p> <p>2010 Special Visit Team Recommendation</p> <p>2010 Recommendation 3</p>	<p>Clarify the Role of the Board Members with Respect to the Work of the District Managers.</p> <p>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.</p> <p>Standards IV.B.1.d, IV.B.1.j)</p>	<p>Responsible: Board Point: Chancellor</p>	<p>July 31, 2010</p> <p><b>Per the November 2010 Visiting Team Report, “The District has met this recommendation.”</b></p>	<p>The Governing Board, on July 22, adopted a Community College League of California document, “Board and CEO Rules: Different Jobs, Different Tasks” (2000). The document stresses the importance of strengthening the Board and CEO relationship. The Board has agreed to use the document as a means to distinguish the roles and responsibilities of the Board from those of the Chancellor.</p> <p>Per the Follow-Up Visit Report (November 2010), “The District has met this recommendation.”</p> <p>The District will continue current practice which complies with accreditation standards. <b>(Refer to District’s October 15, 2010 ACCJC Follow-Up Report)</b></p>	<p>Board adopted CCLC, document, Board and CEO Roles: Different Jobs and Different Tasks (7/22/10).</p> <p>Board addressed the issue in detail at Board Training, 9/14/10.</p> <p>Board will abide by Board Policy 1.21, Board Committees, to ensure that Board Committees only have a policy function (revised 10/26/10).</p> <p>Board revised BP 1.05, Duties and Responsibilities of the Board (10/26/10).</p> <p>Board relies on the Chancellor for the operation of the PCCD.</p> <p><b>“The District has met this recommendation.”</b></p>
<p>2010 ACCJC Accreditation Letter June 30, 2010</p> <p>2010 Special Visit Team Recommendation</p>	<p>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)</p>	<p>Responsible: Board Point: Chancellor</p>	<p>On-Going</p> <p><b>Per the November 2010 Visiting Team Report, “The District has met this</b></p>	<p>On June 10, 2010, the Community College League of California provided a training workshop for the trustees of the Governing Board.</p>	<p>Trainings happened on 6/10/10 and 9/14/10 and addressed this recommendation.</p> <p>Board adopted CCLC document, Board and</p>

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2010 Recommendation 4			<b>recommendation.”</b>	<p>Effective Board practices and Trustee Financial Responsibilities were covered. An additional training through the Community College League was conducted on September 14, 2010.</p> <p>Per the Follow-Up Visit Report (November 2010), “The District has met this recommendation.”</p> <p>The district will continue to provide training periodically for the Governing Board.</p> <p><b>(Refer to District’s October 15, 2010 ACCJC Follow-Up Report)</b></p>	<p>CEO Roles: Different Jobs and Different Tasks (7/22/10).</p> <p>Board Trainings will be conducted quarterly.</p> <p><b>“The District has met this recommendation.”</b></p>
<p>2010 ACCJC Accreditation Letter June 30, 2010</p> <p>2010 Special Visit Team Recommendation</p> <p>2010 Recommendation 5</p> <p>2011 ACCJC Accreditation Letter January 31, 2011</p>	<p>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 Reviewed Regularly with each Board Member. Standard IV.B.1, IV.B.1.j)</p> <p>Additionally recommends that the Board of Trustees continue to redefine the appropriate roles of the Board and its relationship to</p>	Responsible: Board Point: Chancellor	On-Going	<p>On May 25, 2010, the Governing Board unanimously agreed that training, and joint workshops of the Board will occur to review and better understand the ACCJC Standard and Eligibility Requirements.</p> <p>On June 10, 2010, the Community College League of California</p>	<p>Board adopted CCLC document, Board and CEO Roles: Different Jobs and Different Tasks (7/22/10).</p> <p>Trainings conducted on 6/10/10 and 9/14/10 which addressed this recommendation.</p> <p>Board will conduct quarterly training workshops.</p>



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<p>Recommendation 1</p> <p>2011 ACCJC Accreditation Letter January 31, 2011</p> <p>Recommendation 3</p> <p>2011 ACCJC Accreditation Letter January 31, 2011</p> <p>Activity Request #5</p>	<p>the Chancellor. The Board of Trustees should also refine and change the roles and charges of the Board Committees so that they also reflect an appropriate role for the Board.</p> <p>Board of Trustees develop and implement a plan to review all Board policies so that the policies reflect only policy language and that the operational processes for these policies be reflected in a system of administrative regulations.</p> <p>The status on the training of the Governing Board in terms of financial roles and responsibilities as delegated to the new Chancellor in the CAM.</p>			<p>provided a training workshop for the trustees of the Governing Board. Effective Board practices and Trustee Financial Responsibilities were covered. An additional training through the Community College League was conducted on September 14, 2010.</p> <p>Per the ACCJC Follow-Up Visit Report (11/10):“While the District has made significant progress with this recommendation by changing their policies and practices, <u>it is not fully met</u>. There remains the board committee structure which must be reconciled with their new roles and responsibilities.”</p> <p>ACCJC revised this recommendation with Recommendation #3 (1-31-11) and Activity Request #5.</p> <p>PCCD: The Governing Board continues to address and discuss the role of the Board. At the January 18, 2011 Governing Board meeting it was announced</p>	<p>Board will adhere to Board Policy 1.21, Board Committees (revised 10/26/10).</p> <p>Board revised Board Policy 1.05, Duties and Responsibilities of the Board (10/26/10).</p> <p>On 2/1/11, the Board suspended all Board Committees. The Chancellor is working with the Board to have a Committee of the whole.</p> <p>The Vice Chancellor of Finance conducted the following trainings: Budget Activity Calendar (10/26/1); updated on the 2010-2011 budget (11/9/10); student services funding and categorical cuts (12/7/10); issues for the 2011-2011 budget (1/18/11); OPEB bond history, status, and next steps (2/15/11).</p> <p>The Chancellor will take the lead with the assistance of the five Vice Chancellors to remove administrative procedures from policy</p>

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				<p>that meetings of the Committees of the Governing Board were being suspended and that the Board would engage in study sessions as a full Board (Audit and Finance, Facilities, and Policy Review).</p> <p>On February 1, 2011 the Governing Board approved the following:            “Consider Board Approval to Place All Board Standing Committees in Abeyance Until Further Notice. Consider approval to place all board standing committees in abeyance while the Governing Board evaluates whether it is more effective to have the Board as a whole consider committee topics at regular Board meetings. The respective chairs of the board committees shall work with the Board President to assure placement of critical issues on the Board agenda. “            The Governing Board held an OPEB session at its February 15, 2011 Board meeting which was both a report and a training in Board financial responsibilities.            On January 18, 2011, the Vice Chancellor of Finance reviewed with the</p>	<p>and to recommend updates to policy as necessary.</p>

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				<p>Governing Board in a PowerPoint presentation the emerging issues for the 2011-2012 budget. On December 7, 2010, through a PowerPoint presentation the Vice Chancellor informed and instructed the Board regarding student services funding; on November 9, 2010 he updated the Board on the 2010-2011 budget; and on October 26, 2010, he informed the Board regarding the Budget Activity Calendar.</p> <p><b>(Refer to District's October 15, 2010 ACCJC Follow-Up Report)</b></p>	
<p>2010 ACCJC Accreditation Letter June 30, 2010</p> <p>2010 Special Visit Team Recommendation</p> <p>2010 Recommendation 6</p>	<p>Regular Review of the Code of Ethics by the Board to Assure Thorough Understanding and Application of the Code's Intent Standard IV.B.1.e; IV.B.1.h)</p>	<p>Responsible: Board Point: Chancellor</p>	<p>October 15, 2010</p> <p><b>Per the November 2010 Visiting Team Report, "The District has met this recommendation."</b></p>	<p>In a May 25, 2010 resolution, the Board affirmed its commitment to adhere to the Board Code of Conduct. On July 22, 2010, the Board Policy Review Committee meeting discussed the code of ethics, value statement, and conducted rules and recommended to strengthen or improve the current policy.</p> <p>Per the Follow-Up Visit</p>	<p>Board resolved to adhere to Board Policy 1.06, Board Code of Ethics. (5/25/10)</p> <p>Board Policy Review Committee resolved to strengthen the Board Policy, 1.06 (7/22/10)</p> <p>Board to include section on Code of Ethics in annual self-evaluation.</p> <p><b>"The District has met this recommendation."</b></p>

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				<p>Report (November 2010), “The District has met this recommendation.”</p> <p>The Governing Board will conduct a regular review of the code of ethics to assure a thorough understanding and application of its intent.</p> <p><b>(Refer to District’s October 15, 2010 ACCJC Follow-Up Report)</b></p>	
<p>2010 ACCJC Accreditation Letter June 30, 2010</p> <p>2010 Special Visit Team Recommendation</p> <p>2010 Recommendation 7</p>	<p>Change the reporting relation of the Inspector General from the Board of Trustee to the Chancellor (Standard IV.B.1.j)</p>	<p>Responsible: Board Point: Chancellor</p>	<p>October 15, 2010 <b>Per the November 2010 Visiting Team Report, “The District has met this recommendation.”</b></p>	<p>On July 20, 2010, the Governing Board unanimously voted to delegate to the Chancellor the reorganization of the Inspector General’s position for reporting purposes.</p> <p>Per the Follow-Up Visit Report (November 2010), “The District has met this recommendation.”</p> <p>The position of Inspector General reports to the Chancellor. The Inspector General resigned from the district on January 4, 2011. There are no plans to fill the position. <b>(Refer to District’s</b></p>	<p>Issue resolved: the Inspector General is a direct report to the Chancellor.</p> <p>Reaffirmed at the September 14, 2010 Board training. The Inspector General resigned; no plans to fill the position.</p> <p><b>“The District has met this recommendation.”</b></p>

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<p>2010 ACCJC Accreditation Letter June 30, 2010</p> <p>2010 Special Visit Team</p> <p>2010 Recommendation 8</p>	<p>Review Board Roles to Assure Board is Relying on the Chancellor to Carry out the Policy Set by the Board. (Standard IV.B.1.j)</p>	<p>Responsible: Board Point: Chancellor</p>	<p>October 15, 2010</p> <p><b>Per the November 2010 Visiting Team Report, “The District has met this recommendation.”</b></p>	<p><b>October 15, 2010 ACCJC Follow-Up Report)</b></p> <p>On May 25, 2010, the Governing Board unanimously agreed that training, of the Board will occur to review and better understand the ACCJC Standard and Eligibility Requirements.</p> <p>On June 10, 2010, League of California provided training for the trustees of the Governing Board. Board practices and Financial Responsibilities were covered.</p> <p>Per the Follow-Up Visit Report (November 2010), “The District has met this recommendation.”</p> <p>Per the Follow-Up Visit Report (November 2010), “The District has met this recommendation.” <b>(Refer to October 15, 2010 ACCJC Follow-Up Report)</b></p>	<p>Board adopted CCLC document, Board and CEO Roles: Different Jobs and Different Tasks (7/22/10).</p> <p>Trainings conducted on 6/10/10 and 9/14/10 which addressed this recommendation.</p> <p>Board will conduct quarterly training workshops.</p> <p>Board will adhere to Board Policy 1.21, Board Committees (10/26/10).</p> <p>Board revised Board Policy 1.05, Duties and Responsibilities of the Board (10/26/10).</p> <p><b>“The District has met this recommendation.”</b></p>

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<p>2010 ACCJC Accreditation Letter June 30, 2010</p> <p>2010 Special Visit Team</p> <p>2010 Recommendation 9</p>	<p>Board and District adhere to their appropriate roles. Board must not interfere with the operations of the four colleges of the district. Chancellor assumes and takes full responsibility and authority for the areas assigned to district oversight</p>	<p>Responsible: Board Point: Chancellor</p>	<p>On-Going</p> <p><b>Per the November 2010 Visiting Team Report, "The District has met this recommendation."</b></p>	<p>On May 25, 2010, the Governing Board unanimously agreed that training, of the board will occur to review and better understand the ACCJC Standard and Eligibility Requirements.</p> <p>On June 10, 2010, League of California provided training for the trustees of the Governing Board. Board practices and Financial Responsibilities were covered.</p> <p>Per the Follow-Up Visit Report (November 2010), "The District has met this recommendation."</p> <p>The Governing Board will continue to work directly with the Chancellor and not engage in direct contact with the college presidents and other district personnel (administrators and staff).</p> <p><b>(Refer to October 15, 2010 ACCJC Follow-Up Report)</b></p>	<p>Board adopted CCLC document, Board and CEO Roles: Different Jobs and Different Tasks (7/22/10).</p> <p>Trainings conducted on 6/10/10 and 9/14/10 which addressed this recommendation.</p> <p>Board will conduct quarterly training workshops.</p> <p>Board will adhere to Board Policy 1.21, Board Committees (revised 10/26/10).</p> <p>Board revised Board Policy 1.05, Duties and Responsibilities of the Board (10/26/10).</p> <p>The new Chancellor on various occasions has publically addressed this recommendation with the Board and has reiterated how staff responds to a Trustees position, power, and authority. Board has agreed to rely on and trust the Chancellor.</p> <p><b>"The District has met this recommendation."</b></p>

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<p>2011 ACCJC Accreditation Letter, January 31, 2011 Activity Request #4.</p>	<p>The status of the new Chancellor search and the District response to sustain leadership continuity in the Chancellor position</p>	<p>Responsible: Governing Board</p>	<p>On or before June 30, 2012</p>	<p>There was a search process from February-December 2010. On December 7, 2010, the Board took action to reopen the search process.</p>	<p>The Board reopened the search process. On February 15, 2011, the Board renewed Chancellor Allen's contract to June 30, 2012.</p>

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<b>INDEPENDENT AUDIT FINDINGS</b>					
<p style="text-align: center;"><b>MATERIAL WEAKNESSES FINANCIAL STATEMENT</b></p> <p style="text-align: center;">Independent Audit Finding</p> <p style="text-align: center;">2009-1 No corresponding audit finding in 2010.</p> <p style="text-align: center;">DISTRICT FINANCIAL REPORTING</p>	<p><b>Monthly Financial Activity Report for All Funds</b></p>	<p><b>Responsible: PCCD Board/Chancellor</b> <b>Point: Vice Chancellor For Finance &amp; Administration</b></p>	<p><b>January 1, 2011</b></p>	<p><b>A monthly expenditure report was developed in February 2010. This report will continue to be refined and provided to key stakeholders on a monthly basis. (Refer to VTD Audit Response)</b></p>	<p><b>Completed. Report has been provided to the Audit and Finance Committee and Board since October 2010.</b></p>
<p style="text-align: center;">Independent Audit Finding</p> <p style="text-align: center;">2009-2 2010-1</p> <p style="text-align: center;">DISTRICT BUDGET MONITORING</p>	<p><b>Annual Budget Prepared and Presented to Stakeholders within Statutory Time-Line – On-Going Monitoring of Budget</b></p>	<p><b>Responsible: PCCD Board/Chancellor</b> <b>Point: Vice Chancellor For Finance &amp; Administration</b></p>	<p><b>September 28, 2010</b></p>	<p><b>The 2010-11 Budget will be presented for review and acceptance by September 28, 2010. (Refer to VTD Audit Response)</b></p>	<p><b>Completed. Presented and adopted at the 9/28/10 Board meeting.</b></p>
<p style="text-align: center;">Independent Audit Finding</p> <p style="text-align: center;">2009-3 2010-2</p> <p style="text-align: center;">QUARTERLY FINANCIAL REPORTING</p>	<p><b>Financial Activity Calendar Provided to Board of Trustees</b></p>	<p><b>Responsible: Chancellor</b> <b>Point: Vice Chancellor For Finance &amp; Administration</b></p>	<p><b>September 28, 2010</b></p>	<p><b>A Financial Activity Calendar will be provided to the Board of Trustees at the September Board Meeting for information (Refer to VTD Audit Response)</b></p>	<p><b>Completed. An annual financial activity calendar has been developed and is being taken to the Audit and Finance Committee meeting on 10/14. It will then be taken to the 10/26 Board meeting.</b></p>



**PERALTA COMMUNITY COLLEGE DISTRICT  
CORRECTIVE ACTION MATRIX  
PENDING ACTIONS**

Auditing/ Agency	Corrective Action	Responsibility/Point	Due Date	Status	Systematic/Source Integration
<p>Independent Audit Finding</p> <p>2009-4 2010-3</p> <p>OVERSIGHT AND MONITORING</p>	<p><b>Formal Comprehensive Review of the PeopleSoft Accounting System</b></p>	<p><b>Responsible: Vice Chancellor For Finance &amp; Administration</b> <b>Point: Associate Vice Chancellor of Finance</b></p>	<p><b>June 30, 2011</b></p>	<p><b>Staff will be providing a recommendation on the time-line and approach to this corrective action. Add status of position management (Refer to VTD Audit Response)</b></p>	<p><b>Business process review has been conducted and items noted as critical have been identified and prioritized. Currently redesigning PeopleSoft's payroll process to align with desired business process.</b></p>
<p>Independent Audit Finding</p> <p>2009-5 2010-4</p> <p>CORRECTIVE ACTION PLAN</p>	<p><b>Address All Recommendations Stated in the Annual Audited Financial Report</b></p>	<p><b>Responsible: PCCD Board/Chancellor</b> <b>Point: Vice Chancellor For Finance &amp; Administration</b></p>	<p><b>Upon Receipt of Audit – 30, 60, 90, 120 day Status Report to Audit Finance Committee and Board of Trustees</b></p>	<p><b>This Corrective Action Matrix List Each 2008-09 Audit Findings and Its Status the matrix is being used as a tool to address each of the current and prior year findings (Refer to VTD Audit Response)</b></p>	<p><b>Corrective action plans for prior audit findings are being implemented and continuously assessed. Status reports have been provided previously to the Audit and Finance Committees with quarterly reports currently to the Board.</b></p>
<p>Independent Audit Finding</p> <p>2009-6 2010-5</p> <p>OTHER POST EMPLOYMENT BENEFITS (OPEB)</p>	<p><b>Receive, Review and Reconcile the Monthly Investment Activity</b></p>	<p><b>Responsible: Chancellor</b> <b>Point: Vice Chancellor For Finance &amp; Administration</b></p>	<p><b>Monthly Reports to the Audit and Finance Committee and Regular Updates to the Board of Trustees</b></p>	<p><b>During the Month of July, the Board of Trustees and Audit and Finance Committee were provided an update on the Investment Activity (Refer to VTD Audit Response)</b></p>	<p><b>Beginning in the month of October, all investment accounts are being reconciled and reviewed on a monthly basis. Quarterly reports will be taken to the Board beginning with the quarter ending December 2010.</b></p>

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Auditing/ Agency	Corrective Action	Responsibility/Point	Due Date	Status	Systematic/Source Integration
<p>Independent Audit Finding</p> <p>2009-7 2010-6</p> <p>SWAP INVESTMENT ACTIVITY</p>	<p><b>Prepare, Review and Adopt Policy on Use of Interest Rate Swap Agreements</b></p>	<p><b>Responsible: Chancellor Point: Vice Chancellor For Finance &amp; Administration</b></p>	<p><b>June 30, 2011</b></p>	<p><b>The VICE CHANCELLOR FOR FINANCE &amp; ADMINISTRATION is working with new bond financial adviser in the development of appropriate policy, procedures and practices on interest rate SWAP agreements (Refer to VTD Audit Response)</b></p>	<p><b>Development of new policy, procedure, and SOP complete in January presented in February.</b></p> <p><b>Draft investment policy and administrative procedure to the March 15, 2011 Board meeting.</b></p> <p><b>SWAP policy to be developed by independent Retirement Board.</b></p> <p><b>To be completed by June 30, 2011 and part of a comprehensive OPEB restructure.</b></p>
<p>Independent Audit Findings</p> <p>2009-8 2010-7</p> <p>CASH IN COUNTY RECONCIATION</p> <p>2009-9 2010-8</p> <p>BANK ACCOUNT RECONCIATION</p>	<p><b>Cash and Bank Accounts Reconciled Monthly</b></p>	<p><b>Responsible: Vice Chancellor For Finance &amp; Administration Point: Associate Vice Chancellor for Finance</b></p>	<p><b>June 30, 2011</b></p>	<p><b>The PCCD is reviewing its policy regarding cash and bank account reconciliation and is revising and implementing necessary changes (Refer to VTD Audit Response)</b></p>	<p><b>SOP in development for formal implementation. Cash accounts currently being reconciled timely and reviewed by the Associate Vice Chancellor for Finance/ Vice Chancellor for Finance and Administration.</b></p>

**PERALTA COMMUNITY COLLEGE DISTRICT  
CORRECTIVE ACTION MATRIX  
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Auditing/ Agency	Corrective Action	Responsibility/Point	Due Date	Status	Systematic/Source Integration
<p>Independent Audit Finding</p> <p>2009-10 2010-9</p> <p>INTERNAL AUDIT FUNCTION</p>	<p><b>Develop a Risk Assessment Program and Perform Regular Reviews of Programs, Services and Activities</b></p>	<p><b>Responsible: Vice Chancellor For Finance &amp; Administration</b> <b>Point: Internal Auditor</b></p>	<p><b>June 30, 2011</b></p>	<p><b>The PCCD is in the hiring process of an Internal Auditor to perform risk assessment (Refer to VTD Audit Response)</b></p>	<p><b>The hiring of this position is in process. To be complete by end of March. Once hired, the individual will be assigned this task.</b></p>
<p>Independent Audit Finding</p> <p>2009-11 2010-10</p> <p>CAPITAL ASSET ACCOUNTING</p>	<p><b>Identify and Train Personnel in Accounting of Capital Assets</b></p>	<p><b>Responsible: Vice Chancellor For Finance &amp; Administration</b> <b>Point: Associate Vice Chancellor for Finance</b></p>	<p><b>June 30, 2011</b></p>	<p><b>The Vice Chancellor For Finance &amp; Administration is identifying and having trained personnel in the accounting and recording of capital assets (Refer to VTD Audit Response)</b></p>	<p><b>Completed. Training has occurred. Implementing asset management module within PeopleSoft.</b></p>
<p>Independent Audit Finding</p> <p>2009-12 2010-11</p> <p>FINANCIAL ACCOUNTING SYSTEM PROCEDURES</p>	<p><b>A Review of the Capabilities of PeopleSoft Financial Accounting Software System</b></p>	<p><b>Responsible: Vice Chancellor For Finance &amp; Administration</b> <b>Point: Associate Vice Chancellor for Finance</b></p>	<p><b>June 30, 2011</b></p>	<p><b>Staff will be providing a recommendation on the time-line and approach to this corrective action. (Refer to VTD Audit Response)</b></p>	<p><b>Publishing of Monthly Variance Reports, development of additional queries and reports.</b></p>
<p>Independent Audit Finding</p> <p>2009-13</p> <p>No Corresponding Audit Finding In 2010.</p>	<p><b>Test and Implement Student Financial Aid Accounting System</b></p>	<p><b>Responsible: Vice Chancellor of Student Services</b> <b>Point: Associate Vice Chancellor of Information Technology</b></p>	<p><b>January 31, 2012</b></p>	<p><b>Staff will be providing a recommendation on the time-line and approach to this corrective action, along with regular</b></p>	<p><b>Work with SAFE Student financial system to implement Web based Student Financial Aid system. Testing to begin</b></p>

**PERALTA COMMUNITY COLLEGE DISTRICT  
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Auditing/ Agency	Corrective Action	Responsibility/Point	Due Date	Status	Systematic/Source Integration
STUDENT FINANCIAL AID ACCOUNTING				status reports to the Chancellor regarding product development. (Refer to VTD Audit Response)	December 2011 at the latest. Automated Gen. Ledger feed from SAFE to PeopleSoft to be implemented by June 2011. Legacy Financial Aid system will be running in parallel in calendar year 2012.
Independent Audit Finding  2009-14 2010-12  STUDENT ENROLLMENT FEE REPORTING	<b>Consistent Procedure for Accounting and Remittance of All Student Fees</b>	<b>Responsible: Chancellor Point: Vice Chancellor For Finance &amp; Administration</b>	<b>June 30, 2011</b>	The PCCD authorized a position to work between student and finance. (Refer to VTD Audit Response)	Student Analyst position has been created and an individual has been hired. Further, an Administrative Procedure has been created covering the collection and remittance of fees collected.
Independent Audit Finding  2009-15 2010-13  WRITTEN PROCEDURE MANUALS	<b>Written Procedure Manuals Developed for District and Business Offices</b>	<b>Responsible: Chancellor Point: Vice Chancellor For Finance &amp; Administration</b>	<b>June 30, 2011</b>	Procedures manuals are in process. (Refer to VTD Audit Response)	Procedures manual in process. Areas where drafts exist are Purchasing and Accounts Payable. Budget and Budget development in process.
<b>SIGNIFICANT DEFICIENCIES</b>  2009-16 2010-14  Independent Audit	<b>Software System Controls Reviewed &amp; Tested by Independent Service Provider &amp; Evaluate Adequacy</b>	<b>Responsible: Chancellor Point: Vice Chancellor For Finance &amp; Administration</b>	<b>June 30, 2011</b>	Vice Chancellor For Finance & Administration and Vice Chancellor of Educational Services to Evaluate the Software System	Independent Service Provider evaluation underway.

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Auditing/ Agency	Corrective Action	Responsibility/Point	Due Date	Status	Systematic/Source Integration
<p style="text-align: center;">Finding</p> <p style="text-align: center;">INFORMATION SYSTEMS</p>				<p style="text-align: center;"><b>Controls</b> (Refer to VTD Audit Response)</p>	
<p style="text-align: center;">2009-17 2010-15</p> <p style="text-align: center;">Independent Audit Finding</p> <p style="text-align: center;">ACCURAL ACCOUNTS</p>	<p style="text-align: center;"><b>Adequate Controls Over Year-End Closing Process. Training of District Staff on Accounting Principles</b></p>	<p style="text-align: center;"><b>Responsible: Chancellor</b> <b>Point: Vice Chancellor For Finance &amp; Administration</b></p>	<p style="text-align: center;"><b>June 30, 2011</b></p>	<p style="text-align: center;">The PCCD will institute adequate controls and provide training to staff. (Refer to VTD Audit Response)</p>	<p style="text-align: center;"><b>Completed.</b> Training has been conducted. On-going training is being planned during the course of the fiscal year. Closing checklists have been implemented for the fiscal year ending 6/30/2010.</p>
<p style="text-align: center;">2009-18</p> <p style="text-align: center;">No Corresponding Audit Finding in 2010.</p> <p style="text-align: center;">Independent Audit Finding</p> <p style="text-align: center;">OTHER POSTEMPLOYMENT BONDS</p>	<p style="text-align: center;"><b>Assets in the OPEB District Accounts Need to be Monitored, Reconciled, Summarized, and Recorded in District Ledger on a Regular and Timely Basis</b></p>	<p style="text-align: center;"><b>Responsible: Chancellor</b> <b>Point: Vice Chancellor For Finance &amp; Administration</b></p>	<p style="text-align: center;"><b>On-Going</b></p>	<p style="text-align: center;">The PCCD will monitor, reconcile, summarize and record the assets in the OPEB accounts on a regular and timely basis. (Refer to VTD Audit Response)</p>	<p style="text-align: center;">Training is in process for designated staff (accountant).</p>
<p style="text-align: center;">2009-19</p> <p style="text-align: center;">No Corresponding Audit Finding in 2010.</p> <p style="text-align: center;">Independent Audit Finding</p> <p style="text-align: center;">RECONCILIATION OF RETIREES ELIGIBILITY</p>	<p style="text-align: center;"><b>Annual Affirmation from Retirees and Dependents to Determine their Eligibility for district paid health benefits</b></p>	<p style="text-align: center;"><b>Responsible: Chancellor</b> <b>Point: Vice Chancellor For Finance &amp; Administration and VC of HR</b></p>	<p style="text-align: center;">completed July 31, 2010</p>	<p style="text-align: center;"><u>Completed</u> The PCCD began an affirmative audit enrollment process in April 2010. This audit determined the retirees and their dependent's eligibility. (Refer to VTD Audit Response)</p>	<p style="text-align: center;"><b>Completed</b></p>

**PERALTA COMMUNITY COLLEGE DISTRICT  
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Auditing/ Agency	Corrective Action	Responsibility/Point	Due Date	Status	Systematic/Source Integration
<p>2009-20 2010-16</p> <p>Independent Audit Finding</p> <p>LOAD BANKING</p>	<p><b>Revise Policies to Conform with Current Internal Revenue Service (IRS) Section Regulations Regarding “Load Banking”.</b></p>	<p><b>Responsible: Chancellor Point: Vice Chancellor For Finance &amp; Administration and VC of HR</b></p>	<p><b>June 30, 2011</b></p>	<p>The PCCD is receiving annual load banking records to accrue the liability for year-end financial reporting. The PCCD policy will be modified to eliminate the employee’s option of cashing out their balance in whole or in part to comply with the IRS regulations. PCCD will engage a meet and confer process. (Refer to VTD Audit Response)</p>	<p><b>Analysis being conducted to determine collective bargaining implications.</b></p>
<p>2009-21</p> <p>No Corresponding Audit Finding in 2010.</p> <p>Independent Audit Finding</p> <p>COMPENSATED ABSENCES</p>	<p><b>Internal Controls for Compensated Absence Balances Need to be Strengthened to Ensure Absences are Properly Recorded and Accumulated. Consistent Methodology for Reporting Load Banking Balances. Outstanding Balances Reported to HR and/or Finance Regularly to Close the Accounting Records.</b></p>	<p><b>Responsible: Chancellor Point: Vice Chancellor For Finance &amp; Administration and VC of HR</b></p>	<p><b>December 31, 2010</b></p>	<p>In March 2010, a consistent format was developed for the Colleges to account for load banking, accrual, usage, and liability. (Refer to VTD Audit Response)</p>	<p><b>Leave Absence Reports implemented and are required to be submitted to HR on a monthly basis.</b></p>
<p>2009-22 2010-17</p> <p>Independent Audit Finding</p> <p>DISASTER RECOVERY</p>	<p><b>Continue to Review and Implement the Draft Disaster Recovery Plan (DRP) for the Information Systems Department. DRP Should Cover all Operating Systems and be Tested Annually. DRP</b></p>	<p><b>Responsible: Vice Chancellor of Educational Services Point: Associate Vice Chancellor of Information Technology</b></p>	<p><b>June 30, 2011</b></p>	<p>The PCCD is reviewing and implementing the draft DRP. The System will be tested by June 30, 2011. The DRP will include</p>	<p><b>Calendar developed for routine testing of disaster recovery system. Off Campus Hosting Back up files.</b></p>

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Auditing/ Agency	Corrective Action	Responsibility/Point	Due Date	Status	Systematic/Source Integration
AND STRATEGIC PLANNING	<b>Should Include Procedures that Ensure Recovery and Restoration of all Systems.</b>			procedures that will ensure recovery and restoration of the systems in the event of a disaster. (Refer to VTD Audit Response)	An external assessment is currently being conducted.
2009-23 2010-18  Independent Audit Finding  SCHEDULE EXPENDITURES OF FEDERAL AWARDS (SEFA)/SCHEDULE OF EXPENDITURES OF STATE AWARDS (SESA)	<b>Review Procedures and Format Over Collection of Data in the SEFA/SESA to Ensure it Includes All Required Elements</b>	<b>Responsible: Vice Chancellor of Finance Point: Associate Vice Chancellor of Finance</b>	<b>June 30, 2011</b>	The PCCD will review its procedures and format over the collection of data to be included in the SEFA/SESA. (Refer to VTD Audit Response)	The Office of Finance is addressing all SEFA/SESA requirements.
2009-24 No Corresponding Audit Finding in 2010.  Independent Audit Finding  AUDIT ADJUSTMENTS	<b>Post All Approved Audit Adjustments after the Audited Financial Statements are Approved</b>	<b>Responsible: Chancellor Point: Vice Chancellor For Finance &amp; Administration</b>	<b>December 31, 2010</b>	The PCCD will post all approved audit adjustments after the audited financial statements are approved. (Refer to VTD Audit Response)	<b>Completed.</b> Procedure implemented. All audit adjustments have been reviewed and posted for the fiscal year end 6/30/2009 audit.
2009-25 2010-19  Independent Audit Finding  COLLEGE BUSINESS OFFICE ACTIVITY	Review Guidelines for Receipt and Use of General Fund Monies Deposited within the Accounts. All Activity Reconciled and Provided in a Timely Manner. Amounts within the Trust Fund Belonging to the District Forwarded to District with a Full Reconciliation and Accounting	Responsible: Chancellor Point: Vice Chancellor For Finance & Administration	December 31, 2010	The PCCD will review the current guidelines and all activity will be reconciled in a timely manner. Trust funds will be forwarded with a reconciliation and accounting. (Refer to VTD Audit Response)	Guidelines have been developed and distributed to the campus business managers outlining timelines for forwarding funds to the District.

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CORRECTIVE ACTION MATRIX  
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Auditing/ Agency	Corrective Action	Responsibility/Point	Due Date	Status	Systematic/Source Integration
<p>2009-26 No Corresponding Audit Finding in 2010.</p> <p>Independent Audit Finding</p> <p>INTERFUND TRANSFERS AND DUE TO/DUE FROM</p>	<p>Transactions Recorded in Accounts - Reviewed and Reconciled Prior to Being Posted to General Ledger.</p>	<p>Responsible: Chancellor Point: Vice Chancellor For Finance &amp; Administration</p>	<p>On-Going</p>	<p>Transactions will be reviewed and reconciled. Posting authority has been limited to managers and supervisors. <b>(Refer to VTD Audit Response)</b></p>	<p>Posting authority rests only with the Associate Vice Chancellor for Finance and the Vice Chancellor.</p>
<p>2009-27 2010-20</p> <p>Independent Audit Finding</p> <p>ALLOWANCE FOR DOUBTFUL ACCOUNTS</p>	<p>The Allowance for Doubtful Accounts – Need Review and Analysis Throughout the Year – Properly Adjusted for Current Year Activities</p>	<p>Responsible: Chancellor Point: Vice Chancellor For Finance &amp; Administration</p>	<p>On-Going</p>	<p>The PCCD will develop a process to analyze accounts. The PCCD is implementing a new module in the student finance system that will set up payment plans for students. <b>(Refer to VTD Audit Response)</b></p>	<p>Payment plan program has been implemented. Additionally, the District is now participating in the State’s CoTops program in effort to collect receivables. AR policies need to be developed.</p>
<p>2009-28 2010-21</p> <p>Independent Audit Finding</p> <p>ACCOUNTING FOR EXPENSES</p>	<p>Review and Understand Disbursement Policies and Procedures – AP Staff Ensure Expenditures are Classified and all Documents are Present Prior to Disbursement of Funds for Payment.</p>	<p>Responsible: Chancellor Point: Vice Chancellor For Finance &amp; Administration</p>	<p>December 31, 2010</p>	<p>The PCCD will review and understand the disbursement policies and procedures. AP staff will ensure that expenditures are classified and all pertinent documents are present prior to disbursement of funds for payment. <b>(Refer to VTD Audit Response)</b></p>	<p>Training materials developed with a training workshop held February 24th.</p>



**PERALTA COMMUNITY COLLEGE DISTRICT  
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Auditing/ Agency	Corrective Action	Responsibility/Point	Due Date	Status	Systematic/Source Integration
<p>2009-29 2010-22</p> <p>Independent Audit Finding</p> <p>EMPLOYEE CONTRACTS</p>	<p>Employment Contracts and Salary Increases are Approved and Accepted by the Chancellor within a Week of the Employee's Acceptance</p>	<p>Responsible: Chancellor Point: VC of HR/Vice Chancellor For Finance &amp; Administration</p>	<p>On-Going</p>	<p>The PCCD will ensure that employment contracts and salary increases are approved and accepted by the Chancellor within 30 days of Employee's acceptance. <b>(Refer to VTD Audit Response)</b></p>	<p>Analysis in process.</p>
<p>2009-30 2010-23</p> <p>Independent Audit Finding</p> <p>JOURNAL ENTRIES</p>	<p>Process of recording Transfers and Journal Entries Evaluated for Proper Internal Controls. Segregation of Duties with Responsibility for Review and Reconciliation Maintained at the Supervisory Level. Written Procedures Prepared on Proper Controls and Procedures.</p>	<p>Responsible: Chancellor Point: Vice Chancellor For Finance &amp; Administration</p>	<p>June 30, 2011</p>	<p>Written procedures will be prepared on the proper controls and procedures. Only managers and supervisors can post journal entries. <b>(Refer to VTD Audit Response)</b></p>	<p>Budget and accounting procedures are currently being reviewed and revised.</p>
<p><b>MATERIAL WEAKNESSES</b></p> <p><b>FEDERAL AWARDS</b></p> <p>2009-31</p> <p>No Corresponding Audit Finding in 2010.</p> <p>Independent Audit Finding</p> <p>A-133 REPORTING</p>	<p>Implement a Reporting Calendar – Timely Closing of Financial Ledgers and Completion of the Audit and Related Filings</p>	<p>Responsible: Chancellor Point: Vice Chancellor For Finance &amp; Administration</p>	<p>June 30, 2011</p>	<p>The PCCD will implement a reporting calendar for timely closing of financial ledgers and completion of the audit and related required filings. <b>(Refer to VTD Audit Response)</b></p>	<p>Completed. A fiscal year end closing calendar has been developed and implemented for the fiscal year end 6/30/2010.</p>

**PERALTA COMMUNITY COLLEGE DISTRICT  
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Auditing/ Agency	Corrective Action	Responsibility/Point	Due Date	Status	Systematic/Source Integration
<p>2009-32 2010-8 (single audit) Independent Audit Finding</p> <p>RETURN TO TITLE IV</p>	<p>Accounting Policies Developed – Uniform Calculation Procedures – Routine Timelines – Reports Run in a Timely Manner and Provide Evidence that all Withdrawn Students are Identified and a Calculation Performed</p>	<p>Responsible: Chancellor Point: Vice Chancellor For Finance &amp; Administration and Vice Chancellor of Student Services</p>	<p>June 30, 2011</p>	<p>Accounting policies will be developed to provide uniform calculation procedures for each of the colleges. Records will include support that the reports are run in a timely manner. <b>(Refer to VTD Audit Response)</b></p>	<p>An accounting policies and procedures manual is in the process of being developed.</p>
<p>2009-33 No Corresponding Audit Finding in 2010.</p> <p>Independent Audit Finding</p> <p>STUDENT FINANCIAL AID REPORTING</p>	<p>Implement Procedures to Provide the College Student Financial Aid Offices with Required Information and Timelines to submit the Reports to DOE. Financial Aid Offices – Develop Procedures to Ensure EZ-Audit is Completed , Reviewed and Submitted in a Timely Manner</p>	<p>Responsible: Chancellor Point: Vice Chancellor of Student Services</p>	<p>June 30, 2011</p>	<p>The PCCD will implement procedures to provide the College Student Financial Aid Offices with the required information and timelines to submit the appropriate reports to the DOE. EZ Audit will be completed, reviewed, and submitted in a timely manner. <b>(Refer to VTD Audit Response)</b></p>	<p>Hiring of District Director of Financial Aid to implement consistent financial aid procedures and develop a financial aid calendar. Fiscal services will complete EZ audit.</p>
<p>2009-34 2010-5 (single audit) Independent Audit Finding</p> <p>EQUIPMENT MANAGEMENT</p>	<p>Physical Inventory of the Federally Purchased Equipment taken Bi-Annually – Reconciled – Written Procedures Prepared on Inventory Controls – Safeguarded and Accounted For</p>	<p>Responsible: Vice Chancellor of Finance Point: Purchasing Compliance Manager</p>	<p>June 30, 2011</p>	<p>Physical Inventory will be taken on a bi-annual basis and reconciled with records of purchases of the equipment. <b>(Refer to VTD Audit Response)</b></p>	<p>A draft Board Policy and Administrative Policy has been developed that, among other things, specifically requires inventory observations on a bi-annual basis. These draft policies are currently going through the shared governance process.</p>

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Auditing/ Agency	Corrective Action	Responsibility/Point	Due Date	Status	Systematic/Source Integration
<p>2009-35 2010-6 (single audit) Independent Audit Finding</p> <p>PROCUREMENT, SUSPENSION, AND DEBARMENT</p>	<p>Verify Entities Contracted with for Services are not Suspended or Debarred</p>	<p>Responsible: Chancellor Point: Vice Chancellor of Educational Services and Purchasing Compliance Manager</p>	<p>December 31, 2010</p> <p>Completed and continually updated</p>	<p>The PCCD has monitored the grant sub recipients for compliance with program performance since December 2009. Signed MOUs have been received from the five campuses that participated in the Tech-Prep grant. Time and effort verification has been completed for all district-wide awards. <b>(Refer to VTD Audit Response)</b></p>	<p>MOU's are kept up to date, Vice Chancellor of Educational Services will oversee grants and ensure reporting compliance</p> <p>Completed</p>
<p>2009-36 No Corresponding Audit Finding in 2010.</p> <p>Independent Audit Finding</p> <p>SUB RECIPIENT MONITORING</p>	<p>Better Understanding of Timelines for Corrective Action and Implement Calendars for Corrective Timelines. Sub Recipient Agreements – Reviewed, Changed to Include Notices, Terms, and Conditions for the Sub Recipient</p>	<p>Responsible: Chancellor Point: Vice Chancellor of Educational Services</p>	<p>December 31, 2010</p> <p>Completed</p>	<p>The Office of Educational Services ensures ongoing compliance <b>(Refer to VTD Audit Response)</b></p>	<p>MOU template developed and approved to ensure timely completion by sub-recipients</p> <p>Completed</p>
<p>2009-37 No Corresponding Audit Finding in 2010.</p> <p>Independent Audit Finding</p> <p>STUDENT FINANCIAL AID ELIGIBILITY</p>	<p>Files Must be Reviewed for all Components of Eligibility. Schedules Developed, Reviewed, and Reconciled on a Regular Basis to Track Financial Aid Awards</p>	<p>Responsible: Chancellor Point: Vice Chancellor of Student Services</p>	<p>December 31, 2010</p> <p>Completed</p>	<p>The PCCD is hiring an Internal Auditor. This position will improve the error rates for the Federal, State and Local programs. Schedules will be developed, reviewed and reconciled on a regular basis. <b>(Refer to VTD Audit Response)</b></p>	<p>District wide Student Financial Aid Director</p> <p>Developed District wide guidelines.</p> <p>Completed</p>

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CORRECTIVE ACTION MATRIX  
PENDING ACTIONS**

Auditing/ Agency	Corrective Action	Responsibility/Point	Due Date	Status	Systematic/Source Integration
<p>2009-38 No Corresponding Audit Finding in 2010.</p> <p>Independent Audit Finding</p> <p>STUDENT FINANCIAL AID VERIFICATION</p>	<p>Berkeley City College – Reconsider Approach to Verification and Develop a Business Process that Provides a Clear Calculation of the Numbers Verified</p>	<p>Responsible: Chancellor Point: Vice Chancellor of Educational Services</p>	<p>December 31, 2010</p> <p style="color: red;">Completed</p>	<p>Berkeley City College will review and reconsider its approach to verification and develop a business process that provides a clear calculation. <b>(Refer to VTD Audit Response)</b></p>	<p style="color: red;">Completed</p>
<p>2009-39 No Corresponding Audit Finding in 2010.</p> <p>Independent Audit Finding</p> <p>STUDENT FINANCIAL AID PELL DISBURSEMENTS</p>	<p>Greater Oversight of Reporting Problems and Allocate Appropriate Resources where Necessary – Assist Colleges in Meeting Requirements in a Timely Manner</p>	<p>Responsible: Chancellor Point: Vice Chancellor of Student Services</p>	<p>December 31, 2010</p>	<p>The PCCD will provide greater oversight of reporting and allocate appropriate resources where necessary and available to help the Colleges meet the requirements for timely reporting. <b>(Refer to VTD Audit Response)</b></p>	<p>Developed MOUs</p>
<p>2009-40 2010-2 (single audit) Independent Audit Finding</p> <p>TIME AND EFFORT REPORTING</p>	<p>Better Assess Compliance Risks to Better Develop Appropriate Compliance Objects and Necessary Controls</p>	<p>Responsible: Chancellor Point: Vice Chancellor of Educational Services</p>	<p>December 31, 2010</p> <p style="color: red;">Completed</p>	<p>The PCCD will assess the compliance risks to better develop appropriate compliance objectives and necessary controls. <b>(Refer to VTD Audit Response)</b></p>	<p>Time and effort to be accurately recorded</p> <p style="color: red;">Completed</p>

**PERALTA COMMUNITY COLLEGE DISTRICT  
CORRECTIVE ACTION MATRIX  
PENDING ACTIONS**

Auditing/ Agency	Corrective Action	Responsibility/Point	Due Date	Status	Systematic/Source Integration
<p>2009-41 2010-3 (single audit) Independent Audit Finding</p> <p><b>FINANCIAL REPORTING</b></p>	<p>Develop and Monitor Reporting Calendar to Document Timelines. Verify Actual Costs Recorded in the Financial System.</p>	<p>Responsible: Chancellor Point: Vice Chancellor of Educational Services</p>	<p>December 31, 2010</p> <p><b>Completed</b></p>	<p>Reporting Calendar will be used to document timelines and monitor reporting timelines. Reports will be reviewed to verify actual costs are recorded in the financial system. <b>(Refer to VTD Audit Response)</b></p>	<p>Accurate reporting of salary and benefits</p> <p>Distribution of Monthly Expense Reports (MERs)</p> <p>Correct accounting of labor and benefits</p> <p>Correct accounting and coding of Pro-Rata pay</p> <p><b>Completed</b></p>
<p>2009-42 No Corresponding Audit Finding in 2010.</p> <p>Independent Audit Finding</p> <p><b>FEDERAL WORK STUDY AWARDS</b></p>	<p>Reconciliation Performed and Reviewed on a Monthly Basis. Better Communication Between Departments and Central Administration Needs Improvement</p>	<p>Responsible: Chancellor Point: Vice Chancellor of Student Services</p>	<p>December 31, 2010</p> <p><b>Completed</b></p>	<p>Financial Aid set up an internal tracking spreadsheet. Discrepancies will be corrected through payroll adjustments submitted to the college Business Office. Fund balances reported on a monthly basis <b>(Refer to VTD Audit Response)</b></p>	<p><b>Completed</b></p>
<p>2009-43 2010-9 (single audit) Independent Audit Finding</p> <p><b>FEDERAL DRAW DOWNS</b></p>	<p>Adopt a Policy that Determines Procedures for drawing Down Federal Funds. Implement a Control to Ensure Proper Segregation of Duties over Drawing Down Funds and Verify Amount is Reviewed and Approved</p>	<p>Responsible: Chancellor Point: Vice Chancellor of Student Services and Associate Vice Chancellor of Finance</p>	<p>December 31, 2010</p> <p><b>Completed</b></p>	<p>The PCCD will adopt a policy/administrative regulation that determine the procedures for drawing down Federal funds. A control will be implemented to ensure segregation of duties. Amounts will be reviewed and approved. <b>(Refer to VTD Audit Response)</b></p>	<p>Policy in development calling for drawdowns no less than quarterly.</p>

**PERALTA COMMUNITY COLLEGE DISTRICT  
CORRECTIVE ACTION MATRIX  
PENDING ACTIONS**

Auditing/ Agency	Corrective Action	Responsibility/Point	Due Date	Status	Systematic/Source Integration
<p>2009-44 No Corresponding Audit Finding in 2010.</p> <p>Independent Audit Finding</p> <p>ASSESSMENT OF CAPITAL OUTLAY FEES FOR NONRESIDENT STUDENTS</p>	<p>Programming of Student Fees Reviewed and Updated to Allow for the Maximum Amount of the Capital Outlay Fee for International Students. Calculate Fees Charged for Current Term and Full Year. Reimburse the Affected Students the Amount Overcharged.</p>	<p>Responsible: Chancellor Point: Vice Chancellor of Student Services</p>	<p>December 31, 2010</p> <p style="color: red;">Completed</p>	<p>Correction of this issue in the system is part of the reconfiguration of the Student Fee system changes. Individually errors are being corrected manually. <b>(Refer to VTD Audit Response)</b></p>	<p style="color: red;">Completed</p>
<p>2009-45 2010-24</p> <p>Independent Audit Finding</p> <p>CCFS-320 ATTENDANCE REPORTING</p>	<p>Careful Calculation and Preparation of the CCFS-320 Attendance Reports. Documentation Reviewed and a Procedure to Cross Check and Verify the Amounts to be Reported to the Chancellor and Submission to the State.</p>	<p>Responsible: Chancellor Point: Vice Chancellor For Finance &amp; Administration and VC of Educational Services</p>	<p>December 31, 2010</p> <p style="color: red;">Completed</p>	<p>CCFS-320 Attendance Reports will be calculated and prepared carefully. Supporting documents will be carefully reviewed and a procedure to cross check and verify the amounts reported will be completed prior to submittal. <b>(Refer to VTD Audit Response)</b></p>	<p>Cross checking through testing and confirmation with Business Intelligence Tool (BI)</p> <p style="color: red;">Completed</p>
<p>2009-46 No Corresponding Audit Finding in 2010.</p> <p>Independent Audit Finding</p> <p>CONCURRENT ENROLLMENT</p>	<p>Director of Admission and Records – Review All Enrollment Forms Posted to the Website for Consistency with Approved Forms and Compliance with Education Code Requirements.</p>	<p>Responsible: Chancellor Point: VC of Student Services</p>	<p>December 31, 2010</p> <p style="color: red;">Completed</p>	<p>Enrollment forms posted to the website will be reviewed for consistency and compliance. <b>(Refer to VTD Audit Response)</b></p>	<p style="color: red;">Completed</p>

**PERALTA COMMUNITY COLLEGE DISTRICT  
CORRECTIVE ACTION MATRIX  
PENDING ACTIONS**

Auditing/ Agency	Corrective Action	Responsibility/Point	Due Date	Status	Systematic/Source Integration
<p>2009-47 No Corresponding Audit Finding in 2010.</p> <p>Independent Audit Finding</p> <p>RESIDENCY DETERMINATION</p>	<p>Written Procedures Prepared and Provided to all Admissions and Records Offices at the College Campuses – Noting Requirements for the Classification of Students. Only the FTES Generated by California Residents are Included in the CCFS-320 Attendance Reports.</p>	<p>Responsible: Chancellor Point: Vice Chancellor of Student Services</p>	<p>December 31, 2010</p> <p style="color: red;">Completed</p>	<p>The PCCD will develop written procedures and provide them to all Admissions and Records Offices at the college campuses. The verification of the residency status will be consistently applied and documented.</p> <p><b>(Refer to VTD Audit Response)</b></p>	<p>Office of International Affairs/ Students consistently checks residency status.</p>
<p>2009-48 2010-25</p> <p>Independent Audit Finding</p> <p>CALWORKS – MONITORING AND ELIGIBILITY</p>	<p>Documentation of the Verification Process for Students Receiving CalWorks Benefits Must be Included in the File for Each Term Benefits Provided. Verification Process Completed on a Term by Term Basis.</p>	<p>Responsible: Chancellor Point: Vice Chancellor of Educational Services</p>	<p>December 31, 2010</p> <p style="color: red;">Completed</p>	<p>Documentation of the verification process for students receiving CalWorks Benefits will be included in the file for each term benefits are provided.</p> <p><b>(Refer to VTD Audit Response)</b></p>	<p>Working closely with staff and Vice Presidents of Student Services to ensure processes in place for timely filing and collection of student data.</p> <p style="color: red;">Completed</p>
<p>2009-49 No Corresponding Audit Finding in 2010.</p> <p>Independent Audit</p> <p>CALWORKS – REPORTING</p>	<p>Timelines of Required Categorical Reporting must be Documented and Sent to all Program Directors – Supervisory Personnel to Ensure Reporting is Complete and Accurate. General Ledger is Posted Timely and Accurately for all Categorical Programs to Ensure Accuracy of Reporting</p>	<p>Responsible: Chancellor Point: Vice Chancellor of Educational Services</p>	<p>December 31, 2010</p> <p style="color: red;">Completed</p>	<p>Documentation of categorical reporting will occur and will be forwarded to all program directors. Supervisory personnel will ensure the reporting is complete and accurate.</p> <p><b>(Refer to VTD Audit Response)</b></p>	<p>Training of staff and Vice Presidents of Student Services on accurate collection of student data</p> <p style="color: red;">Completed</p>

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PENDING ACTIONS**

Auditing/ Agency	Corrective Action	Responsibility/Point	Due Date	Status	Systematic/Source Integration
<p>2009-50 2010-26</p> <p>Independent Audit Finding</p> <p>STUDENTS ACTIVELY ENROLLED</p>	<p>Program Written to Allow Admissions and Records Office to Identify the Rosters that has not Properly Turned in by Instructors. Admissions and Records Office Follow-Up with Instructors on Requirements to Identify Students who are not Enrolled.</p>	<p>Responsible: Chancellor Point: Vice Chancellor of Educational Services, Vice Chancellor of Student Services and Vice Chancellor of Finance</p>	<p>December 31, 2010</p> <p>Completed</p>	<p>Program will be written to allow Admission and Records Office to identify the rosters that have been turned in by the instructors to determine completeness and accuracy. <b>(Refer to VTD Audit Response)</b></p>	<p>Training by Staff Development Coordinator of Faculty on correct use of rosters and grade reports. Regular follow up with instructional staff and administration on the campus. Regular reports distributed to Presidents Completed</p>
<p>2009-51 2010-27</p> <p>Independent Audit Finding</p> <p>USE OF MATRICULATION FUND</p>	<p>Identify an Individual Responsible to Monitor State Compliance Issues Related to all Compliance Areas and Ensure that Deadlines are met and Reports are Accurate.</p>	<p>Responsible: Chancellor Point: Vice Chancellor of Educational Services and Vice Chancellor of Finance</p>	<p>December 31, 2010</p> <p>Completed</p>	<p>The PCCD will identify an individual that will monitor State compliance issues related to all compliance areas and ensure that deadlines are met and reports are accurate and filed in a timely manner. <b>(Refer to VTD Audit Response)</b></p>	<p>Training of staff oversight by management to ensure knowledge of grants received, proper set up of grants and follow through  Completed</p>
<p>2009-52</p> <p>No Corresponding Audit Finding in 2010.</p> <p>Independent Audit Finding</p> <p>SALARIES OF CLASSROOM INSTRUCTORS – 50%</p>	<p>Set up Appropriate Sub fund or Account within the General Ledger to Identify the Expenditures Associated with the Lottery Revenue</p>	<p>Responsible: Chancellor Point: Vice Chancellor For Finance &amp; Administration</p>	<p>December 31, 2010</p>	<p>The PCCD will set up the appropriate sub fund or account within the general ledger to identify the expenditures associated with the lottery revenue. <b>(Refer to VTD Audit Response)</b></p>	<p>Completed.</p>



**PERALTA COMMUNITY COLLEGE DISTRICT  
CORRECTIVE ACTION MATRIX  
PENDING ACTIONS**

Auditing/ Agency	Corrective Action	Responsibility/Point	Due Date	Status	Systematic/Source Integration
<p>2009-53 2010-28</p> <p>Independent Audit Finding</p> <p>ENROLLMENT FEES REPORTING</p>	<p>Careful Preparation of the Reporting Forms for the State System's Office. Reconciliation of Amounts to be Reported to General Ledger Signed off by Supervisory Personnel Prior to Submitting the Documents.</p>	<p>Responsible: Chancellor Point: Vice Chancellor For Finance &amp; Administration</p>	<p>December 31, 2010</p>	<p>Care will be taken in completing the required reporting forms for the State's System's Office. Reconciliation of amounts to be reported to the general ledger will be signed off by supervisory personnel prior to submitting the documents.</p> <p><b>(Refer to VTD Audit Response)</b></p>	<p>A financial reporting procedure being developed that calls for appropriate checks and balances.</p>
<p>2010-1</p> <p>Single Audit Report Finding</p> <p>SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA)</p>	<p>Review procedures and format over the collection of data to be included in the SEFA to ensure that it includes all required elements.</p>	<p>Responsible: Chancellor Point: Vice Chancellor For Finance &amp; Administration</p>	<p>June 30, 2011</p>	<p>The district is reviewing all procedures and format over the collection of data to be included in the SEFA and also review its existing format of SEFA to ensure that it includes all required elements.</p>	<p>The Office of Finance is addressing all SEFA requirements.</p>
<p>2010-4</p> <p>Single Audit Report Finding</p> <p>SEPARATE ACCOUNTABILITY FOR THE AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) FUNDING</p>	<p>Develop separate program codes for all ARRA awards in order to ensure expenditure of funds are accounted separately from non-ARRA funds.</p>	<p>Responsible: Chancellor Point: Vice Chancellor For Finance &amp; Administration</p>	<p>June 30, 2011</p>	<p>The District will establish separate accounts for the accounting of all Federal ARRA funds.</p>	<p>The Office of Finance is addressing all ARRA requirements.</p>

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PENDING ACTIONS**

Auditing/ Agency	Corrective Action	Responsibility/Point	Due Date	Status	Systematic/Source Integration
2010-7  Single Audit Report Finding  DIRECT LOANS	Implement procedures to ensure that the School Account Statement data file and the Loan Detail records per the COD are reconciled to Merritt College's financial records.	Responsible: Chancellor Point: Vice Chancellor For Finance & Administration	June 30, 2011	With the migration to Federal Direct Loans (DL) the Financial Aid SAFE system is now the method for DL reconciliation; no outside mechanism is currently used; DL originations are submitted through SAFE, origination records are accepted, funds are disbursed through SAFE and reconciled directly to COD via FTP of SAFE DL files.	<b>Completed</b>

**ALAMEDA COUNTY GRAND JURY**

2009-10 Alameda County Grand Jury	Recommendation 10-1 & 10-4  PCCD Board Must: Review, Update, Follow and Enforce All Existing Policies Regarding: <ul style="list-style-type: none"> <li>• Food</li> <li>• Travel</li> <li>• Professional Development</li> </ul>	Responsible: Board of Trustees/Board Policy Review Committee  <b>Point: Chancellor Allen</b>	December 31, 2010	<i>In progress</i> The PCCD sought outside investigator Drummond to review policies/procedures and public report were made to Board in September 2009.  Board and Chancellor updated policy/procedure in Fall 2009.  Policy Review	Board Policy Review Committee regularly reviews policies.  All changes to policy and procedures are formally approved and posted on-line.  New Internal Auditor is tasked to evaluate changes and recommend process improvements, develop any new forms,
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**PERALTA COMMUNITY COLLEGE DISTRICT  
CORRECTIVE ACTION MATRIX  
PENDING ACTIONS**

Auditing/ Agency	Corrective Action	Responsibility/Point	Due Date	Status	Systematic/Source Integration
				Committee reviewed designated policies  Statement from November 2009 SMT meeting CBO to enforce current policy for travel with District staff  <b>Refer to Grand Jury Response</b>	and incorporate in standard operating procedure manual.
2009-10 Alameda County Grand Jury	Recommendation 10-2  PCCD Board Must: Approve Salary Raises and Contracts Before They Are Awarded	Responsible: Board of Trustees/Board  <b>Point: Vice Chancellor or Human Resources</b>	On-Going June 30, 2010	<i>Completed</i> Practice reinforced at board training on september 14, 2010 and through corrective action matrix.  The PCCD sought outside investigator Drummond to review policies/procedures in September 2009.  <b>Refer to Grand Jury Response</b>	Board Policy Review Committee updates on a regularly basis.  All changes to policy and procedures are formally approved and posted on-line.
2009-10 Alameda County Grand Jury	Recommendation 10-3  PCCD Board Must: Supervise the Chancellor, Including a Summary Review of All Expenses on a Regular Basis	Responsible: Board of Trustees  <b>Point: Board President and Vice President</b>	December 31, 2010 – June 30, 2011	<i>In progress</i> Board Workshop on Goal Setting and Chancellor Evaluation on July 19, 2010 and September 14, 2010  Warrant registers submitted to Board on a monthly basis  <b>Refer to Grand Jury Response</b>	Agendized monthly for Board review. All reports are posted online and permanently saved.

**PERALTA COMMUNITY COLLEGE DISTRICT  
CORRECTIVE ACTION MATRIX  
PENDING ACTIONS**

Auditing/ Agency	Corrective Action	Responsibility/Point	Due Date	Status	Systematic/Source Integration
2009-10 Alameda County Grand Jury	<p style="text-align: center;">Recommendation 10-4</p> <p style="text-align: center;">Restrict and Require Written Justification of Food and Meal Purchases. Forms Must Include Who Attended, Why the Business was Conducted and a Statement of Results. Disclose to the Public.</p>	<p style="text-align: center;">Responsible: Board of Trustee/Chancellor</p> <p style="text-align: center;">Point: Vice Chancellor For Finance &amp; Administration</p>	December 31, 2010	<p style="text-align: center;"><i>In progress</i></p> <p>The PCCD will require written justification for all purchases. Expenditures will be reviewed and approved monthly by the Governing board at a public meeting.</p> <p style="text-align: center;"><b>Refer to Grand Jury Response</b></p>	Draft policy has been created and sent to General Counsel.
2009-10 Alameda County Grand Jury	<p style="text-align: center;">Recommendation 10-5</p> <p style="text-align: center;">PCCD Board Must: Not Issue Credit Cards to the Chancellor or Members of the Board of Trustees</p>	<p style="text-align: center;">Responsible: Board of Trustees</p> <p style="text-align: center;"><b>Point: Chancellor Allen</b></p>	Completed	<p style="text-align: center;"><i>Completed</i></p> <p>Credit cards for Board members and Chancellor were cancelled since November 2009. Only a small number of departments have credit cards for departmental needs.</p> <p style="text-align: center;"><b>Refer to Grand Jury Response</b></p>	
2009-10 Alameda County Grand Jury	<p style="text-align: center;">Recommendation 10-6</p> <p style="text-align: center;">PCCD Board Must: Justify and Restrict Travel by the Board and the Chancellor</p>	<p style="text-align: center;">Responsible: Board of Trustees</p> <p style="text-align: center;"><b>Point: Chancellor Allen</b></p>	Completed	<p style="text-align: center;"><i>Completed</i></p> <p>Travel budget decreased by 70%.</p> <p style="text-align: center;"><b>Refer to Grand Jury Response</b></p> <p style="text-align: center;"><b>Refer to Cost Savings Chart.</b></p>	Travel budget is identified during budget development and identified as a line item

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CORRECTIVE ACTION MATRIX  
PENDING ACTIONS**

Auditing/ Agency	Corrective Action	Responsibility/Point	Due Date	Status	Systematic/Source Integration
2009-10 Alameda County Grand Jury	<p style="text-align: center;">Recommendation 10-7</p> <p style="text-align: center;">PCCD Board Must: Approve In Advance as a Non-Consent Item All Out-Of-District Travel by: Board Members and Chancellor</p>	<p style="text-align: center;">Responsible: Board of Trustees</p> <p style="text-align: center;"><b>Point: Chancellor Allen</b></p>	Completed	<p style="text-align: center;"><i>In progress</i></p> <p>The PCCD will review approval process for travel. A recommendation will be made that the Board approve all travel out-of-state in advance and that the Chancellor approve travel out-of-district.</p> <p style="text-align: center;"><b>Refer to Grand Jury Response</b></p>	<p style="text-align: center;">Travel budget is identified during budget development and identified as a line item.</p>
2009-10 Alameda County Grand Jury	<p style="text-align: center;">Recommendation 10-8</p> <p style="text-align: center;">PCCD Board Must: Submit Written Reports Describing the Total Cost of Travel and Benefit to the PCCD</p>	<p style="text-align: center;">Responsible: Board of Trustees</p> <p style="text-align: center;"><b>Point: Chancellor Allen</b></p>	Completed	<p style="text-align: center;"><i>Completed</i></p> <p>The PCCD has a current travel request form that requires submittal at least 15 days in advance of the travel date. This request form will be reinforced and adhered to. This form requires that the purpose/benefit be stated. The PCCD also utilizes a request for reimbursement form that describes the total cost of travel.</p> <p style="text-align: center;"><b>Refer to Grand Jury Response</b></p>	<p style="text-align: center;">Travel budget is identified during budget development and identified as a line item.</p> <p style="text-align: center;">Submit written reports as part of Board communication on board meeting agendas.</p>

**PERALTA COMMUNITY COLLEGE DISTRICT  
CORRECTIVE ACTION MATRIX  
PENDING ACTIONS**

Auditing/ Agency	Corrective Action	Responsibility/Point	Due Date	Status	Systematic/Source Integration
2009-10 Alameda County Grand Jury	<p style="text-align: center;">Recommendation 10-9</p> <p style="text-align: center;">PCCD Board Must: Provide an On-Site Office Space to Trustees and Eliminate Home Offices and All Cell Phone Stipends</p>	<p style="text-align: center;">Responsible: Board of Trustees</p> <p style="text-align: center;"><b>Point: Chancellor Allen</b></p>	Completed	<p style="text-align: center;"><i>Completed</i></p> <p style="text-align: center;">The PCCD has evaluated in the past the need of On-Site Office Space and believe it is not cost-effective. Cell phone stipends were established to comply with IRS rules.</p> <p style="text-align: center;"><b>Refer to Grand Jury Response</b></p>	<p style="text-align: center;">Board annual evaluation will include ways to decrease costs while still maintaining effective communication with the District.</p>
2009-10 Alameda County Grand Jury	<p style="text-align: center;">Recommendation 10-10</p> <p style="text-align: center;">PCCD Board Must: Review Financial Statements of the District at Board Meetings on a Monthly Basis</p>	<p style="text-align: center;">Responsible: Board of Trustee/Chancellor</p> <p style="text-align: center;">Point: Vice Chancellor For Finance &amp; Administration</p>	Completed	<p style="text-align: center;"><i>Completed</i></p> <p style="text-align: center;">The PCCD will generate State quarterly financial reports and review them at the Governing Board level on a quarterly basis.</p> <p style="text-align: center;">Practice reinforced at Board training on July 20, 2010 and September 14, 2010 and through Corrective Action Matrix.</p> <p style="text-align: center;"><b>Refer to Grand Jury Response</b></p>	<p style="text-align: center;">Incorporate in Board meeting calendar for approval of financial statements; and alert board when financial statements are not stated.</p> <p style="text-align: center;">Incorporate in calendar for council on planning and budget to review financial statements.</p>

**PERALTA COMMUNITY COLLEGE DISTRICT  
CORRECTIVE ACTION MATRIX  
PENDING ACTIONS**

Auditing/ Agency	Corrective Action	Responsibility/Point	Due Date	Status	Systematic/Source Integration
2009-10 Alameda County Grand Jury	<p>Recommendation 10-11</p> <p>PCCD Board Must: Fill the Position of Internal District Auditor</p>	<p>Responsible: Board of Trustee/Chancellor</p> <p>Point: Vice Chancellor For Finance &amp; Administration</p>	June 30, 2011	<p><i>In progress</i></p> <p>The PCCD has posted the position for an Internal Auditor. The position is expected to be filled in Fall 2010.</p> <p><b>Refer to Grand Jury Response</b></p>	In interview stage of filling vacancy.
2009-10 Alameda County Grand Jury	<p>Recommendation 10-12</p> <p>PCCD Board Must: Choose a Single Salary Figure that Represents Total Compensation for the Chancellor's Employment Contract</p>	<p>Responsible: Board of Trustee</p>	Completed	<p><i>Completed</i></p> <p>The PCCD Governing Board feels strongly that it must have the ability to offer the necessary compensation package to ensure that the District will be competitive in recruiting a chancellor. A single salary figure that represents total compensation is too restrictive relative to effective negotiations</p> <p><b>Refer to Grand Jury Response</b></p>	
2009-10 Alameda County Grand Jury	<p>Recommendation 10-13</p> <p>PCCD Board Must: Schedule a Meeting Every Year with the Outside Auditors to Discuss Findings and Recommendations in Open Session</p>	<p>Responsible: Board of Trustees</p> <p>Point: Chancellor/Vice Chancellor For Finance &amp; Administration</p>	Completed	<p><i>Completed</i></p> <p>PCCD policy and State regulations require auditors to meet publicly with the Governing Board to discuss the findings and recommendations. This</p>	Incorporate in Board meeting calendar for meeting with outside auditors.

**PERALTA COMMUNITY COLLEGE DISTRICT  
CORRECTIVE ACTION MATRIX  
PENDING ACTIONS**

Auditing/ Agency	Corrective Action	Responsibility/Point	Due Date	Status	Systematic/Source Integration
				<p>recommendation is currently being followed.</p> <p><b>Refer to Grand Jury Response</b></p>	
<p>2009-10 Alameda County Grand Jury</p>	<p>Recommendation 10-14</p> <p>PCCD Board Must: Require that Chancellor and Senior Management Implement Recommendations Made by Outside Auditors to Ensure a Budget can be Developed.</p>	<p>Responsible: Board of Trustees</p> <p>Point: Chancellor/Vice Chancellor For Finance &amp; Administration</p>	<p>June 30, 2011</p>	<p><i>In progress</i></p> <p>The PCCD will continue to respond and implement each auditor's recommendation. The Corrective Action Plan will list all audit findings and a strategy to address the recommendations</p> <p><b>Refer to Grand Jury Response</b></p>	<p>In progress.</p>
<p>2009-10 Alameda County Grand Jury</p>	<p>Recommendation 10-15</p> <p>PCCD Board Must: Require Out-of-State Travel by all District Employees to be Approved in Advance by the Board and Heard as Individual Action Item and Not as an Consent Agenda Item</p>	<p>Responsible: Board of Trustees</p> <p>Point: Chancellor/Vice Chancellor For Finance &amp; Administration</p>	<p>June 30, 2011</p>	<p><i>In progress</i></p> <p>The PCCD has revised policies and procedures regarding travel to promote transparency and accountability since Fall 2009.</p> <p>A recommendation will be made that the Board approve all travel out-of-state in advance and that the Chancellor approve travel out-of-district.</p> <p>The public ratification of travel occurs at an</p>	<p>Agendized monthly for Board review. All reports are posted online and permanently saved.</p>



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CORRECTIVE ACTION MATRIX  
PENDING ACTIONS**

Auditing/ Agency	Corrective Action	Responsibility/Point	Due Date	Status	Systematic/Source Integration
				<p>open Board meeting.</p> <p>Warrant registers submitted to Board on a monthly basis</p> <p><b>Refer to Grand Jury Response</b></p>	
<p>2009-10 Alameda County Grand Jury</p>	<p>Recommendation 10-16</p> <p>PCCD Board Must: Establish Penalties and an Enforcement Procedure for Violation of Policies by Trustees and the Chancellor</p>	<p>Responsible: Board of Trustees/ Board’s Chancellor Evaluation Committee/ Board Policy Review Committee</p> <p>Point: Chancellor/Vice Chancellor For Finance &amp; Administration/Board President and Vice President</p>	<p>Completed</p>	<p><i>Completed</i></p> <p>The PCCD currently has and will implement the Board policies setting high ethical standards for members of the Governing Board and Administrators, including the Chancellor.</p> <p><b>Refer to Grand Jury Response</b></p>	<p>Board Policy Review Committee updates on a regularly basis</p> <p>All changes to policy and procedures are formally approved and posted on-line.</p>

Other Post Employment Benefits (OPEB)  
Board Report  
February 15, 2011

# The Peralta Advisory Team

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## Peralta Community College (District Staff)

**Ron Gerhard**

Vice Chancellor of Finance and  
Administration

**Mike Lenahan**

Advisor

## KNN Public Finance (KNN) (Financial Advisors)

**Joanna Bowes**

Vice President

23 Years Public Finance Experience

**David Leifer**

Sr. Managing Director

22 Years Public Finance/Legal Experience

**David Brodsky**

Managing Director

30 Years Experience in Municipal Finance

## Swap Financial Group (SFG) (Swap Advisor)

**Nat Singer**

Managing Director

23 Years Public Finance/Financial Derivates  
Products

**Jim Murphy**

Vice President

6 years experience working in the interest rate  
derivatives market

## Bartel Associates, LLC (Actuarial Firm)

**Doug Pryor**

Vice President & Actuary

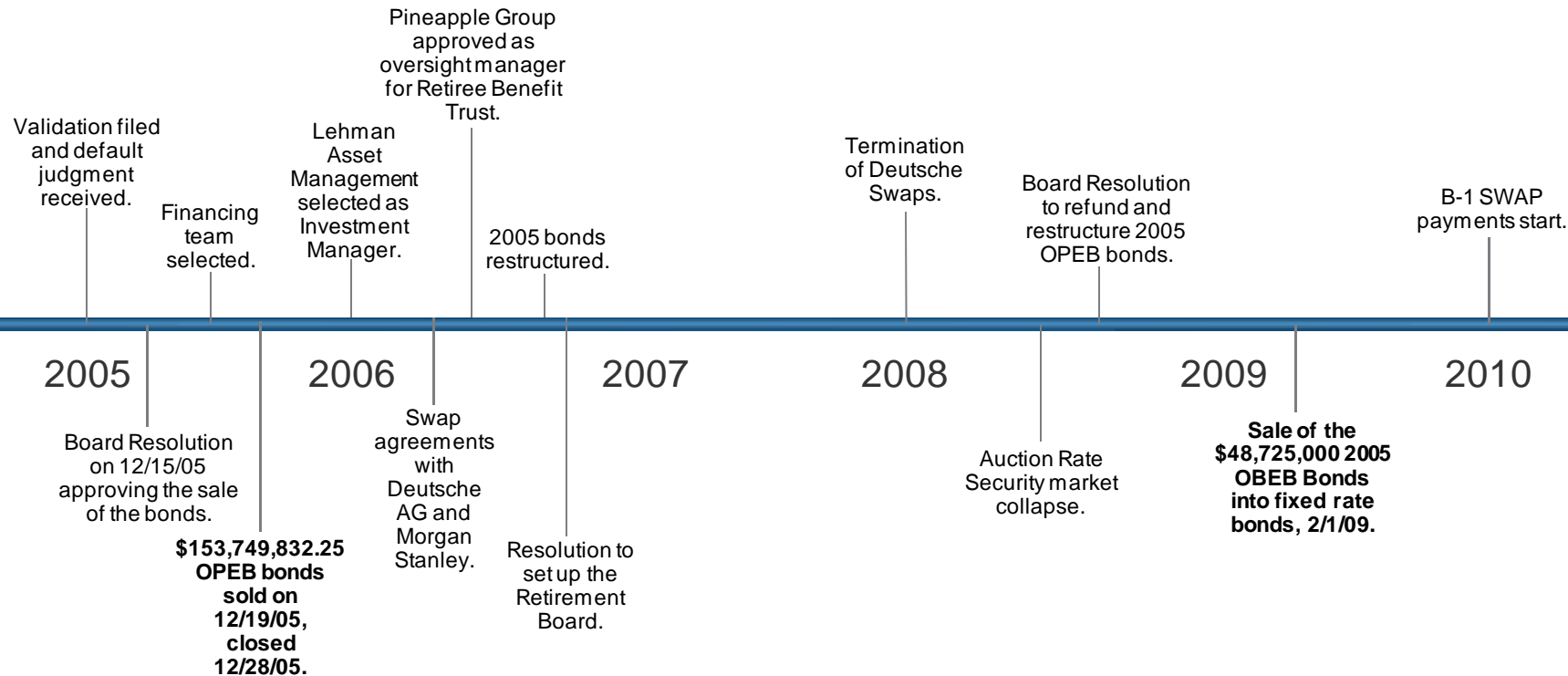
21 Years Experience as an Actuary  
ASA, EA, MAAA

# Objectives for the Workshop

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- Provide an overview of the District's OPEB bond financings and related financial transactions.
- Identify where the OPEB program is now and why.
- Outline major financing challenges facing the District relating to the OPEB financings.
- Provide options and recommendation for the Board of Trustees to consider.

# Abbreviated Timeline



# Initial 2005 Financing

		<b>RATINGS</b>
		Standard and Poor's: FGIC Insured AAA Underlying A+
<b>\$153,749,832.25</b>		
<b>Peralta Community College District</b>		
<b>Alameda County, California</b>		
<b>Taxable 2005 Limited Obligation</b>		
<b>OPEB (Other Post-Employment Benefit) Bonds</b>		
<b>2005 Series A 2005 (Standard Bonds) Bonds) (CARS)</b>	<b>Series B-1 through B-6 (Convertible Auction</b>	<b>Rate</b>
<b>FGIC</b>		
<b>Lehman Brothers</b>	<b>Grigsby &amp; Associates, Inc.</b>	
<b>Dated: December 19, 2005</b>		

# Purpose and Structure of the Financing

---

- The original Series 2005 Bonds were taxable bonds issued to fund a trust from which the District would pay for health care benefits for certain retired employees of the District.
  - OPEB bond funded the unfunded accrued actuarial liability (UAAL) of approximately \$133,821,000.\*
  - \$20,015,000 million traditional current interest bonds with a final maturity of 2010.
  - \$133,734,832.25 million were issued as zero coupon bonds that convert to variable rate bonds at different times in the future, called convertible auction rate securities (CARS).
    - At conversion, if there is no market, the auction rate default rate is 17%.
    - Full year of debt service payments set-aside by May of each year.
    - Consultants: Dale Scott, Pineapple Group, Jones Hall, Deutsche Bank.

\*Bartel Associates Report 2005.

# Definitions

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## **Current Interest Bonds**

- Pays interest at stated coupon.
- Semi – annual payments.
- Sold at par, premium or discount.
- Yield determined by price and coupon.
- Callable and non callable.

## **Auction Rate Securities**

- Variable rate securities with long maturity and periodic interest rate resets.
- Used with insurance to avoid expensive liquidity facility (LOC/SPA).
- Investor looks to secondary market for liquidity.
- No optional put and no liquidity facility.
- Interest rate reset through Dutch auction process.
- Market collapsed 2008 as banks did not support securities.

## **Capital Appreciation Bonds**

- “Zero” or deferred interest.
- Interest accretes to maturity or to conversion date.
- Sold at a deep discount.
- Yield determined by price.
- Higher yields in recent years.
- Non callable.



# 2005 Bond Structure

**Current Interest Bonds**  
**\$20,015,000.00 2005 Series A Bonds**  
**(Standard Bonds)**

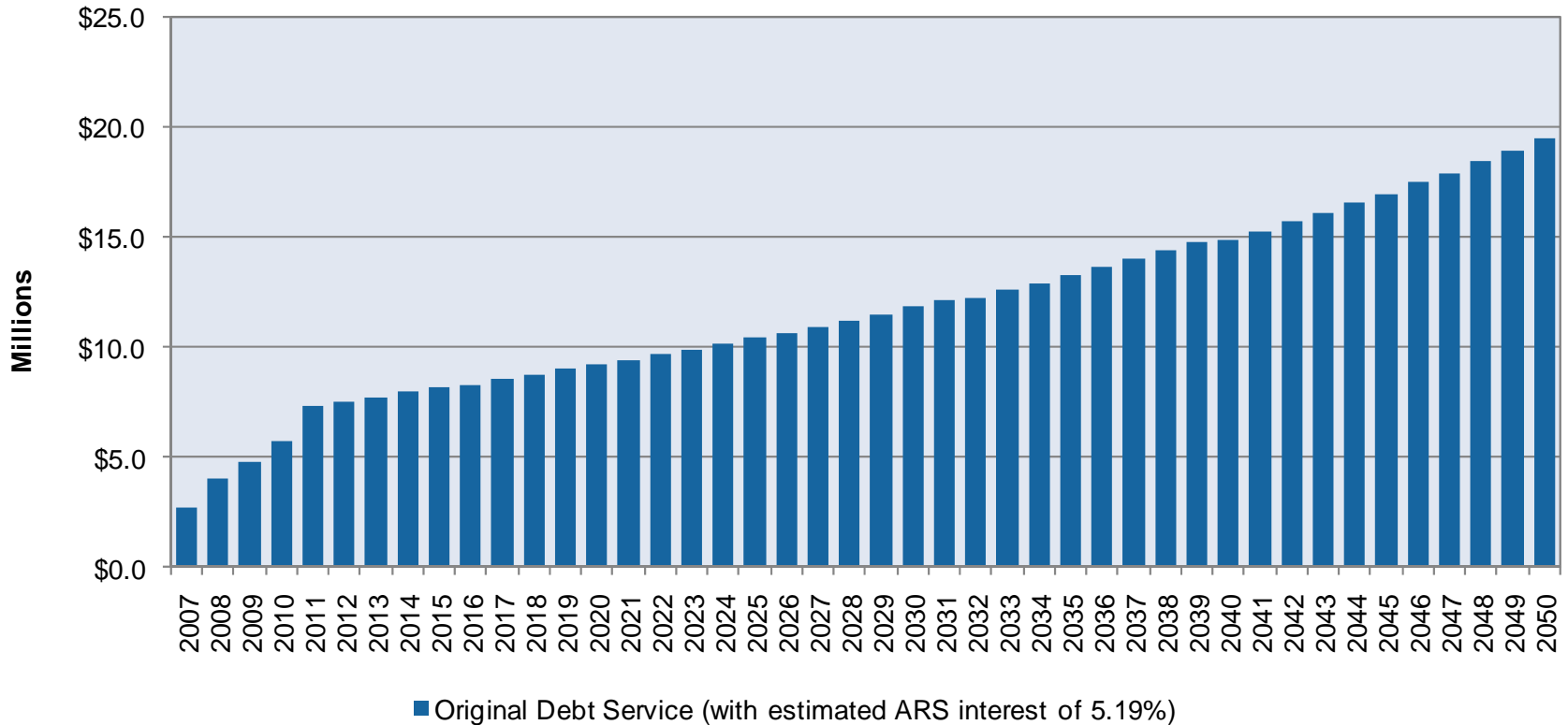
<b>Maturity (August 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Price</b>
2006	\$1,725,000.00	4.71%	100%
2007	3,180,000.00	4.82	100
2008	4,110,000.00	4.87	100
2009	5,340,000.00	4.91	100
2010	5,660,000.00	4.94	100

**Zero Coupon Bonds**  
**Convert to Variable Rate, Non-callable Until Accretion Date**  
**\$133,734,832.25 (Convertible Auction Rate Securities) (CARS)**  
**Price: 100%**

<b>Series</b>	<b>Maturity Date</b>	<b>Initial Principal Amount</b>	<b>Accreted Value @ Full Value</b>	<b>Initial Interest Rate</b>	<b>Full Accretion Date/Initial Auction Date (August 5)</b>
2005 B-1	2015	\$27,090,742.00	\$33,950,000.00	4.964%	2010
2005 B-2	2020	23,633,292.50	38,450,000.00	5.133	2015
2005 B-3	2025	19,866,112.75	43,175,000.00	5.387	2020
2005 B-4	2031	20,025,603.00	57,525,000.00	5.456	2025
2005 B-5	2039	21,514,328.50	86,650,000.00	5.516	2031
2005 B-6	2049	21,604,753.50	134,475,000.00	5.516	2039

# Original 2005 OPEB Bond Structure

## Original Estimated OPEB Bond Debt Service Schedule



# Restructuring in 2006

**Supplement to Official Statement  
Dated as of October 25, 2006  
Relating to  
\$153,749,832.25  
PERALTA COMMUNITY COLLEGE DISTRICT  
Taxable 2005 Limited Obligation OPEB  
(Other Post-Employment Benefit) Bonds**

<u>Maturity (August 1)</u>	<u>Initial Principal Amount</u>	<u>Accreted Principal</u>	<u>Interest Rate</u>
2049	\$8,800,000	\$10,688,044	6.25%

# 2006 Restructuring

- In October 2006, the District purchased from investors the 2006, 2007, and 2008 maturities and restructured \$8.8 million as convertible capital appreciation bond due in 2049. The 2009 and 2010 maturities were left unchanged.

## Original Structure

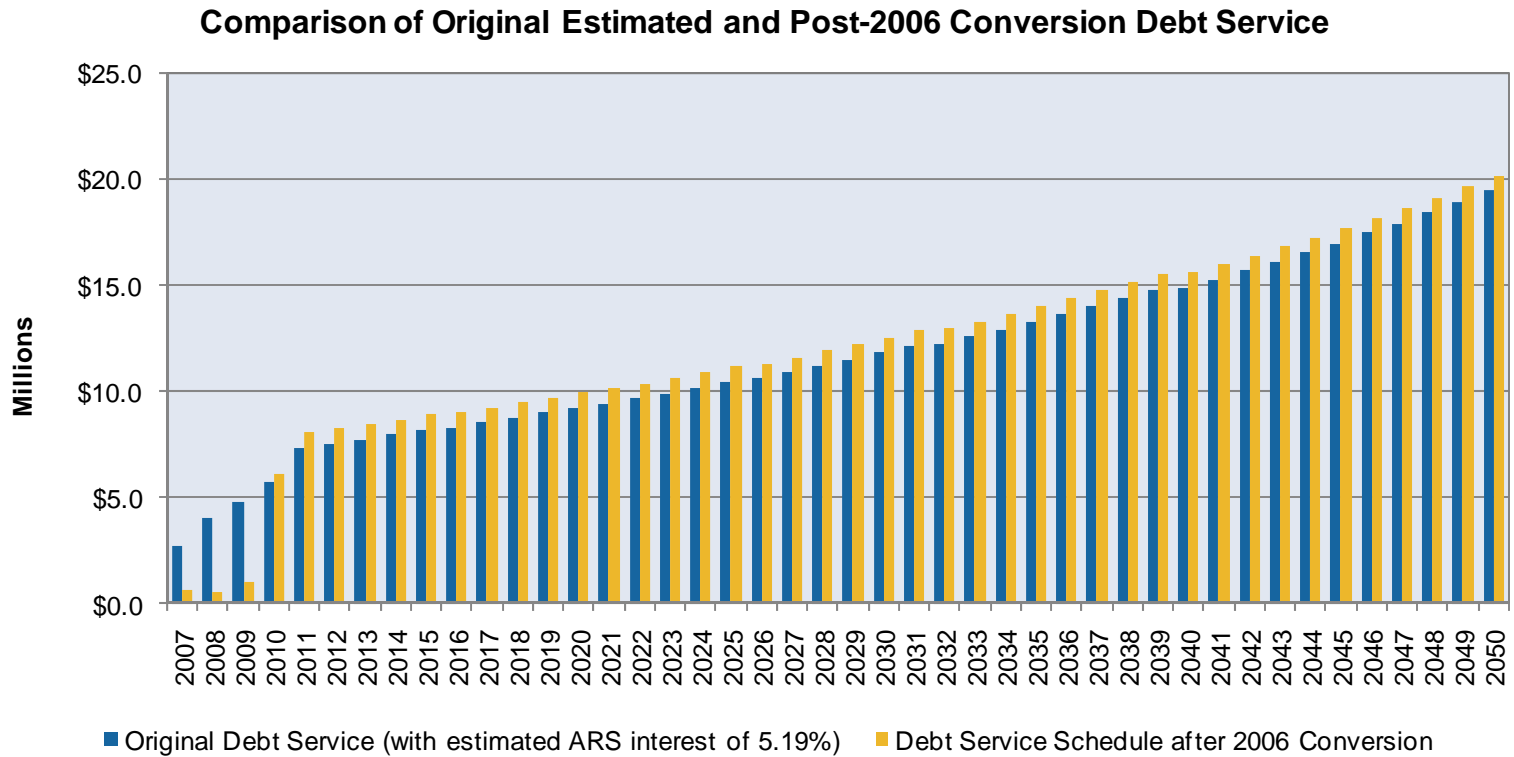
<b>Maturity (August 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Price</b>
<b>2006</b>	<b>\$1,725,000</b>	<b>4.71%</b>	<b>100%</b>
<b>2007</b>	<b>\$3,180,000</b>	<b>4.82</b>	<b>100</b>
<b>2008</b>	<b>\$4,110,000</b>	<b>4.87</b>	<b>100</b>
2009	\$5,340,000	4.91	100
2010	\$5,660,000	4.94	100

## Amended Structure

<b>Maturity (August 1)</b>	<b>Initial Principal Amount</b>	<b>Accreted Principal</b>	<b>Interest Rate</b>
<b>2049</b>	<b>\$8,800,000</b>	<b>\$10,688,044</b>	<b>6.25%</b>

# 2006 Tender and Restructuring

- The restructuring allowed the District to lower its debt service obligations in the initial years in exchange for higher future debt service payments.



# Refunding in 2009

Rating: Moody's : A1  
Standard and Poor's A+

**\$48,715,000**  
**Peralta Community College District**  
**2009 Taxable OPEB**  
**(Other Post – Employment Benefit)**  
**Refunding Bonds**

Dated: February 5, 2009

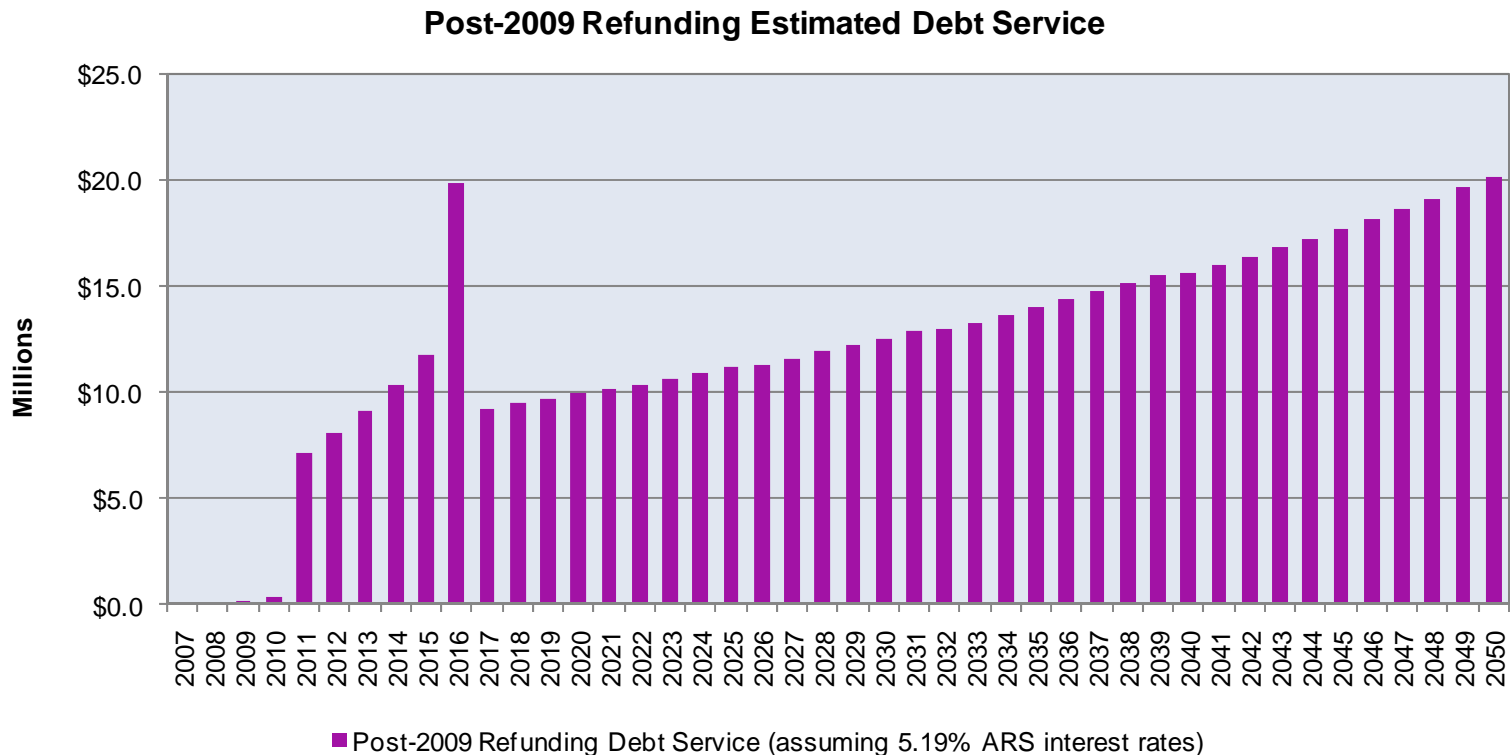
# 2009 Restructuring

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- In February 2009, the District refunded the 2005 current interest bonds maturing in 2009 and 2010 of the original “Standard Bonds” and the first tranche (B-1) of the variable rate bonds which were still accreting.
  - Reduced debt service in 2009 and 2010 by reducing principal in those years and pushing it to years 2011 to 2015.
  - District purchased the 2005 B-1 bonds from investors and converted them to fixed rate bonds maturing 2010 to 2015.
  - Eliminated auction rate security risk associated with 2005 B-1 CARS scheduled to convert in August 2010.
  - No termination of the associated B-1 swap, creating an orphaned swap.
  - No insurance ; funded a debt service reserve fund of 10%.
  - Consultants: Stone & Youngberg, Dale Scott, Pineapple Group, Jones Hall, Deutsche Bank.

# Final OPEB Bond Structure

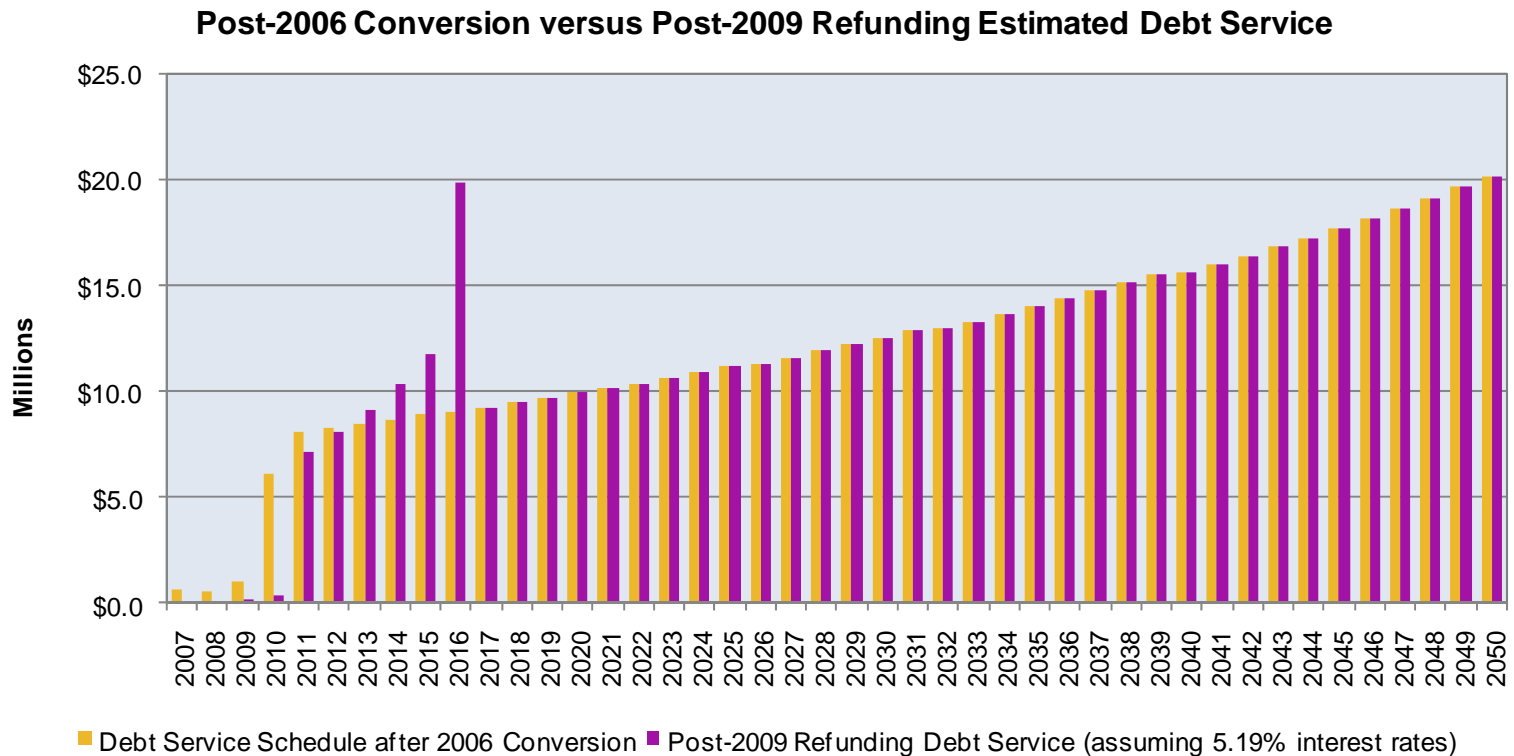
- After two restructurings, the OPEB debt service structure allowed the District to make effectively no debt service payments in the initial years in exchange for higher debt service payments in later years.





# 2009 Refunding Bonds

- The 2009 fixed rate refunding concentrated debt service in 2015 as illustrated by the pink bar versus the yellow.



# Swaps

# Swaps with Deutsche Bank

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- In November 2006, the District entered into a series of deferred payment constant maturity swaps with Deutsche Bank.
  - Swaps were structured so that District paid a short-term rate (one-month LIBOR) and received a long-term rate (10-year swap rate).
  - The notional amount of the swaps was \$248 million.
  - The District received an upfront payment of \$2 million.
  - Swaps were terminated in 2008 and the District received a termination payments of \$1.2 million.
  - Consultants: Stone & Youngberg, Dale Scott, Pineapple Group, Jones Hall, Deutsche Bank.

# Swaps with Morgan Stanley

- In November 2006, the District entered into six forward starting interest rate swaps.
  - The purpose of the swaps was to create a synthetic fixed rate security mitigating variable interest rate risk on the variable rate bonds - CARS.
  - Swaps were structured so that the District pays a fixed rate to Morgan Stanley and receives from Morgan Stanley one-month LIBOR.
  - Was intended to roughly approximate what the District would pay bondholders on its variable rate bonds.

<b>Series</b>	<b>Amortizing National (\$MM)</b>	<b>Effective Date</b>	<b>Maturity</b>	<b>Fixed Rate (Act/360)</b>
B-1	\$33.950	8/5/2010	8/5/2015	4.90%
B-2	38.450	8/5/2015	8/5/2020	5.16%
B-3	43.175	8/5/2020	8/5/2025	5.28%
B-4	57.525	8/5/2025	8/5/2031	5.21%
B-5	86.650	8/5/2031	8/5/2039	5.06%
B-6	134.475	8/5/2039	8/5/2049	4.94%
	<u>\$394.225</u>			

# Retiree Health Benefit Trust

# Retiree Health Benefit Trust

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- In 2006, revocable retirement trust was created to hold the bond funds.
  - Funds remaining after final maturity of the bonds can be returned to the general fund.
  - Trust is pledged to the bondholders but benefit payments are made from annual appropriations by District.
  - Trust is designated to reimburse District general fund for payments or the trust can make payment of principal and interest on bonds.
  - Asset allocation to meet long-term cash flow requirements.
  - Assumed 6% annual rate of return with anticipated 2050 positive ending balance.
- In 2006, District selected Lehman Brothers Asset Management as investment manager.
  - Asset allocation comparable to CalPERS and the Alameda County Employees Retirement Association.
  - Commencing 2006 The Pineapple Group served as account manager with oversight of the Trust.
  - Lehman collapse September 2008 and Neuberger Berman became investment management firm.

# Financing Program Challenges

# Five Primary Issues

---

- I. Escalating debt service from November 2011 through November 2015.
  - The restructurings have accelerated and concentrated debt service payments starting in November 2011.
  - 2015 total debt service is \$19.9 million versus the original \$8.8 million.
- II. Orphan Swap – the B-1 Swap.
  - The 2009 refunding did not terminate the B-1 swap; District is currently making fixed rate swap payments to Morgan Stanley in addition to annual fixed rate debt service to bond holders.
- III. Convertible Auction Rate Securities and swaps.
  - Every five years, accreting bonds convert to variable rate (auction rate) securities and forward starting swaps go into effect.
  - Auction rate securities are not a viable variable rate security in the current market; if the future tranches convert into auction rate the interest rate will likely be the maximum of 17%.
- IV. Long-term management for OPEB.
  - This is a very complicated structure and requires on-going oversight to insure that the debt service payments and structural problems are mitigated with a plan of finance.
- V. Actuarial liability, retiree trust and investment policy.



# Financing Options

# Option One

---

- Restructure all the outstanding bonds into fixed rate.
  - Redeem all the bonds outstanding and terminate all the swaps out of proceeds of a large fixed-rate refunding bond issuance.
  - Potential to put the entire program behind you but it is the most expense alternative in today's market.

# Option Two: Multiple Financing Decisions and Actions

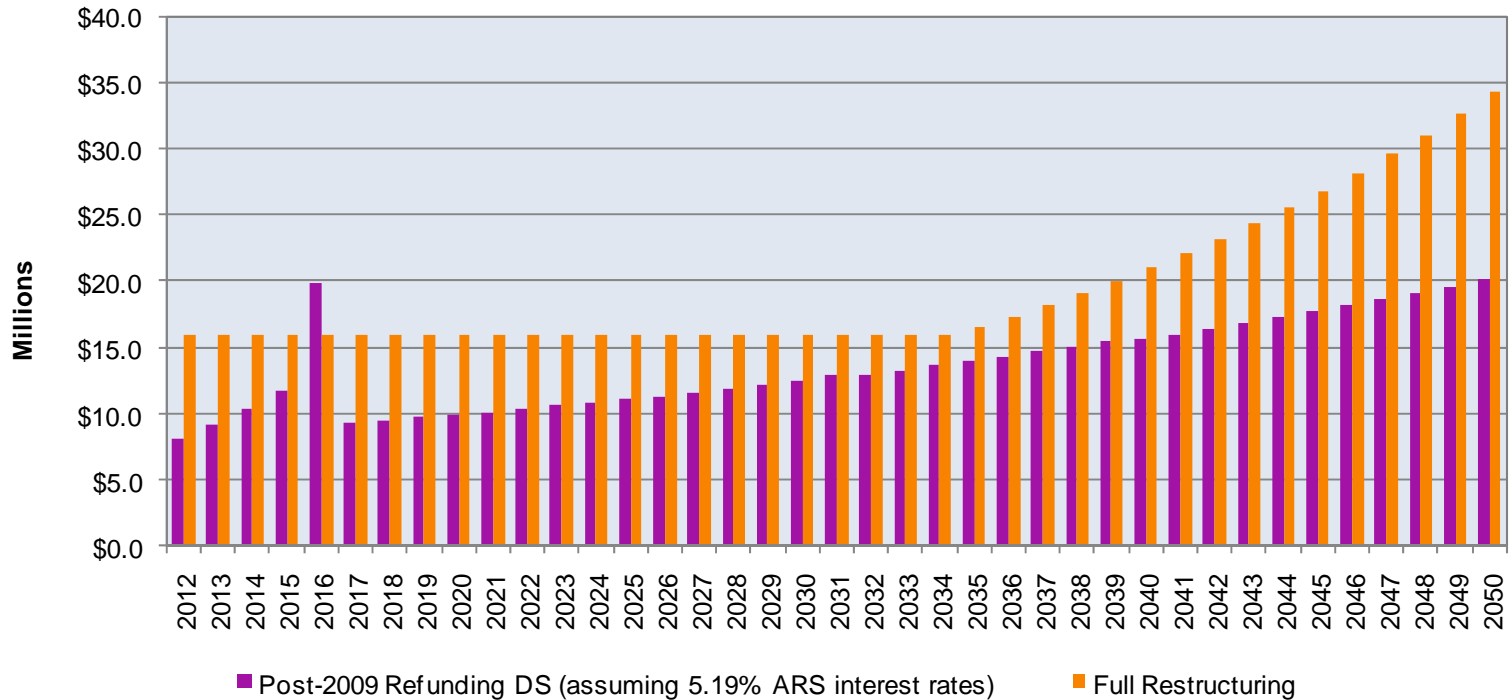
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- Refinance the 2009 fixed rate bonds
  - Eliminate or smooth debt spike in 2015.
  - Structure bonds to create additional budget relief through 2015.
  - Alternative restructuring combinations.
- Determine strategy for B-1 orphan swap.
  - Continue to make scheduled swap payments to Morgan Stanley.
  - Make \$3 million termination payment funded with cash and bonds or restructured swap.
- Determine strategy for remaining swaps.
  - Leave in place until they come into the money and can be terminated at no cost.
  - Restructure at a higher rate to finance B-1 swap termination.
  - Leave swaps in place until corresponding bonds are converted.
- Develop a plan of finance to restructure CARS every 5 years.
  - Decision for fixed or variable rate made at time of conversion.
  - If swaps left outstanding, plan to monitor them.

# Option One: Full Restructuring

- A full restructuring of the existing bonds would require a tender or defeasance of the outstanding bonds. Assuming that bondholders would be willing to tender bonds at the accreted value, the chart below illustrates an anticipated debt service for a full restructuring.

**Comparison of Current and Fully Restructured Estimated Debt Service**



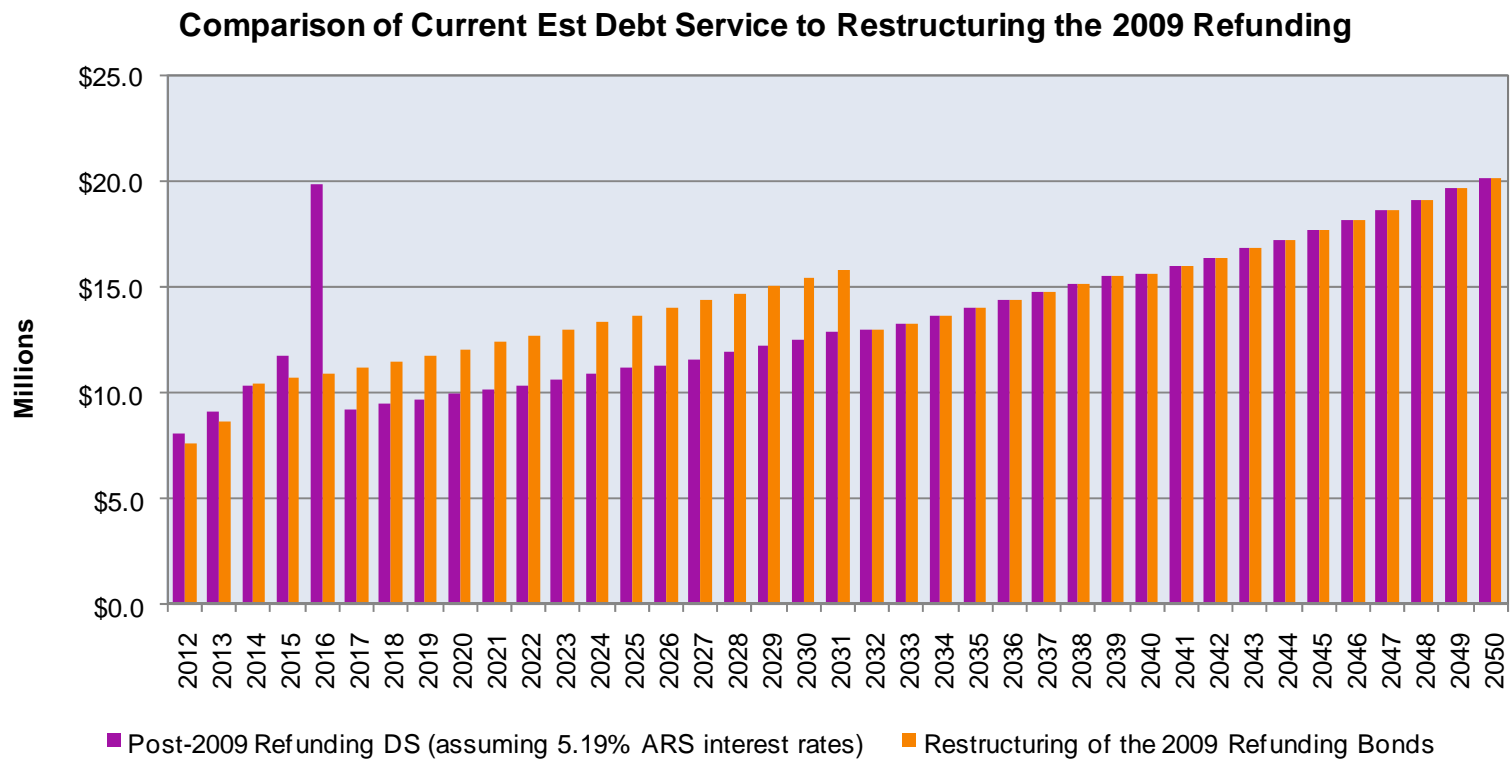
# Full Restructuring Considerations

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- Advantages
  - Eliminates auction rate security risk.
  - Reduces variable interests rate risk and provides discrete debt service schedule.
  - Terminates all swaps.
  - Conservative and puts the major challenges behind the District.
- Disadvantages
  - Probably most expensive alternative.
  - Tender and escrow process costly.
  - May not be feasible due to limited market appetite for sizeable issuance of taxable bonds.
  - Swap termination payments are costly in current market.
  - Substantial increase to currently projected debt service.
- Risks
  - Credit of refunding bonds.
  - Marketability of refunding bonds.

# Option Two: Restructuring of 2009 Bonds

- There are numerous ways to restructure the debt service due in 2011-2015. One example is below. The B-1 swap can be terminated or left outstanding.



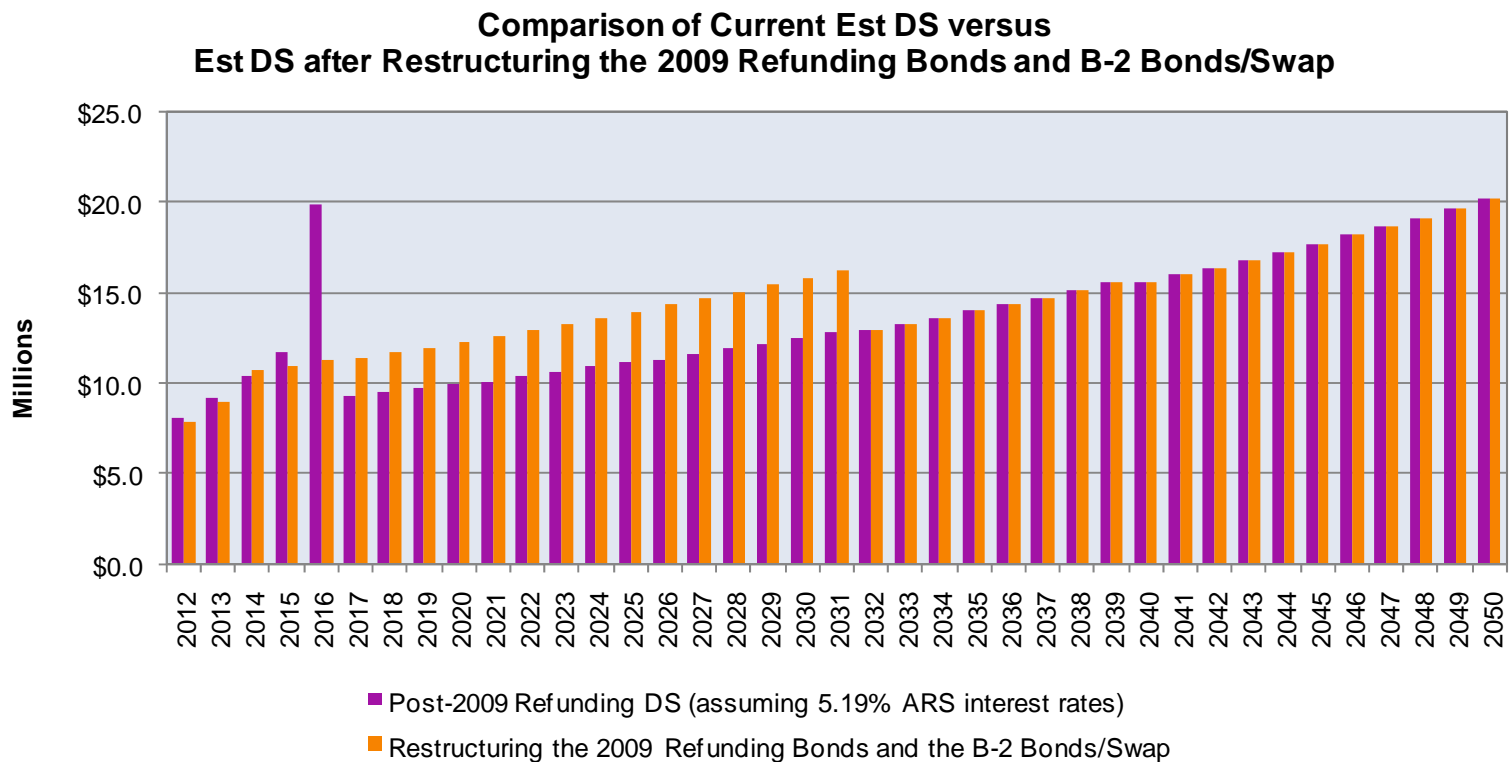
# 2009 Restructuring Considerations

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- Advantages
  - Smooths out debt service over the next 20 to 30 years.
  - Option to terminate B-1 swap or leave outstanding.
  - Could provide significant general fund relief from 2011-2015 by deferring debt service.
- Disadvantages
  - 2009 refunding bonds are non-callable; therefore bonds must be defeased with an escrow which is expensive.
  - Increase in overall debt service.
  - High termination payment for B-1 swap.
- Risks
  - Credit risk of refunding bonds.
  - Marketability of refunding bonds.

# Restructuring of the 2009 Refunding and B-2 Bonds

- Restructuring the B-2 series, the B-2 swap and the 2009 bonds would eliminate the auction rate until 2020.





# Partial Restructuring and B-2 Series

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- Advantages
  - Done in conjunction with the 2009 smoothing.
  - Preemptive move to address B-2 conversion and swap.
  - Fixed rate bonds with accelerating debt service after 2015.
- Disadvantages
  - Significant increase of debt service to the program.
  - Expense of the tender or defeasance of the B-2 tranche.
  - Termination fee for the B-2 swap.
- Risks
  - Credit of refunding bonds.
  - Marketability of refunding bonds.
  - May be less expensive to restructure B-2 series closer to conversion date.

# Options for Convertible Auction Rate Securities

---

- Looking forward, all of the remaining tranches must be restructured to remain as variable rate or converted to fixed rate.
- Variable rate bonds have historically had a lower interest rates but require a bank credit and liquidity facility, which are expensive and difficult to obtain in the current market.
- Fixed rate bonds are conservative and predictable but taxable rates are rising.
- Variable rate bonds allow District to leave swaps outstanding, if desired.
- Decisions on variable rate versus fixed rate can be made on market conditions prior to each conversion date.

	Variable Rate	Fixed Rate
Interest rate	Historically lower rates	Taxable rates rising
Call	Callable any time	Call flexibility very expensive
Credit/liquidity	LOC or SPA expense Renewal risk	Insurance may be possible
Debt service	Variable	Defined debt service.
Risks	Interest rate risk; bank LOC renewal; basis risk for swap	

# Options for Swap Management

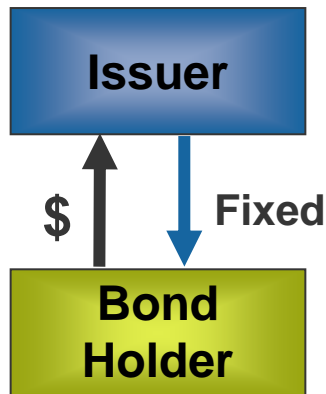
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- Terminate the B-1 orphan swap.
  - The B-1 swap termination payment is approximately \$3 million in current market. \*
  - Pay the bank now or over time to 2015.
- Immediately terminate all the swaps.
  - For B-1 orphan and B-2 to B-6, termination costs estimated at \$3.7 million in current market.\*
- Terminate swaps when marked-to-market is zero (interest rates rising).
  - B-2 to B-6 termination payments have declined as interest rates have increased since October.
- Terminate all swaps with Morgan Stanley and enter new agreements that blend and extend the swap termination payment into new swap rates.
  - Very expensive and renews swap agreements at higher rates.
- Leave swaps in place until each tranche of CARS is restructured. Decide at the time whether to terminate swaps or leave in place.

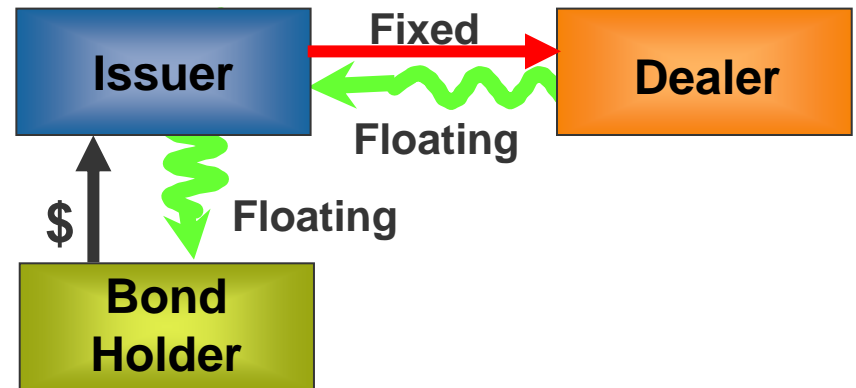
\*Swap Financial

# Peralta's Current Structure

## Fixed Rate Bond



## Synthetic Fixed Rate



Series	Initial Issuance Date	Initial Principal	Accreted Value	Accretion Date/ Initial Variable Date	Maturity Date	Swap Term
B-1	2005	\$27,090,742	\$33,950,000	2010	2015	2010-2015
B-2	2005	\$23,633,292	\$38,450,000	2015	2020	2015-2020
B-3	2005	\$19,866,112	\$43,175,000	2020	2025	2020-2025
B-4	2005	\$20,025,603	\$57,525,000	2025	2031	2025-2031
B-5	2005	\$21,514,328	\$86,650,000	2031	2039	2031-2039
B-6	2005	\$21,604,753	\$134,475,000	2039	2049	2039-2049

# Current Swap Values (2/4/11)

Portfolio PERALTA

File Edit Valuables Calculate Analysis Hedging Tools Audit Trades Retrieve Database

Selection  
 Valuable Key:  Retrieve by Key  Get positions with retrieve Weight: 1.000000

Valuable List -- 6 items

Key	Type	Description	Maturity	Notional	Balance	NPV	NPV + AI	Counterparty (Rcv)
PERALTA-MSCS 2005 B1	Swap(A)	USDLIBBBA1M/USD4.9	05-Aug-2015	33.950	33.950000	-2.863659	-2.994915	MORGAN STANLEY CAPITAL
PERALTA-MSCS 2005 B2	Swap(A)	USDLIBBBA1M/USD5.158	05-Aug-2020	38.450	38.450000	-0.233718	-0.233718	MORGAN STANLEY CAPITAL
PERALTA-MSCS 2005 B3	Swap(A)	USDLIBBBA1M/USD5.279	05-Aug-2025	43.175	43.175000	0.150651	0.150651	MORGAN STANLEY CAPITAL
PERALTA-MSCS 2005 B4	Swap(A)	USDLIBBBA1M/USD5.207	05-Aug-2031	57.525	57.525000	-0.071770	-0.071770	MORGAN STANLEY CAPITAL
PERALTA-MSCS 2005 B5	Swap(A)	USDLIBBBA1M/USD5.055	05-Aug-2039	86.650	86.650000	-0.267274	-0.267274	MORGAN STANLEY CAPITAL
PERALTA-MSCS 2005 B6	Swap(A)	USDLIBBBA1M/USD4.935	05-Aug-2049	134.475	134.475000	-0.298398	-0.298398	MORGAN STANLEY CAPITAL

Portfolio  
 Portfolio Key: PERALTA Save Tags... Comments... Trade...  Hedge portfolio

Totals -- Mkt Env Date: 04-Feb-2011 Name: SFGCURVE

USD

NPV: -3.584168 Convexity: 0.000000 Balance: 394.225000  
 NPV + AI: -3.715424 Theta: 0.000000 Average Life: NaN  
 Hedge-01: 0.000000 Kappa: 0.000000 Mod. Duration: NaN

Index Greeks  
 ---  
 Delta:   
 Gamma:   
 Kappa:

Position  
 Reporting Ccy: USD  
 Account: SFG  
 Position Date: 04-Feb-2011  
 Get Positions

Rev: 8 Entered at: Thu Sep 30 11:26:46 2010 By: murphy

# Long Term Program Management

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- The complexity of the OPEB program requires professional oversight on a regular schedule.
- The five remaining tranches will have to be addressed at least 12 months prior to the conversion dates to avoid high interest rates. Restructuring options will need to be evaluated and quantified and presented to staff and the Board.
- The five forward starting swaps and one active swap require constant monitoring to mitigate effects on the general fund.
- The Retirement Board must be activated and an investment policy created and implemented. There need to be regular meetings to oversee the investment management firm and the trust performance.

# Actuarial Report Update

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## Actuarial Obligations and Annual Required Contributions\*

	AAL	UAAL	Normal	Pay-Go
2005	103,236,000	103,236,000	3,390,000	4,754,000
2008	124,005,000	124,005,000	4,112,000	6,803,000
2010	216,538,000	216,538,000	4,857,000	12,337,000
2011		225,000,000**		

## Participant Statistics

Participant	2005	2008	2010
Active	761	798	781
Retiree	674	636	727

\* Bartel Actuarial Report 2005, 2008 and draft 2011.

\*\* Estimated based on preliminary draft information.

# OPEB Investments and Expenditures

Investment Period June 30	Dollar Investment	Gain/Loss	Retiree Medical Reimbursement	Market Value June 30
Initial Investment January 2005	\$150,000,000			
2005-2006		\$474,916		\$150,474,916
2006-2007		\$30,426,011	(\$5,892,200)	176,153,680
2007-2008		(\$9,963,635)	(\$5,553,368)	160,571,117
2008-2009		(\$25,857,550)	(\$5,749,282)	123,982,449
2009-2010		\$15,974,763	(\$5,800,000)*	144,516,601
2010-11			(\$5,800,000)**	162,288,861***

\* Paid in FY 2010-2011 or 2009-2010.

\*\* To be paid in FY 2010-2011.

\*\*\* Neuberger Berman report December 30, 2010.



# Where Are We Now?

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- The District has taken a number of positive steps in regard to the management of the OPEB program.
  - District has implemented in FY 2010 a 12.5% charge to all department to bridge the gap between the longer term AAL and the trust assets.
  - There has been closer oversight of Neuberger Berman with monthly review of investment results and direct conversation with the firm about investment parameters.
  - District has begun evaluation of investment options including consideration of an irrevocable trust.
  - The OPEB bonds rating was confirmed A+ in July 2010 and its general obligation bond rating was confirmed as AA-.
  - District contracted with Swap Financial – Nat Singer – to assess the outstanding swaps, monitor the market and advise the District its options and their costs going forward.
  - District contracted with KNN to analyze the OPEB financing to determine a conservative plan of finance going forward, and to evaluate financing options and costs.

# Next Steps

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- Direction from the Board of Trustees in regard to the restructuring of the OPEB bonds.
- Direction from the Board of Trustees in regard to the disposition of all six of the OPEB swaps.

# Disclaimer

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This document is intended to be viewed in conjunction with an oral presentation by representatives of KNN Public Finance, a division of Zions First National Bank; it is therefore incomplete on a stand-alone basis. It is intended for the exclusive benefit and internal use of the Peralta Community College District. KNN is a municipal finance advisory firm; we are not attorneys, accountants, actuaries or investment managers, and therefore have limited our review to our area of professional experience and expertise.

This presentation incorporates a number of assumptions regarding activities that occurred prior to KNN's engagement by the District. It also incorporates a number of assumptions in the analysis, including interest rate assumptions, which are intended to be indicative in nature and all of which are subject to change. Actual results of future transactions could differ materially from results assumed in this analysis. The analysis has not been reviewed by counsel to the District, and there may legal challenges to executing some of the alternatives explore herein. The information and analysis contained in this presentation are taken from, or based upon, information obtained from the District or from publicly available sources, the completeness and accuracy of which has not been independently verified, and cannot be assured by KNN.

Other Post Employment Benefits (OPEB)  
Board Report  
March 29, 2011

# Introductions

---

- Mr. Ron Gerhard, Vice Chancellor for Finance and Administration
- Mr. Mike Lenahan, Advisor
- Ms. Joanna Bowes and Mr. David Leifer, KNN Public Finance, Financial Advisor
- Mr. John Bartel, Bartel Associates, LLC, Actuarial Firm
- Mr. Doug Pryor, Bartel Associates, LLC, Actuarial Firm

# Objectives

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- Provide current recommendations and long term solutions for the District's Other Post Employment Benefit Financing Program.
- Clarify which actions need to be taken immediately and which can or should wait until future dates.

# Definitions

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## Fixed Rate Securities

- Fixed interest rate and maturity.
- Short or long term maturities.
- Semi- annual interest payments.
- Callable and non-callable.

## Current Interest Bonds

Peralta Community College District 6.42%  
11/1/2015

- Pays interest at stated coupon.
- Semi – annual payments.
- Sold at par, premium or discount.

## Capital Appreciation Bonds

Peralta Community College District 0.0% 8/5/2020

- “Zero” or deferred interest.
- Interest accretes to maturity or to conversion date.
- Sold at a deep discount, less than \$1000 per bond.

# Definitions

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## **Variable Rate Demand Bonds**

- Long-term taxable or tax-exempt with floating rate.
- Option to tender at par on 7 days notice or less.
- Flexible, liquid, competitive short term interest rates.
- Require liquidity support and frequently insurance or full letter of credit.

## **Auction Rate Securities**

- Variable rate securities.
- Sold through Dutch auction process.
- Interest rates reset every 7 to 28 days.
- Market collapsed 2008 as banks did not support securities.



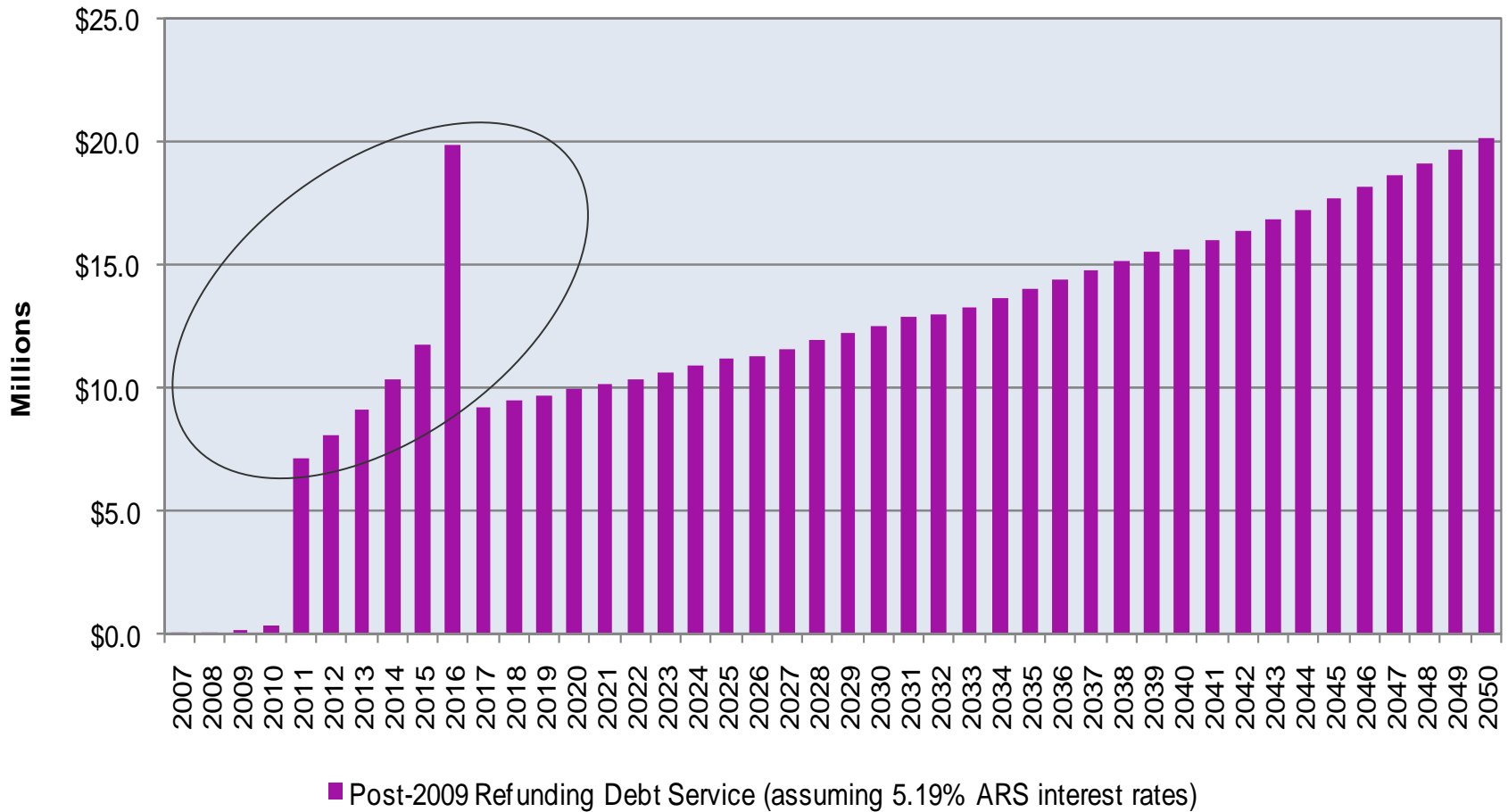
# OPEB Financing Review

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- Issuance: \$153,749,832 Peralta Community College District taxable OPEB bonds in 2005.
- Structure: Complex mix of fixed rate bonds and variable rate bonds, zero coupon bonds and interest rate swaps.
- Proceeds: Funded \$150,000,000 in revocable trust.
- Restructurings: 2006 and 2009 increasing debt service to later years.
- Challenge: Principal payment of \$20 million in 2015.

# Current OPEB Bond Structure

## Post-2009 Refunding Estimated Debt Service



# Four Primary Issues

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- I. Escalating debt service through 2015.
  - 2014 & 2015 debt service totals \$30.5 million.
- II. Swaps.
  - Paying on B-1 swap; no match to variable rate debt.
  - B-2 thru B-6 forward starting swaps every five years.
- III. Future tranches of variable rate securities.
  - 2016, 2021, 2026, 2032, 2040 tranches convert to auction rate.
- IV. Long –term management for OPEB.
  - On-going oversight for debt service management.

# Action

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- Immediate.
  - Restructure outstanding debt service 2011-2015 to provide general fund flexibility for the next 20 years.
  - Plan for termination of all six interest rate swaps.
  - Establish retirement board and investment policy.
- Later.
  - Restructure bonds which convert in 2016, 2021, 2026, 2032, 2040.

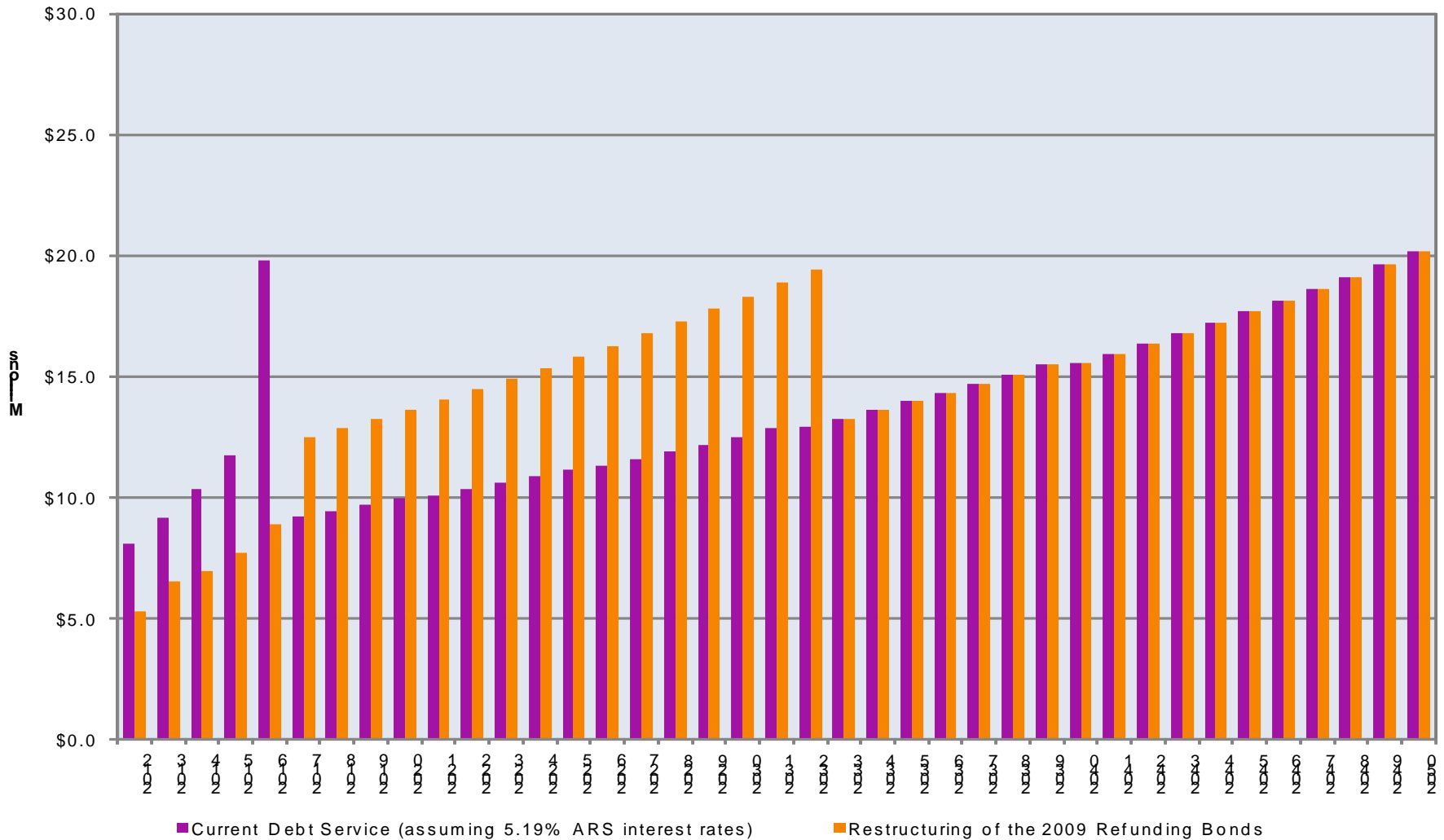
# Debt Restructuring

# Restructure Debt Service

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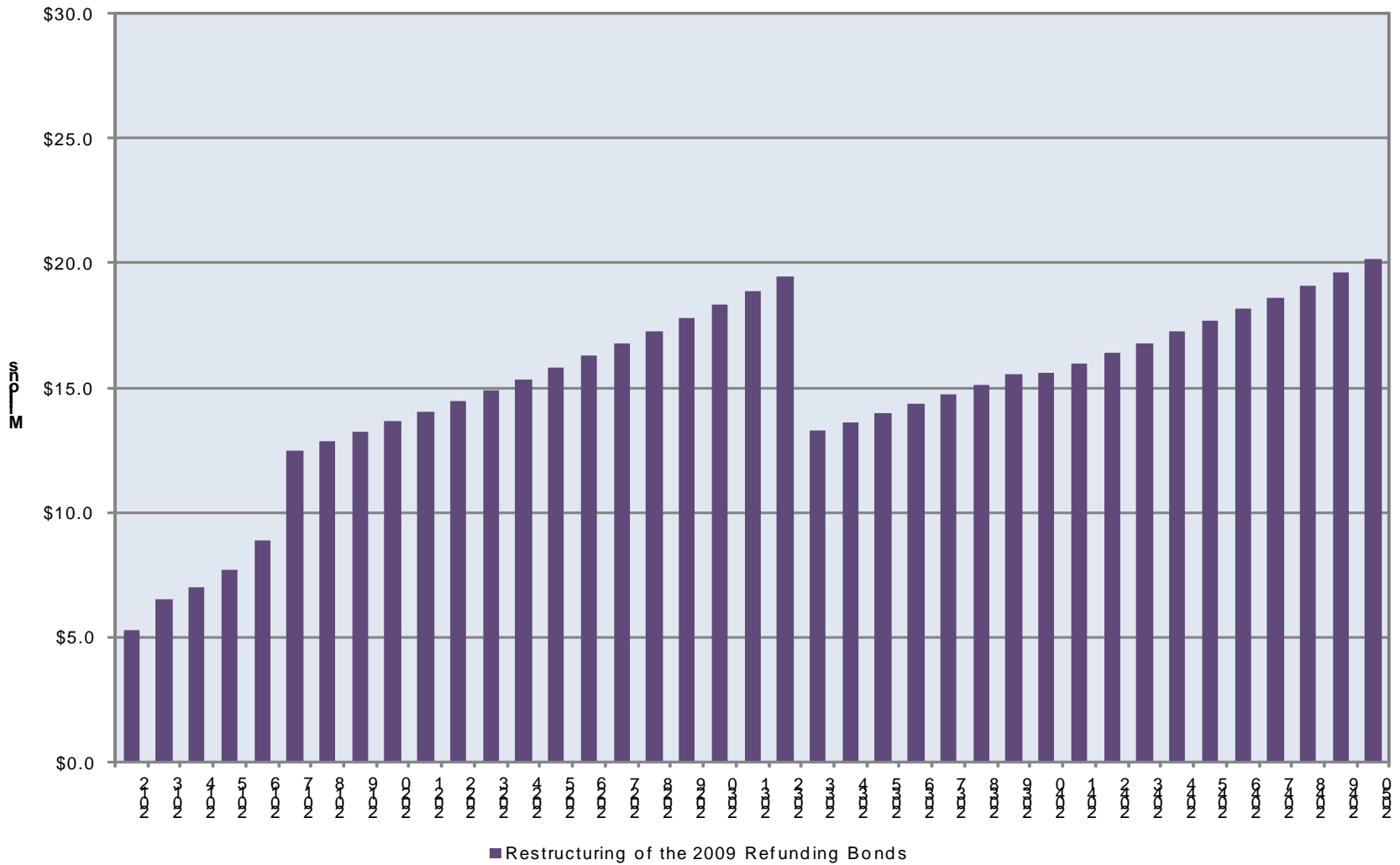
- Restructure the fixed rate bonds to create budget relief through 2015.
  - Smooth the debt service currently due 2011 through 2015.
  - Minimal debt service reduction in 2011-2014 to continue to pay off debt.
  - Extend debt service through 2031 or 2041.
  - Increases total debt service depending on number of years of extension.
  
- Fixed rate options.
  - 20 year extension.
  - 30 year extension.
  
- Other Options.

# Scenario: 20 Year Extension\*



\*Based on market rates as of March 2011, assumptions and estimates and are subject to change.

# Proposed Restructured Debt Service\*



\*Based on market rates on March 2, 2011. Assumptions, and estimates are subject to change.



# Swaps

# Current Swap Portfolio

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Bond Series	2005 B-1	2005 B-2	2005 B-3	2005 B-4	2005 B-5	2005 B-6
Trade Date	11/28/2006	11/28/2006	11/28/2006	11/28/2006	11/28/2006	11/28/2006
Effective Date	8/5/2010	8/5/2015	8/5/2020	8/5/2025	8/5/2031	8/5/2039
Termination Date	8/5/2015	8/5/2020	8/5/2025	8/5/2031	8/5/2039	8/5/2049
Counterparty	MSCS	MSCS	MSCS	MSCS	MSCS	MSCS
Initial Notional	33,950,000	38,450,000	43,175,000	57,525,000	86,650,000	134,475,000
Peralta Pays	4.900%	5.158%	5.279%	5.207%	5.055%	4.935%
Peralta Receives	1mo LIBOR	1mo LIBOR	1mo LIBOR	1mo LIBOR	1mo LIBOR	1mo LIBOR
<b>Mark-to-Market*</b>	<b>(\$2,927,386)</b>	<b>(\$642,606)</b>	<b>(\$143,929)</b>	<b>(\$342,377)</b>	<b>(\$630,781)</b>	<b>(\$778,502)</b>

\* Mid-market values as of March 21, 2011

# Swap Solution

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SWAP	Recommendation	Rationale
B-1	Terminate in conjunction with the debt restructuring.	<ol style="list-style-type: none"><li data-bbox="1045 501 1702 582">1. Financing the B-1 cash flows provides the District with near term budget relief</li><li data-bbox="1045 634 1731 801">2. The swap mark-to-market is <u>not sensitive</u> to changes in market interest rates (e.g. the mark-to-market <u>will not decrease significantly if</u> market interest rates increase).</li></ol>

# Swap Solution

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SWAP	Recommendation	Rationale
B-2 thru B-6	Terminate each swap individually when the mark-to-market gets to zero (inclusive of transaction costs) or designated range.	<ol style="list-style-type: none"><li data-bbox="1097 404 1812 596">1. The swap mark-to-markets <u>are sensitive</u> to changes in market interest rates (e.g. the mark-to-market <u>will decrease significantly</u> if market interest rates increase).</li><li data-bbox="1097 661 1812 796">2. Terminating the swaps will eliminate the requirement to issue the associated floating rate debt in the future</li></ol>

# OPEB Going Forward

# Long Term Program Management

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- For bonds that convert into variable rate, restructuring options will be evaluated 18 to 24 months prior to the conversion.
- Fixed rate and variable rate bonds are options depending on interest rates, cost of credit, the District's credit and strength of the general fund.
- It is the recommendation to terminate the five forward starting swaps and one active swap. This requires constant monitoring to ensure the District terminates at the lowest possible cost.
- The Retirement Board must be activated, an investment policy established and implemented, and oversight of the investment management firm and trust performance initiated.
- A reputable, experienced team will be assembled to advise the District on all matters regarding OPEB including the restructure the bonds and swaps.

# Disclaimer

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This presentation incorporates a number of assumptions regarding activities that occurred prior to KNN's engagement by the District. It also incorporates a number of assumptions in the analysis, including interest rate assumptions, which are intended to be indicative in nature and all of which are subject to change. Actual results of future transactions could differ materially from results assumed in this analysis. The analysis has not been reviewed by counsel to the District, and there may legal challenges to executing some of the alternatives explore herein. The information and analysis contained in this presentation are taken from, or based upon, information obtained from the District or from publicly available sources, the completeness and accuracy of which has not been independently verified, and cannot be assured by KNN.