



SAN MATEO COUNTY
COMMUNITY
COLLEGE DISTRICT

Cañada College • College of San Mateo • Skyline College

Vendor Management Audit

October 23, 2024

PUBLIC VERSION

(Information has been redacted or masked in accordance with Government Auditing Standards)

Performance Audit Unit

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Executive Summary: Vendor Management Audit October 23, 2024

PURPOSE OF THE AUDIT

The purpose of this audit was to determine whether San Mateo County Community College District (SMCCCD) has sufficient, effective vendor management procedures to ensure the reliability of vendor records in Banner, prevent erroneous and fraudulent payments, and prevent conflict-of-interest situations.

CONCLUSION

SMCCCD does not have sufficient, effective vendor management procedures.

REPORT HIGHLIGHTS

Finding 1: SMCCCD does not have sufficient, effective procedures to prevent or detect apparent conflicts of interest that undermine the integrity of SMCCCD's procurement processes in appearance or in fact.
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Designated SMCCCD trustees and staff reported economic interests in SMCCCD vendors, including the receipt of vendor gifts worth at least \$8,832 from 2016 through 2022. The gifts did not violate state law limits.

Summary of Selected Finding 1 Recommendations:

- Develop a staff conflict-of-interest and confidentiality form for all staff with procurement or vendor management roles and responsibilities. Establish a written procedure to electronically administer, collect, and retain information that is required from vendors and staff in their respective disclosure forms. Decide how and when to use the data to prevent and detect conflicts of interest.
- Assess whether it is legally and operationally feasible to require that designated SMCCCD individuals electronically file Form 700s. Develop written procedures to annually review the Form 700 data and ensure that it is reliable (i.e., accurate and complete) and to use the data to identify and address potential conflicts of interest.

Finding 2: SMCCCD does not have sufficient procedures to maintain accurate, consistent, and complete Banner vendor records or to ensure that paid invoice records are associated with the correct vendors.
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Banner showed 66 paid invoice records totaling about \$9 million (from 1992 to 2022) that were associated with 3 unidentified vendors in Banner; scans of issued checks helped partially identify 2 of the 3 vendors and all but about \$4,927 of the \$9 million. The SMCCCD process to combine vendor records does not support reporting and monitoring objectives. Invoice payment records, in at least one instance, were associated with a vendor that should have been inactivated. Unused and invalid vendor records have remained active, raising the risk of payment errors and fraud.

Summary of Selected Finding 2 Recommendations:

- Restore the missing Banner vendor records, to the extent possible, and take corrective action to ensure that vendor payment records do not become disassociated from vendor records. To the extent feasible, recreate and restore vendor records whose Taxpayer Identification Numbers were changed (e.g., when there was reorganization) and those that were merged with “new” vendor records (e.g., when there was a merger). Reassociate the historical paid invoice records, as appropriate, with the restored vendor records.
- Create, adopt, and communicate a Banner data standards procedure or guide that addresses roles and responsibilities for gathering and inputting vendor data; configuration requirements in Banner to ensure the completeness, consistency, and accuracy of the data; and data source requirements.
- Create a procedure to formalize the requirement to inactivate or terminate vendor records after a certain period of inactivity (e.g., after 2 years) and ensure that vendor records and associated data elements (e.g., addresses) within the Banner vendor records include validity dates (e.g., start dates, termination dates).
- Create a monitoring procedure to ensure that Banner vendor records comply with the adopted Banner data standards and requirements.

Finding 3 has been removed from this public version of the audit report, in accordance with Government Auditing Standards (Sections 6.64 to 6.70).

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Designated SMCCCD trustees and staff reported economic interests in SMCCCD vendors, including vendor gifts worth at least \$8,832 from 2016 through 2022. The gifts did not violate state law limits11

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SMCCCD does not have sufficient procedures to maintain accurate, consistent, and complete Banner vendor records or to ensure that paid invoice records are associated with the correct vendors.

Banner showed 66 paid invoice records (from 1992 to 2022) totaling about \$9 million that were associated with 3 unidentified vendors; scans of issued checks helped partially identify 2 of the 3 vendors and all but about \$4,297 of the \$9 million. The SMCCCD process to combine vendor records does not support reporting and monitoring objectives. Invoice payment records, in at least one instance, were associated with a vendor that should have been inactivated. Unused and invalid vendor records have remained active, raising the risk of payment errors and fraud24

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Finding 3 has been removed from this public version of the audit report, in accordance with Government Auditing Standards (Sections 6.64 to 6.70).

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INTRODUCTION

Objective

The purpose of this audit was to determine whether San Mateo County Community College District (SMCCCD) has sufficient, effective vendor management procedures to ensure the reliability of vendor records in Banner, prevent erroneous and fraudulent payments, and prevent conflict-of-interest situations.

Background

SMCCCD was established in 1922, and operates three colleges: Cañada College, College of San Mateo, and Skyline College. SMCCCD is governed by a six-member Board, with five voting members elected by voters from designated areas of the county for four-year terms and one nonvoting student member elected by students for a one-year term. Day-to-day SMCCCD operations are managed by the Board-appointed chancellor, and the day-to-day operations of the three SMCCCD colleges are managed by the chancellor-appointed college presidents. SMCCCD's [website](#) provides information on SMCCCD's Board and departments.

Effective March 20, 2024, the SMCCCD hired a Performance Auditor/Policy Analyst who is responsible for the Performance Audit Unit (PAU).

Governance

The SMCCCD Board is responsible for adopting policies for the efficient operation of the District. The Chancellor is responsible for developing administrative procedures to implement the Board's policies. SMCCCD's [website](#) lists and provides access to SMCCCD's Board Policies (BP) and Administrative Procedures (AP) that cover a variety of topics, including procurement (e.g., BP 8.15, AP 8.15.1 - AP 8.15.3).

An internal control framework (e.g., the Green Book) can help improve SMCCCD processes

BP 2.21 (Policy on Professional Ethics) and AP 2.21.1 (Institutional Code of Ethics) require SMCCCD staff's commitment to the public good, accountability to the public, and commitment *beyond the minimum requirements of the law* [emphasis added]. Although SMCCCD has governance policies and procedures, and to an extent, standard operating procedures applicable to its departments and working groups, it has not adopted an internal control standard or framework, such as the [COSO Framework](#) or the [Green Book](#).¹ Internal control is the system of processes that an entity's oversight body, management, and other personnel implement to provide reasonable assurance that the organization will achieve its operational, reporting, and compliance objectives. The Green Book is a freely available governmental publication, without copyright, and may be applied as a framework for an internal control system for state, local, and quasi-governmental entities, as well as not-for-profit organizations that wish to have an internal control foundation (i.e., discipline and structure). Under the Green Book, the five components of internal control are:

¹ See U.S. Government Accountability Office, "Standards for Internal Control in the Federal Government," Washington, D.C., 2014, P. 9, available at <http://www.gao.gov/products/GAO-14-704G>.

- Control Environment - The foundation for an internal control system (e.g., commitment to integrity and ethics, recruitment of competent individuals, accountability for internal control responsibilities).
- Risk Assessment² - Assessing the risks facing the entity as it seeks to achieve its objectives (e.g., defining objectives clearly to enable the identification of risks and define risk tolerances; identifying, analyzing, and responding to risks; considering the potential for fraud; responding to significant changes).
- Control Activities - The actions management establishes through documented policies and procedures to achieve objectives and respond to risks in the internal control system, which includes the entity's information system.
- Information and Communication - The quality information that management and personnel communicate and use to support the internal control system.
- Monitoring - Activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other reviews.

Internal controls must be effectively designed and documented

Appendix 1 of the Green Book states that all five internal components, shown above, must be effectively designed, implemented, and operating together for an effective internal control system. The Green Book emphasizes that documentation is a necessary part of an effective internal control system.

Auditing standards require the use of suitable audit criteria, such as the Green Book

Government Auditing Standards require that auditors identify and use appropriate evaluation criteria³ and specifically require auditors to consider the use of an internal control framework, such as the Green Book, to help determine whether underlying internal control deficiencies exist as the root cause of findings, and to help auditors make constructive recommendations for correction. Specific examples of audit criteria under Government Auditing Standards include:

- Laws and regulations (e.g., federal and state law)
- Goals, policies, and procedures established by officials of the audited entity (e.g., SMCCCD BPs and APs)
- Technically developed standards or norms (e.g., [NIST Special Publication 800-53](#), Security and Privacy Controls for Information Systems and Organizations)
- Expert opinions (e.g., an opinion from outside counsel)
- Prior periods' performance
- Defined business practices

² The National Institute of Standards and Technology (NIST) defines risk as "A measure of the extent to which an entity is threatened by a potential circumstance or event, and typically a function of: (i) the adverse impacts that would arise if the circumstance or event occurs; and (ii) the likelihood of occurrence."

³ The U.S. Government Accountability Office's [Government Auditing Standards](#) require that auditors identify and use suitable criteria, based on the audit objectives, to provide a context for evaluating evidence and understanding the findings, conclusions, and recommendations in the report.

- Contracts or grant agreements
- Benchmarks against which performance is compared, including performance of other entities or sectors (e.g., procedures, practices, and outcomes in another educational or public sector institution)

A process maturity model can help rate and improve SMCCCD processes

The PAU has discussed with the chancellor and department directors (i.e., SMCCCD management) the use of a simple process maturity model to help with rating and improving SMCCCD processes, in conjunction with the Green Book. Exhibit 1 shows the PAU's preferred model that is used in the summary section of each audit finding. Appendix 1 of this report provides an associated attribute table that can be used for a comprehensive assessment, gap analysis, and improvement planning. The chancellor and directors of the Financial Services Department (FSD), General Services Department (GSD), and Information Technology Services Department (ITSD) were provided both Exhibit 1 and Appendix 1 and asked to rate the processes that were the subject of each audit finding. Both the PAU and SMCCCD management's rating is provided in the summary section of each audit finding.

EXHIBIT 1

A simplified process maturity model that can help rate and improve SMCCCD processes

Level:	0: Non-existent	1: Initial/Ad Hoc	2: Repeatable	3: Defined	4: Managed	5: Optimized
Definitions:	Management processes are not applied at all.	Processes are ad hoc and disorganized.	Processes follow a regular pattern.	Processes are documented and communicated.	Processes are monitored and measured.	Good practices are followed and automated.
Hallmarks:	There is no recognizable process and no recognition of the problem to address.	Issues are recognized, but ad hoc instead of standardized processes are applied on a case-by-case basis. The overall approach to management is disorganized.	Different people follow similar procedures but without formal training or communication of standard procedures. There is a high degree of reliance on the knowledge of individuals; therefore, errors are likely.	Mandated procedures have been standardized, documented, and communicated through training; however, it is unlikely that deviations will be detected.	Management monitors & measures compliance with procedures and takes action where processes appear not to be working effectively. There is continuous improvement.	Processes are refined based on continuous improvement and benchmarking. IT is used to automate workflows, providing tools to improve quality and effectiveness and making the enterprise quick to adapt.

SOURCE: COBIT 4.1,⁴ ISACA⁵ ©2007 All rights reserved. Used with permission.

NOTE: Appendix 1 of this report for a detailed "maturity attribute table" that provides more context for each maturity level.

Banner system

SMCCCD's Information Technology Services Department (ITSD)⁶ supports SMCCCD's uses of Ellucian Banner[®], an Enterprise Resource Planning (ERP) system, to perform its core business functions, including finance, purchasing, payroll, and human resources. ITSD's [Strategic Plan](#) lists and describes core SMCCCD systems, including Banner.

⁴ Exhibit 1 is a simplified representation of the model presented in COBIT 4.1. COBIT was defined as "Control Objectives for Information and Related Technology." Currently only the acronym is used. The most current version of COBIT and associated documents can be obtained from the [ISACA website](#).

⁵ ISACA is an independent, nonprofit, global association that engages in the development, adoption and use of globally accepted information system knowledge and practices. Previously known as the Information Systems Audit and Control Association, ISACA now goes by its acronym only.

⁶ The ITSD's [web page](#) includes information about its services, an organizational chart, and an "ITS Strategic Plan."

Quality data in Banner is needed for informed decisions

According to the Data Management Association Guide to “The Data Management Body of Knowledge,”⁷ data is the representation of facts as text, numbers, graphics, images, sound, or video. Relevant information from the guide for this audit includes the following:

- Data is the foundation of information and informed decisions and actions.
- Data quality is synonymous with information quality, since poor data quality results in inaccurate information and poor business performance.
- Data governance is the exercise of authority and control (planning, monitoring, and enforcement) over the management of data assets.
- Effective data security policies and procedures ensure that the right people can use and update data in the right way, and that all inappropriate access and change is restricted.

Recommended standards for securing information

According to the Green Book, management is responsible for procedures that secure information systems for appropriate access by internal and external sources to ensure the confidentiality, integrity, and availability of mission-critical data, reports, and other relevant information. Security management includes ensuring appropriate access rights in information systems, protecting against unauthorized use, limiting user access based on assigned responsibilities (i.e., implementing the principle of segregation of duties), and prompt update of access rights when employees change or leave jobs.

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Under [Board Policy 8.15](#), the General Services Department (GSD), also known as the Purchasing Department, has broad authority and accountability for purchasing at SMCCCD. GSD roles and responsibilities, in coordination with the executive assistant to the executive vice chancellor (see Exhibit 3), include the selection of vendors, authorizing purchase agreements (i.e., contracts), and ensuring the appropriate management and use of relevant functions in Banner. Exhibit 2 summarizes procurement and payment roles and responsibilities at SMCCCD.

⁷ Data Management Association, *The Data Management Body of Knowledge*, Technics Publications, LLC, New Jersey, 2010, <https://dama.org/content/body-knowledge>

EXHIBIT 2**SMCCCD Procurement and Payment Roles and Responsibilities**

Board & Chancellor	<ul style="list-style-type: none"> ➤ District purchases are to be made "in accordance with applicable Education and Public Contract Code, District purchasing and administrative procedures" under BP 8.02, which delegates procurement authority to the chancellor. ➤ The chancellor delegates the purchasing function to the General Services Department (GSD) under BP 8.15. ➤ GSD is responsible for maximizing District savings through the judicious, timely, and ethical purchase of materials, equipment, supplies, and services under BP 8.15.
General Services Department	<ul style="list-style-type: none"> ➤ GSD is responsible for selecting vendors, providing purchasing services throughout the District, authorizing purchasing agreements, developing procedures, and compliance with applicable rules and regulations under BP 8.15. ➤ GSD is responsible for the procurement and vendor management functions in Banner. GSD manages an iContracts contract management and file storage system and a PlanetBids vendor and bid (i.e., competitive procurement) management system.
Finance & IT Services Departments	<ul style="list-style-type: none"> ➤ Financial Services Department (FSD) staff are responsible for ensuring that timely and accurate payments are made to vendors. ➤ Information Technology Services Department (ITSD) staff are responsible for supporting business requirements in Banner and responding to technical needs, such as system updates and ensuring the security and availability of the District's systems.

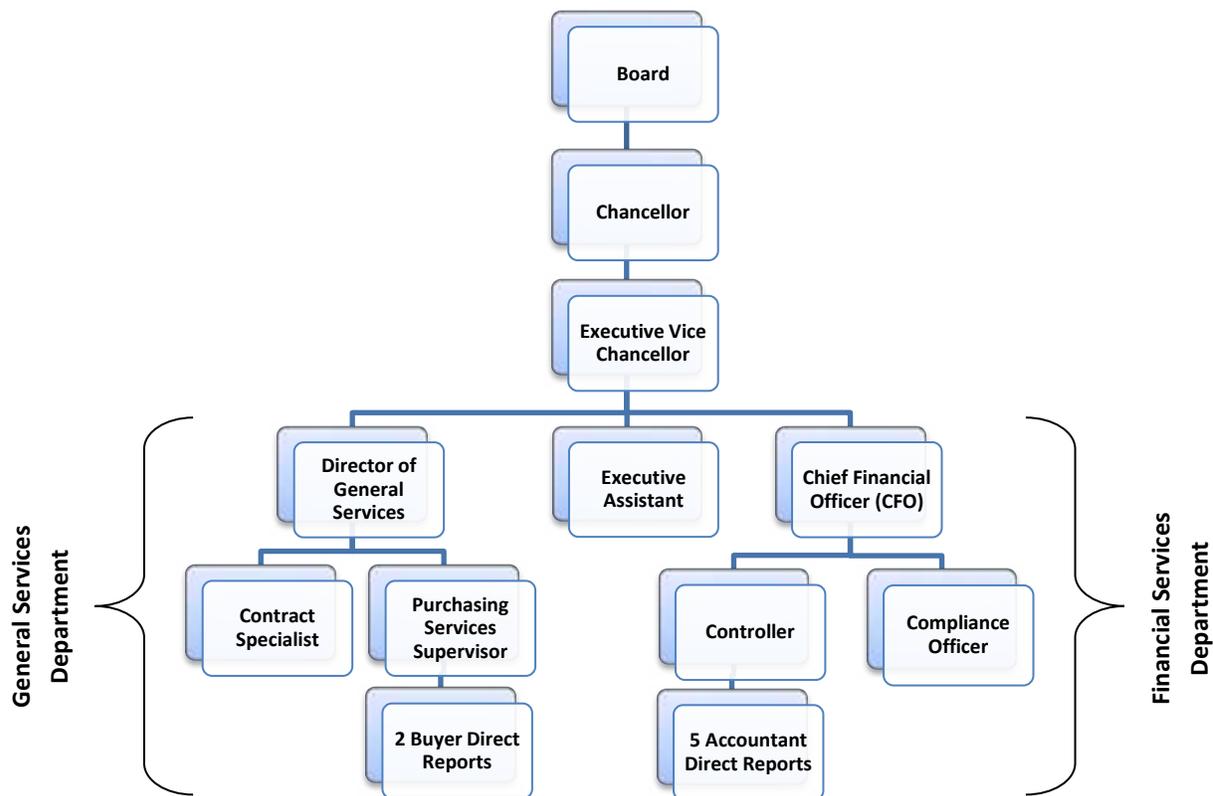
SOURCE: SMCCCD Board Policies available on the [District website](#), GSD internal procedures, interviews with FSD, GSD, and ITSD Staff

Exhibit 3 shows a limited view of sections of the official SMCCCD organizational chart⁸ and internal organizational charts relevant to procurement and payment functions as of May 2024.

⁸ SMCCCD's official organizational charts are available on the [SMCCCD website](#).

EXHIBIT 3

Limited Organizational Chart View: Governance and Management of Procurement and Payment at SMCCCD



SOURCE: Official SMCCCD organizational charts, internal organizational charts in Microsoft Outlook, interviews with FSD and GSD staff

NOTE: The chancellor, executive vice chancellor, and CFO have other direct reports that are not shown. Interns are not shown.

Vendor Records & Master Data Management

The SMCCCD Banner system requires the association of all vendor invoice payments with a unique vendor record that identifies the vendor. Vendors in Banner include contractors, employees, and students who are paid through SMCCCD's accounts payable processes and not its payroll processes. GSD staff are mainly responsible for managing SMCCCD contractor records, which includes entering and maintaining vendor master data (e.g., vendor name, phone number, and address) that identify each vendor in Banner. As of April 29, 2024, the SMCCCD Banner system included 101,522 vendor records (i.e., unique vendor records that contain the vendor master data for each vendor).

In general, master data, which should be relatively stable, are a prerequisite in Banner for transactions (e.g., vendor payments) and provide the basis or context for the transactions. Internal controls over the integrity and quality of the master data are necessary to ensure the integrity of the transactions.⁹ Unreliable master data (e.g., incomplete, inaccurate, or duplicate vendor records) may result in business process inefficiencies (e.g., inability to definitively identify authorized vendors), users' loss of confidence in the system of record (i.e., Banner), and costly downstream transactional

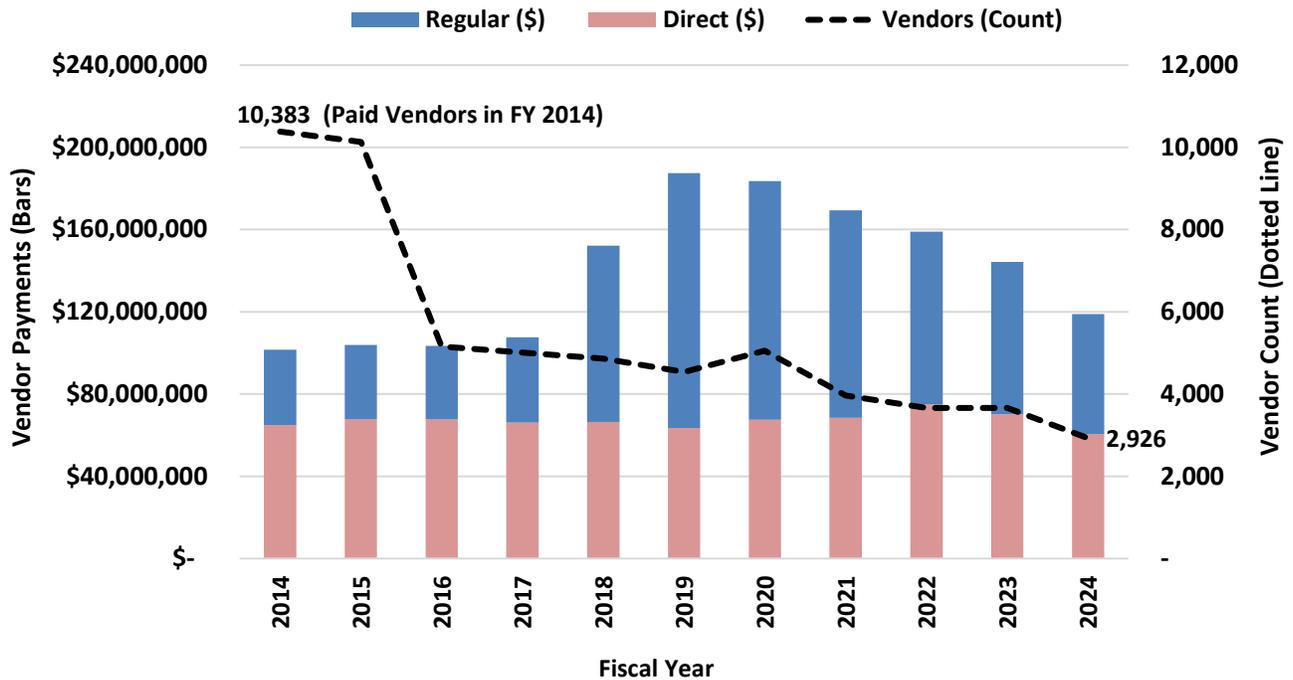
⁹ See U.S. Government Accountability Office "Federal Information System Controls Audit Manual," Washington, D.C., P.397-424, available at <https://www.gao.gov/assets/gao-09-232g.pdf>.

problems, such as duplicate, erroneous, or fraudulent payments. Internal controls over master data can serve to prevent and detect the use of vendors who have a conflict of interest and the use of high-risk vendors (e.g., vendors that have been debarred by the federal government).

Vendors & Vendor Payments

As of May 6, 2024, Banner records show that the District paid about \$1.5 billion to its vendors from FY 2013-14 through FY 2023-24 (through May 6, 2024). The total number (count) of paid vendors declined from 10,383 in FY 2013-14 to 2,926 in FY 2023-24. Exhibit 4 shows total SMCCCD vendor payments and the associated count of vendors from FY 2013-14 through FY 2023-24. “Regular” payments shown in Exhibit 4 are associated with contractual agreements whereas “Direct” payments are not. Payment data is provided for context only and was not the subject of this audit.

EXHIBIT 4
Vendor Invoice Payments By Fiscal Year (FY)
(FY 2013-14 to FY 2023-24)



SOURCE: SMCCCD Banner invoice data as of May 6, 2024.

NOTE: Fiscal Year was derived from the “Invoice Date” of paid invoices in Banner. Fiscal Year 2024 is through May 6, 2024.

Scope

The PAU reviewed existing SMCCCD vendor management policies and procedures and used data analytic and judgmental sampling methodologies to assess SMCCCD’s entire “vendor master file” that was comprised of 101,522 unique vendor records in SMCCCD’s Banner system as of April 29, 2024. With one exception (see Finding 2), the audit scope did not include vendors that were paid through procurement card purchases or systems and processes outside of Banner. These areas have been noted for inclusion within the scope and objectives of future audits.

Some preliminary observations were communicated to staff but not included in this audit report

Some concerns related to the audit scope and objective of this audit were identified but not pursued because they required a more detailed assessment of payment-related procedures that were outside the audit scope and budget. Specifically, the PAU communicated preliminary audit observations and data to GSD and FSD staff that showed a limited number of duplicate and erroneous payments, duplicate vendors, duplicate invoice numbers, and potentially high-risk, third-party payment practices.

Methodology

To achieve the audit objective, the PAU:

- Interviewed FSD, GSD, and ITSD staff responsible for the SMCCCD Banner system and relevant vendor management and payment processes to gain an understanding of the relevant data, system (i.e., Banner) components and controls, written procedures, and informal practices.
- Reviewed relevant SMCCCD procurement and ethics-related BPs and APs on the SMCCCD website and procurement procedures provided by GSD staff in response to audit requests.
- Conducted a risk assessment, in coordination with FSD and GSD staff and the chancellor to identify and prioritize vendor management risks, including data reliability, operational, conflict-of-interest, and fraud-related risks.
- Reviewed technical and industry standard manuals, the vendor management policies and procedures of other educational institutions that use Banner, relevant published audit reports, whitepapers, and industry presentations on relevant risks, internal controls, and audit procedures and analytics.
- Obtained the federal government’s vendor exclusions database from the SAM.gov website¹⁰ and SMCCCD’s Statement of Economic Interests (SEI) database (i.e., Form 700 data) from the vendor [NetFile](#). Reviewed the SEI data and data concerns with NetFile staff and SMCCCD Human Resources Department (HRD) staff.
- Extracted Banner vendor and invoice payment data and used Arbutus Analyzer software to assess the reliability of the data and to determine whether any of the vendor or payment data suggested that payments were made to high-risk vendors identified in the federal government’s exclusions database or to vendors who had relationships with SMCCCD staff (if identified in the SEI database) that could, in appearance or in fact, raise concerns about the integrity of SMCCCD’s procurement practices.
- Extracted and reviewed Banner employment data with HRD staff to gain an understanding of the data. Compared the social security numbers and addresses

¹⁰ The U.S. Government has a System for Award Management website (SAM.gov) that provides access to a database of parties who are excluded from receiving federal contracts, certain subcontracts, and certain types of federal financial and non-financial assistance and benefits. The database is a free resource that can be used to identify and prevent and detect the use of high-risk vendors who may have been convicted of criminal offenses, fraud, and other illegal activities (see [FAR 9.406-2](#)).

of active SMCCCD employees, as of January 2024, with those of vendors who were paid at least \$25,000 since the inception of Banner, to determine if, contrary to a recent chancellor directive, there are SMCCCD employees who are also paid by SMCCCD as consultants or independent contractors.

- Extracted and reviewed Banner user account records and SMCCCD network user account records (i.e., Active Directory data) with ITSD staff to gain an understanding of the data. Assessed whether the user accounts were restricted to ensure that vendor records are restricted to authorized employees with a business reason to access, create, or change the records.
- Reviewed the results of the audit with FSD, GSD, and ITSD staff and the chancellor to obtain feedback and ensure the accuracy of this report.
- Requested that management (i.e., FSD, GSD, and ITSD staff, in coordination with the chancellor) use the process maturity model shown in Exhibit 1 to self-assess the processes that were the subject of each finding. Reviewed the PAU's assessment using the same model with management to help bridge any gaps in understanding and differing perspectives. The results of this summary-level exercise, including management's process maturity goals, are presented in the beginning of each finding.

Sampling methodology

The audit findings in this report are mostly based on the PAU's review of written procedures, if any were present, informal practices, and the results of various data analytic procedures that assessed all Banner data within the audit scope (e.g., vendor records). In certain instances that are noted in this report, judgmental sampling methodologies were used to better understand and clarify the analytic results. Statistical sampling was not used in this audit because the analytic results were sufficiently comprehensive; therefore, there was no need to use sampling to make inferences.

Data reliability

The PAU used Arbutus Analyzer software to assess the accuracy and completeness of relevant data (e.g., vendor data) in Banner as an audit objective. The PAU interviewed FSD, GSD, and ITSD staff to gain an understanding of Banner data and brought data reliability concerns to staff's attention for verification. For example, the audit identified that n Automatic Clearing House (ACH) payments are incorrectly reflected as paid and completed due to a Banner limitation, resulting in overstated vendor payment records in some instances. FSD staff demonstrated that this limitation only impacts Banner reports on vendor payments and not the District's financial records and statements. FSD stated that such instances are rare and that they are working with ITSD staff to address the underlying system concern. No further action was taken to validate the payment data, especially because it is subject to SMCCCD's financial audits and more likely than not, sufficiently reliable for the purposes of this audit.

Other data sources that were used in this audit included Banner employment records, Banner user account records, SMCCCD network user account records (i.e., Active Directory records), the federal government's database of vendor exclusions, and the SEI database. These sources were unique (i.e., there were no substitutes) and as such, detailed reliability testing was deemed unnecessary. However, any reliability concerns that were identified while using the data were noted and addressed or disclosed in this report (e.g., Finding 1 discusses the PAU's concerns about the reliability of the SEI database). It is also notable that the SEI database is dependent on voluntary disclosures of economic interests that are made by SMCCCD Board members and staff and as such, while it is a convenient and efficient source of data, it is not necessarily inherently reliable.

*Redaction and
masking of
information in this
public version of the
audit report*

In accordance with Government Auditing Standards (Sections 6.64 – 6.70), some information in this public version of the audit report has been redacted or masked because of the damage that the potential misuse of the information could cause. The following specific actions have been taken in this regard:

- Addresses have been redacted.
- Taxpayer Identification Numbers have been masked (i.e., replaced with inauthentic information).
- The entirety of Finding 3 has been removed.

The PAU has provided a confidential, complete version of the audit report to those charged with governance and to management so that the audit recommendations can be addressed.

*Compliance with
Government Auditing
Standards*

This audit was conducted in accordance with the Board-approved FY 2024-25 Performance Audit Plan¹¹ and Government Auditing Standards. The standards require that the PAU plan and perform audits to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on the audit objective(s).

¹¹ See the [FY 2024-25 Performance Audit Plan](#) that was [approved unanimously](#) by the SMCCCD Board on May 22, 2024.

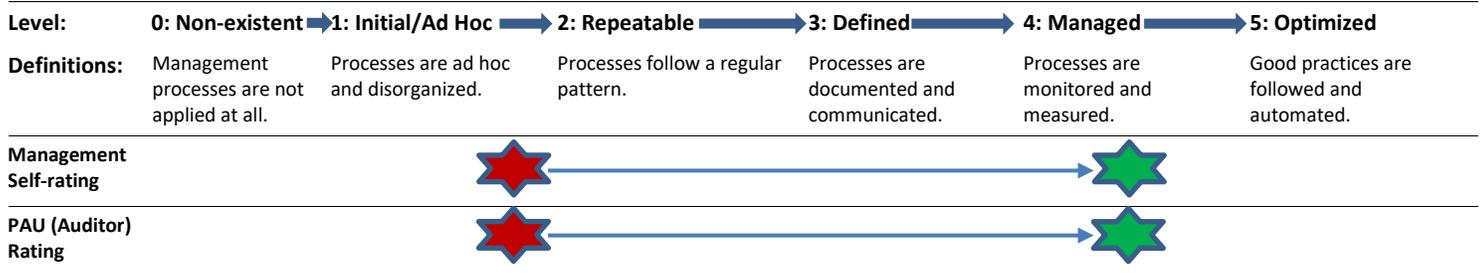
Finding 1

SMCCCD does not have sufficient, effective procedures to prevent or detect apparent conflicts of interest that undermine the integrity of SMCCCD’s procurement processes in appearance or in fact.

Designated SMCCCD trustees and staff¹² reported economic interests in SMCCCD vendors, including vendor gifts worth at least \$8,832¹³ from 2016 through 2022. The gifts did not violate state law limits.

Exhibit 5 shows SMCCCD management and the PAU’s overall maturity rating of existing SMCCCD procedures to prevent and detect vendor conflicts. The model itself is discussed in the Introduction section of this report and a more detailed, associated attribute table is provided in Appendix 1.

EXHIBIT 5: Management’s self-rating and the PAU’s rating of procedures to prevent and detect vendor conflicts



SOURCE: Auditor, Chancellor, FSD, GSD, and ITSD conclusions.

- NOTES:**
- A. Model based on COBIT 4.1, ISACA ©2007 All rights reserved. Used with permission. Also see Appendix 1.
 - B. The **red stars** represent, based on information in this finding, management and the PAU’s summary rating of process maturity.
 - C. The **green stars** represent management’s commitment to improvement, up to the stated level of maturity, and the PAU’s recommended minimum level of process maturity.

Designated SMCCCD trustees and staff¹² reported at least \$8,832¹³ in gifts from SMCCCD vendors

At least 15 designated SMCCCD trustees and staff members (individuals)¹² voluntarily reported on their electronically-submitted¹³ Statements of Economic Interests forms (i.e., Form 700s)¹⁴ that they received reportable gifts. The reported gifts totaled at least \$8,832¹³ from 16 sources, which the PAU identified as SMCCCD vendors, from 2016 through 2022. SMCCCD has paid about \$577.4 million to these 16 vendors from November 11, 1992, through May 1, 2024.¹⁵ The reported types and values of the gifts ranged from “Christmas wine” worth \$15 to “San Jose Sharks Tickets” worth \$500. In one instance, the reporter provided clarification that the gift (i.e., “earbuds”) that were worth \$374 were still in the original case and that they would “remain in

¹² Board Policy 2710 (see the [SMCCCD website](#)) requires, in compliance with California State law, that the Board adopt a Conflict-of-Interest Code (i.e., Administrative Procedure 2.45.2) and that it periodically review a list of designated employees required to annually file Statements of Economic Interests forms (i.e., Form 700s). The District’s annual filings are accessible on the [San Mateo County Statement of Economic Interests Portal](#) (on the NetFile website), as referenced on SMCCCD’s transparency [web page](#).

¹³ For efficiency, the PAU relied on electronically-filed disclosure records readily available on the on the [San Mateo County Statement of Economic Interests Portal](#). The data did not include manually-filed disclosures that may have shown additional interests.

¹⁴ Information about “Statements of Economic Interests – Form 700” is available on the [FPPC website](#). Completed, electronically-filed SMCCCD Form 700s (in PDF) and the relevant data (in Excel) are accessible on the [San Mateo County Statement of Economic Interests Portal](#) (on the NetFile website).

¹⁵ The date range is based on paid invoice dates.

office until further instructions are received, or would be donated.” Online searches show that of the 16 vendors, 12 (75 percent) provide construction-related services (i.e., construction, architecture, and/or engineering services).

Designated SMCCCD individuals had other (i.e., non-gift related) disclosable economic interests in SMCCCD vendors

In addition to gifts, designated SMCCCD individuals’ Form 700 disclosures identified the following economic interests in SMCCCD vendors:

- At least 12 designated SMCCCD individuals reported their disclosable investments (e.g., stock ownership). Those investments ranged from over \$2,000 to over \$1,000,000 in at least 16 businesses, which the audit identified as SMCCCD vendors (e.g., Home Depot), from January 1, 2017 to January 1, 2024. SMCCCD has paid about \$42 million to the 16 vendors from August 10, 1992, through March 18, 2024.
- At least 7 designated SMCCCD individuals reported their disclosable annual income (e.g., salary, royalties, dividends). The income ranged from at least \$1,001 to over \$100,000¹⁶ from at least 10 sources, which the audit identified as SMCCCD vendors, from January 1, 2016, through January 1, 2024. SMCCCD has paid about \$98.4 million to the 10 vendors from November 30, 1992, through March 18, 2024.

Exhibit 6 summarizes economic interests in SMCCCD vendors that designated SMCCCD individuals reported in their electronically-filed Form 700s.

EXHIBIT 6					
Economic interests in SMCCCD vendors reported by designated SMCCCD trustees and staff					
Disclosed Economic Interests	Disclosure Period Ranges ^A	# of Individuals With Reportable Interests ^B	(\$ or Range of Disclosed Interests ^C per Disclosure Period ^A	# of SMCCCD Vendors in Individuals’ Disclosures	\$ Paid by SMCCCD to Vendors Shown in Disclosures ^D
Gifts	1/1/16 to 12/31/22 ^E	At least 15	\$8,832 ^E (Total value of gifts from SMCCCD vendors)	16	\$577.4 million (11/11/92 to 5/1/24)
Income	1/1/16 to 1/1/24	At least 7	\$1,001 to >\$100,000 (“Gross Income” from SMCCCD vendors)	10	\$98.4 million (11/30/92 to 3/18/24)
Investments	1/1/16 to 1/1/24	At least 12	\$2,000 to >\$1 million (“Fair Market Value” with each vendor)	16	\$42.0 million (8/10/92 to 3/18/24)

SOURCE: All Statements of Economic Interest forms (Form 700s) electronically filed by SMCCCD trustees and staff shown on [Netfile.com](https://www.netfile.com)

- NOTES:**
- A.** Disclosure periods generally covered a one-year period. Ranges show the earliest and latest dates of all ranges in the disclosure forms.
 - B.** Some individuals reported gifts, income, and investments in more than one year.
 - C.** While gift value disclosures were specific, income and investments were reported in terms of ranges, as required by Form 700.
 - D.** Date ranges reflect paid invoice dates in Banner, the SMCCCD’s current system of record. Payments from other systems are not shown.
 - E.** Gift values were added (totalled) for all periods (i.e., 1/1/16 to 12/31/22). No gifts were reported in reporting periods after 2022.

¹⁶ Of the 7 designated individuals, 1 combined the names of 5 sources (i.e., companies) when reporting annual income that ranged from \$1,001 to \$100,000 from all 5 (i.e., in aggregate). Of the 5 sources, 2 were SMCCCD vendors. This analysis assumes that the individual’s income from the 2 companies that were SMCCCD vendors was \$1,001 or more in each year the individual made such disclosures.

Gifts did not exceed California State law limits

None of the gifts reported by SMCCCD Board members and staff exceeded the inflation-adjusted, annual single-source gift limit under California law. According to a 2023 California Fair Political Practices Commission (FPPC) guide titled “Limitations and Restrictions on Gifts, Honoraria, Travel and Loans,”¹⁷ there was a \$590, inflation-adjusted, single-source gift limit in calendar year 2023 for designated individuals who are required to disclose their economic interests. Prior year limits were lower.

Effective April 2022, designated SMCCCD trustees and employees were prohibited from accepting reportable gifts

Effective April 2022, SMCCCD Board Policy (BP) 2.45.1 (“Conflict of Interest”) prohibited designated SMCCCD individuals¹⁸ whose positions are listed in Administrative Procedure (AP) 2.45.2 (“Conflict of Interest Code”), from accepting reportable gifts *of any value from any source* [emphasis added]. BP 2.45.1 states:

“Each Board member and each employee designated under the District's Conflict of Interest Code is prohibited from accepting gifts, as that term is defined by the Political Reform Act (Gov. Code, §§ 81000 et. seq.) *of any value from any source* [emphasis added] if the Board member or employee would be required to report the receipt of income or gifts from that source on his/her/their statement of economic interests.”

Of the 15 designated SMCCCD individuals who reported gifts, 5 reported gifts received in 2022 that may have violated BP 2.45.1; however, the forms do not provide the exact date when the gifts were received. No designated individuals reported that they received gifts in 2023.

SMCCCD does not have data to readily determine the potential impact of gifts on the integrity of SMCCCD procurements

The GSD does not have a database (e.g., a list of project managers by vendor, a list of bid reviewers by vendor) that the PAU could readily use to identify or assess the significance of procurement and/or contract management decisions made, if any, by the designated SMCCCD trustees or staff who were gifted by SMCCCD vendors. The audit scope did not include the following relevant and potentially significant areas:

- Whether there were individuals who received gifts from SMCCCD vendors that were not “designated” (i.e., not required to file Form 700) but had procurement and/or contract management roles and responsibilities.
- The actual or potential impact of the gifts on procurement outcomes (i.e., whether the goods and services provided by the gifting vendors were worse and more costly compared to what another vendor would or could have provided).
- Whether designated individuals timely (i.e., prior to making disclosures on their Form 700 forms) and fully disclosed the gifts and excluded themselves from procurement and/or contract management roles and responsibilities, if required.

¹⁷ The FPPC Guide is available on the [FPPC website](#) as of this writing.

¹⁸ Designated positions include the following: Board of Trustees, Chancellor, Executive Vice Chancellor, College Presidents, Vice Chancellors, Chief of Staff, Internal Auditor, Controller, District Budget Officer, Facilities Manager, Bookstore Managers, Buyers and Senior Buyers, and Consultants.

SMCCCD likely did not pay vendors, who were also employees, for goods and services after January 1, 2024

SMCCCD vendor payment and employee records and information requested of FSD, GSD, and SMCCCD Foundation staff do not show evidence that since January 1, 2024, SMCCCD has paid vendors, who are District employees, for goods and services. Such payments would violate a 2024 SMCCCD chancellor directive that has been incorporated into a GSD form as a policy statement (as discussed in the next section of this finding). For efficiency, the analysis for this conclusion was limited to vendors who have been paid more than \$25,000 in total, since the inception of SMCCCD's Banner system in FY 1991-92,¹⁹ and that could be readily identified as SMCCCD employees based on social security number and address matches with employee records.²⁰ The scope of the analysis did not include determining whether SMCCCD employees received payments from third parties for services that they directly or indirectly provided to SMCCCD.

The complex legal process for identifying "disqualifying" conflicts of interest may not be required for day-to-day operations

According to an FPPC [online publication](#) titled "An Overview of Conflicts of Interest Under the Political Reform Act," while California State law prohibits a public official from "making, participating in making, or attempting to use the official's position to influence a governmental decision in which the official knows or has reason to know the official has a financial interest," several steps are required to determine whether a disclosable interest (e.g., gifts over \$500 from a single source, investments greater than \$2,000 in a business entity) is "disqualifying" (i.e., whether the above prohibition actually applies). The determination process involves several steps including assessing whether "a decision's financial effect on an official's financial interest is indistinguishable from the decision's effect on the public generally" and "if the decision's reasonably foreseeable financial effect on the official's financial interest is material." Such determinations may be difficult and time-consuming to make and may be unnecessary for day-to-day operations if SMCCCD enforces its stricter, ethics-based prohibition on the receipt of vendor gifts, as discussed above, and the recent, apparent prohibitions on any and all employee financial and ownership interests in SMCCCD vendors, as discussed in the next section of this finding and as reflected in a 2024 GSD form shown in Exhibit 7.

Gifts & other economic interests in vendors undermine the integrity of procurement activities in fact and/or appearance

BP 2.21 (Policy on Professional Ethics) and AP 2.21.1 (Institutional Code of Ethics) require SMCCCD staff's commitment to the public good, accountability to the public, and commitment *beyond the minimum requirements of the law* [emphasis added]. SMCCCD's procurement-related policies and procedures²¹ are based on the principles of open, competitive public procurement processes that are designed to obtain the best value for high-quality goods and services and to eliminate, in appearance and in fact, favoritism, fraud, and corruption. Any economic interest in

¹⁹ This date is shown in ITSD's [2019-2024 strategic plan document](#).

²⁰ SMCCCD reimburses employee expenses as vendor payments and there was no efficient, analytic method using Banner data to determine if payments to employees were work-related reimbursements or payments for goods and services. Because payments had to be reviewed manually, to limit the number of vendors and payments, the audit scope was reduced to only include vendors who were paid more than \$25,000.

²¹ SMCCCD's BPs and APs related to procurement include BP 8.15 (Purchasing) and AP 8.15.3 (Bids and Contracts for Goods and Services – non-construction).

SMCCCD vendors on the part of SMCCCD trustees or staff who have responsibilities for the selection, management, and payment of SMCCCD vendors undermines the integrity of SMCCCD's procurement activities, in fact and/or in appearance, and may cause reputational and operational damage (e.g., diminish the public's confidence in SMCCCD's use of public funds, result in the award of an SMCCCD contract to an unqualified vendor).

SMCCCD does not have sufficient, effective procedures to detect or prevent conflicts of interest

In January 2024, in accordance with a chancellor directive, GSD staff created a "Vendor Conflict of Disclosure" form, shown in Exhibit 7, which is designed to help prevent and detect conflict-of-interest situations, such as vendor gifts, before the award of a contract. However, there are no written procedures to ensure that the form is used consistently and effectively, in coordination with SMCCCD's existing conflict-of-interest policies and procedures, or to communicate the requirement to use the form to existing and future SMCCCD staff with procurement roles and responsibilities. The existing form and the informal procedures described by GSD staff have the following limitations:

- **Conflict-of-interest policies cited in the form have not been adopted by the Board and published online, as required under BP 2410.** The form reflects, for example, a prohibition on any ownership or financial interests in vendors by any SMCCCD officials or employees or their immediate family members. It also reflects a recent chancellor directive to prohibit the contemporaneous employment of District officials by the vendor.
- **In practice, the GSD may not require the form from vendors.** GSD staff stated that *if* [emphasis added] completed forms are submitted, they are saved with the bid submittals and reviewed by GSD staff during their "due diligence review of bid results."
- **There is no database that stores information from the forms for monitoring purposes.** Without storing a record of the forms in either Banner or some other database, SMCCCD staff and auditors cannot readily and effectively monitor compliance with the implicit policies.
- **The disclosure requirement is limited to "formal" procurement processes.** Although the form states, "All vendors interested in conducting business with the San Mateo County Community College District must complete and return the Vendor Conflict of Interest Disclosure Form in order to be eligible to be awarded a contract," GSD staff clarified that the form is part of all "*formal* [emphasis added] bids/RFPs" (i.e., public, competitive procurement processes).
- **Vendors completing the form may not know of SMCCCD employees' ownership and financial interests in their companies.** The form prohibits and requires that each prospective vendor disclose the ownership and financial interests of SMCCCD officials and employees and their immediate family members in their companies. To make such a determination, vendors would need to have a database of individuals with ownership or financial interests that includes information on the employment history of such individuals and their immediate

family members. It appears unlikely that this would be possible in many instances (e.g., for larger companies).

- **The absolute prohibition on ownership and financial interests on the part of all SMCCCD officials, employees, and immediate family members may be impractical and contrary to SMCCCD’s business interests.** Form 700 disclosures of the limited number of “designated” SMCCCD individuals, who are required to file Form 700, show ownership interests in many SMCCCD vendors (e.g., Home Depot, Oracle). If the policy stated in the form is taken literally, even if a single SMCCCD official or employee or one of their immediate family members has an ownership interest in a vendor, that vendor would be disqualified from doing business with SMCCCD.
- **The form provides potentially conflicting information.** The form states that vendors must comply with the SMCCCD policy against contemporaneous or prospective employment of SMCCCD officials or employees with the vendor; however, it also has a section for vendors to disclose relationships with District officials, employees, or their immediate family members that states, “Disclosing a potential conflict of interest does not disqualify vendors.”
- **The form is limited to vendors and there is no equivalent disclosure requirement for SMCCCD trustees and staff with actual procurement and contract management roles and responsibilities.** Procurement and contract management or oversight processes often require the participation of many individuals or teams in the many steps involved in procurement (e.g., steps to identify qualified vendors, develop proposal requests, rate proposals, award contracts) and contract oversight and payment.

EXHIBIT 7

SMCCCD's New Vendor Conflict of Interest Disclosure Form (effective Jan. 2024)

ATTACHMENT X

VENDOR CONFLICT OF INTEREST DISCLOSURE FORM



All vendors interested in conducting business with the San Mateo County Community College District (hereinafter "District") must complete and return the Vendor Conflict of Interest Disclosure Form in order to be eligible to be awarded a contract. Please note that all vendors must comply with the conflict of interest policies as stated below:

1. No District official or employee or District employee's immediate family member has an ownership interest in vendor's company or is deriving personal financial gain from this contract;
2. No retired or separated District official or employee who has been retired or separated from the organization for less than one (1) year has an ownership interest in vendor's company;
3. No District official or employee is contemporaneously employed or prospectively to be employed with the vendor.

If a vendor has a relationship with a District official or employee or an immediate family member of a District official or employee, the vendor shall disclose the information required below.

The vendor named below has a relationship with a District official or employee or an immediate family member of a District official or employee:

Conflict of Interest Disclosure*	
Name(s) of District employees, elected officials, or immediate family members with whom there may be a potential conflict of interest:	<input type="checkbox"/> Relationship to employee: _____ <input type="checkbox"/> Interest in vendor's company: _____ <input type="checkbox"/> Other (please describe in box below)

*Disclosing a potential conflict of interest does not disqualify vendors. In the event vendors do not disclose potential conflicts of interest and they are detected by the District, vendor will be exempt from doing business with the District.

The vendor named below has no relationships to report.

Vendor hereby declares it has not and will not provide gifts or hospitality of any dollar value or any other gratuities to any District official or employee to obtain or maintain a contract.

I hereby certify that this Conflict of Interest Disclosure has been examined by me and that its contents are true and correct to the best of my knowledge and I have the authority to so certify on behalf of the Vendor by my signature below.

Vendor Name		Vendor Phone Number
Signature of Vendor Authorized Representative	Date	Printed Name of Vendor Authorized Representative

Conflict of Interest Disclosure Form – January 2024

SOURCE: GSD Director

Not all SMCCCD standard contract templates had protective conflict-of-interest clauses

One GSD responsibility is to manage and maintain SMCCCD's contract templates (see the SMCCCD "Contract Templates" [web page](#)). Contract templates serve as a basis to ensure that an organization's procurement rules and policies, including social policies, are consistently communicated to vendors and internal staff (i.e., SMCCCD employees with procurement and contract oversight roles and responsibilities) and that there can be legal recourse when there are violations of core organizational policies and procedures. As of April 2024, neither SMCCCD's "Standard Services

Agreement” contract template nor SMCCCD’s “Purchase Order” template, which explicitly cites SMCCCD’s “purchasing agreement terms, covenants, and conditions,” included a conflict-of-interest clause.

Legal reviews of contract templates are informal and not tracked

GSD staff stated that “county counsel” reviews SMCCCD’s general contract templates and that specialized attorneys review SMCCCD’s construction-related contract templates but that there is no formal procedure or organized record of these processes, which staff initiate. Procedures to require and track periodic attorney reviews of key contract templates and procedures for the purpose of ensuring that they are up to date with both SMCCCD BPs and APs and external (i.e., state and federal) rules and regulations can add a layer of control and assurance over SMCCCD’s procurement practices.

GSD procedures do not ensure that SMCCCD policies are systematically implemented

According to GSD staff, there are no GSD procedures to comprehensively and specifically identify and implement relevant, procurement and ethics-related SMCCCD BPs and APs (e.g., to ensure that the Board’s recent prohibition on vendor gifts is reflected in contract templates, written procedures, and communicated to staff in announcements and training materials). This internal control objective could be effectively accomplished by using a spreadsheet to track relevant sections of SMCCCD’s BPs and APs, including periodic changes, and mapping them to departments’ written procedures, contract templates, and training/announcement documents to ensure that the BPs and APs are operationalized.

Requiring disclosures from all individuals with procurement responsibilities can help prevent and detect prohibited gifts and economic interests

California’s State Contracting Manual has sections titled “[General Requirements](#)” and “[Ethics, Gifts, and Gratuities](#)” that include elements that GSD staff may be able to use as they formalize SMCCCD’s procurement procedures. For example, all personnel involved with competitive acquisitions are required to sign statements that certify the following:

- They do not have a personal or financial interest and [have] no present or past employment or activity which would be incompatible with their participation in any activity related to the procurement processes.
- They agree that no gift, benefit, gratuity or consideration will be accepted, and that they do not have a personal or financial interest in a party who is bidding/proposing, or associated with a bidder/proposer.

SMCCCD has not paid vendors that are listed in the federal government’s vendor exclusions database

The use of vendors with a history of criminal activity can pose business and reputational risks to SMCCCD. The audit found no paid SMCCCD vendors that matched the names of vendors in the federal government’s vendor exclusions database. GSD staff have written procedures²² that state:

“Procurement of goods and/or services with federal funds from a supplier or contractor should be checked for debarment/suspension before purchasing and/or awarding a contract or subaward. General Services is responsible for checking [SAM \(System for Award Management\)](#) to see if a vendor is on the government list of debarred vendors prior to the approval of purchases on federal awards.”

GSD staff stated that their review process is done informally, without a record of the work done, and that it is limited to the contracts that are paid using federal funds. As such, there was no staff work to assess. The existing GSD procedure can be strengthened to prevent the use of high-risk vendors by assigning roles and responsibilities, requiring a record of the work to be maintained in an appropriate location (e.g., a designated data field in Banner that can facilitate future compliance reviews), and applying the simple search process for all SMCCCD vendors, at least once (e.g., prior to entering a new vendor in Banner), if not periodically.

SMCCCD’s Form 700 filings and data available online are limited due to manual filings

The NetFile website provides links to electronically-filed²³ SMCCCD Form 700s in PDF format and makes the data accessible in Excel. However, SMCCCD does not require that Board members and staff file their SMCCCD Form 700 forms electronically. This causes limitations on the accessibility of the information and its usefulness as a comprehensive source because Form 700s that are not electronically filed are simply labelled as “Paper” on the NetFile portal and neither images of the forms (in PDF) nor the data (in Excel) are made available to users. Moreover, there is no information on either the SMCCCD “Transparency” [web page](#) nor the NetFile web page regarding how to obtain the “Paper” forms.

Form 700 data are not used to prevent or detect conflicts of interest

HRD staff are currently responsible for oversight of SMCCCD’s Form 700 program, which includes tracking submissions and providing training on how to complete the forms properly.²⁴ However, there is no SMCCCD written procedure or informal process to use the data to either prevent or detect conflicts of interest or ethics violations.

²² See SMCCCD’s “[PURCHASING PROCEDURES AND CONTRACT REQUIREMENTS](#)” document.

²³ Form 700 filers may file electronically on the NetFile [user portal](#).

²⁴ AP 2.45.1 (Conflict of Interest) includes requirements for training on filing Form 700. It states: “Each individual holding a position designated in the District’s Conflict of Interest Code shall participate in a training on an annual basis which covers: the filing of financial disclosure statements (‘Form 700’); Board Policy 2712 (2.45); and, Administrative Procedures 2710 (2.45.1) and 2712 (2.45.2) on an annual basis. Trainings will be coordinated by the District Chancellor’s office.”

SMCCCD's online Form 700 data is not fully reliable

A limited, judgmental sample SMCCCD's Statements of Economic Interests (Form 700) data, which were the basis for the assessment results shown in this finding, raised the following concerns:

- The data (e.g., disclosure of gifts) from an SMCCCD college president's Form 700 statement that was filed in 2019 and shown in a PDF document (available on the NetFile website) were not shown in the Excel data file that was available on the NetFile website.
- The NetFile Excel data included duplicate records of some SMCCCD Form 700 disclosures.
- The 2023 Form 700 statement for one SMCCCD Board member was missing. According to SMCCCD Human Resources Department (HRD) staff, NetFile emails and internal SMCCCD reminders were sent to the Board member.
- The 2023 Form 700 statement for one SMCCCD "buyer" (i.e., a GSD staff member) was missing. Buyers and senior buyers are among the designated positions required to file Form 700s under AP 2.45.2 (Conflict of Interest Code). HRD staff stated that the buyer was in a detail (temporary) buyer position and that the buyer could be required to provide one, if needed.

Despite these limitations, for efficiency purposes, the PAU used the NetFile Form 700 data as a basis for this finding for efficiency reasons. The scope of this audit did not include an assessment of NetFile's oversight of the reliability (e.g., accuracy, completeness) of the SMCCCD Form 700s and associated data that it makes available on its website.

Finding 1
Recommendations

The PAU recommends that the SMCCCD chancellor implement the following recommendations:

- 1.1** In coordination with GSD staff and the SMCCCD compliance officer, identify policy statements that are explicit or implicit in the SMCCCD “Vendor Conflict of Interest Disclosure” form that have not been approved and published as official SMCCCD BPs and APs. Prioritize those policies for the following steps:
 - Address concerns discussed in this finding about the policy statements
 - Legal review (if not yet done)
 - Review and approval by the Board
 - Online publication to communicate the form and policies to relevant SMCCCD Board members and staff through emails, mandatory training, desk manuals, etc.
- 1.2** Direct GSD staff and the compliance officer to develop and implement written procedures to periodically (e.g., annually) identify procurement, conflict-of-interest, and ethics-related BPs and APs and ensure that they are implemented. This can be accomplished, for example, by creating an access-restricted spreadsheet that lists the following data elements in separate columns and rows, and taking corrective action when deficiencies, such as a missing written procedure, are identified:
 - Relevant BP and AP mandates and their latest revision dates.
 - Date the BPs and APs were last reviewed to ensure they are operationalized.
 - Positions that are specifically responsible and accountable for implementing the BP and AP mandates.
 - Written, departmental procedures, templates, forms, and checklists where the relevant BP and AP mandates are implemented.
 - System (e.g., Banner) controls that implement the BP and AP mandates, if any.
 - Training materials, training sessions, and notifications that communicate the relevant mandates and written departmental procedures.
 - Frequency of review required by legal staff and their last date of review, when required, for written departmental procedures, templates, forms, etc.
- 1.3** After staff implement Recommendation 1.1 and 1.2, direct GSD staff, in coordination with the SMCCCD compliance officer, to effectively implement SMCCCD’s conflict-of-interest policies through the following steps:
 - Using the California State procedures cited in this finding as an example, develop a staff conflict-of-interest and confidentiality form that can help collect the disclosures required to implement SMCCCD’s procurement, conflict-of-interest, and ethics-related BPs and APs.

- In coordination with the ITSD, select appropriate technology (e.g., an Excel workbook) and establish a written procedure, which includes roles and responsibilities, to:
 - **Electronically** administer, collect, and retain information that is required from vendors **and** staff in their respective disclosure forms. This can be accomplished using Excel or other database technology.
 - Address how **and** when (i.e., how often) to use the data to prevent and detect conflicts of interest (e.g., before staff participate on a panel to rate vendor proposals).
- 1.4** To ensure that SMCCCD's contract templates have consistent, up-to-date boilerplate terms that reflect SMCCCD's procurement and ethics-related policies, direct GSD staff, in coordination with the SMCCCD compliance officer, to create a written procedure to review and update SMCCCD's contract templates. The procedure should identify the following:
 - Specific contract and contract-related templates and procedures that may require periodic legal review.
 - The assignment of roles and responsibilities for managing and updating the templates, including coordinating the periodic legal reviews.
 - Appropriate review cycles for each template and procedure, if any.
 - Dates of past reviews and any significant changes that were made.
- 1.5** To ensure that the SMCCCD prohibition on contracting with vendors who are SMCCCD employees is properly communicated, direct HRD staff to communicate the policy to existing and future employees (e.g., through SMCCCD emails to existing employees, updates to existing employee onboarding procedures, updates to employee orientation procedures).
- 1.6** To ensure that SMCCCD's Statements of Economic Interest (i.e., Form 700) data is accessible on the [San Mateo County Statement of Economic Interests Portal](#) (on the NetFile website), as suggested on SMCCCD's transparency [web page](#), **and** reliable, direct HRD staff, in coordination with the SMCCCD compliance officer, to take the following actions:
 - Assess whether it is legally and operationally feasible to require that designated SMCCCD individuals electronically file Form 700s. If it is determined that it is not legal and feasible, make appropriate disclosures on the SMCCCD "transparency" [web page](#) and provide information on the web page about how to obtain "paper" Form 700s that are not available, either in PDF or Excel, on the [SMCCCD Economic Interest Portal](#).
 - Develop a written procedure to annually review the Form 700 data and ensure that it is reliable (i.e., accurate and complete). The procedure should include roles

and responsibilities and a process to help ensure that all designated staff's Form 700s (i.e., in PDF) and the relevant data (i.e., in Excel) are available and that the Excel data accurately and uniquely (i.e., without duplicate records) reflect the PDF forms. The procedure should include a step to notify NetFile staff of errors and to request corrections.

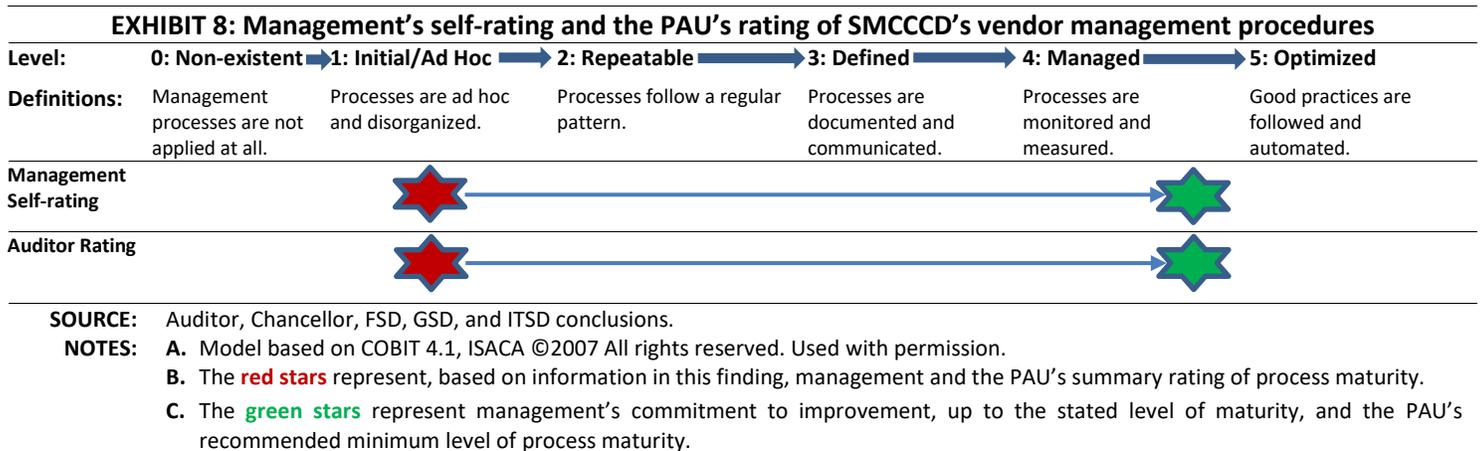
- 1.7** To ensure that there is oversight and use of the information provided in SMCCCD's mandated Statements of Economic Disclosures (i.e., Form 700s), direct GSD staff, in coordination with the SMCCCD compliance officer, to develop written procedures to use the annually updated Form 700 database to identify and address potential conflicts of interest. The written procedures should include the following:
- Purpose of the review (e.g., to identify potential conflicts of interest that require corrective action).
 - Roles and responsibilities (e.g., who will review the data, who will receive reports on the results of the review, who will coordinate corrective action, if any).
 - How the data will be used (e.g., data analytics will be used to determine if any of the disclosed economic interests involve SMCCCD trustees or staff who had procurement roles and responsibilities associated with current and past SMCCCD vendors).
- 1.8** Strengthen and expand the existing GSD written procedure requiring that staff search for prospective SMCCCD vendors in the federal exclusions database by assigning roles and responsibilities, requiring a record of the work to be maintained in an appropriate location (e.g., a designated data field in Banner that can facilitate future compliance reviews), and applying the simple search process to all SMCCCD vendors, at least once if not periodically (e.g., prior to entering a new vendor in Banner).

Finding 2

SMCCCD does not have sufficient procedures to maintain accurate, consistent, and complete Banner vendor records or to ensure that paid invoice records are associated with the correct vendors.

Banner showed 66 paid invoice records totaling about \$9 million (from 1992 to 2022) that were associated with 3 unidentified vendors; scans of issued checks helped partially identify 2 of the 3 vendors and all but about \$4,927 of the \$9 million. The SMCCCD process to combine vendor records does not support reporting and monitoring objectives. Invoice payment records, in at least one instance, were associated with a vendor that should have been inactivated. Unused and invalid vendor records have remained active, raising the risk of payment errors and fraud.

Exhibit 8 shows SMCCCD management and the PAU’s overall maturity rating of existing SMCCCD vendor management procedures. The model itself is discussed in the Introduction section of this report and a more detailed, associated attribute table is provided in Appendix 1.



Records of 66 paid invoices totaling about \$9 million in Banner referenced 3 unidentified vendors

In an underlying Oracle database system for Banner that is not accessible or used by operations staff (i.e., FSD and GSD staff), Banner invoice payment records derive vendor information from separately maintained vendor master file records that should contain the most accurate and complete data on approved, valid SMCCCD vendors (e.g., official vendor names, SMCCCD-assigned Vendor ID/Taxpayer ID Numbers^{25,26}) for payment and reporting purposes. In the Oracle database, Banner automatically creates and uses its own Vendor ID Numbers to link transaction records (e.g., invoice payment records) with master file records (e.g., vendor records) that provide the appropriate context for the transactions (e.g., the names of paid vendors). The principal of “referential integrity” requires that transactional data

²⁵ A Taxpayer Identification Number (TIN) can be a Social Security Number (SSN), Employer Identification Number (EIN), Individual Taxpayer Identification Number (ITIN), etc. The IRS [web page](#) on TINs states, “A TIN must be furnished on returns, statements, and other tax related documents.”

²⁶ For domestic corporations, GSD staff assign SMCCCD Vendor ID Numbers using vendors’ TINs. The SMCCCD Vendor ID/TINs, which are stored in most vendors’ records, are used by staff to look up vendors and are shown in payment-related documents (e.g., check scans). In contrast, Banner automatically generates and assigns its own Vendor ID Numbers that it uses in the background (i.e., in the underlying Oracle database). The Banner Vendor ID Numbers are generally not used by or visible to operations staff (i.e., FSD and GSD staff).

always retain this link; any violations result in transaction records that are “orphaned” because they can no longer provide the context for the transactions. Orphaned records that no longer identify payees (e.g., vendors) are anomalies and can raise concerns about the potential for fraud²⁷ or unauthorized changes to what should be permanent, complete, and accurate master file records in Banner.

The first row in the Exhibit 9 table shows, for reference, 215 invoice payment records totaling about \$29 million that correctly correspond, by use of a Banner Vendor ID Number, to the vendor record for RSC Insurance Brokerage, Inc., which provides the context for the 215 transactions (e.g., vendor name, SMCCCD Vendor ID/TIN). The last three rows in the Exhibit 9 table show 66 orphaned invoice payment records totaling about \$9 million that were associated with 3 Banner Vendor ID Numbers that did not link with or reference any vendor record in Banner.

EXHIBIT 9

66 paid invoice records totaling \$9 million (table A, in red) referenced 3 unidentified vendors (Table B) in Banner

A) Paid invoice transaction records (selected rows/columns)				B) Vendor master file records (selected row/columns)		
# of Invoices	Total Paid (\$)	Year(s) Paid	Banner Vendor ID	Banner Vendor ID	SMCCCD Vendor ID/TIN	Name
215	\$29,138,423	2007-2024	20030828 ← →	20030828	123456789 (masked)	RSC Insurance Brokerage, Inc.
56	\$8,850,267	1992-2022	10001673 ←	<div style="background-color: red; color: white; padding: 5px;"> 3 MISSING VENDOR RECORDS: 66 paid invoice records totaling about \$9 million did not have corresponding vendor records in Banner. This is known as a referential integrity violation that results in “orphaned” records. </div>		
1	\$1,356	1993	10010186 ←			
9	\$34,149	2000-2005	10142237 ←			

SOURCE: Banner vendor master file as of April 29, 2024, and invoice transactions file as of May 6, 2024

NOTES: A. **The GREEN row (1st row)** shows 215 transactions that properly referenced a vendor record. **The RED rows (2nd – 4th rows)** show orphaned transactions that did not reference an existing vendor. The rule of referential integrity requires that ALL transactions (e.g., invoice payments in table A) remain linked with master file records (e.g., vendor master file records in table B) that contain the official context for the transactions.

B. SMCCCD Vendor ID/TIN has been masked (i.e., replaced with an inauthentic number) in this public version of the audit report.

Banner views of the 66 orphaned records could not show the names or SMCCC Vendor ID/Tax ID Numbers of the 3 paid vendors

Because the vendor records required by the 66 orphaned, paid invoice records shown in Exhibit 9 were not available in Banner, commonly used Banner views and reports could not show the vendor information associated with the invoice numbers that were contained in the orphaned records. Exhibits 10a and 10b show examples of Banner’s representation of a \$533,520 invoice payment record (i.e., 1 of the 66 orphaned records), without either the vendor’s name or the SMCCCD-assigned Vendor ID/TIN.

²⁷ In one type of fraud scheme, a perpetrator may attempt to delete the vendor record to cover up fraudulent payments.

EXHIBIT 10a and 10b

Two Banner views of 1 of the 66 orphaned paid invoice records

EXHIBIT 10a: Banner’s “invoice memo query” could not show the vendor that was paid \$533,520

Note: The SMCCCD Vendor ID/TIN and vendor name could not be shown in Banner for this orphaned record that shows the payment of a \$533,520 invoice. This is 1 of 66 examples.

Item	Commodity	Commodity Description	Tax Group	Tax Group Description	Fixed Asset Status
1		CSM 201803 Int'l std with 120 visa Health Ins Prnt	NTX	Non-Taxable	N

EXHIBIT 10b: Banner’s “invoice memo list view” could not show the vendor that was paid \$533,520

Invoice	Purchase Order/Invoiceance	Vendor ID	Vendor Name	Vendor Hold	Credit Memo	Completed	Approved	Invoice Total
11800306			NAME NOT FOUND FOR PIDM: 10001673	No	Yes	Yes		533,520.00

SOURCE: Banner user interface as of July 10, 2024

Check scans helped partially identify 2 of the 3 paid vendors

Scans (i.e., PDFs) of some, but not all, relevant issued checks were available to help manually identify 2 of the 3 unidentified vendors shown in Exhibit 9 based on the invoice numbers available in the orphaned invoice payments records. Exhibit 11 shows an example of a scanned, issued check that was available to identify the vendor (i.e., Relation Insurance Services - Education, Inc.) associated with 1 of the 66 orphaned invoice payment records, which is shown in Exhibits 10a and 10b.

EXHIBIT 11

A check scan shows some of the vendor information for the orphaned invoice "I1808306"

VENDOR INVOICE NUMBER	PO NUMBER	SMCCCD INVOICE NUMBER	ACCOUNTING INFORMATION		DISCOUNT	TAX	ADDL. CHARGES	TOTAL
			DISTRIBUTION	AMOUNT				
17225		11808306	10004-4333-54141-647000	533520.00	.00	.00	.00	533,520.00

CHECK NUMBER	CHECK DATE	VENDOR NUMBER	TOTAL DISCOUNT	TOTAL TAX	TOTAL ADDL. CHARGES	TOTAL AMOUNT
501751	03/20/18	123456788	.00	.00	.00	533,520.00

Note: A check scan revealed that the orphaned, paid invoice record with invoice number I1808306, as shown in Exhibits 10a and 10b, was associated with the vendor Relation Insurance Services – Education, Inc., with SMCCCD-assigned Vendor ID/TIN 123456788 [the authentic number has been masked].

***** Detach and retain for your records. *****

SMCCCD - Accounts Payable
 Union Bank
 Check Date: 03/20/18
 Check Amount: \$***533,520.00
 PAY TO THE ORDER OF
 RELATION INSURANCE SERVICES - EDUCATION, INC.
 AUTHORIZED SIGNATURE

**** FILE COPY ** ** FILE COPY ****

SOURCE: Check scans contained in SMCCCD's "OpenText ApplicationXtender" system that is linked to Banner
NOTE: SMCCCD Vendor IDs/TINs have been masked (i.e., replaced with inauthentic numbers) in this public report

Most, but not all of the 66 orphaned, paid invoice records were associated with 2 vendors with unique TINs; 1 vendor could not be identified

The check scans available for most, but not all of the 66 orphaned, paid invoice records provided the names and SMCCCD Vendor ID/TINs for 2 of the 3 vendors. Specifically, as shown in Exhibit 12, of the 66 orphaned, paid invoice records:

- 56, associated with Banner Vendor ID Number 10001673, were mostly associated with a vendor that had an apparent name change, from Renaissance Insurance Agency, Inc. to Relation Insurance Services – Education, Inc., but kept the same TIN. However, Exhibit 12 shows that there were no check scans available to identify the vendor(s) for 5 of the paid invoices totaling \$1,176. One other anomaly is that these 5 paid invoices had dates from 1992 to 1995 according to the orphaned Banner payment records, a range that is much earlier than the 2014 to 2022 range of the other paid invoice records. Further work was not done to investigate these payments.
- 1, associated with Banner Vendor ID Number 10010186, had no corresponding check scan. Although Banner shows that the invoice was paid, it also shows that the payment was cancelled, presumably after it was made but before it was deposited. Further work was not done to investigate the payment or its recipient. Staff stated that it was a student refund payment that was canceled.
- 9, associated with Banner vendor ID Number 10142237, were mostly associated with payments to City College of San Francisco, from 2004 to 2005. However, Exhibit 12 shows that there were no available check scans to identify the vendor(s) for 3 paid invoices totaling \$2,395, from 2000 to 2001.

EXHIBIT 12

About \$9 million in orphaned, paid invoice records (table A, in red) could be mostly traced to 2 vendors (Table B)

A) 66 orphaned, paid invoices (transactions) totaling \$9 million				B) Check scans available to manually identify the vendors, in part			
# of Invoices	Total Paid (\$)	Year(s) Paid	Banner Ven. ID	SMC. ID/TIN	Inv. Dates	Name	Amount
56	\$8,850,267	1992-2022	10001673	Not Found	Not Found	Unknown (5 invoices)	\$1,176
				123456788	2014-17	Renaissance Insurance Agency, Inc.	\$3,655,754
				123456788	2018-22	Relation Insurance Services -- Education, Inc.	\$5,193,337
1	\$1,356	1993	10010186	Not Found	Not Found	Unknown (1 invoice)	\$1,356
9	\$34,149	2000-2005	10142237	Not Found	Not Found	Unknown (3 invoices)	\$2,395
				123456787	2004-05	City College of San Francisco (6 invoices)	\$31,754

SOURCES: Banner invoice transaction file as of May 6, 2024 (Table A) and check scans identified using (orphaned) paid Banner invoice records (Table B)

NOTE: SMCCCD Vendor IDs/TINs have been masked (i.e., replaced with inauthentic numbers) in this public report

Banner could not report on the vendor payments using the vendor names and SMCCCD Vendor ID/TINs shown in check scans associated with the missing vendor records

The ability to monitor vendor payments is an important monitoring requirement (i.e., the ability to efficiently show how much SMCCCD has paid to any given vendor). Also, any public information requests for vendor payment records would, at least in theory, require that SMCCCD staff generate a vendor payment report using a known, valid SMCCCD vendor name or Vendor ID/TIN. Because the 3 vendor records were not available in Banner, as shown in Exhibit 9, Banner could not use the SMCCCD Vendor ID/TINs or vendor names shown in the relevant check scans (see Exhibit 12, Table B) to generate vendor payment reports. Exhibit 13 shows, for example, that the use of SMCCCD Vendor ID/TIN 123456787 [the authentic number has been masked] in Banner’s “Vendor Detail History” report causes Banner to generate an error message that states, “*ERROR* ID does not exist, press LIST for name/ID search.” This does not correctly reflect the fact that, as shown in Exhibit 12, SMCCCD paid at least 6 invoices totaling \$31,754 to City College of San Francisco using SMCCCD Vendor ID/TIN 123456787 [the authentic number has been masked].

EXHIBIT 13

Banner could not generate vendor payment reports for the 3 vendors shown in check scans

The screenshot shows the Banner Vendor Detail History report interface. The Vendor field contains the masked ID 123456787. The Vendor Name is City College of San Francisco (Old - do not use). The Selection is set to All. The Fiscal Year is 25. An error message at the top right states: "*ERROR* ID does not exist, press LIST for name/ID search." Below the form, a message reads: "Get Started: Complete the fields above and click Go. To search by name, press TAB from an ID field, enter your search criteria, and then press ENTER."

SOURCE: Banner, as of July 19, 2024

NOTE: SMCCCD Vendor IDs/TINs have been masked (i.e., replaced with inauthentic numbers) in this public report

An ITSD oversight in 2023 led to the orphaned invoice payment records for 1 of the 3 vendors; an explanation was not available for the other 2 missing vendor records

In response to the PAU’s question about how and why Banner or its underlying database system allowed the break of referential integrity, leaving the orphaned invoice payment records, ITSD staff provided the following explanation:

- For Banner Vendor ID Number 10001673 shown in Exhibit 12, ITSD staff, in following an established practice to “merge the history of the ‘old’ vendor into the ‘new’ one,” forgot to reassociate the invoice payment transactions with the new vendor. A May 1, 2023, GSD staff email shows that GSD staff had, in fact, requested that ITSD staff merge the vendor record for “Relation Insurance,” with TIN 123456788,²⁸ [the authentic number has been masked] with the record for another vendor with TIN 123456789 [the authentic number has been masked]. While this explanation appears logical and consistent with the PAU’s observations in Banner, the next section in this report discusses the consequences of such requests, which are not consistent with vendor management best practices.

²⁸ SMCCCD check scans and IRS Form W-9s on file show that TIN 123456788 [masked] was associated with the vendor Renaissance Insurance Agency, Inc. (renamed “Relation Insurance Services - Education, Inc.”) and that TIN 123456789 [masked] identified vendor RSC Insurance Brokerage, Inc.

- For Banner Vendor ID Number 1000186 shown in Exhibit 12, staff stated that they were not sure what happened. Further investigation was outside the audit scope.
- For Banner Vendor ID 10142237 shown in Exhibit 12, staff stated that they could not find a valid vendor record. Further investigation was outside the audit scope.

ITSD staff cited “hundreds of processes” that are done daily that are “not clearly defined” and “thus impossible to document”

ITSD staff stated that they do not have procedures for the process to merge vendors and stated that there are hundreds of processes that they do every day that are not clearly defined and are thus impossible to document. In addition, ITSD staff showed that there are no programmed system controls in Banner (i.e., the underlying Oracle database for Banner) that would have prevented the disassociation of the invoice payment records from the vendor records, which resulted in the orphaned payment records.

The GSD did not have effective procedures to ensure that record mergers are successful and in accordance with best practices

GSD staff have a “training document” (Appendix 2) that includes a page that provides information “To change an established Vendor’s ID Number or name or both.” The instructions state that if there is both an old and new SMCCCD Vendor ID/TIN, GSD staff need to request that ITSD staff merge the records. To be effective and sufficient, written procedures to address vendor name and Vendor ID/TIN changes should, at minimum, include the following:

- An explanation of when and why vendor name or Vendor ID/TIN changes are needed to comply with vendor management best practices and monitoring and reporting needs. The GSD “training document” (Appendix 2) states that such changes are necessary “if an existing vendor has changed their name and/or Employer Identification Number (EIN) [TIN] and you have verified that their old EIN [TIN] will no longer be used.” This, however, is not consistent with vendor management best practices, as discussed in the next section in this report.
- Roles and responsibilities to ensure there is accountability and properly trained staff performing critical functions that can have a significant impact on SMCCCD’s vendor payment records.
- Required approvals, preferably from senior management, given the potential impact of such changes.
- Logs to record the history of what has been done. GSD staff have no record of past vendor record mergers. As explained in the next section of this report, combined vendor records or changes to SMCCCD ID/TINs can result in invoice payment records in Banner that are not consistent with the historical names and TINs of vendors that SMCCCD actually paid, as shown in check scans. For this reason, at minimum, any such changes, if ever necessary, should be logged for future reference.
- Procedures to verify the success of the changes that may include someone in a separate working group confirming that the changes were effective and in accordance with procedures.

Other education institutions have procedures to ensure that critical data and system changes (e.g., corrective action for true duplicate records) are properly addressed

Other educational institutions have standards that require documented procedures for handling critical or sensitive data **and** procedures to ensure that critical data changes, such as corrective action for true duplicate records that may need to be merged, are properly authorized and implemented. For example:

- East Carolina University’s June 2024 document titled [Best Practices in Information Security for IT Support Staff: Standards for Protecting the Information in Your Care](#) states: “All university departments handling critical or sensitive data or information should have documented operating procedures subject to regular review...Operating procedures shall be treated as formal documents and any changes shall be approved by management.”
- Prairie View A&M University’s [Data Standards Manual](#) has a section titled “Penalties For Not Following Established Guidelines” that states, “We also acknowledge that one of the more serious errors which can occur in Banner is a duplicate record. Therefore, the Duplicate ID committee (a standing committee) will oversee correction of duplicates and other problems. The committee will maintain a tiered structure of corrective measures designed to ensure that anyone inputting data to Banner is properly trained and held accountable for her actions.” The document discusses how to identify, assess, and resolve duplicates.
- East Tennessee State University has a document titled [Banner Worksheet For Resolving Multiple PIDMS](#)²⁹ that is used to document the detailed process to request, approve, authorize and verify the merger of presumed duplicate master file records.
- Alabama A&M University has a specific [procedure](#) for “Cleaning Duplicate Banner Records.” The procedure states, “Duplicate records must be correctly identified, marked for deletion, and removed from the system to maintain the integrity of University data.”
- Wichita State University’s “Data Entry Standards for General Person” [document](#) states that a vendor with more than one ID Number is identified if two vendors have the same TIN and the TIN is accurate. As discussed in the next section in this finding, this definition is based on an industry standard for vendor management. The document provides several pages of guidance regarding how to identify and resolve “multiple record” issues.

²⁹ The Person Identification Master (PIDM) is an internal, Banner-assigned key field that may represent a student, vendor, employee, or other entity.

Invoice payment records for 3 different vendors are now associated with 1 vendor in Banner: RSC Insurance Brokerage, Inc.; SMCCCD's procedure to combine vendor records does not support payment transparency and reporting needs

As a best practice, TINs are commonly used to uniquely identify vendors. TINs are even sometimes used to uniquely identify clients that may have similar names because they are considered reliable, unique nine-digit numbers assigned by the IRS.³⁰ TINs, when properly associated with vendors, also enable Banner users with monitoring responsibilities, auditors, and the public to have access to SMCCCD payment records that reflect information needed to reliably and uniquely identify paid vendors.

During the audit (i.e., before there were any audit conclusions and recommendations), ITSD staff made changes to data in Banner's underlying Oracle database system to associate 56 of the 66 orphaned invoice payment records (discussed in the section above) that were associated with Banner Vendor ID 10001673 (see Exhibit 12) with an existing SMCCCD vendor file record for RSC Insurance Brokerage, Inc. (RSC) based on the following two presumptions:

- The 56 orphaned invoice payment records totaling about \$8.85 million were originally associated (i.e., before being orphaned) with the vendor record with TIN 123456788 [the authentic number has been masked] (i.e., Renaissance Insurance Agency, Inc., which was renamed to Relation Insurance Services - Education, Inc. in 2017). This is mostly consistent with the PAU's observations, as shown in Exhibit 12, except for 5 invoices totaling \$1,176 for which there were no supporting check scans to confirm that they should also have been associated with Relation Insurance Services – Education, Inc. The 5 paid invoice records in Banner had invoice dates from October 1992 to June 1995.
- RSC acquired Relation Insurance Services - Education, Inc. in 2022 and in accordance with past SMCCCD practice, the Relation Insurance Services – Education, Inc. vendor record needed to be merged with the existing RSC vendor record, even though they had different SMCCCD Vendor ID/TINs. It's notable that RSC had acquired another vendor, Emmett W. MacCorkle, Inc., Insurance Services (MacCorkle) back in 2015 and that there is no longer a MacCorkle vendor record in Banner, suggesting that it was merged with the RSC vendor record.

Exhibit 14 shows that effective July 17, 2024, subsequent to the ITSD's actions to merge the vendor records, Banner shows that 280 invoice payment records totaling \$42.5 million, which existing SMCCCD check scans associate with 3 uniquely identifiable companies (i.e., companies with 3 different TINs), are now associated with 1 vendor, RSC.

³⁰ The National Institute of Standards and Technology (NIST) even requires TINs to uniquely identify and differentiate **customer** records to ensure that it can uniquely identify a business entity even when the precise name of the business entity is unknown or when it is difficult to distinguish it from the name of businesses with similar names. See NIST's "TIN/EIN Information" [web page](#).

EXHIBIT 14

\$42.5 million in paid invoice records attributed to RSC in Banner comprise payments to 3 unique companies

# of Invoices	Banner ID	SMCCCD ID/TIN	Inv. Dates	Name	Amount	
56	10001673	Not Found	1992-95	Unknown (5 of 56 invoices)	\$1,176	
		123456788	2014-17	Renaissance Insurance Agency, Inc.	\$3,655,754	
		123456788	2018-22	Relation Insurance Services - Education, Inc.	\$5,193,337	
88	Not Found	123456786	2007-2015	Emmett W. MacCorkle, Inc., Insurance Services	\$10,387,315	
136	20030828	123456789	2016-2024	RSC Insurance Brokerage, Inc.	\$23,264,435	
Summary:	280 Invoices	At least 2 IDs	3 SMCCCD ID/TINs	1992-2024	4 vendor names (1 unknown)	\$42,502,017

- SOURCES:**
- A. Banner invoice payment records, as of July 17, 2024, attributed to RSC Insurance Brokerage, Inc.
 - B. Check scans identified using orphaned payment record invoice numbers in Banner
 - C. IRS Form W-9s accessible using Banner
 - D. Correspondence from GSD staff regarding vendor mergers

NOTE: SMCCCD Vendor IDs/TINs have been masked (i.e., replaced with inauthentic numbers) in this public report

GSD staff and ITSD staff have adopted a practice to update or combine vendor records when there are name changes, TIN changes, or acquisitions

A GSD “training document” (Appendix 2) shows the SMCCCD practice to change vendor names and SMCCCD Vendor ID/TINs when an “existing vendor has changed their name and/or EIN [TIN]” and to merge vendor records when “a corporation purchases another company,” even when the two vendors have different TINs. Such changes and mergers have the following outcomes:

- Past invoice payment records in Banner that were associated with a given vendor name and SMCCCD ID/TIN, as shown in check scans and other historical documents, will become associated with the “updated” vendor name and SMCCCD ID/TIN. Vendor payment reports and invoice payment views in Banner will no longer match the historical records (e.g., check scans) in this regard.
- It will no longer be possible to search for vendor payment records in Banner using the vendor names and TINs that were in effect when the payments were made.

Vendor management best practices require that vendors be uniquely identified using TINs

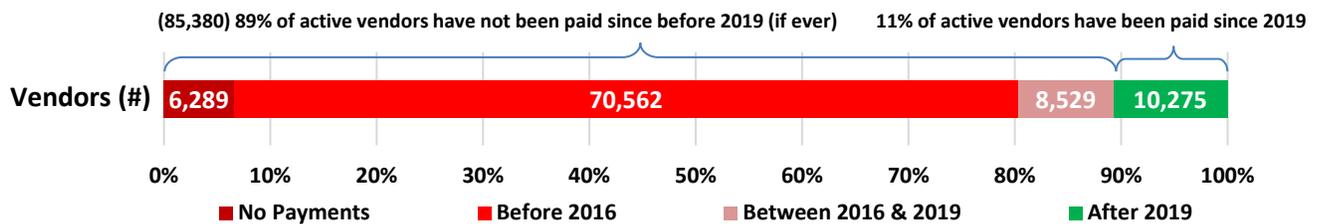
Industry best practices require that SMCCCD update vendor names shown in its Banner vendor master file records when there is a legal name change for an existing vendor but inactivate vendor records (i.e., not change the TINs) when there is a new TIN (as opposed to updating the TIN) so that the vendor record remains intact for reporting (e.g., to monitor vendor payments using uniquely identifying TINs) and auditing purposes (e.g., to identify anomalous payment activity associated with uniquely identifying TINs). When there is a merger or company reorganization resulting in a new TIN, a new vendor file record should be created to track payments to what is essentially a new company.³¹

³¹ This information is, in part, based on best practices that are published [online](#) by Debra R Richardson, a subject matter expert.

85,380 active but unused vendor records cause inefficiencies and increase the risk of erroneous and fraudulent payments

Of 101,522 SMCCCD vendors shown in Banner, as of April 29, 2024, 95,655 (94 percent) were active (i.e., without a termination date in the past), meaning that they were available to staff for contracting and payment purposes. Inactivating vendor records on a timely basis is considered a best practice to reduce the risk of payment errors and fraud³² and to increase the efficiency of searches and vendor monitoring reports.³³ Moreover, a vendor file that has numerous active records that are irrelevant can decrease users’ overall confidence in Banner. Exhibit 15 shows that of the 95,655 active SMCCCD vendors shown in Banner, 85,380 (89 percent) were not paid since before 2019. According to GSD staff, there is an informal process to inactivate contractors’ vendor records after five years of inactivity; conversely, if a “requestor” wants to use an inactivated vendor, they can contact GSD to have the vendor reactivated (i.e., by removing the termination date).

EXHIBIT 15
85,380 active but unused SMCCCD vendors in Banner increase the risk of errors and fraud



SOURCE: Banner vendor and payment records as of April 29, 2024, and May 6, 2024, respectively. As of May 6, 2024, Banner payment records, from inception, showed 91,681 paid vendors, including active and inactive vendors and the 3 missing vendors previously discussed.

NOTES: A. This chart only includes active Banner vendors and does not include 3 paid vendors with missing vendor records (discussed previously in this finding) or vendors that were presumably added and paid after April 29, 2024.

B. Dates are based on the invoice dates, not invoice entry or payment dates.

³² Fraud could occur, for example, if an employee creates a fictitious vendor or modifies the address on an unused vendor record and then uses the record to submit fraudulent invoices. The risk of not identifying fraud increases with a large, uncontrolled vendor master file.

³³ This information is, in part, based on best practices that are published [online](#) by Debra R Richardson, a subject matter expert.

SMCCCD paid about \$28.4 million to BankMobile Technologies, Inc. under an expired contract instead of paying BMTX, Inc. under a new, valid contract

SMCCCD paid about \$28.4 million³⁴ to BankMobile Technologies, Inc. for “comprehensive student refund disbursement services”³⁵ after the April 30, 2023, termination date of the 2018 contract. According to FSD staff, the majority of the \$28.4 million was financial aid that was transferred to the vendor for distribution to students. The BankMobile Technologies, Inc. vendor record was not inactivated in Banner when the company merged with another company, effective January 2021, and was renamed BM Technologies, Inc.³⁶ SMCCCD contracted with BMTX, Inc., a wholly owned subsidiary of BM Technologies, Inc.,³⁷ effective May 1, 2023, for the same “comprehensive student refund disbursement services,” but continued to mostly pay BankMobile Technologies, Inc. for services that were being provided under the new BMTX, Inc. contract.³⁸ Most payments were “direct payments” and not associated with purchase orders (i.e., contracts) in Banner, which could have had termination dates and could have effectively prevented payments after the April 30, 2023, contract termination date.³⁹ According to GSD staff, this was an oversight on the part of SMCCD staff because:

- An updated W-9 (Request for Taxpayer Identification Number and Certification)⁴⁰ form was not requested after 2017 by GSD staff, contrary to an informal process to do so annually. If the form had been requested, GSD staff presumably would have identified the problem and taken corrective action.
- The “individual responsible for this contract” did not inform GSD of the organizational changes impacting BankMobile Technologies, Inc., or the “new” W-9 that was provided for BMTX, Inc.^{41, 42}

Staff did not report any negative contract outcomes caused by this oversight. Further review was outside the audit scope.

³⁴ This amount is as of July 2, 2024.

³⁵ “Disbursements” included federal student aid.

³⁶ [BM Technologies, Inc.’s 2021 financial statements](#) state, “BMTX is a Delaware corporation, originally incorporated as Megalith Financial Acquisition Corp in November 2017 and renamed BM Technologies, Inc. in January 2021 at the time of the merger between Megalith Financial Acquisition Corp and BankMobile Technologies, Inc. Until January 4, 2021, BankMobile Technologies, Inc. was a wholly-owned subsidiary of Customers Bank (‘Customers Bank’), a Pennsylvania state-chartered bank and a wholly-owned subsidiary of Customers Bancorp, Inc. (the ‘Bancorp’ or ‘Customers Bancorp’).”

³⁷ See the BMTX, Inc. [website](#).

³⁸ As of June 25, 2024, SMCCCD records show that staff paid BMTX, Inc. \$17,546.

³⁹ According to FSD staff, there is no procedure to define and control direct payments, but they are unacceptable when it comes to contract-related payments although allowed for items such as employee reimbursements, financial disbursements, student refunds, employee benefit payments (e.g., STRS, PERS, etc.), retiree medical reimbursements, etc.

⁴⁰ See the [IRS’s instructions for Form W-9](#).

⁴¹ The Banner vendor file for BMTX Inc., shows that the “new” W-9 (for BMTX Inc.) was signed January 27, 2023, and had a different TIN than what was on file for BankMobile Technologies, Inc. Also, the address on the “new” W-9 for BMTX Inc. was different than that of BankMobile Technologies, Inc.

⁴² [According to the IRS](#), a business needs a new TIN (e.g., EIN) when there is an ownership or structure change (e.g., a merger occurs), but not a name change.

Vendors' Taxpayer Identification Number (TIN) data are inconsistent and missing in some instances

Valid TINs that are required from vendors and recorded in Banner, SMCCCD's system of record, serve multiple business needs, including the following:

- The ability to uniquely identify and monitor paid vendors and comply with vendor management best practices (e.g., the ability to run a report to determine if there are **true** duplicate vendor records that need to be merged) and SMCCCD policies (e.g., to determine whether, in violation of a new SMCCCD policy, there are SMCCCD employees whom SMCCCD contemporaneously contracts with for vendor services).
- Compliance with applicable tax withholding and reporting requirements and to avoid IRS penalties for missing and incorrect name/TIN combinations in tax returns.⁴³

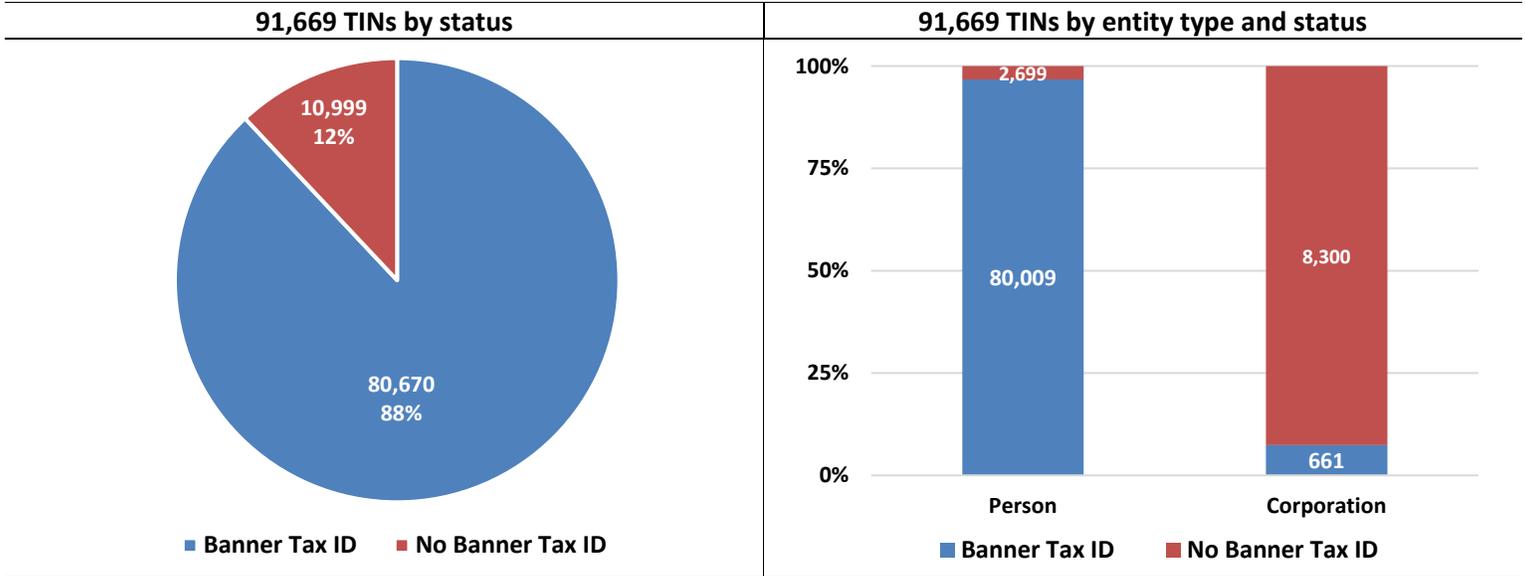
Banner offers data fields (in vendor master file records) to support the consistent and controlled entry of TINs (i.e., Banner fields labeled "Tax ID" and "SSN/SIN/TIN"). Exhibit 16 shows that of 91,669 **paid** SMCCCD vendors,⁴⁴ 80,670 (88 percent) had a TIN stored in one or both of these designated fields. However, a breakdown of the 91,699 by type (i.e., person and corporation) shows that most (i.e., 8,300 or about 93 percent) of the 8,961 paid corporations did not have a TIN. This inconsistency for corporations is due, at least in part, to the fact that for corporations, GSD staff have a practice of using corporation's TINs to assign SMCCCD Vendor ID Numbers and do not enter the information in the designated Banner data fields. The outcome is that Banner TIN data is inconsistent and therefore unreliable for reporting and monitoring purposes.

⁴³ The IRS's [web page](#) on TINs describes the purpose and use of TINs (e.g., for the administration of tax laws) and the various types (e.g., SSN, EIN, ITIN). An IRS publication titled "[Reasonable Cause Regulations & Requirements for Missing and Incorrect Nam/TINs on Information Returns](#)" provides details on requirements for TINs and associated noncompliance penalties. It states, "If a TIN is not provided or is obviously incorrect, it is considered missing. TINs lacking nine numerical digits or containing alpha characters are considered obviously incorrect. A name/TIN combination is incorrect when it does not match or cannot be found on IRS files that contain EINs, SSNs, ATINs, and ITINs."

⁴⁴ Based on the vendor master file as of April 29, 2024. This count does not include the three missing vendors or additional 9 vendors that were paid and shown in Banner payment records as of May 6, 2024. The count of paid vendors, as of May 6, 2024, was 91,681.

EXHIBIT 16

Of 91,669 paid SMCCCD vendors, 80,670 (88 percent) had TINs in the designated Banner data fields



SOURCE: Banner Vendor and Payment Data as of April 29, 2024, and May 6, 2024, respectively

NOTE: This chart does not include 3 paid vendors with missing vendor records in Banner or vendors that were presumably added and paid after April 29, 2024. As of May 6, 2024, Banner payment records show 91,681 vendors, including vendors with active and terminated statuses.

Of 91,669 paid vendors, 11,017 (12 percent) had missing or obviously invalid TINs

IRS rules require the use of valid TINs that are nine numerical digits.⁴⁵ Banner vendor records show that of 91,669 paid vendors, 11,017 (12 percent) had TINs in the designated Banner data fields that did not comply with IRS requirements, including 10,999 missing TINs (see Exhibit 16) and 18 that were not 9-digit numbers. Exhibit 17 shows the number of SMCCCD vendors by each of the 7 TIN formats that exist in Banner (including blank TINs), and total vendor payments by TIN format.

⁴⁵ An IRS publication titled "[Reasonable Cause Regulations & Requirements for Missing and Incorrect Name/TINs on Information Returns](#)" provides details on requirements for TINs and associated noncompliance penalties. It states, "If a TIN is not provided or is obviously incorrect, it is considered missing. TINs lacking nine numerical digits or containing alpha characters are considered obviously incorrect. A name/TIN combination is incorrect when it does not match or cannot be found on IRS files that contain EINs, SSNs, ATINs, and ITINs."

EXHIBIT 17**7 Tax ID Number (TIN) formats found among 91,669 paid vendors in Banner**

TIN Format	Explanation	Vendor Count (in group)	Total Payments (\$)
Blank	No vendor TIN in Banner	10,999	\$2,826,984,229
9999999	7 Digits (Invalid TIN)	8	16,181
99999999	8 Digits (Invalid TIN)	6	34,281
999999999	9 Digits (possibly a valid TIN)	80,652	384,154,048
99999999X	8 Numbers, 1 Letter (Invalid TIN)	1	5,500
9999999X	7 Numbers, 1 Letter (Invalid TIN)	2	4,876
x99999999	1 letter plus 8 numbers (Invalid TIN)	1	567
Totals:		91,669	\$3,211,199,682

SOURCE: Banner Vendor and Payment Data as of April 29, 2024, and May 6, 2024, respectively

- NOTES:**
- A.** This chart does not include 3 paid vendors with missing vendor records in Banner or vendors that were presumably added and paid after April 29, 2024. As of May 6, 2024, Banner payment records show 91,681 paid vendors, including vendors with active and terminated statuses.
 - B.** As discussed in the section above this exhibit, valid TINs have 9 digits. The audit scope did not include use of the IRS TIN matching service to validate TINs.

SMCCCD has limited procedures to obtain and record TINs or other vendor data consistently

In practice, to record vendors' TINs, GSD staff stated that for "person" (i.e., sole proprietor) vendors, they will enter TINs (i.e., SSNs) in the designated Banner field but that it is the responsibility of FSD staff to enter "corporate" TINs in the designated Banner field. GSD staff stated the following:

- Banner is not configured to require entry of any particular data in vendor records and SMCCCD does not have relevant data standards, except for a "training document" (Appendix 2); however, GSD has an informal practice to obtain as much vendor info when creating or updating a vendor record.
- Vendors without a TIN were created when Banner was first implemented; past practice did not require the entry of TINs in Banner.

Appendix 2 effectively shows SMCCCD's existing vendor management procedures for Banner that are contained in a training document titled "Banner Screens – Vendors." The procedure, which is not signed or dated by senior staff to show that it is official, covers the following areas, but ultimately does not ensure consistency and reliability of TIN data in Banner:

- "All new vendors must submit a signed *W-9 Request for Taxpayer Identification Number and Certification* form. The W-9 is used to set-up the vendor and is then scanned into WebXtender."
- "We have a new procedure (as of February 2017) for tracking both Taxpayer Identification Number and Certification forms (W-9s) and Tax Withholding and Reporting forms for foreign vendors (W-8s)."

- “When entering a new vendor (individual/sole proprietor) who uses a social security number as their Taxpayer Identification Number you MUST create a G-NUMBER.”

SMCCCD has been notified by the IRS about missing or erroneous TINs

GSD staff stated that SMCCCD has been notified of erroneous TINs and that for this reason, FSD and GSD staff began using the IRS’s TIN matching service⁴⁶ to verify TINs and started requiring vendors to update their W-9 and W-8 records annually. FSD staff clarified that there were a handful of IRS “CP2100 notices”⁴⁷ sent to SMCCCD each year before the GSD started using the IRS’s TIN matching service but that SMCCCD did not pay any penalties because corrective action was taken in time.

Other educational agencies have data standards that reflect priorities for high-quality data assets

SMCCCD does not have data standards for Banner, unlike some other educational agencies, such as the University of Tennessee, Knoxville (UTK), which have detailed data standards that reflect their priorities for having high-quality data assets that are used for decision making, compliance, and organizational improvement.⁴⁸ For example, the UTK Banner [Data Standards Manual](#) states, “A U.S. SSN should be entered into the SSN/TIN field for ‘persons’ and a TIN should be entered into the SSN/TIN field for ‘Non-Persons’. Dashes and spaces between numbers should be omitted (e.g., 123456789).”

⁴⁶ The IRS offers a free [Taxpayer Identification Number \(TIN\) Matching service](#) to help ensure the validation of TINs and name combinations prior to the submission of returns.

⁴⁷ The IRS [web page](#) on CP2100 notices states that the notice is about TINs on information returns that are either missing or do not match IRS records.

⁴⁸ The University of Tennessee, Knoxville Banner [Data Standards Manual](#) states the following in its preface: “UTK recognizes that data standards are vitally important in protecting the data assets of the University by maintaining accurate and consistent data standardized for use in all areas of the University.”

SMCCCD paid about \$705,000 to a foreign vendor without requiring a TIN and valid documentation to exempt the vendor from a possible 30 percent tax withholding rate and to deter vendor fraud

SMCCCD paid about \$705,000 to a foreign contractor, from September 18, 2014, through June 11, 2024, under multiple service contracts⁴⁹ without requiring a TIN and a valid, mandatory [IRS form W-8BEN](#).⁵⁰ The vendor's most recent (i.e., 2023), signed Form W-8BEN had the following omissions, errors, and inconsistencies:

- There was no TIN provided on the form (it stated "NOT APPLY"). The IRS's [Instructions for Form W-8BEN](#) document states that a TIN is required to claim treaty benefits, with certain exceptions that did not apply to this vendor.⁵¹ The IRS's [Instructions for Form W-7](#) document states, "Certain nonresident aliens must get an ITIN⁵² [a type of TIN] to claim certain tax treaty benefits even if they don't have to file a U.S. federal tax return."
- The vendor identified himself as a citizen and resident of the United Kingdom but provided a Chinese "permanent residence address."⁵³ The IRS's [Instructions for Form W-8BEN](#) document states that to claim a reduced rate of withholding under an income tax treaty, the residency address must be determined "in the manner required by the treaty."
- Under the "Claim of Tax Treaty Benefits" or "Part II" section of the form, the vendor wrote "NOT APPLY" for special treaty rates and conditions. The IRS provides [Tax Treaty Tables](#) that can be referenced to complete Form W-8BEN, which includes identifying the treaty article under which relief is being requested.

In addition to these tax-related concerns, the vendor record in Banner had missing contact and identifying information as shown below, which raise concerns about the accuracy of the vendor record that is associated with the vendor's Form W-8BEN:

- The Banner vendor record did not have a phone number despite the phone number shown in the most recent contract. According to GSD staff, the phone number was not entered in Banner because "it was most likely not provided by the requesting department to add to Banner."
- Banner showed an SMCCCD email address (i.e., an email address ending with "@smccd.edu") and not the Hotmail email address (i.e., an email address ending in "@hotmail.com") shown in the contract. According to GSD staff, a previous SMCCCD executive requested an SMCCCD email address for the vendor.

⁴⁹ The most recent (i.e., July 2023) contract stated that the contractor will "perform complex work involved in planning, logistical operations, reporting and documentation in international education services for the District as well as advising and assisting agents and organizations with international education recruitments and college enrollment procedures."

⁵⁰ The form is titled "Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding and Reporting (Individuals)."

⁵¹ Also see the [IRS publication](#) titled "Instructions for the Requester of Forms W-8BEN, W-8BEN-E, W-8ECI, W-8EXP, and W-8IMY," which states that foreign persons must use an Individual Taxpayer Identification Number (ITIN) to claim a tax treaty benefit.

⁵² [The IRS defines](#) "ITIN" as a "nine-digit number issued by the IRS to individuals who are required for federal tax purposes to have a U.S. taxpayer identification number (TIN) but who don't have and aren't eligible to get a social security number (SSN)."

⁵³ The Chinese address matched the "principal business address" shown in the most recent, 2023 SMCCCD contract with the vendor and the vendor's address in Banner.

According to FSD staff, staff did not obtain an ITIN because they did not think it was necessary for services provided outside the United States. FSD staff have “an undocumented procedure to withhold taxes, when applicable.”

A valid Form W-8 is necessary to avoid withholding 30 percent on payments to foreign persons

The IRS requires that a withholding agent⁵⁴ withhold 30 percent on payments to foreign persons unless the agent has obtained a valid Form W-8, or other permitted documentation, to permit withholding at a “reduced rate or an exemption from withholding.”⁵⁵ A valid Form W-8 can be used if it meets the “due diligence requirements,” meaning that it is complete and accurate.⁵⁶ Withholding agents that fail to obtain a valid Form W-8 and fail to withhold under “presumption rules”⁵⁷ may be assessed a 30 percent tax as well as interest and penalties for lack of compliance.

Not all educational agencies and tax professionals believe that a TIN (i.e., ITIN) is required from foreign vendors

The PAU has drawn the above conclusions in regard to the W-8 and TIN (i.e., ITIN) requirements for foreign vendors who provide services from abroad in coordination with a San Mateo County Attorney. In addition, IRS staff provided informal guidance to the PAU that supports the above interpretations. However, in practice, the PAU observed varying opinions and practices among educational agencies and tax professionals who, in some instances, did not believe that there was a requirement to obtain an ITIN from foreign vendors who provide services from abroad.

Some educational agencies have detailed foreign vendor registration procedures and forms

Buffalo State University uses the Office of the New York State Comptroller’s foreign vendor registration procedures. According to the Buffalo State University director of accounts payable & procurement services, based on the procedures, foreign vendors who provide services and have no physical U.S. presence are required to provide Form W-8BEN and a TIN (i.e., ITIN). The [New York State Comptroller’s foreign vendor registration procedures](#) show the following requirements:

- Determining whether a foreign individual or entity is required to have a valid U.S. issued TIN. A flow chart in the procedures shows that individuals and entities who provide services and do not have a physical presence in the U.S. are required to have a U.S. TIN.
- Collecting information using a “[New York State Substitute Form W-9](#),” a “[Foreign Vendor Registration Request Form](#),” and the appropriate IRS Form(s). The Foreign Vendor Registration Request Form states, “If an entity has no physical presence in the U.S. and is providing a service, the entity needs to complete the appropriate IRS form. The appropriate IRS form must include the U.S. issued TIN.”

⁵⁴ The [IRS defines](#) a “Withholding Agent” as “U.S. or foreign person (or any other entity) that has control, receipt, custody, disposal, or payment of any item of income of a foreign person that is subject to withholding.” The IRS states that withholding agents are personally liable for any taxes that should have been withheld plus any applicable interest and penalties for the failure to withhold, and that if the amount subject to tax depends on facts that are not known at the time of payment, an amount must be withheld to ensure that at least 30 percent of the amount subsequently determined to be subject to withholding is withheld.

⁵⁵ See the [IRS publication](#) titled “Instructions for the Requester of Forms W-8BEN, W-8BEN-E, W-8ECI, W-8EXP, and W-8IMY.”

⁵⁶ The IRS’s [Due Diligence Requirements for Reliance on Forms W-8](#) provides details regarding the determination of a valid Form W-8.

⁵⁷ [According to the IRS](#), if a withholding agent is using the “presumption rules” to treat a person as a “foreign person,” the 30 percent withholding rate applies and cannot be reduced based on tax treaty rates.

Additional identifying information from foreign vendors, including foreign TINs, can help to deter and detect vendor fraud⁵⁸

Many countries have business, individual, tax, and other identification numbers that SMCCCD can require as part of the vendor registration process to deter and detect vendor fraud (e.g., to detect a foreign person who creates a fake vendor name and profile to “do business” and submit fraudulent invoices to SMCCCD).⁵⁹ SMCCCD can require a foreign TIN in addition to a U.S. TIN (i.e., ITIN) from foreign vendors and use the information to validate foreign vendors’ identities instead of exempting them from the steps that are commonly used to validate U.S. vendors (e.g., use of the [IRS TIN matching service](#)).⁶⁰ One subject-matter expert recommends using a substitute W-8BEN form to require even more information from foreign vendors than what is required on the standard IRS Form W-8BEN.⁵⁸

GSD staff stated that while they ensure that a “W-8/W-8BEN-E” is acquired from all foreign vendors before they are set up in Banner, no additional documentation (e.g., a certified passport copy) is required to independently verify their identities. Staff also confirmed that there are no specific procedures in place to manage foreign vendors.

Reliable vendor address data is unavailable to count the number of SMCCCD foreign vendors

Based on the GSD’s informal process for the assignment of Vendor ID Numbers, which is unreliable (see the next section of this finding and Exhibit 18), there supposedly are 4,263 foreign person vendors and 496 foreign corporation vendors that should be reviewed to ensure compliance with foreign vendor tax withholding and reporting rules and regulations. These counts are almost certainly inaccurate. The PAU attempted to more accurately classify foreign vendors by use of the address data in Banner; however, the address data appear unreliable for the following reasons:

- The “nation” or country data field was not used in many instances. Banner does not require the data and it cannot be reliably used to filter the addresses for foreign vendors.
- Some U.S. addresses are incorrectly associated with foreign countries, and as confirmed by ITSD staff, there is no address validation process built into Banner.
- SMCCCD does not have any data standards to help ensure that addresses are valid.

Other agencies also have data standards to ensure that addresses, including foreign addresses, are accurate. For example, the UTK Banner [Data Standards Manual](#) dedicates about a page to show how to properly enter international addresses and provides examples.

⁵⁸ This information is, in part, based on best practices that are published [online](#) by Debra R Richardson, a subject matter expert.

⁵⁹ See “[Vendor Fraud](#)” (AICPA, “FVS Eye On Fraud,” Spring 2017, Issue 3) for examples of vendor fraud and recommended procedures to prevent vendor fraud.

⁶⁰ The lack of complete vendor information is a potential sign of vendor fraud. See “[Vendor Fraud](#)” (AICPA, “FVS Eye On Fraud,” Spring 2017, Issue 3).

In violation of SMCCCD policy, a foreign vendor was issued an SMCCCD procurement card in September 2014; since September 2018, the vendor spent about \$52,000 using the card, which was terminated in January 2024

SMCCCD procurement card (i.e., SMCCCD-issued, employee-specific credit card) records that were readily available to the PAU show that the same foreign vendor discussed in the above section of this report used an SMCCCD procurement card to make \$52,000 in purchases, from September 12, 2018, through November 25, 2023. Most, if not all of the transactions appear associated with purchases from vendors in China. Of the \$52,000, about \$50,500 (97 percent) was associated with the following categories: “Direct Market Travel,” “Travel Agency (Not Air),” “Other Hotels,” “Hyatt Hotels,” “Passenger Railways,” and “Other Auto Rentals.” BP 8.15 (Purchasing) states:

“Procurement cards shall be issued to *authorized employees*, [emphasis added] through an agreement with a Board approved financial institution, for purchases made on behalf of the District. Such purchases shall be in accordance with assigned parameters for individual card usage. The Board shall not assume responsibility for non-District purchases made contrary to Board policy and the administrative procedures of the District.”

BP 8.02 (Delegation of Authority) states that the Board “further delegates to the Chancellor and the Executive Vice Chancellor authority to grant District procurement card privileges to certain agents of the District.”

SMCCCD staff identified the violation and terminated the procurement card in January 2024

GSD staff currently responsible for administering the SMCCCD procurement card program stated that they could not find documentation showing that either the former SMCCCD chancellor or executive vice chancellor approved the issuance of the foreign vendor’s procurement card. Staff provided the PAU a September 24, 2014, “Procurement Card Application & Contract for US Bank” form showing that a former vice chancellor, educational services and planning (i.e., not the authorized chancellor or executive vice chancellor) approved issuance of the card to the foreign vendor. The form shows the vendor’s title as “Asia Representative” and the vendor’s department as “Educational Services & Planning.” According to staff, the foreign vendor’s previous contract(s) included a provision for a procurement card, which has been removed from the vendor’s new contract with SMCCCD. GSD staff stated that an internal review that was directed by the former SMCCCD chief financial officer identified that the procurement card was in violation of SMCCCD policy. SMCCCD bank records show that the card was terminated on January 31, 2024. Further review of this matter was outside the audit scope.

SMCCCD Vendor ID Numbers are inconsistent; varying numbering schemes and sources (e.g., TINs) are used to identify vendors

Consistency is one aspect of data that is “fit for use” for business processes such as reporting (e.g., running a vendor payment report), monitoring for compliance with organizational procedures, reviewing trends, or investigating anomalies to identify root causes and improve existing processes. Consistency in the format of unique identifiers also enables comparisons of related information from different data sources. SMCCCD-assigned Vendor ID Numbers in Banner should uniquely and consistently represent SMCCCD vendors for such purposes. Exhibit 18 shows that 18 different formats have been used in assigning SMCCCD Vendor ID Numbers in Banner.

EXHIBIT 18
18 different SMCCCD Vendor ID formats were used for paid vendors

Vendor # Format	Explanation	Vendor Count (per group)	Total Payments (\$)
999999999	9 Numbers	7,466	\$2,715,695,586
X99999999	1 letter, numbers	82,921	401,847,904
X9999	1 letter, numbers	961	56,696,570
XXXXXXXXX	7 Letters	3	21,375,794
XXX-XXX	3 letters, dash, letters	55	7,726,778
XXX-X99	3 letters, dash, 1 letter, numbers	2	5,094,484
XXXXXXXXX	8 Letters	6	1,660,874
@999999999	“at” sign, numbers	219	740,387
99999999	8 Numbers	14	147,851
9999	4 Numbers	1	102,291
X999999	1 letter, numbers	1	42,830
XX99999	2 letters, numbers	1	29,408
XX999	2 letters, numbers	12	20,267
XXX999999	3 letters, numbers	3	8,370
X999	1 letter, numbers	1	6,167
X9999XXXX	1 letter, numbers, letters	1	2,810
X99999999	1 letter, numbers	1	1,076
99999999X	8 numbers, 1 letter	1	234
Totals:		91,669	\$3,211,199,682

SOURCE: Banner Vendor and Payment Data as of April 29, 2024, and May 6, 2024, respectively

NOTES: A. This chart includes active and inactive vendors as of April 29, 2024, but does not include 3 paid vendors with missing vendor records in Banner or vendors that were presumably added and paid after April 29, 2024. As of May 6, 2024, Banner payment records show 91,681 paid vendors, including vendors with active and terminated statuses.

B. Other TIN format “groups” existed but no payments were made to vendors in those groups and they are not shown here.

Vendor IDs are not consistent with staff's informal processes; informal practices are typically unreliable

GSD staff described their informal process to use vendors’ TINs (Exhibit 19) and other numbering schemes to assign Vendor IDs, depending on the type of vendor (e.g., corporation, person). The informal process, as described, resulted in inconsistent SMCCCD Vendor ID data that are derived from different sources (e.g., some are TINs and others are created by staff), which challenge data analytic and monitoring procedures that require consistent data, as previously discussed.

EXHIBIT 19**Informal (i.e., unwritten) GSD vendor TIN validation and Vendor ID assignment process****TIN Validation Process**

1. GSD staff obtain, as appropriate, the following mandated TIN and identity-related forms from SMCCCD vendors and store scanned copies (i.e., images but not digital representations of the data) in vendors' Banner vendor files:
 - [IRS form W-9](#) (Request for Taxpayer Identification Number and certification)
 - [IRS Form W-8](#) (Certificate of Foreign Status of Beneficial Owner for U.S. Tax Withholding and Reporting)
2. As of 5-6 years ago, GSD staff, and on occasion FSD staff, started using the [IRS TIN matching service](#) to ensure the accuracy of vendors' names and TINs submitted on Forms W-8/W-9. GSD staff follow up with the vendors and obtain corrected forms when required. The IRS TIN matching documentation is stored in the Banner vendor file.
3. GSD staff are responsible to ensure that the most current W-8 or W-9 is on file in Banner and for recording the date of the most recent form for monitoring purposes.
4. GSD staff will annually run a monitoring report to identify the last "status date" of W-8/W-9s in Banner and obtain updated W-8/W-9 forms and repeat the IRS TIN matching process whenever there is a known ownership or TIN change.
5. Except for what is covered in the "training document" shown in Appendix 2, written procedures to follow or monitor compliance with the above informal processes do not exist.

Vendor ID Assignment Process

1. For U.S.-based corporations, GSD staff use official corporate names and TINs (i.e., EINs) shown on vendors' W-9 forms, to create and assign unique Vendor ID Numbers in Banner (i.e., vendors' TINs become their Vendor ID numbers in Banner). GSD staff DO NOT use the designated "Tax ID" or the "SSN/SIN/TIN" data fields in Banner to record corporate TINs. This is the responsibility of FSD staff, apparently.
2. For U.S. Individuals (e.g., residents), GSD staff will enter the last names of the vendors and assign a "G" number (i.e., a number preceded by the letter "G"). Individuals' TINs (i.e., Social Security Numbers) are not used as their Vendor ID Numbers. GSD staff will enter individuals' TINs in the designated Banner data field (i.e., "SSN/SIN/TIN") in contrast to the process for U.S. corporations.
3. For foreign-based vendors, whether corporations or individuals, GSD staff will not enter or require a TIN (i.e., an ITIN). GSD staff will enter a "G" number as the Vendor ID Number.
4. To record vendors' demographic (e.g., address, phone, email) information in Banner, SMCCCD department "requestors" send emails to GSD staff with documentation (e.g., an updated W-9) that GSD staff will confirm with vendors, via email or phone call. GSD staff do not delete or inactivate prior addresses.
5. Except for what is covered in Appendix 2, written procedures to follow or monitor compliance with the above, informal processes do not exist.

SOURCE: Interviews and emails with GSD staff in May and June 2024

An assessment of 95,655 **active** vendor records in Banner (Exhibit 15), as of April 29, 2024, including vendors who have not been paid, shows that the current GSD informal Vendor ID Number assignment process that is, by informal practice, based on vendors' TINs (for corporations) and their types (e.g., domestic corporation) cannot, in fact, be relied upon to gather and analyze either TINs or vendor types for the following reasons:

- 1) For U.S. person (e.g., sole proprietor) vendors, staff stated that they will create a unique number starting with the letter "G" for use as the SMCCCD-assigned Vendor ID Number **and** will enter vendors' TINs (i.e., SSNs) in the designated Banner data field. Of 95,655 active vendors in Banner, 82,317 (86 percent) met this criterion; however, many U.S. person vendors with "G" numbers did NOT have a TIN in the

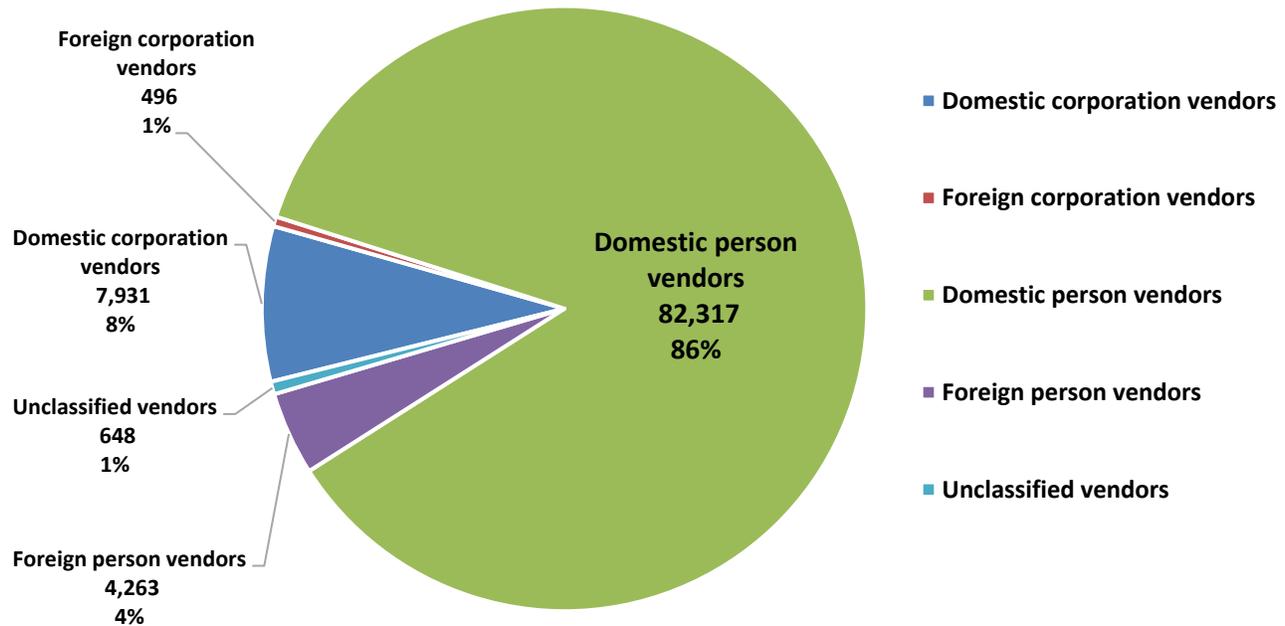
designated Banner data field and could be erroneously classified as foreign vendors based on the GSD's process (see paragraph number 4, below).

- 2) For U.S. corporate vendors, GSD staff stated they will use TINs (i.e., EINs) to assign a Vendor ID Number but **will not** enter the TINs in the designated Banner data field, which is apparently a responsibility of FSD staff. Of 95,655 active vendors in Banner, 7,931 (8 percent) have Vendor IDs that do not start with a "G," and should, therefore, have had valid, 9-digit TIN. A cursory review shows, however, that many have one or more letters (e.g., "NEST"), symbols (e.g., "@"), and lengths that are not 9-digits, and are therefore invalid TINs. GSD staff stated that at one point, Vendor ID Numbers were set up with numbers starting with a "@" and not vendors' TINs. Staff stated that these were mostly assigned before their time and could not comment on prior practices.
- 3) For foreign corporate vendors, staff stated that they will not require a TIN. Instead, GSD staff will create a unique number starting with the letter "G" for use as the Vendor ID Number. Of 95,655 active vendors in Banner, 496 (1 percent) met this criterion; however, many of these vendors appeared to be domestic vendors and some had TINs in the designated Banner data field in addition to having an assigned "G" number. GSD staff stated that these were mostly completed prior to their time and could not comment on prior practices and methodologies.
- 4) For foreign person vendors, the same principal was applied as for foreign corporate vendors, in theory, except that the vendors were designated as "persons" in Banner. Of 95,655 active vendors in Banner, 4,263 (4 percent) met this criterion. However, all 7 samples selected for review from this group had U.S. addresses.
- 5) Of 95,655 active vendors, 648 (1 percent) did not meet any of GSD's informal Vendor ID assignment criteria. For example:
 - Vendor ID Numbers of some "person" (i.e., sole proprietor) vendors were 9-digit numbers that matched their social security numbers.
 - Some Vendor IDs started with the letters "PCD" and "PCW." Staff stated that these were related to previous processes that are no longer in use.

Exhibit 20 summarizes the classification of SMCCCD vendors based on GSD staff's explanation of the informal process used to assign Vendor ID Numbers.

EXHIBIT 20

95,655 active Banner vendor records (paid and unpaid) identified based on GSD's Vendor ID assignment process



SOURCE: Banner Vendor Master File records as of April 29, 2024 and interviews and emails with GSD staff in May and June 2024

Highly-compensated SMCCCD vendors had missing or incomplete identifying information in Banner

Overall, of 91,681 paid vendors shown in Banner,⁶¹ through May 6, 2024, 5,767 (6.3 percent) had no phone number and 43 (0.05 percent) had no address in their vendor record. Such information is important to ensure that vendors are accessible for contract management and payment purposes. Also, for monitoring purposes, missing information is a potential indication of fraud (i.e., the use of a fictitious vendor record that would, by design, not have an address). A follow-up, judgmentally selected sample of 20 vendors that SMCCCD paid between \$450,000 and \$270,000,000 raised the following concerns:

- 15 (75 percent) did not have documentation in Banner to show that an IRS TIN matching process was done. As shown in Exhibit 19, GSD staff had stated that they store the IRS matching results in Banner. Of the 15, 1 (the foreign vendor discussed previously) did not have a TIN in Banner. Except for the 1 foreign vendor without a TIN, staff did not provide clarification regarding the missing documentation.
- 4 (20 percent) had no phone number. GSD staff stated that the phone numbers were most likely not provided by the “requesting department” for entry in Banner.
- 4 (20 percent) had no email address. GSD staff stated that in one instance, the vendor did not have one and that in another instance, the “requesting

⁶¹ This analysis was based on vendor invoices as of May 6, 2024, and includes all paid vendors, including the 3 that had missing vendor records.

department” most likely did not provide one. Staff did not provide additional details.

- 3 (15 percent) did not have an IRS Form W-8 or W-9 in Banner (i.e., a scanned version of the actual signed document provided by the vendor). Staff did not provide clarification regarding the missing documentation.
- 1 (5 percent) had an IRS Form W-9 from 2017. As shown in Exhibit 19, GSD staff stated that they require updated Form W-9s annually. Staff stated that this was an oversight.

Banner is not configured to require any particular vendor data

GSD staff explained that Banner is not configured to require entry of any particular data in vendor records and that SMCCCD does not have relevant data standards and procedures; however, GSD has an informal practice to obtain as much vendor info when creating or updating a vendor record. Staff also have a “training document” with screenshots of Banner’s vendor maintenance screens (Appendix 2).

GSD does not have written procedures to ensure that vendor information is reliable and complete

The GSD does not have written procedures (e.g., a required vendor-certified form) to ensure that SMCCCD vendors’ contact information (e.g., corporate/ mailing addresses, phone numbers, email addresses) is reliable (i.e., accurate and complete), certified, and consistent. GSD staff stated that they have an informal process where a college or district office department requester sends a request via email to their assigned buyer with proper back-up documentation (i.e., an updated W-9, company letterhead for company legal name change due to merger, acquisition, etc.) that GSD staff confirm, by email or phone, with the vendor.

Some highly-compensated vendors had multiple active addresses

Of the 20 samples, 14 (70 percent) had multiple active addresses in Banner. One of these vendors had 7 active address records of the same “billing” type and none of them had either an effective (“from”) or termination (“to”) date. GSD staff stated that they will update vendor records to add a new address when they receive an updated W-9 without deleting prior addresses. GSD staff have a “training document” (Appendix 2) with minimal information on the entry of addresses and the impact of having multiple active addresses. Although Banner may be programmed to prioritize certain assigned address “sequences” for various business processes, multiple active addresses, especially if invalid, may lead to confusion, inefficiencies, loss of confidence in Banner, and possibly payment errors. In a worst-case scenario, the use of a “bad” vendor address can be costly to SMCCCD if, for example, a vendor does not receive payment on time and applies late fees or if a mandated tax form is not provided to a vendor, resulting in IRS penalties for SMCCCD.⁶²

⁶² This information is, in part, based on best practices that are published [online](#) by Debra R Richardson, a subject matter expert.

Other educational agencies have data standards and requirements to consistently identify vendors and other entities

The University of Tennessee, Knoxville (UTK) [Data Standards Manual](#) and West Virginia Northern Community College's [Data Standards Guide](#) provide detailed guidance that GSD staff may wish to reference in the creation of future Banner procedures. Some of the guidance is designed to ensure that vendors and other entities in Banner are consistently and accurately identified. For example, regarding addresses, in contrast with SMCCCD's informal practice to keep all addresses active in Banner:

- The UTK [Data Standards Manual](#) states, "When adding a subsequent address of the same address type, the prior address should be end dated, the inactive box checked, and the new address added."
- West Virginia Northern Community College's [Data Standards Guide](#) states: "Address information is valid when today's date is between the 'Effective from Date' and the 'Effective to Date'. If an address is no longer valid user must enter the date that the address is no longer valid in the 'Effective to Date' of that address and check the inactivate check box. Only ONE address for each address type can be active at any time."

Reliable vendor-type, contact, and other identifying data can help monitor compliance with policies and demonstrate the legitimacy of vendors

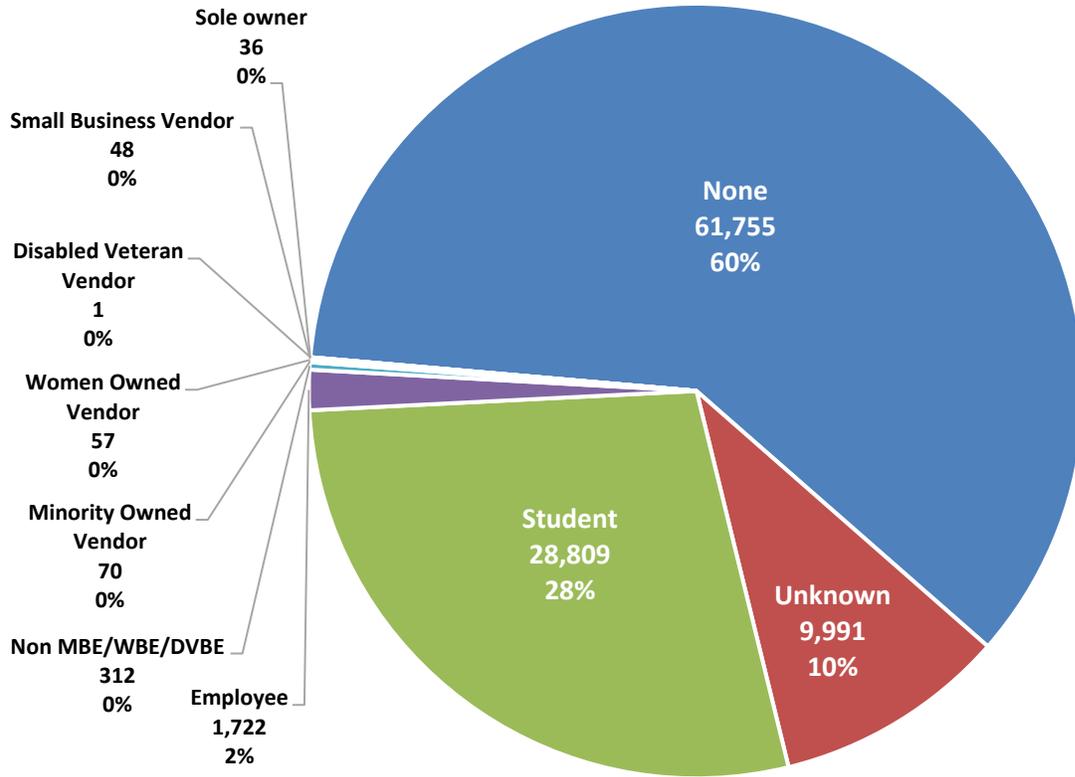
Reliable (i.e., complete and accurate) data is required to assess compliance with SMCCCD's procurement requirements, such as favoring minority businesses when federal funds are used,⁶³ prohibiting employees from being concurrently employed as or by an SMCCCD vendor (see Finding 1), and other current and prospective requirements to monitor expenditures and payment recipients. SMCCCD's Banner system includes the option to identify vendors using predefined vendor description options (e.g., student, employee, minority-owned vendor).

Exhibit 21 shows that as of April 29, 2024, of 102,801 unique vendor/vendor type records in Banner,⁶⁴ 71,746 (70 percent) were either identified as "unknown" or had no description at all. GSD staff stated that they do not currently use this data field when setting up or maintaining vendor records and do not know who set up the vendor type codes or why they were created.

⁶³ SMCCCD AP 8.15.2 ("Independent and Personal Services Contracts") references SMCCCD's "Purchasing Procedures and Contract Requirements" document, which states that for federal fund purchases, "To the extent possible, purchases should be made using minority businesses, women's business enterprises, and labor surplus area firms."

⁶⁴ There were 101,522 unique vendor records, paid and unpaid in Banner as of April 29, 2024; however, the table shows 102,801 because some vendors had more than one description and are purposefully being counted more than once for the purposes of this analysis.

EXHIBIT 21
Most of the 102,801^(see note A) vendor records in Banner have no type designation



SOURCE: Banner Vendor Master file records as of April 29, 2024

- NOTES:**
- A. There were 101,522 unique vendor records, paid and unpaid; however, the table shows 102,801 because some vendors had more than one description and are purposefully being counted more than once for the purposes of this analysis.
 - B. The terms MBE, WBE, and DVBE are used commonly as abbreviations for the terms minority business enterprise, women business enterprise, and disabled veteran business enterprise.

Finding 2**Recommendations**

The PAU recommends that the SMCCCD chancellor implement the following recommendations:

- 2.1** Direct GSD staff, in coordination with the SMCCCD compliance officer and ITSD staff, to take corrective action to restore the 3 missing vendor records identified in this finding, to the extent possible, and take corrective action in Banner to ensure referential integrity cannot be broken (i.e., take steps to implement system controls to prevent the disassociation of vendor payment records from vendor records).
- 2.2** To restore the integrity and accuracy of vendor payment records, direct GSD staff, in coordination with the SMCCCD compliance officer and ITSD staff, to recreate and restore both vendor records that were merged with “new” vendor records and those whose TINs were changed (when unwarranted). Reassociate the historical paid invoice records, as appropriate, with the restored vendor records. This recommendation is feasible to the extent that logs or records, if any, are available to identify vendor records that have had TIN changes or that have been merged with other vendor records.
- 2.3** Direct GSD staff, in coordination with the SMCCCD compliance officer, to create a procedure, which is consistent with vendor management best practices cited in this audit finding, to change the names and/or SMCCCD Vendor ID/TINs of vendors when necessary and appropriate (e.g., when there are true duplicate vendor records that have similar names and the same TINs that should be merged). The procedure, should address the following:
 - How to identify vendor records that are true duplicates (e.g., periodically analyzing vendor records to identify those that have the same TIN).
 - Roles and responsibilities.
 - Required approvals.
 - Logs to record the history of what has been done when critical changes are made (e.g., vendor records are merged).
 - Procedures to verify the success of changes (e.g., running a vendor payment report to see the outcome of changes).
- 2.4** Direct GSD and FSD staff, in coordination with the SMCCCD compliance officer, to develop, adopt, and communicate, as appropriate, written procedures that ensure compliance with IRS requirements for obtaining valid W-8BEN forms for foreign vendors and compliance with foreign vendor tax withholding requirements.
- 2.5** Perform analytic procedures, to the extent possible, and interview FSD and departmental staff, to identify all foreign vendors, ensure that there are proper W-8BEN forms on file, and take corrective action, if required, to ensure legal withholding requirements (e.g., the 30 percent withholding rule) are abided when incomplete or erroneous W-8BEN forms are on file.

- 2.6** Direct GSD staff, in coordination with the SMCCCD compliance officer and ITSD staff, to create, adopt, and communicate (e.g., publish, disseminate by email) a Banner data standards procedure or guide. The document should reflect, at minimum, the following:
- Vendor data requirements.
 - Roles and responsibilities (e.g., who is responsible for gathering and inputting each type of vendor data and what data fields that are to be used).
 - Configuration requirements in Banner to ensure the completeness, consistency, and accuracy of the data (e.g., TINs are required in the designated Banner data field(s), TINs must be 9-digit numbers, U.S. addresses are not associated with foreign countries, more than one address of a certain type cannot be entered).
 - Data source and accuracy requirements (e.g., a signed form is required from each new vendor that provides certain or all required contact information that is scanned and stored in Banner).
- 2.7** Direct GSD staff, in coordination with the SMCCCD compliance officer, to create a procedure to formalize the requirement to inactivate or terminate vendor records after a certain period of inactivity (e.g., after 2 years) and ensure that vendor records **and** associated data elements (e.g., addresses) within the Banner vendor records include validity dates (e.g., start dates, termination dates, “from” dates, “to” dates) that are reflective of this requirement and any established data standards. Communicate the procedure to all staff with vendor maintenance roles and responsibilities and include the procedure in staff training materials for future staff members.
- 2.8** Direct GSD staff, in coordination with the SMCCCD compliance officer, to create a vendor **monitoring** procedure that addresses the following, at minimum:
- Frequency and roles and responsibilities for monitoring vendor records for compliance with SMCCCD and relevant external rules and regulations.
 - The specific criteria, including data standards and rules and regulations, that monitoring procedures and analytics will cover (e.g., valid W-9s or W-8s are on file, Vendor IDs are consistent with data standards, TINs are entered in the correct Banner data field(s), vendors are inactivated after 2 years of inactivity, required contact information is present, duplicative contact information is inactivated to prevent use).
 - Roles and responsibilities for addressing deficiencies and making process improvements.
- 2.9** After staff have completed Recommendations 2.1 through 2.7, direct GSD staff, in coordination with the SMCCCD compliance officer, to inactivate all active SMCCCD vendor accounts that do not meet the established criteria for valid vendors.

- 2.10** After staff have completed Recommendations 2.1 through 2.7, direct GSD staff, in coordination with the SMCCCD compliance officer, to submit relevant data fields in the SMCCCD vendor file (TIN and Vendor Name data) for validation through the [IRS TIN matching service](#). Take corrective action to inactivate or correct any invalid vendor records.

Finding 3

Finding 3 and the relevant recommendations [pages 54 to 77 of the audit report] have been removed from this public version of the audit report, in accordance with Government Auditing Standards (Sections 6.64 to 6.70).

APPENDIX 1 – COBIT 4.1 Maturity Attribute Table

	Awareness and Communication	Policies, Plans and Procedures	Tools and Automation	Skills and Expertise	Responsibility and Accountability	Goal Setting and Measurement
1	Recognition of the need for the process is emerging. There is sporadic communication of the issues.	There are ad hoc approaches to processes and practices. The process and policies are undefined.	Some tools may exist; usage is based on standard desktop tools. There is no planned approach to the tool usage.	Skills required for the process are not identified. A training plan does not exist and no formal training occurs.	There is no definition of accountability and responsibility. People take ownership of issues based on their own initiative on a reactive basis.	Goals are not clear and no measurement takes place.
2	There is awareness of the need to act. Management communicates the overall issues.	Similar and common processes emerge, but are largely intuitive because of individual expertise. Some aspects of the process are repeatable because of individual expertise, and some documentation and informal understanding of policy and procedures may exist.	Common approaches to use of tools exist but are based on solutions developed by key individuals. Vendor tools may have been acquired, but are probably not applied correctly, and may even be shelfware.	Minimum skill requirements are identified for critical areas. Training is provided in response to needs, rather than on the basis of an agreed plan, and informal training on the job occurs.	An individual assumes his/her responsibility and is usually held accountable, even if this is not formally agreed. There is confusion about responsibility when problems occur, and a culture of blame tends to exist.	Some goal setting occurs; some financial measures are established but are known only by senior management. There is inconsistent monitoring in isolated areas.
3	There is understanding of the need to act. Management is more formal and structured in its communication.	Usage of good practices emerges. The process, policies and procedures are defined and documented for all key activities.	A plan has been defined for use and standardisation of tools to automate the process. Tools are being used for their basic purposes, but may not all be in accordance with the agreed plan, and may not be integrated with one another.	Skill requirements are defined and documented for all areas. A formal training plan has been developed, but formal training is still based on individual initiatives.	Process responsibility and accountability are defined and process owners have been identified. The process owner is unlikely to have the full authority to exercise the responsibilities.	Some effectiveness goals and measures are set, but are not communicated, and there is a clear link to business goals. Measurement processes emerge, but are not consistently applied. IT balanced scorecard ideas are being adopted, as is occasional intuitive application of root cause analysis.
4	There is understanding of the full requirements. Mature communication techniques are applied and standard communication tools are in use.	The process is sound and complete; internal best practices are applied. All aspects of the process are documented and repeatable. Policies have been approved and signed off on by management. Standards for developing and maintaining the processes and procedures are adopted and followed.	Tools are implemented according to a standardised plan, and some have been integrated with other related tools. Tools are being used in main areas to automate management of the process and monitor critical activities and controls.	Skill requirements are routinely updated for all areas, proficiency is ensured for all critical areas, and certification is encouraged. Mature training techniques are applied according to the training plan, and knowledge sharing is encouraged. All internal domain experts are involved, and the effectiveness of the training plan is assessed.	Process responsibility and accountability are accepted and working in a way that enables a process owner to fully discharge his/her responsibilities. A reward culture is in place that motivates positive action.	Efficiency and effectiveness are measured and communicated and linked to business goals and the IT strategic plan. The IT balanced scorecard is implemented in some areas with exceptions noted by management and root cause analysis is being standardised. Continuous improvement is emerging.
5	There is advanced, forward-looking understanding of requirements. Proactive communication of issues based on trends exists, mature communication techniques are applied, and integrated communication tools are in use.	External best practices and standards are applied. Process documentation is evolved to automated workflows. Processes, policies and procedures are standardised and integrated to enable end-to-end management and improvement.	Standardised tool sets are used across the enterprise. Tools are fully integrated with other related tools to enable end-to-end support of the processes. Tools are being used to support improvement of the process and automatically detect control exceptions.	The organisation formally encourages continuous improvement of skills, based on clearly defined personal and organisational goals. Training and education support external best practices and use of leading-edge concepts and techniques. Knowledge sharing is an enterprise culture, and knowledge-based systems are being deployed. External experts and industry leaders are used for guidance.	Process owners are empowered to make decisions and take action. The acceptance of responsibility has been cascaded down throughout the organisation in a consistent fashion.	There is an integrated performance measurement system linking IT performance to business goals by global application of the IT balanced scorecard. Exceptions are globally and consistently noted by management and root cause analysis is applied. Continuous improvement is a way of life.

Figure 15 – Maturity Attribute Table

Note: The Introduction section of this audit report and Exhibit 1 show the concept and usefulness of a process maturity model example, with maturity levels ranging from 0 (non-existent) to 5 (optimized). This table provides details (shown in the columns) of the attributes (e.g., “skills and expertise”) that would exist at each maturity level (shown in rows). This table does not provide details of maturity level 0 (non-existent) presumably because no such attributes are applicable.

Source: [COBIT 4.1, ISACA ©2007 All rights reserved. Used with permission.](#)

APPENDIX 2 – GSD’s Training Document for Vendor Management in Banner

San Mateo County Community College District

Vendor Screens in Banner

Banner Screens – Vendors

FTMVEND: Vendor Maintenance

Use the maintenance screens to input new vendor information or update existing data (see special instructions for inputting new vendors using a social security number as their TIN).

All new vendors must submit a signed *W-9 Request for Taxpayer Identification Number and Certification* form. The W-9 is used to set-up the vendor and is then scanned into WebXtender.

NOTE: If the W-9 indicates that the vendor is a Limited Liability Company (LLC), make sure that they also indicate their tax classification (C=C corporation, S=S corporation or P=partnership).

APPENDIX 2 (Continued)

San Mateo County Community College District

Vendor Screens in Banner

Vendor Maintenance (continued)...

Vendors (*individuals/sole proprietors*) who use a Social Security Number (SSN) for business purposes should be linked by the **SSN (G-number)** and the **NAME ASSOCIATED WITH THAT SS/G-NUMBER** (*verify that the name and SSN matches for 1099 tax reporting purposes*).

The screenshot shows the 'Vendor Maintenance' screen for a vendor with a Social Security Number (SSN). The vendor's name is redacted. The 'Generate ID' button is visible. The 'Vendor Maintenance' tab is selected, and the 'Additional Information' sub-tab is active. The 'Start Date' is 07-10-2006, and the 'Termination Date' is blank. The 'Last Activity Date' is 22-JUN-2008. The 'Address Defaults' section includes 'Procurement' and 'Accounts Payable' type codes and sequences. The 'Contact' section shows a phone number with a redacted area. The 'Collects Taxes' dropdown is set to 'Collects No Taxes'. The 'Owner ID', 'Check Vendor', and 'Discount Code' fields are also visible.

Vendors (*sole proprietors*) who use an Employer Tax ID for business purposes should be linked by the **Employer ID Number (EIN)** and the **NAME ASSOCIATED WITH THAT ID NUMBER** (*verify that name and ID number matches for 1099 tax reporting purposes*).

The screenshot shows the 'Vendor Maintenance' screen for a vendor with an Employer Tax ID (EIN). The vendor's name is redacted. The 'Generate ID' button is visible. The 'Vendor Maintenance' tab is selected, and the 'Additional Information' sub-tab is active. The 'Start Date' is 04-AUG-2006, and the 'Termination Date' is blank. The 'Last Activity Date' is 24-MAR-2007. The 'Address Defaults' section includes 'Procurement' and 'Accounts Payable' type codes and sequences. The 'Contact' section shows a phone number with a redacted area. The 'Collects Taxes' dropdown is set to 'Collects No Taxes'. The 'Owner ID', 'Check Vendor', and 'Discount Code' fields are also visible.

APPENDIX 2 (Continued)

San Mateo County Community College District

Vendor Screens in Banner

Vendor Maintenance (continued)...

Vendors using an **Employer Identification Number (EIN)** with a classification of either "Individual/Sole Proprietor" or "Partnership" should be flagged by Purchasing for a 1099. **EXCEPTION:** If the vendor is (1) an attorney providing legal services, or (2) collecting rental income from the District, alert Accounts Payable and they will determine if the vendor should be flagged for 1099.

To flag a vendor, go to FTMVEND and select the *Additional Information* screen. Enter the vendor's EIN in the *Tax ID* field and select an *Income Type* of "NC" for *Nonemployee Compensation*.

The screenshot shows the 'Vendor Maintenance FTMVEND 7.2 (PROD)' window. The 'Additional Information' tab is selected. The '1099 Information' section is visible, with the 'Tax ID' field containing a redacted value and the 'Income Type' dropdown set to 'NC' (Nonemployee Compensation). Other fields include 'Corporation: Edge Solution', 'Last Name', 'First Name', 'Middle Name', 'Base Currency', 'Name Type', 'SSN/SIN/TIN', 'Carrier Type' (Domestic Carrier, Foreign Carrier, None), 'State Indicator' (In State Vendor, Out of State Vendor, None), 'Invoice Grouping' (any invoices per check), and 'E-Procurement Vendor' (No).

Do **NOT** flag vendors who use their social security number (G#) for tax purposes and have a LE-Legal Address in FTMVEND (this usually indicates student status). If applicable, Accounts Payable will flag these vendors for 1099 reporting (as of 2/2/15).

APPENDIX 2 (Continued)

San Mateo County Community College District

Vendor Screens in Banner

Vendor Maintenance (continued)...

We have a new procedure (as of February 2017) for tracking both *Taxpayer Identification Number and Certification* forms (W-9s) and *Tax Withholding and Reporting* forms for foreign vendors (W-8s). Under the **Additional Information** tab in **FTMVEND** we must check to verify if we have a W-9 or W-8 on file and if it is current:

Vendor: Generate ID:

Corporation: FPP EDU Media LLC

Last Name: First Name: Middle Name:

Vendor Maintenance **Additional Information** Vendor Types Address E-mail Taxes Collected

1099 Information

Tax ID:

Income Type:

Federal Withholding:

State Withholding:

Address Defaults

Type Code:

Sequence:

Base Currency:

Name Type:

SSN/SINTIN:

Tax Form Status: Form W-9 on File

Status Date: 02-JAN-2017

Carrier Type: Domestic Carrier Foreign Carrier None

State Indicator: In State Vendor Out of State Vendor None

Invoice Grouping:

E-Procurement Vendor:

There should be a CURRENT¹ Taxpayer ID Form on file in WebXtender; if not, request that the Requisitioner obtain an updated W-9 / W-8 from the vendor and update FTMVEND and upload to WebXtender.

Tax Form Status: Enter Taxpayer ID Form information, either....
 91 = **W-9 on File** or
 81 = **W-8BEN on File**

Status Date: Enter **SIGNATURE DATE** on Taxpayer ID Form

¹ A new Taxpayer ID Form should be obtained every TWO years unless the vendor is an individual providing services using their SS# (IC)...then they should have a new form on file every calendar year.

APPENDIX 2 (Continued)

San Mateo County Community College District

Vendor Screens in Banner

FTMVEND: Vendor Email Address

To input or correct a vendor's email address, click the **Email** Tab in FTMVEND. The vendor email address (Email Type = *VEND*) is used to forward vendors their purchase orders via email automatically when the *Purchase Order Form Print* report (FPAPORD) is run.

If you **DO NOT** want a particular purchase order emailed to the vendor, you must check the **"Inactivate"** box in GOAEMAL, print the purchase order and then uncheck the box to re-activate the vendor's email address.

Vendor Maintenance: FTMVEND: 8.8.0.2 (PROD)

Vendor: - Generate ID:

Corporation: Des Cars Enterprise

Last Name: First Name: Middle Name:

Vendor Maintenance | Additional Information | Vendor Types | Address | **E-mail** | Taxes Collected

E-mail Type: **VEND** Vendor email address

E-mail Address:

Preferred Inactivate Display on Web

Comment: Activity Date: 01-FEB-2006 User: JANKUSJ

NOTE: If an email address has been entered **DIRECTLY** into a purchase order, that email address will **TAKE PRECEDENCE OVER** the vendor email address entered in FTMVEND. As a general rule, email addresses should not be entered directly on the PO.

APPENDIX 2 (Continued)

San Mateo County Community College District

Vendor Screens in Banner

To Change Vendor Identification From an Individual (SSN) to Employer Tax Identification (TIN)

Since you CANNOT change a vendor who is set-up as a person to a non-person (or vice versa) and an existing vendor, proceed as follows:

Set-up the new ID in FTMVEND and enter text stating previous SSN replaced by this TIN number. Inactivate the "BI" address for the SSN to prevent AP and Purchasing from using the SSN number (*the ID cannot be terminated since it is linked to student/other records*). All purchase orders must be issued against the new taxpayer ID number; forward a copy of the W-9 to our Controller for appropriate action (scan copy of W-9 into WebXtender).

NOTE: FTMVEND address codes are used by: "BI"–AP/Purchasing, "LE"–A&R (students), "MA"–Purchasing/HR/FA.

Vendor Maintenance: FTMVEND 7.2 (PROD)

Vendor: [Redacted] Generate ID: [Icon]

Corporation: [Redacted]

Last Name: [Redacted] First Name: Paul Middle Name: M

Vendor Maintenance | Additional Information | Vendor Types | **Address** | Taxes Collected

From Date: 27-APR-1998 To Date: [Redacted] Inactivate Address

Address Type: [1] Billing Source: [Redacted]

Sequence Number: 1

Street Line 1: DBA: Dav Products

Street Line 2: [Redacted]

Street Line 3: [Redacted]

City: [Redacted]

State or Province: CA California

ZIP or Postal Code: 94062-3032

County: [Redacted]

Nation: [Redacted]

Telephone Type: [8] Billing

Telephone: [Redacted]

Fax Number: FAX [Redacted]

Delivery Point: [Redacted]

Correction Digit: [Redacted]

Carrier Route: [Redacted]

Registration Number: [Redacted]

Last Update:

User: RUNSON

Activity Date: 27-MAR-2007

Address list; LIST for codes; COUNT HITS for addresses

Record 1/7 < > +ESC>

APPENDIX 2 (Continued)

San Mateo County Community College District

Vendor Screens in Banner

To Change an Established Vendor's ID Number* or Name (or both)

If an existing vendor has changed their name and/or Employer Identification Number (EIN)² and **you have verified that their old EIN will no longer be used**, follow these steps:

STEP 1. To change or correct a vendor's EIN and link all records to the old vendor number, go to **FOAIDEN – Person Identification Form**, enter the old (current) ID # and **Page Down** to the *Current Identification* screen. Enter the **NEW** EIN in the *ID* field, **Save** and **Close** the screen.

NOTE: If both the old and the new EINs already exist in FTMVEND (e.g. a corporation purchases another company) the records would have to be merged by IT—send email request to ITS (cc: Controller & appropriate A/P personnel).

STEP 2. To change or correct a vendor's NAME, go to **FOAIDEN – Person Identification Form**, enter the vendor ID # and **Page Down** to the *Current Identification* screen. Enter the **NEW** vendor name in the *Non-Person > Name* field, **Save** and **Close**.

² If the NEW Employer Identification Number DOES NOT already exist in Banner.

APPENDIX 2 (Continued)

San Mateo County Community College District

Vendor Screens in Banner

STEP 3. Go to **FTMVEND** to verify that the change(s) and link(s) from old to new are working properly. Enter the OLD Vendor Number or Search and select the OLD Vendor Name to be sure it returns with the NEW Name and/or Vendor Number.

Adding an Address for a Vendor Who is Also a Student with a G-Number

Go to **FTMVEND**, enter the G-Number, **Page Down** to the *Address* screen, create a billing "BI" address (if none currently exists) and **Save**.

Code	Desc	Sys Req	Tele Code	Acti
BI	Billing		BI	01-1
BU	Business		BU	09-1
EM	Emergency		EM	29-1
HQ	Corporate Headquarters		HQ	03-1
IN	International Student	N		12-1
LE	Legal		LE	19-1
MA	Mailing		MA	31-1

The "BI" type code and sequence information should also be entered in the *Address Defaults* section of the *Vendor Maintenance* screen.

Address Defaults	
Procurement	Accounts Payable
Type Code: BI	Type Code: BI
Sequence: 2	Sequence: 2

As appropriate, select "Collects No Tax" and use the Document Text on the Purchase Order to alert A/P personnel to flag them for a 1099 (since students should not be flagged in the system by Purchasing).

APPENDIX 2 (Continued)

Entering a New Vendor Who Uses Their SS# as their Taxpayer ID Number

When entering a new vendor (*individual/sole proprietor*) who uses a social security number as their *Taxpayer Identification Number* you **MUST** create a **G-NUMBER**. **NEVER** enter a vendor in FTMVEND using their Social Security Number as their Vendor Number.

Step 1. Go to the **Person Identification Form (FOAIDEN)** to “generate” a G-Number for the vendor. **NOTE:** *First you must thoroughly search the Banner system – query FOAIDEN, FTIIDEN, and FOIIDEN to be certain they are not already entered.*

NOTE: When searching for a person in FTIIDEN (Entity Name/ID Search), uncheck the default “Vendor” and select the “All” option to return results for all person entries (not just vendors).

Entity Name/ID Search: FTIIDEN 3.4 (PR00)

Vendors
 Grant Personnel
 Financial Managers
 Agencies
 Terminated Vendors
 Proposal Personnel
 Terminated Financial Managers
 All

Vendors
 Grant Personnel
 Financial Managers
 Agencies
 Terminated Vendors
 Proposal Personnel
 Terminated Financial Managers
 All

ID	Last Name	First Name	Middle Name	Entity Ind	Change Ind	V	F	A	G	P	Type
	smiths										

APPENDIX 2 (Continued)

San Mateo County Community College District

Vendor Screens in Banner

Entering a New Vendor Who Uses SS# (continued)...

With your cursor in the *ID* field click on the “Generated ID” icon and **Page Down** to the *Current Identification* screen.

Enter the social security number in the *SSN/SIN/TIN* field, enter the first, last and middle name (as shown on their Social Security Card) in the *Person* section (if the middle name is an initial only **DO NOT** type a period since one is inserted automatically by the system), click **SAVE** (or **F12**) and **MAKE NOTE OF THE SYSTEM GENERATED G-Number**.

The screenshot displays the 'Person Identification Form - Finance: FOAIDEN 7.2 (PROD)' window. At the top, there is an 'ID: GENERATED' dropdown and a 'Generate ID' button circled in red. Below this are tabs for 'Current Identification', 'Alternate Identification', 'Address', 'Telephone', 'Biographical', 'E-mail', and 'Emergency Contact'. The 'Current Identification' tab is active, showing an 'ID: GENERATED' dropdown, a 'Name Type' dropdown, and an 'SSN/SIN/TIN' field. The form is divided into two main sections: 'Person' and 'Non-Person'. The 'Person' section includes fields for Last Name, First Name, Middle Name, Prefix, Suffix, Preferred First Name, Full Legal Name, and Marital Status. The 'Non-Person' section has a 'Name' field. To the right, there are sections for 'ID and Name Source', 'Last Update' (with User, Activity Date, and Origin fields), and 'Original Creation' (with User and Create Date fields). At the bottom, there is a status bar with 'Social Security Number', 'Social Insurance Number', and 'Tax Identification Number' labels, and a 'Record: 1/1' indicator. The Windows taskbar at the bottom shows the start button, several application icons, and the system tray with the time '10:11 AM'.

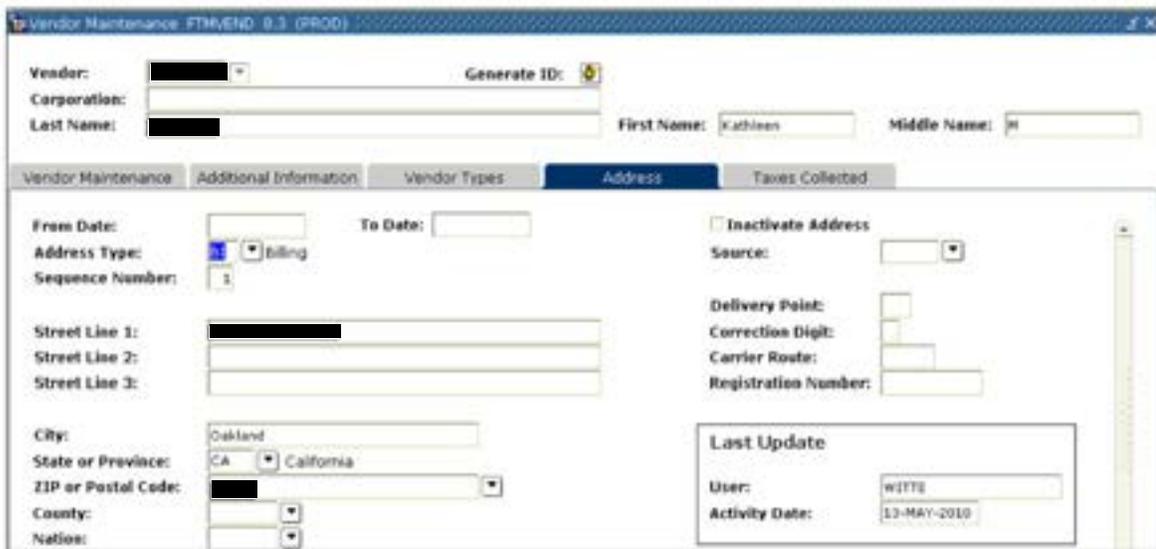
APPENDIX 2 (Continued)

San Mateo County Community College District

Vendor Screens in Banner

Entering a New Vendor Who Uses SS# (continued)...

Step 2. Go to **FTMVEND** to activate the vendor and enter the address. Always use the Billing Address Type Code (BI), enter "dba" (if applicable) in the first address line and then the street address, city, etc. Go to the *Vendor Maintenance* tab to complete the *Address Defaults* information when entering a new address sequence....*Procurement: "BI" , Sequence "#"* and *Accounts Payable: "BI" , Sequence "#"*, click **Save**.



Vendor Maintenance: FTMVEND 9.3 (PROD)

Vendor: [Redacted] Generate ID: [Generate]

Corporation: [Redacted]

Last Name: [Redacted] First Name: Kathleen Middle Name: M

Vendor Maintenance | Additional Information | Vendor Types | **Address** | Taxes Collected

From Date: [Redacted] To Date: [Redacted] Inactivate Address

Address Type: [Billing] Source: [Redacted]

Sequence Number: 1

Street Line 1: [Redacted]

Street Line 2: [Redacted]

Street Line 3: [Redacted]

City: Oakland

State or Province: CA California

ZIP or Postal Code: [Redacted]

County: [Redacted]

Nation: [Redacted]

Delivery Point: [Redacted]

Correction Digit: [Redacted]

Carrier Route: [Redacted]

Registration Number: [Redacted]

Last Update

User: WITTE

Activity Date: 13-MAY-2010

Vendors (*individuals/sole proprietors only—see exceptions noted previously*) can be flagged for a 1099 by accessing the *Additional Information* screen and entering their *Social Security Number* in the *Tax ID* field and selecting an *Income Type* of "NC" for *Nonemployee Compensation*.

EXCEPTION: If the sole proprietor using their SS#/G# is also a **STUDENT** (evidenced by an "LE" address entry in Banner), Purchasing should NOT flag them for 1099 in FTMVEND.

APPENDIX 2 (Continued)

San Mateo County Community College District

Vendor Screens in Banner

ENTER VENDOR'S SOCIAL SECURITY NUMBER IN THIS FIELD (triggers the issuance of a 1099 form).

Vendor Maintenance (FTMVEND 7.2 (PROD))

Vendor: [Redacted] Generate ID: [Icon]

Corporation: Edge Solution

Last Name: [Redacted] First Name: [Redacted] Middle Name: [Redacted]

Vendor Maintenance | **Additional Information** | Vendor Types | Address | Taxes Collected

1099 Information

Tax ID: [Redacted]

Income Type: [Radio] Nonemployee Compensation

Federal Withholding: [Redacted]

State Withholding: [Redacted]

Base Currency: [Redacted]

Name Type: [Redacted]

SSN/SIN/TIN: [Redacted]

Step 3. Go to the *General Person* screen (SPAPERS) to link the vendor's social security number to the newly generated G#. In the *ID* field enter the G# and **Page Down**; in the *SSN/SIN/TIN* field enter the social security number and click **Save**.

General Person (SPAPERS 7.3 (PROD))

ID: [Redacted]

Biographical

Gender: Male Female Not Available

Birth Date: [Redacted]

Age: [Redacted]

SSN/SIN/TIN: [Redacted]

Confidential Deceased

Decedent Date: [Redacted]

Citizenship: [Redacted] United States Citizen

Marital Status: [Redacted] Unknown, Declined to State

Religion: [Redacted]

Legacy: [Redacted]

Ethnicity: [Redacted] White Non-Hispanic

New Ethnicity: [Redacted] None

Ethnicity and Race Confirmed

Confirmed Date: [Redacted]

Veteran File Number: [Redacted]

Veteran Category: [Redacted] None

Active Duty Separation Date: [Redacted]

Special Disabled Veteran

Last Update

User: [Redacted]

Activity Date: 25 July 2013

NOTE: If a vendor is also a **STUDENT** (using G#), Purchasing should NOT flag them for 1099 in FTMVEND; enter in Document Text: "Attention: Accounts Payable, Flag for 1099". A Billing Address (BI) should also be created in FTMVEND and enter as "Collects No Tax" if applicable (but still enter use tax on purchase order).

Appendices 3 – 6 have been removed from this public version of the audit report, in accordance with Government Auditing Standards (Sections 6.64 to 6.70).

APPENDIX 7 – SMCCCD Chancellor and Management’s Response to the Audit



**SAN MATEO COUNTY
COMMUNITY
COLLEGE DISTRICT**

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3401 CSM Drive, San Mateo, CA 94402
(650) 358-6877
www.smccd.edu

OCTOBER 10, 2024 MANAGEMENT RESPONSE TO VENDOR MANAGEMENT AUDIT

The District Staff appreciates the assistance from the Performance Auditor/Policy Analyst in conducting the Vendor Management Audit.

As a District, the auditor has, for the first time, introduced the Yellow Book (standards for audits) and the Green Book (standards for internal controls for federal agencies) and has drawn on many best practices from four-year universities. Our own statewide system does not recognize the Green Book in its own "Budget and Accounting Manual". However, a recent San Mateo County Civil Grand Jury report on internal controls, recommends that every public agency in our County adopt Green Book standards.

We serve approximately two million students in the statewide system, more than five times that of the CSU system, and more than eight times that of the UC system, and yet we receive the least funding – which is why comparing our work to that of a four-year, could serve to set the expectation too high. As a community college system, we have never been held to federal standards, let alone university standards. We realize that the auditor wants to share the absolute best practices available, and I have encouraged him to find community college examples of best practice where they exist. Unfortunately, community college examples of best practice (according to the auditor) are far and few between, and effectively caused our auditor to draw mostly upon four-year university best practices. Our departmental leaders have checked in with their colleagues within our system to get a sense of their internal controls and processes to determine whether we are landing outside of common practice within the system. I conclude with confidence that we are operating within common practices across the system given our resourcing, but I also acknowledge that we can do better, and in many cases, much better. As we move through creating an implementation plan based on the auditor’s recommendations, we may find that university best practices will not be feasible, given limits on funds and/or people.

Having said that, I am excited by the opportunity to set the gold standard for internal controls in the California community college system, and we intend to share statewide the model we are creating for internal controls. And, I have been pleasantly surprised and proud to observe our team of leaders not just willing to improve, but excited by the possibilities ahead, to become the best example in the California Community College system for internal controls.

Below is a table indicating the Auditor’s Findings and the departmental leadership responses.

Finding No.	Finding	Responsible Department	Agree Partially Agree Do Not Agree	Management Response
1	SMCCCD does not have sufficient, effective procedures to prevent or detect apparent conflicts of interest that undermine the integrity of SMCCCD's	General Services Department (GSD)	Agree	The current 'RFP Selection Committee Member Participation Guidelines' require individuals to notify GSD of any known or perceived conflicts with potential vendors before or during their service on a committee, which would disqualify them from serving. GSD was unaware that the District's Statement of Economic Interest (Form

APPENDIX 7 – (Continued)



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	<p>procurement processes in appearance or in fact.</p> <p>Designated SMCCCD trustees and staff reported economic interests in SMCCCD vendors, including vendor gifts worth at least \$8,832 from 2016 through 2022. The gifts did not violate state law limits.</p>			<p>700) data could be used to assess potential conflicts.</p> <p>As to the District's new "Vendor Conflict of Interest Disclosure" form, GSD acknowledges these limitations and recognizes the need for comprehensive conflict-of-interest procedures. GSD implemented a soft roll-out of the new form while working with legal and the Chancellor to determine the specifics of the process (roles & responsibilities, written procedures, etc.). Staffing bandwidth within GSD have also contributed to delays in this process.</p> <p>Regarding the update of SMCCCD contract templates with protective conflict-of-interest clauses, the Standard Services Agreement has been updated as of May 2024 to include such a clause. GSD is currently reviewing other contract templates to determine if similar updates are necessary. Most importantly, the District's construction agreements and professional services agreements already include robust conflict-of-interest clauses, which address the greatest potential exposure for the District.</p>
2	<p>SMCCCD does not have sufficient procedures to maintain accurate, consistent, and complete Banner vendor records or to ensure that paid invoice records are associated with the correct vendors.</p> <p>Banner showed 66 paid invoice records totaling about \$9 million (from 1992 to 2022) that were associated with 3 unidentified vendors in Banner; scans of issued checks helped partially identify 2 of the 3 vendors and all but about \$4,927 of the \$9 million.</p> <p>The SMCCCD process to combine vendor records</p>	<p>General Services Department (GSD) and Financial Services Department (FSD)</p>	<p>Agree</p>	<p>Regarding the IRS regulations for foreign vendors, we asked other colleges within the Bay 10 as to their treatment of similar situations and they unanimously advised that they do not withhold. This area is ambiguous. If so directed, we can begin to withhold. Withholding could have a chilling effect on international vendors. In addition, GSD has been responsible for ensuring that vendors submit a completed W-9 or W-8 form and will advise vendors of any incompleteness.</p> <p>However, it is not currently within the purview of GSD staff to advise vendors on how to complete the forms. GSD engages in a TIN match verification process for submitted W-9s and has relied on guidance from the accounting department for other matters. GSD's understanding has been that if "100% of the services provided under this agreement will be performed in countries outside the United States," the foreign vendor is not subject to 30% backup withholding.</p> <p>GSD's current vendor record merger practice has been in place for over a decade, and GSD</p>

APPENDIX 7 – (Continued)



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	<p>does not support reporting and monitoring objectives. Invoice payment records, in at least one instance, were associated with a vendor that should have been inactivated. Unused and invalid vendor records have remained active, raising the risk of payment errors and fraud.</p>		<p>staff were not aware that this practice was impacting the integrity of vendor payment data and that it was not aligned with vendor management best practices. Inquiries with other CCDs confirmed that they follow the same practice as our District. If so directed, GSD agrees to revise our procedures to align with best practices to avoid duplicate records and maintain accurate vendor records.</p> <p>GSD agrees that vendor records need to be monitored to inactivate unused vendor records on a timely basis. The vendor file audited contains more than contractor records and includes all record types for employees and students – which are managed outside GSD’s purview by HR and College-based Admissions & Records departments, for example. However, GSD is committed to collaborating across departments with ITS, HR, and the colleges to develop clear vendor data standards for Banner and all departments connected to this work.</p> <p>GSD is committed to improving our vendor record maintenance procedures to ensure the integrity of the District’s vendor ‘contractor’ records and reduce the risk of payment errors and fraud. However, ITS suggests that implementing one of the recommendations here may not be feasible. We will elaborate on this during the implementation planning phase.</p>
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This remainder of this page and the next page from management’s response has been redacted, in accordance with Government Auditing Standards (Sections 6.64 to 6.70).

APPENDIX 7 – (Continued)



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This section of management’s response has been redacted, in accordance with Government Auditing Standards (Sections 6.64 to 6.70).



Melissa Moreno, J.D.
Chancellor