

Forensic Audit Report

Forensic Audit of the Alliance of Schools for Cooperative Insurance Programs (ASCIP) Risk Management Deposit Fund (RMDF)

Rancho Santiago Community College District

Prepared For:
Rancho Santiago Community College District Board of Trustees

March 14, 2025

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Executive Summary

I. Introduction

The Executive Summary provides an overview of Weaver's observations, findings and recommendations based on the work performed as part of our forensic audit for Rancho Santiago Community College District (the "District"), including District funds held in the Alliance of Schools for Cooperative Insurance Programs ("ASCIP") Risk Management Deposit Fund ("RMDF"), recently renamed Member Risk Management Fund ("MRMF") (collectively referred to in this Report as "RMDF" for ease of reference). The Executive Summary is based on the set of facts and findings described in the Report and should be read with the Report itself including the associated exhibits. Standing alone, it does not, and cannot, provide a full understanding of the facts and analysis underlying our observations, findings and recommendations. In addition, while the Report itself is intended to provide the relevant basis for our observations, findings and recommendations, it does not exhaustively detail all efforts undertaken by Weaver.¹ Weaver reserves the right to amend this Report should additional information be made available relevant to our review.

II. Scope of Work

In November 2024, the District issued a request for proposals (RFP 2425-001) for a forensic audit for the purpose of providing the District's Board of Trustees ("Board") a history and detailed examination of financial records related to the ASCIP RMDF. In response to the RFP, Weaver submitted a proposal on November 21, 2024, and was selected by the Board during the Board meeting on January 13, 2025. On January 17, 2025, Weaver was engaged by the District to conduct a forensic audit of the ASCIP RMDF. The scope of work included a detailed forensic examination of all transactions related to the ASCIP RMDF, including, but not limited to:

- Deposits and withdrawals;
- All correspondence between District and ASCIP related to deposits and withdrawals of the RMDF;
- Compliance with standard budget and accounting practices, District Board Policies and Administrative Regulations, and the District Budget Allocation Model (BAM);
- ASCIP Executive Committee and Board minutes/notes authorizing rebates to its members.

¹ We had no power to compel third parties to submit to interviews, produce documents, or otherwise provide information. As such, we were unable to interview certain former District administrators who may have knowledge relevant to our review.

III. Work Performed

During the course of the forensic audit, Weaver performed the following work steps that resulted in the observations, findings and recommendations outlined in this Report:

- Reviewed quarterly statements provided by ASCIP to the District detailing all transactions related to District funds held within the RMDF since the fund's inception;
- Reviewed District accounting records and bank statements to confirm the District's receipt of withdrawals from the RMDF distributed back to the District;
- Reviewed the District's use of funds distributed by ASCIP from the RMDF, including the review of available supporting documentation (e.g., general ledger data, check copies, bank statements, among other records);
- Conducted interviews with District employees across multiple departments regarding the administration of rebates from ASCIP, including individuals in the Chancellor's Office, Business Services Department and Risk Management Department;²
- Conducted interviews with certain District Board members regarding information discussed with the Board concerning rebates from ASCIP and funds held in the RMDF;
- Conducted interviews with representatives from ASCIP regarding practices and procedures related to rebates and funds held in the RMDF;
- Reviewed email data for relevant communications pertaining to ASCIP rebates and District funds held in the RMDF;
- Reviewed governance documents for the District's participation in ASCIP and the RMDF, including ASCIP Bylaws, Joint Powers Authority Agreements, and ASCIP policies;
- Reviewed ASCIP Executive Committee meeting minutes to identify any authorizations of rebates, withdrawals, or other fund activity in the RMDF;
- Reviewed District Board meeting minutes (available back to 2009) to identify any Board discussions concerning ASCIP or funds held in RMDF;
- Reviewed the District's Board Fiscal/Audit Review Committee meeting minutes (available back to 2011) to identify any Board discussions concerning ASCIP or funds held in RMDF;
- Reviewed California Community Colleges Budget Accounting Model (current and prior editions) for purposes of identifying applicable regulations and procedures concerning funds held by a JPA on behalf of a community college district;

While Weaver performed additional work steps not included above, the above listed work steps reflect the actions performed by Weaver that formed the basis of our observations, findings and recommendations discussed through the remainder of this Report.

² We made an effort to conduct interviews with John Didion and Peter Hardash but did not receive a response to our interview requests. Weaver emailed Mr. Didion and Mr. Hardash separately on February 25, 2025 based on their personal email addresses on file with the District.

IV. Background

a. Alliance of Schools for Cooperative Insurance Programs (ASCIP)

ASCIP is a nonprofit public agency Joint Powers Authority ("JPA") providing insurance and health benefits coverage to public school districts, charter schools, community college districts, and subsidiary JPAs across the state of California. ASCIP was formed in 1980 by a group of 46 Los Angeles County schools that joined together to form a JPA to help schools dealing with limited insurance coverage options and escalating costs. Currently ASCIP has over 140 members participating across all programs (i.e., Property & Liability, Workers' Compensation, Health Benefits). ASCIP is operated and governed pursuant to its Bylaws, which "contain the terms and conditions under which each individual agency will participate in ASCIP and in ASCIP's self insurance and risk management programs, including, but not limited to, provisions for allocation of losses, the establishment of reserves, administrative costs, withdrawal from ASCIP, and distribution of any unobligated funds upon dissolution of ASCIP."³

b. Joint Powers Authority Agreement Between the District and ASCIP

The District first became a member of ASCIP in October 1985 for Property & Liability insurance, which was memorialized by the execution of a Joint Powers Authority Agreement with ASCIP. The District ceased receiving Property & Liability insurance through ASCIP two (2) years later in 1987. In June 1997, the District rejoined as a member of ASCIP for Property & Liability insurance, which was memorialized by an Amended Joint Powers Authority Agreement ("Amended JPA Agreement") signed by the District's Executive Vice Chancellor of Human Resources and Educational Services, John Didion ("Mr. Didion").⁴ The responsibilities of the District as an ASCIP member pursuant to the Amended JPA Agreement are shown below.

Each participating public agency in ASCIP shall: (a) cooperate in research and development activities conducted by ASCIP by furnishing all statistical data, experience data, and other information as may be requested by ASCIP; (b) pay such amounts as are determined to be due to cover premiums, self-insured losses until concluded, and other costs or obligations incurred by ASCIP; (c) cooperate and participate in risk management and related programs and services offered by ASCIP; (d) comply with the terms of the Agreement and the Bylaws; and (e) provide input to ASCIP, through their Superintendents and/or their designees, on ASCIP's programs and operations so as to continue to assure and promote needed programs and responsiveness to cultural sensitivity and diversity in program management and operation.

³ See Exhibit 1 (ASCIP Bylaws)

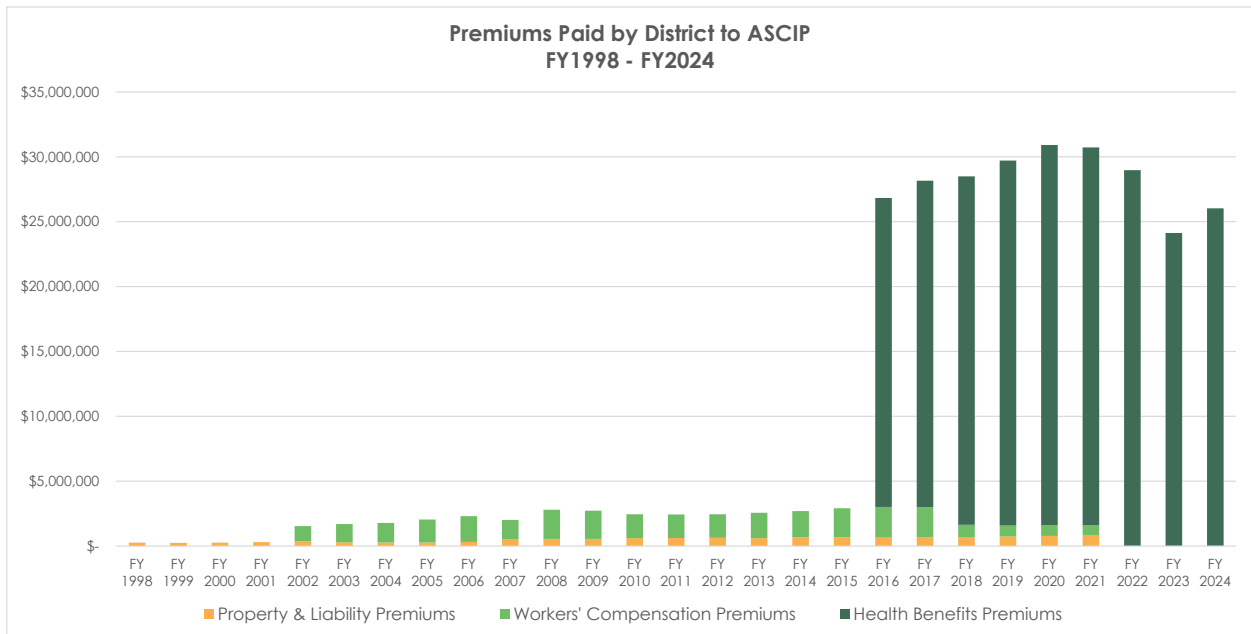
⁴ See Exhibit 2 (Amended JPA Agreement)

c. Premiums Paid by the District to ASCIP

As described previously in this Report, the District rejoined ASCIP as a member in 1997 for coverage under ASCIP's Property & Liability insurance program, and remained in the Property & Liability insurance program through 2021 when the District switched providers. Beginning in 2002, the District also obtained coverage through ASCIP for Workers' Compensation insurance, and remained in the Workers' Compensation insurance program through 2021.

In 2015, the District's Joint Benefits Committee (chaired by Mr. Didion) received bids for medical, dental and vision providers, which were reviewed by the committee. The committee recommended to the Board that the District join the ASCIP insurance pool for employee health benefits, which was approved by the Board in June 2015.⁵

Since rejoining ASCIP as a member in 1997, the District has paid premiums to ASCIP in excess of \$287 million, of which over 84% pertained to premiums for Health Benefits coverage beginning in 2015, as illustrated in the chart below.



When the District joined ASCIP's Health Benefits program in 2015, annual premiums paid by the District to ASCIP for Property and Liability, Workers' Compensation, and Health Benefits coverage represented over 10% of total premiums received by ASCIP across all members, which increased

⁵ See Exhibit 52

to almost 12% in 2019. A summary of District premiums paid to ASCIP as a percentage of total premiums received by ASCIP across all members is provided in the table below.

Summary of District Premiums Paid to ASCIP							
Year	Summary of District Paid Premiums to ASCIP				Premiums for All Members		
	Property & Liability Premiums	Workers' Compensation Premiums	Health Benefits Premiums	Total Premiums Paid by District	ASCIP Premiums (All Members)	District Premiums (% of Total)	
FY 1998	\$ 259,332	\$ -	\$ -	\$ 259,332	\$ 17,348,627	1.5%	
FY 1999	249,514	-	-	249,514	19,001,849	1.3%	
FY 2000	260,893	-	-	260,893	20,161,657	1.3%	
FY 2001	296,057	-	-	296,057	24,143,708	1.2%	
FY 2002	361,314	1,172,078	-	1,533,392	32,167,762	4.8%	
FY 2003	294,607	1,393,836	-	1,688,443	43,976,511	3.8%	
FY 2004	275,704	1,499,591	-	1,775,295	45,338,672	3.9%	
FY 2005	280,445	1,757,447	-	2,037,892	52,031,389	3.9%	
FY 2006	320,140	1,982,771	-	2,302,911	58,334,341	3.9%	
FY 2007	503,603	1,511,721	-	2,015,324	149,207,111	1.4%	
FY 2008	543,761	2,255,464	-	2,799,225	168,809,296	1.7%	
FY 2009	550,596	2,172,325	-	2,722,921	166,894,271	1.6%	
FY 2010	608,077	1,847,007	-	2,455,084	172,029,853	1.4%	
FY 2011	621,797	1,817,017	-	2,438,814	181,732,987	1.3%	
FY 2012	640,923	1,812,894	-	2,453,817	184,606,325	1.3%	
FY 2013	603,729	1,959,473	-	2,563,202	201,295,168	1.3%	
FY 2014	673,663	2,017,604	-	2,691,267	207,462,974	1.3%	
FY 2015	684,471	2,224,372	-	2,908,843	226,111,139	1.3%	
FY 2016	646,527	2,366,343	23,816,745	26,829,615	265,742,395	10.1%	
FY 2017	670,782	2,333,109	25,152,869	28,156,760	268,744,570	10.5%	
FY 2018	689,987	949,137	26,860,453	28,499,577	259,307,983	11.0%	
FY 2019	733,017	852,941	28,130,750	29,716,708	254,248,987	11.7%	
FY 2020	782,281	845,136	29,285,445	30,912,862	269,248,591	11.5%	
FY 2021	848,411	742,153	29,131,480	30,722,044	275,211,387	11.2%	
FY 2022	-	-	28,973,581	28,973,581	287,307,997	10.1%	
FY 2023	-	-	24,129,523	24,129,523	294,480,133	8.2%	
FY 2024	-	-	26,031,483	26,031,483	353,978,620	7.4%	
	\$ 12,399,631	\$ 33,512,419	\$ 241,512,329	\$ 287,424,379			

d. Premium Rebates

ASCIP's Bylaws define procedures for the return of excess distributions to members when premiums paid by members exceed program costs (referred to by ASCIP as "premium rebates"). According to ASCIP's Bylaws, "Should the total assets of a program year exceed the liabilities of that year, that year's members may receive a pro rata share return of contribution as determined and approved by the Executive Committee, which may in its discretion instead provide premium rebates for a succeeding program year or later program years." ASCIP's Bylaws also require a member to have participated in the program for a minimum of three (3) consecutive program years to be eligible for any distributions associated with that program. In addition, ASCIP's Bylaws

permit ASCIP to retain the rebate on any program where the member owes premiums or other program charges, as well as apply premium rebates towards a member's premium obligations for renewal of the program.

e. ASCIP Executive Committee

Pursuant to ASCIP's Bylaws, ASCIP is governed by an Executive Committee consisting of 13 members, with each member being a full-time employee of a member agency, as well as 13 alternate members.⁶ Executive Committee members do not receive any salary, compensation or other consideration from ASCIP. Several District employees served on the ASCIP Executive Committee either as a regular member or alternate member, including Mr. Didion who served as President during the 2000 – 2002 and 2009 – 2010 time periods. A summary of District employees that served on the ASCIP Executive Committee is provided in the chart below.

Summary of District Employees Serving on ASCIP Executive Committee																										
Executive Committee Member	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
John Didion			M	P	P	P	M	M	M	T	VP	VP	P	P	M	M	M	M	M							
Peter Hardash	A	A	M	M																A	A	A	M	M		
Adam O'Connor																									A	
Legend																										
Regular Member	M																									
Alternate Member	A																									
President	P																									
Vice President	VP																									
Treasurer	T																									

Under ASCIP's Capital Retention & Rebate Policy, the Executive Committee has sole discretion to rebate excess deposit premium to the membership once it is not needed to reasonably assure ASCIP can "properly meet its current and future financial and operating obligations." ASCIP performs a review annually to evaluate each program's equity position and upon completion of the audited fiscal year financial statements, the Executive Committee will determine whether the program is in an "excess equity position" and that a rebate may be declared.

f. Risk Management Deposit Fund (RMDF)

ASCIP's Risk Management Deposit Fund ("RMDF") was originally defined under ASCIP's Loss Control Assistance Program Policy, which was established to help ASCIP "provide participating

⁶ Alternate members serve "at-large" for one-year terms and have the authority to attend, participate in, and, when regular members are absent, and at the direction of the Executive Committee President, to vote at any meeting of the Executive Committee.

members loss control risk management services that eliminate or reduce the frequency and severity of accidental losses..."⁷ ASCIP's Loss Control Assistance Program Policy (as revised in 2002) included the following guidelines for members to open individual RMDF accounts:

**VIII. INDIVIDUAL MEMBER ACCOUNTS --
RISK MANAGEMENT DEPOSIT FUNDS**

Participating members may open individual Risk Management Deposit Fund accounts. These individual accounts may be funded by:

- Applying all or part of experience modification credits.
- Applying all or part of retrospective refund adjustments.
- Direct deposits of any amount.

Individual member accounts will earn interest at the prevailing rate earned by ASCIP in its regular investment portfolio. Interest will be calculated and posted quarterly to the member's account.

Risk Management Deposit Funds may be utilized for the following purposes:

- Hazard Abatement.
- Funding risk management or insurance needs.
- Other authorized District expenses.

Members may withdraw any amount from their individual accounts by completing the Request for Risk Management Deposit Funds (Exhibit C).

It appeared that in 2016, ASCIP created a separate policy for the RMDF called the Risk Management Deposit Fund Policy, which was approved by ASCIP's Executive Committee in April 2016. According to the Risk Management Deposit Fund Policy, the RMDF was established to provide participating members with an option to defer receipt of equity distributions and premium refunds made by ASCIP. According to the policy, "this program allows members to leave funds in ASCIP's custody which the member foresees will likely be needed to pay for future expenses related to risk management, loss control, safety, training and education or other services and activities."⁸

The Risk Management Deposit Fund Policy outlines requirements for the RMDF, as shown below:

⁷ See Exhibit 3 (Loss Control Assistance Program Policy, Revised May 17, 2002)

⁸ See Exhibit 4 (Risk Management Deposit Fund Policy)

Specific requirements for the RMDF are:

1. ASCIP is the exclusive source of funds eligible for deposit into the RMDF.
2. A member may defer receipt of funds to the RMDF upon written instruction by a senior district administrator (Superintendent, Chancellor, Deputy Supt., CBO, etc.) and acceptance of the deferral requires approval by the ASCIP Executive Committee.
3. ASCIP will establish an accounting liability for funds placed in the RMDF and credit interest to each account at the prevailing rate earned by ASCIP in its regular investment portfolio. Interest will be calculated and posted quarterly to the member's account.
4. Members may withdraw any available amount from their individual accounts by completing and submitting to ASCIP the "Request for Release/Disbursement of Risk Management Deposit Funds". Disbursements will be made payable only to the member agency. Requests for disbursement may be made only by the member's designated ASCIP contact or the member's most senior administrative officer (i.e., District Superintendent, Community College Chancellor, etc.). Disbursement requests above \$25,000 shall require two signatures: the member's designated ASCIP contact and the member's most senior administrative officer (i.e., District Superintendent, Community College Chancellor, etc.).
5. A member's total amount held within the RMDF may not exceed the member's prior year's annual premiums paid to ASCIP.
6. ASCIP will provide members with a quarterly statement of beginning and ending fund balance and reconciling transactions. The statement will be provided to ASCIP's designated primary member contact as well as the member's chief financial officer (or equivalent).
7. The ASCIP CFO will provide a detailed annual report to the ASCIP Executive Committee of participating members and their respective balances.

As described in the policy requirements, ASCIP members have the option to defer the receipt of premium rebates and elect to have the funds held by ASCIP in the RMDF, which required written authorization by the member's senior administrative official, as well as approval by ASCIP's Executive Committee. Members have the ability to withdraw any available funds held in the RMDF at any time by submitting the "Request for Release/Disbursement of Risk Management Deposit Funds" form signed by the member's "most senior administrative officer" and the member's designated ASCIP contact for withdrawals over \$25,000.

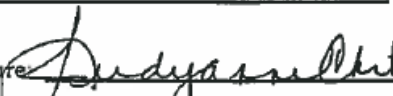
g. ASCIP Process for Issuing Rebates

Following the completion of ASCIP's annual audit each year and determination of excess premium deposits by ASCIP's Executive Committee, ASCIP notified the District's designated contact person of any rebates to be issued back to the District by ASCIP, broken out by program. ASCIP provided the District a Rebate Authorization Form, which was completed and signed by the District with its election to issue the rebate check directly to the District or defer their receipt of

the rebate and have it deposited into the RMDF to be held by ASCIP on the District's behalf.⁹ An example of the Rebate Authorization Form is provided below.

DISTRICT'S REBATE AMOUNT:	\$193,701
PLEASE CHECK REBATE PREFERENCE (If Applicable):	
<input checked="" type="checkbox"/> Credit Rebate to District Risk Management Deposit Fund	
<input type="checkbox"/> Credit Rebate toward Invoice Amount Due	
<input type="checkbox"/> Issue check for Rebate payable to District	
<input type="checkbox"/> Credit Rebate to District Account (Please indicate the account number below)	

<input type="checkbox"/> Other (Please Explain)	

Print Name: <u>John Didion</u>	Title <u>Ex. Vice Chancellor</u>
Authorized Signature: 	Date: <u>8/1/12</u>

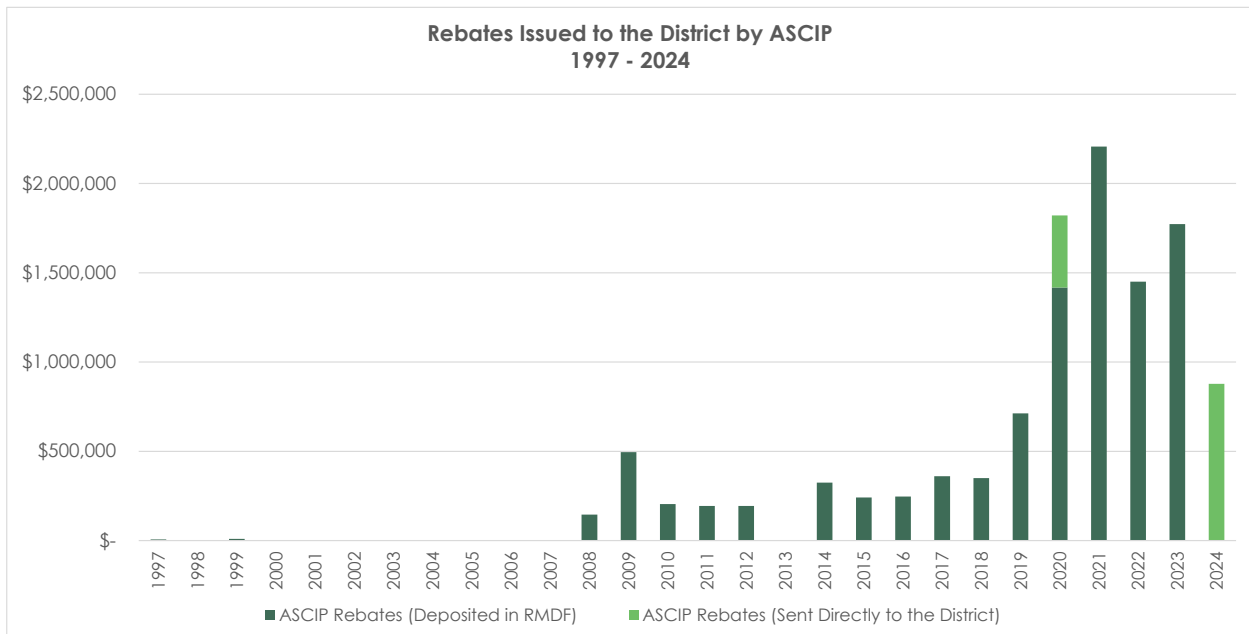
⁹ ASCIP also allowed members to apply the rebate as a credit against future premium payments for programs being renewed by the District.

V. Summary of Observations and Findings

Weaver's observations and findings for the forensic audit of rebates issued to the District by ASCIP and funds held in the RMDF on behalf of the District are summarized below, with additional detail in support of our observations and findings included in subsequent sections of this Report.

a. District Rebates from ASCIP Totaled Over \$11.6 Million from 1997 – 2024

From the time the District rejoined as a member of ASCIP in 1997, ASCIP issued rebates to the District totaling over \$11.6 million during the 1997 – 2024 time period, including approximately \$10.3 million in rebates deposited into the RMDF to be held by ASCIP on behalf of the District.¹⁰ A summary of District rebates from ASCIP by year is provided in the chart below.

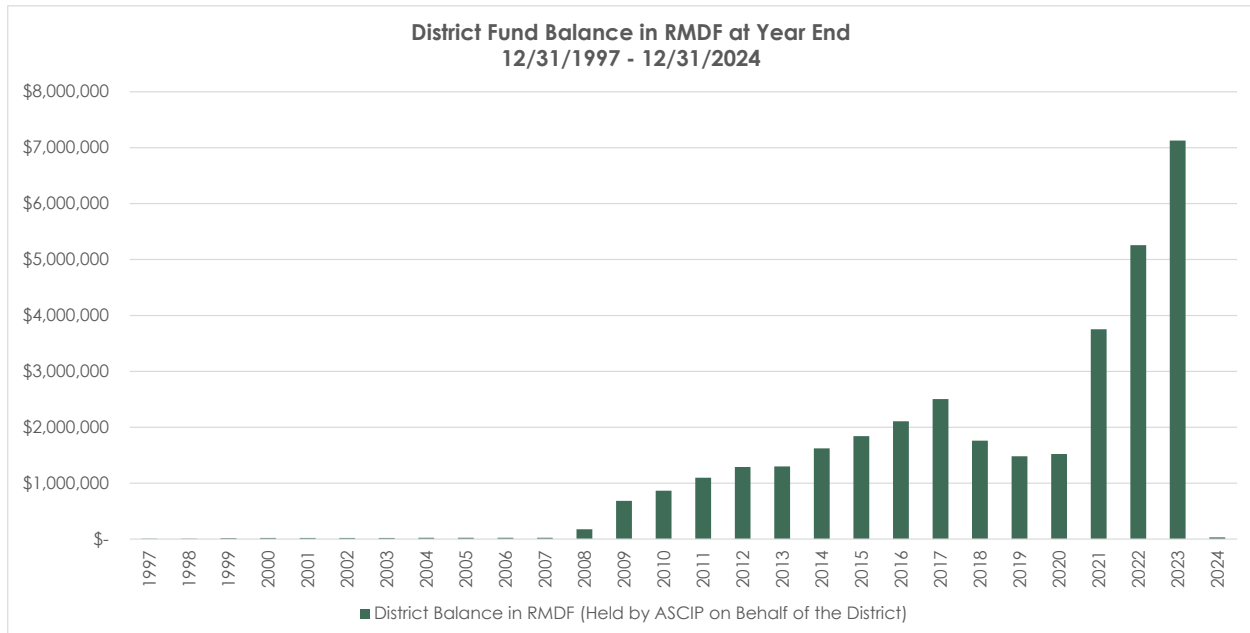


b. District Funds Held by ASCIP in RMDF Reached a Peak of \$7.1 Million in 2023

When ASCIP notified the District of rebates being issued to the District each year, the District was given the option to have ASCIP issue a check to the District for the rebate amount, apply the rebate as a credit towards premiums payable to ASCIP, or deposit the funds in the RMDF to be held by ASCIP on behalf of the District. Historically, the District typically elected for rebates to be deposited into the RMDF, to be held by ASCIP on behalf of the District. As a result, the District's

¹⁰ In September 2020, the District received a rebate from ASCIP for the Health Benefits program of \$403,528, which was paid directly to the District. In June 2024, the District received a rebate from ASCIP for the Health Benefits and Workers' Compensation programs for \$878,105 (net of retrospective premium adjustments), which was paid directly to the District. All other rebates from ASCIP were deposited into the RMDF.

fund balance in the RMDF increased over time to over \$7.1 million by the end of 2023, as depicted in the chart below.



c. District Administrators Received Quarterly Statements from ASCIP for RMDF

ASCIP submitted quarterly statements to the District each month with transaction detail (i.e., rebates, withdrawals, interest earned), as well as the beginning and ending quarterly fund balance for District funds held by ASCIP in the RMDF. Quarterly statements were addressed to Mr. Didion until his retirement from the District in 2016. Subsequent quarterly statements were sent to Judyanne Chitlik, Alistair Winter, Peter Hardash and Adam O'Connor. A summary of District administrators listed as the recipient on quarterly statements from ASCIP is provided in the table below.

Time Period	Recipient	Position
07/1997 – 03/2016	John Didion	Exec. Vice Chancellor, H.R. & Educational Services
04/2016 – 09/2016	Judyanne Chitlik	Assistant Vice Chancellor, Human Resources
10/2016 – 12/2016	Alistair Winter	Assistant Vice Chancellor, Human Resources
01/2017 – 03/2018	Judyanne Chitlik	Vice Chancellor, Human Resources
04/2018 – 06/2020	Peter Hardash	Vice Chancellor, Business Operations
07/2020 – 12/2024	Adam O'Connor	Assistant Vice Chancellor, Fiscal Services

Based on our interview of the District's head of the Risk Management Department, Donald Maus, it is our understanding that Mr. Maus also maintained copies of quarterly statements from ASCIP

for the RMDF when he assumed the role of Risk Manager in or around 2012. Quarterly statements submitted by ASCIP to the District are included as an Exhibit to this Report.¹¹

d. District's Balance in RMDF Represented 33% of Entire RMDF Balance in June 2024

Based on our review of quarterly statements for the District's RMDF balance provided to the District by ASCIP, as well as the total RMDF balance held by ASCIP on behalf of all members, we determined that the District's balance increased to over 33% of ASCIP's total RMDF balance prior to the District's withdrawal of approximately \$7.2 million in June 2024, as detailed in the table below.^{12,13}

Summary of Fund Balances for ASCIP RMDF (and District Funds Held In RMDF)							
Total ASCIP RMDF Balance by Fund (All Members)						District Funds in RMDF	
Year	Property & Liability Fund	Workers' Compensation Fund	Health Benefits Fund	Total RMDF Account Balance	District Funds Balance in RMDF	District % of Total RMDF Account	
6/30/2006	\$ -	\$ -	\$ -	\$11,364,988	\$ 23,937	0.2%	
6/30/2007	11,828,167	2,079,789	-	13,907,956	25,181	0.2%	
6/30/2008	13,999,221	7,446,409	1,038,256	22,483,886	26,426	0.1%	
6/30/2009	15,184,091	8,031,295	934,011	24,149,397	553,887	2.3%	
6/30/2010	15,462,114	8,619,982	98,519	24,180,615	688,602	2.8%	
6/30/2011	16,213,942	7,647,093	594	23,861,629	904,953	3.8%	
6/30/2012	14,952,678	6,420,636	600	21,373,914	1,092,713	5.1%	
6/30/2013	14,009,206	5,602,528	604	19,612,338	1,294,576	6.6%	
6/30/2014	14,237,385	5,386,757	-	19,624,142	1,304,149	6.6%	
6/30/2015	14,076,928	5,340,816	-	19,417,744	1,596,802	8.2%	
6/30/2016	10,687,987	4,934,485	-	15,622,472	1,848,227	11.8%	
6/30/2017	9,363,715	3,912,129	-	13,275,844	2,124,135	16.0%	
6/30/2018	8,224,476	2,852,390	-	11,076,866	2,528,524	22.8%	
6/30/2019	7,331,551	2,609,033	-	9,940,584	771,127	7.8%	
6/30/2020	7,965,794	2,560,521	-	10,526,315	1,494,828	14.2%	
6/30/2021	9,630,438	2,441,863	-	12,072,301	1,531,122	12.7%	
6/30/2022	15,307,385	2,369,784	-	17,677,169	3,775,368	21.4%	
6/30/2023	17,564,201	1,803,184	-	19,367,385	5,298,928	27.4%	
6/30/2024	13,127,091	1,333,541	-	14,460,632	32,253	0.2%	

¹¹ See Exhibit 5 (Quarterly Statements for the RMDF Submitted by ASCIP to the District)

¹² While ASCIP's audited financial statements do not provide detail of each member's balance in the RMDF, ASCIP's audited financial statements provide a total balance for the RMDF across all members.

¹³ The District withdrew its entire balance of funds held by ASCIP in the RMDF on June 24, 2024, which was paid to the District by check in the amount of \$7,167,249. As of June 24, 2024, the District's balance in the RMDF represented over 33% of total funds held in the RMDF for all members, which we calculated to be approximately \$21.6 million.

Given that premiums paid by the District represented 10%-12% of total premiums paid by all ASCIP members during the 2016 – 2022 time period, it appeared that the District kept a disproportionate level of funds in the RMDF relative to other ASCIP members during this time period.

e. District Withdrew Over \$10.8 Million in Funds Held in the RMDF

The District withdrew over \$10.8 million in funds from the RMDF during the 1997 – 2024 time period, including the withdrawal of approximately \$7.2 million in June 2024. As of December 31, 2024, the District's fund balance in the RMDF was \$32,558. A summary of the District's account activity and year-end balance in the RMDF during the 1997 – 2024 time period is provided in the table below, with additional detail of ASCIP rebates and withdrawals from the RMDF included in subsequent sections of this Report.

Account Activity for District Funds Held in ASCIP RMDF (by Calendar Year)					
Year	Rebates	Other Deposits	Interest	Withdrawals	Ending Balance
1997	\$ 6,157	\$ -	\$ 128	\$ -	\$ 6,285
1998	-	-	418	-	6,704
1999	9,425	-	512	-	16,640
2000	1,832	-	1,085	-	19,557
2001	7	-	1,145	-	20,709
2002	7	-	847	-	21,562
2003	-	-	580	-	22,142
2004	-	-	522	-	22,664
2005	-	-	762	-	23,426
2006	-	-	1,099	-	24,526
2007	-	-	1,321	-	25,846
2008	145,519	-	3,373	-	174,739
2009	495,621	-	12,647	-	683,007
2010	205,102	-	11,243	(32,296)	867,057
2011	193,602	48,296	11,648	(21,433)	1,099,170
2012	193,701	-	8,991	(11,000)	1,290,862
2013	-	-	7,925	-	1,298,786
2014	324,396	-	12,112	(12,500)	1,622,794
2015	241,266	2,500	17,954	(43,250)	1,841,265
2016	246,744	-	25,127	(5,000)	2,108,136
2017	360,862	-	35,488	-	2,504,486
2018	350,561	-	38,765	(1,132,881)	1,760,931
2019	712,392	-	20,441	(1,013,000)	1,480,764
2020	1,417,988	-	22,921	(1,400,000)	1,521,673
2021	2,207,080	-	23,926	-	3,752,679
2022	1,450,518	-	53,200	-	5,256,397
2023	1,772,839	-	100,010	-	7,129,246
2024	-	-	70,561	(7,167,249)	32,558
Total	\$ 10,335,619	\$ 50,796	\$ 484,752	\$ (10,838,609)	

f. District's Use of ASCIP Rebates / Funds Withdrawn from the RMDF

As of this Report, funds deposited into District bank accounts related to ASCIP rebates totaled over \$12.1 million, including over \$10.8 million in funds withdrawn from the RMDF and approximately \$1.3 million in rebates received directly from ASCIP. Prior to 2020, funds withdrawn from the RMDF by the District were deposited into District accounts to be used by the District for specific one-time purchases (e.g., payment of legal settlement). In 2020 and 2024, funds withdrawn from the RMDF were deposited into District accounts without a specific purpose (e.g., for purposes of balancing the budget). A summary of the District's use of funds related to ASCIP rebates (including funds withdrawn from the RMDF) is provided in the table below, and discussed in more detail in subsequent sections of this Report.

Date	Source of Funds	Use of Funds by the District	Amount
8/4/2010	Withdrawal from RMDF	Reimbursement for District purchase of Prius vehicle from District's Safety Parking fund	\$32,296
3/15/2011	Withdrawal from RMDF	Replace plexiglass gates at SAC CDC with metal gates	\$16,183
10/13/2011	Withdrawal from RMDF	Fencing at SAC CDC to prevent a safety hazard	\$5,250
3/27/2012	Withdrawal from RMDF	Additional fencing at SAC CDC to prevent a safety hazard	\$11,000
11/5/2014	Withdrawal from RMDF	Reimbursement of expenses for Mr. Didion to attend ATIXA training	\$2,500
12/19/2014	Withdrawal from RMDF	Purchase for production of Title IX video	\$10,000
1/9/2015	Withdrawal from RMDF	Football helmets with InSight Safety system for concussion prevention	\$37,000
8/13/2015	Withdrawal from RMDF	Payment of 3-year membership with ATIXA	\$6,250
2/10/2016	Withdrawal from RMDF	Payment for Title IX training	\$5,000
7/3/2018	Withdrawal from RMDF	Payment of legal settlement to Marissa Hernandez	\$1,132,881
2/4/2019	Withdrawal from RMDF	Purchases related to Emergency Blue Phone projects (purchases of blue phones and installation)	\$1,000,000
10/15/2019	Withdrawal from RMDF	Payment of 3-year membership with ATIXA	\$13,000
9/29/2020	Directly from ASCIP	Funding to balance the budget for FY2019-2020 (estimated budget deficit of \$2.2 million).	\$403,528
10/16/2020	Withdrawal from RMDF	Funding to balance the budget for FY2019-2020 (estimated budget deficit of \$2.2 million)	\$1,400,000
6/25/2024	Directly from ASCIP	Deposited into the District's Property and Liability Fund	\$878,105
6/25/2024	Withdrawal from RMDF	Withdrawal of all funds held in RMDF as of June 24, 2024	\$7,167,249
Total			\$12,120,242

g. Rationale for District's Election for Rebates to be Held by ASCIP in RMDF

Based on our review of email communications between District administrators concerning ASCIP rebates, as well interviews conducted by Weaver, the District's practice of deferring rebates was a practice established under the former Vice Chancellor of Human Resources, Mr. Didion, and the former Vice Chancellor of Business Services, Mr. Hardash. The email below from July 2011 is an example of Mr. Didion and Mr. Hardash informing the former Chancellor, Raul Rodriguez, of their decision to deposit the rebate from ASCIP into the RMDF, as well as informing Chancellor Rodriguez of the District's balance of funds held in the RMDF by ASCIP.¹⁴

We received the insurance invoices from ASCIP for 2011-12 and I'm pleased that our experience modification for liability coverage remains at 0.65, which means that we only pay 65% of the premium rate. That alone reduced our annual cost by \$155,723. In addition, we received a premium rebate for workers' compensation coverage of \$193,602. I conferred with Peter and we have deposited that in our risk management account at ASCIP. This will bring our balance in that account to just under \$1.1 million.

In subsequent years, email communications reflected that decisions to defer rebates to be held in the RMDF were made by Mr. Didion and Mr. Hardash until Mr. Didion's retirement from the District in 2016. Following Mr. Didion's retirement, Mr. Hardash appeared to be the chief decision-maker regarding ASCIP rebates until his retirement in 2020. For example, in 2017 Mr. Hardash elected to defer the rebate from ASCIP and have the rebate deposited into the RMDF to build reserve funds that would ultimately be used for the Emergency Blue Phone Project, with the District ultimately withdrawing \$1 million from the RMDF in 2019 to be used for the Emergency Blue Phone Project.¹⁵ Email communications discussing ASCIP rebates and the deferral of rebates to be deposited into the RMDF are provided as Exhibits to this Report.¹⁶

Based on our review of email communications and interviews with District administrators, the District continued the practice of deferring ASCIP rebates to be deposited into the RMDF based on the prior practice established by Mr. Didion and Mr. Hardash. In a September 2021 email from the District's Risk Manager, Don Maus, to the District's Vice Chancellor of Business Services, Iris

¹⁴ See Exhibit 17

¹⁵ See Exhibit 22

¹⁶ See Exhibits 13-29

Ingram, Mr. Maus stated in regard to ASCIP rebates, "Peter [Mr. Hardash] always had us deposit the money in the RMD fund." A copy of the email is provided below.¹⁷

From: "Maus, Donald" <Maus_Donald@rscdd.edu>
Date: 9/21/21 4:18 PM (GMT-08:00)
To: "Ingram, Iris" <Ingram_Iris@rscdd.edu>
Cc: "O'Connor, Adam" <OConnor_Adam@rscdd.edu>
Subject: FW: ASCIP Rebate Authorization Forms

Hi Iris,

We received some rebates from ASCIP earlier this year for our work comp program and for our health benefits program and in consultation with Adam at the time, we decided to keep the money in our Risk Management Deposit (RMD) account at ASCIP. We've been receiving the work comp rebates for at least the past 10 years and this is the first time we were eligible for the health benefits rebates. Peter always had us deposit the money in the RMD fund. We currently have \$1,531,122 in the account.

ASCIP needs your signature on the attached forms so they can process our rebates.

Let me know if you have any questions.

Don

In recent years, email communications indicated that the passage of AB 218 into law effective January 1, 2020 factored into the District's election to defer ASCIP rebates.¹⁸ We were informed by Vice Chancellor Ingram that the District was advised that there would be major increases of nearly seven (7) figures as a result of lawsuits and legal settlements that would impact the District's liability insurance premiums.

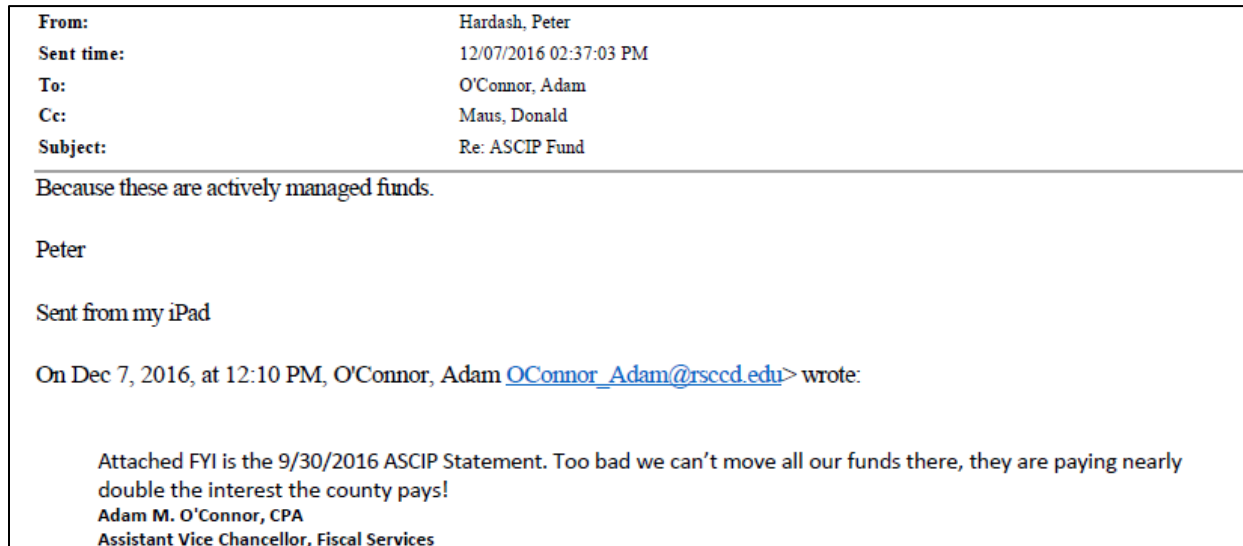
h. Higher Interest Rates Earned in RMDF Compared to District Reserves

We also identified contemporaneous email communications between District administrators indicating that funds held in the RMDF by ASCIP were historically able to earn a higher rate of interest compared to what the District could earn if the funds were disbursed back to the District. In an email from December 2016, the District's Assistant Vice Chancellor of Fiscal Services, Adam O'Connor, informed Mr. Hardash and Mr. Maus that ASCIP is "paying nearly double the interest

¹⁷ See Exhibit 27

¹⁸ According to ASCIP's website, the passage of AB 218 into law in 2020 broadened the definition of abuse and molestation to include "assault", revised the statute of limitations for Sexual Assault and Molestation from age 26 to age 40, implemented a three (3) year retroactive window that permitted old claims to be revived, provided for treble damages if an effort to conceal could be proven, and allowed for claims that may pre-date the existence of the current risk pool.

the county pays!", which according to Mr. Hardash was because funds held by ASCIP were actively managed.



Based on our review of quarterly statements provided to the District by ASCIP, District funds held by ASCIP in the RMDF earned interest at a rate ranging from 0.54% - 6.75% during the 1997 – 2024 time period, which fluctuated each quarter based on economic and market conditions. According to ASCIP's audited financial statements, ASCIP invests funds not immediately necessary for claim payments in short-term and long-term securities to optimize the rate of return. ASCIP's audited financial statements also indicate that ASCIP's "managed portfolio consists of fixed income securities purchased and held in accordance with ASCIP's investment policy and the California Government Code."¹⁹

i. RMDF Effectively Served as a Rainy Day Fund / Emergency Fund for the District

Based on our review of District funds held by ASCIP in the RMDF and the use of funds withdrawn from the RMDF by the District, it appeared that prior to 2018 the RMDF effectively served as a rainy day fund for the District to be used for smaller one-time purchases not included in the budget, such as purchases of a Toyota Prius or football helmets. However, during the 2018 – 2020 time period, it appeared that the RMDF evolved into an emergency fund for the District for larger unexpected costs such as over \$1.1 million for a legal settlement in 2018, or \$1 million to fund the Emergency Blue Phone Project in 2019.

¹⁹ ASCIP audited financial statements for the fiscal year ended June 30, 2024.

j. Use of Funds from RMDF for Legal Settlement Payment in May 2018

On May 10, 2018, former Chancellor Rodriguez included information in his weekly memo to the Board indicating that funds from the RMDF would be used to pay for a legal settlement involving Marisa Hernandez. In the memo, former Chancellor Rodriguez stated that the legal settlement would not be paid from the District's general fund, but instead will be paid out of the RMDF. Former Chancellor Rodriguez also indicated that the RMDF had a balance of approximately \$2.1 million, and consisted of funds that the District received from savings on risk management items, as shown below.^{20,21}

probably write something negative about it. We will discuss this issue in closed session next Monday and provide you with more information about it. I asked Judy Chitlik to make sure that Jeff Thompson attends the board meeting Monday or is at least available on the phone to brief you all about the case and its importance for all community college districts, not just ours. This case sets a precedent that goes against the current law as we had understood it and ASCIP has a particular strategy that they would like to pursue in the next phase. By the way, any payout that we would have to provide to Ms. Hernandez would not come from the general fund. It would come from the risk management deposit fund. This fund currently has a balance of approximately \$2.1 million. It consists of funds that we receive from various savings on risk management items.

The information included in the memo to the Board by former Chancellor Rodriguez in May 2018 was the first instance identified by Weaver in which the Board was made aware of the RMDF, or the balance of funds held in the RMDF. However, it is important to note that the information provided by Chancellor Rodriguez did not indicate that funds held in the RMDF were held by ASCIP on behalf of the District, in fact the memo appeared to imply that the RMDF was a District-held fund, similar to the general fund.

k. Discussion Related to ASCIP Rebates to Balance the Budget in October 2020

In October 2020, the District received a rebate from ASCIP for the Workers' Compensation program of approximately \$1.4 million, and elected to deposit the funds into the RMDF. The District also received a rebate of approximately \$400,000 for the Health Benefits program, which was paid

²⁰ See Exhibit 48 (Memo to the Board from Chancellor Rodriguez dated May 10, 2018)

²¹ During the Board meeting on May 14, 2018, the Board met in closed session and approved the payment of the legal settlement and in July 2018 the District withdrew approximately \$1.1 million from the RMDF, which was deposited into the District's Property and Liability Fund to be used to pay the legal settlement.

directly to the District. On October 5, 2020, Mr. O'Connor sent an email to Mr. Maus stating that he was informed by the Chancellor that the Board may want to use the rebates from ASCIP.²²

From: Maus, Donald
Sent: Monday, October 5, 2020 2:57 PM
To: O'Connor, Adam
Subject: RE: ASCIP Rebate

No, but we can always withdraw the money.

From: O'Connor, Adam
Sent: Monday, October 5, 2020 2:56 PM
To: Maus, Donald <Maus_Donald@rscdd.edu>
Subject: RE: ASCIP Rebate

Marvin mentioned this morning that the board may want to use it. Is it possible to change our minds on that??

From: Maus, Donald <Maus_Donald@rscdd.edu>
Sent: Monday, October 5, 2020 2:55 PM
To: O'Connor, Adam <OConnor_Adam@rscdd.edu>
Subject: RE: ASCIP Rebate

It was already deposited in the ASICP account per Peter's direction. He said we didn't need it this year.

From: O'Connor, Adam
Sent: Monday, October 5, 2020 2:54 PM
To: Maus, Donald <Maus_Donald@rscdd.edu>
Subject: ASCIP Rebate

Don, what is the status of the \$1.8 million ASCIP Rebate? When do we need to decide how to accept it, or have we already? Thanks, Adam

At the Board meeting on October 12, 2020, Mr. O'Connor presented the proposed budget to the Board for 2020-2021, which included a bullet point on the slide that stated, "Remaining deficit amount of \$2.2 million will be covered with \$1.8 million ASCIP rebate," as shown below.

²² See Exhibit 26

Proposed Adopted Budget

- District budgeting apportionment revenue at hold harmless level (2017-2018 TCR + 2018-2019 COLA + 2019-2020 COLA less 2% Deficit Factor)
- Any additional funds under SCFF will be distributed as one-time funds once earned and allocated
- Balanced budget in 2020-2021
 - \$3 million in budget reductions remain intact from Tentative Budget
 - Remaining deficit amount of \$2.2 million will be covered with \$1.8 million ASCIP rebate and other benefits and vacancy savings
 - Multi-year projection based on hold harmless funding. Need to consider loss of hold harmless funding in planning for future budgets before adding new ongoing costs
- Reviewed and recommended by both Fiscal Resources Committee (FRC) and District Council

Based on our review of Board meeting video recordings and interviews with Board members, the information shared with the Board in October 2020 did not include information related to the RMDF or the District's fund balance in the RMDF being held by ASCIP.

I. Discussion of ASCIP Rebates During Board Meetings in Fall 2023

During the Board meeting on September 26, 2023, information was presented to the Board related to ASCIP rebates as it pertained to costs of employee health benefits with ASCIP compared to Aetna.²³ The information presented to the Board did not indicate that rebates had historically been held in the RMDF by ASCIP on behalf of the District, or that the District's balance in the RMDF was approximately \$5.3 million at that time.

During the subsequent Board meeting on October 23, 2023, additional information was presented to the Board by Vice Chancellor Ingram related to ASCIP rebates received related to the Health Benefits program since 2021. During the presentation, Vice Chancellor Ingram informed the Board the because the rebates are one-time sources of revenue, typically the District has left the rebates

²³ During the Board meeting on September 26, 2023, Agenda Item No. 10.3 was for the "Approval of Recommendation for 2024 Benefit Providers." The Board voted to deny the administration's recommended benefit provider, Aetna, and remain with ASCIP.

“on an account that [the District] has with ASCIP” rather than the District receiving the rebate directly.²⁴ The information presented to the Board did not indicate that the District’s balance in the RMDF was approximately \$5.3 million at that time. The Board meeting on October 23, 2023 was the first time we were able to identify information being presented to the Board to indicate that ASCIP rebates were being held by ASCIP in an account on behalf of the District, as opposed to being held in the District’s accounts.

m. Memo Sent to the Board Regarding ASCIP Rebates in October 2023

Following the Board meeting on September 26, 2023, District administrators prepared a memo to be shared with the Board containing additional information and answers to questions related to ASCIP’s Health Benefits program and rebates. We determined that the memo was sent to at least one Board member by Chancellor Martinez on October 2, 2023.²⁵ While the memo provided information about rebates issued by ASCIP for the Health Benefits program going back to 2018, the information contained in the memo did not specify that rebates were held in the RMDF by ASCIP on behalf of the District, or that the fund balance in the RMDF was approximately \$5.3 million at that time. The information in the memo also appeared to be misleading in its assertion that ASCIP rebates were being treated as income within the District’s Budget Allocation Model (see excerpt from the memo below).²⁶

The rebate income has been treated like all other non-apportionment income within the District’s Budget Allocation Model (BAM). We have used it to offset other one-time costs or projects, e.g., emergency blue phones on campuses. And as previously stated, because these funds are one-time and highly variable, we haven’t used them for funding ongoing costs such as insurance premiums. If we move to the Aetna plan, the ASCIP rebates will no longer be available to the district.

n. District’s Fund Balance in the RMDF Not Disclosed in District’s Financial Statements

Funds held in the RMDF by ASCIP on behalf of the District were not disclosed in the District’s audited financial statements from the time the District rejoined as a member of ASCIP in 1997 through the most recent audited financial statements for the fiscal year ended June 30, 2023. Specifically, we determined that the District’s reported assets included in the Statement of Net Position did not

²⁴ Video recording of Board meeting on October 23, 2023 (1 Hour and 54 Minutes into the recording)

²⁵ We determined that the memo was forwarded by Chancellor Martinez to Trustee Crockett on October 2, 2023. While the memo is addressed to the entire Board, it is unclear if the memo was sent to all Board members.

²⁶ See Exhibit 49 (Memo to the Board sent to Trustee Crockett by Chancellor Martinez on October 2, 2023).

account for District funds held in the RMDF by ASCIP on behalf of the District, which totaled approximately \$5.3 million as of June 30, 2023.²⁷ Based on our interview of Vice Chancellor Ingram, it is her understanding that quarterly statements for District funds held in the RMDF by ASCIP were not provided to the District's external auditors and they were not included on the list of documents requested by the external auditors each year.

The District's audited financial statements included a note to the financial statements each year, which stated that none of the JPAs (including ASCIP) were considered component units of the District for financial reporting purposes and that separate financial statements for each JPA (including ASCIP) could be obtained by the respective entity (below is the excerpt from the District's most recent audited financial statements).²⁸

Rancho Santiago Community College District
Notes to Financial Statements
June 30, 2023

ASCIP and SWACC are both governed by a board consisting of a representative from each member district. The governing board controls the operations of its JPA, independent of any influence by Rancho Santiago Community College District beyond the District's representation on the governing boards.

Each JPA is independently accountable for its fiscal matters. Budgets are not subject to any approval other than that of the respective governing boards. Member districts share surpluses and deficits proportionately to their participation in the JPA.

The relationships between Rancho Santiago Community College District and the JPAs are such that none of the JPAs is a component unit of the District for financial reporting purposes.

Separate financial statements for each JPA may be obtained from the respective entity.

o. California Community Colleges Budget and Accounting Manual (BAM)

Each community college district is required to follow the California Community Colleges Budget and Accounting Manual ("BAM") in accordance with Education Code Section 84030, which states: *"The accounting system, including the uniform fund structure used to record the financial affairs of any community college district, shall be in accordance with the definitions, instructions, and procedures published in the California Community Colleges Budget and Accounting*

²⁷ District funds held in the RMDF by ASCIP on behalf of the District at fiscal year-end were \$0.5 million - \$5.3 million at the end of each fiscal year during the fiscal years ended June 30, 2009 – June 30, 2023.

²⁸ According to the California Community Colleges Budget and Accounting Manual, *"the district's participation in such a JPA should be footnoted in the financial statements."*

Manual." The 2012 Edition of the BAM states, "assets are resources owned or held by a fund that have a probable future economic benefit."²⁹

In November 2024, the 2012 Edition of the BAM was revised for technical updates to enhance accounting procedures, improve alignment with generally accepted governmental accounting principles, as well as promote consistency and accuracy in financial reporting.³⁰ Amongst the revisions, the 2024 Edition of the BAM included revisions under Chapter 5 (Accounting for the Balance Sheet), to provide clarification that moneys held in a JPA were required to be recorded as an asset on the District's balance sheet under the account category "Cash with Fiscal Agent."^{31,32} The revision included in the 2024 Edition of the BAM is shown below.

Cash with Fiscal Agent

Cash held in an institution (usually a commercial bank or trust company) designated by the district to act as a fiduciary and as the custodian of moneys related to debt financing (e.g., Tax Revenue Anticipation Notes and bond issues)~~);~~ or moneys held in a joint powers authority.

p. District Practices Inconsistent with District Budget Allocation Model

In addition to the Budget and Accounting Manual issued by California Community Colleges, the District established a Budget Allocation Model, which was recommended at the November 18, 2020 Fiscal Resource Committee meeting and updated on April 20, 2022.³³ The District Budget Allocation Model states that due to the instability of revenues, vendor rebates "will not be part of the revenue allocation formula." The District Budget Allocation Model also states that "income derived from these sources will be deposited into the institutional reserves." In an email dated June 5, 2024, Mr. O'Connor stated to Vice Chancellor Ingram that "Instead of depositing to the district reserves, we have chosen to deposit these particular rebates in the ASCIP RMDF on our behalf for the reasons already mentioned."³⁴ Earlier emails in the email chain indicated that the "reasons

²⁹ See Exhibit 6 (2012 BAM Edition)

³⁰ <https://www.cccco.edu/About-Us/Chancellors-Office/Divisions/College-Finance-and-Facilities-Planning/Fiscal-Standards-and-Accountability-Unit/Manuals>

³¹ See Exhibit 7 (2024 BAM Edition, Chapter 5 – Accounting for the Balance Sheet)

³² *Cash with Fiscal Agent* is a subaccount under the primary asset account 9100 *Cash, Investments, and Receivables*.

³³ See Exhibit 8 (District Budget Allocation Model)

³⁴ See Exhibit 9 (Email from Mr. O'Connor to Vice Chancellor Ingram on June 5, 2024)

already mentioned" pertained to estimated legal settlements related to AB 218 that would impact the District's liability insurance premiums.

It appeared that the District's practice of deferring rebates to be held by ASCIP in the RMDF on behalf of the District was inconsistent with the District Budget Allocation Model, which indicated that vendor rebates would be deposited into the institutional reserves.

q. Member Fund Balances in RMDF Not Included in ASCIP's Financial Statements

As described previously in this Report, the District's audited financial statements did not account for funds held in the RMDF by ASCIP on behalf of the District, and instead included a statement that ASCIP was not a component unit of the District for financial reporting purposes and separate financial statements could be obtained from ASCIP. Based on our review of ASCIP's audited financial statements during the 1997 – 2024 time period, ASCIP included total funds held in the RMDF across all members as a liability on its balance sheet, but did not include detailed information regarding individual member balances held in the RMDF. Below is an excerpt of the footnote related to the RMDF included in ASCIP's audited financial statements for the fiscal year ended June 30, 2022.³⁵

9. RISK MANAGEMENT DEPOSIT FUND

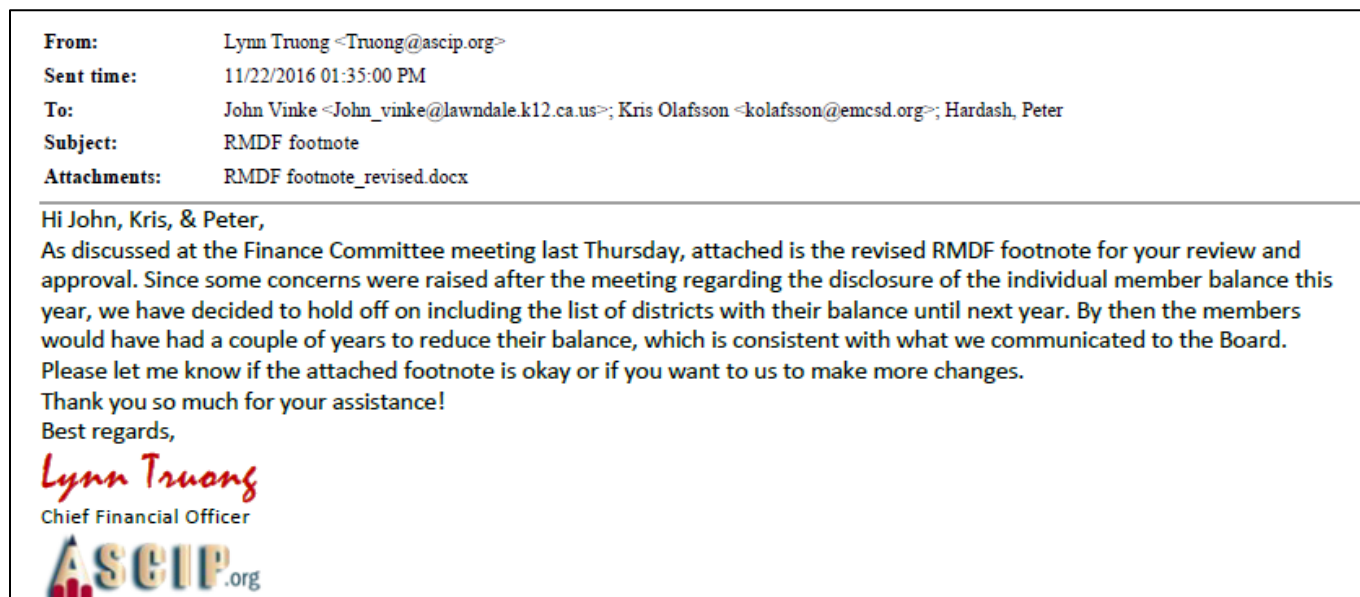
The Risk Management Deposit Fund (RMDF) was established to provide participating members with the option to defer receipt of distributions made by ASCIP. The deferred funds may be used to off-set future ASCIP premiums or other district related needs. Deferral requires both written authorization by the member's senior administrative official and approval by ASCIP's Executive Committee. ASCIP limits the total amount of funds held in the RMDF to the member's total annual premiums. ASCIP credits interest income to member funds held within the RMDF and provides members with quarterly statements. Withdrawal of RMDF funds requires written instructions from the senior administrator or their designee(s). As of June 30, 2022, ASCIP reported a total balance of \$17,677,169 in its RMDF. This balance is included with restricted cash and cash equivalents.

r. District Involvement in Decisions Regarding ASCIP Disclosure of Member Balances

In addition to serving as a member of ASCIP's Executive Committee, Mr. Hardash served on ASCIP's Finance Committee at different points in time during his tenure as Vice Chancellor of Business Services for the District. Notably, Mr. Hardash served on ASCIP's Finance Committee in November 2016 when ASCIP's Finance Committee considered revising the notes to ASCIP's

³⁵ ASCIP's total balance of \$17,677,169 in its RMDF as reported in the notes to its financial statements represents the total balance across all members, including the District.

audited financial statements to include a disclosure of each member's balance in the RMDF. However, email communications between ASCIP's Chief Financial Officer at that time, and ASCIP's Finance Committee members reflected concern about the disclosure of individual member balances, and the Finance Committee wanted to hold off on the disclosure of member balances to allow members "a couple of years to reduce their balance," as shown in the email below.^{36,37}



It was notable that Mr. Hardash was a member of ASCIP's Finance Committee when ASCIP decided not to disclose individual member balances in 2016, at which point in time the District's balance in the RMDF represented almost 12% of the entire RMDF balance across all members. As of this Report, ASCIP has never included individual member balances in its audited financial statements.

s. CIPA Formed in 2005 as a Wholly-Owned Subsidiary of ASCIP

In September 2004, ASCIP's Executive Committee approved the formation of a captive insurance company to support ASCIP's owner-controlled insurance program. In January 2005, ASCIP formally established Captive Insurance for Public Agencies ("CIPA") in the State of Hawaii as a wholly-owned subsidiary of ASCIP, with Mr. Didion serving as a founding Board member according to

³⁶ See Exhibit 10 (Email from ASCIP CFO to Mr. Hardash on November, 22, 2016)

³⁷ The minutes from ASCIP's Finance Committee meeting on November 17, 2016 stated: "*The Finance Committee recommended staff work with the Committee Chairs **and Committee Member Hardash** to revise the verbiage for the risk management deposit fund note in the financial audit to provide a clearer understanding of its purpose.*"

CIPA's Articles of Incorporation.³⁸ Following his retirement from the District in 2016, Mr. Didion entered into a contract agreement with CIPA in January 2017 to serve as CIPA's Managing Director, with compensation of \$8,000 per month.^{39,40} Several months after Mr. Didion transitioned from a CIPA Board member to a paid role as Managing Director, Mr. Hardash was appointed to CIPA's Board to fill the vacancy on the Board in May 2017.⁴¹

f. District Paid Premiums to ASCIP for Coverage Through CIPA Totaling \$7.8 Million

CIPA insured ASCIP's retained portion of its Owner-Controlled Insurance Program ("OCIP") for construction projects.⁴² The OCIP program insures new construction and renovation projects undertaken by participating districts, and covers contractors and all subcontractors on any work at or emanating from the project site. Payments by the District for insurance premiums under CIPA's OCIP program were made to ASCIP. During the 2008 – 2021 time period, the District paid insurance premiums under CIPA's OCIP program totaling over \$7.8 million, which related to District insurance for District construction projects, as summarized in the table below.

District Payments to ASCIP for Insurance Premiums Under CIPA's OCIP Program			
Date	Invoice No.	Invoice Description	Amount
1/11/2008	17O20	SCC-OCIP Insurance	\$ 810,000
5/2/2008	17O32	ASCIP-OCIP Insurance PKG	239,100
7/1/2009	846OCIP	SAC CDC INS 6/09-12/31/10	224,000
3/29/2010	1035OCIP	ASCIPOCIP3/25/10-3/18/12	349,355
3/29/2010	1035OCIP	ASCIPOCIP3/25/10-3/18/12	349,355
3/29/2010	1035OCIP	ASCIPOCIP3/25/10-3/18/12	349,355
12/16/2011	1800OCIP	SCC SCIBLDG CLOSEOUT	48,515
8/27/2012	2143OCIP	OCIP SCCM/O CLOSE 8/12	7,500
3/24/2014	2927OCIP	SACCAMPUSIMPV3/14-3/15	286,095
4/1/2014	2929OCIP	ASCIP PREMIUM - Dunlap	303,477
5/8/2014	2937OCIP	SCC ASCIP/OCIP CLOSEOUT	59,504
10/8/2015	3503OCIP	INSURANCE COVERAGE FOR	1,353,999
6/30/2016	3789OCIP	ASCIP/OCIP (2.8%)	57,014
6/30/2016	3788OCIP	ASCIP/OCIP CLOSEOUT	81,368
12/1/2017	4382OCIP	ASCIP OWNER CONTROLLED	999,000
12/1/2017	4382OCIP	SPLIT ITEM #1	93,660
5/24/2018	4630OCIP	ASCIP/OCIP (2.8%)	93,183
11/30/2018	4791OCIP	ASCIP (ALLIANCE OF	1,165,773
3/16/2021	5749OCIP	ASCIP-OCIP (OWNER	960,133
Total			\$7,830,386

³⁸ See Exhibit 50 (CIPA Articles of Incorporation)

³⁹ See Exhibit 11 (Managing Director Agreement between Mr. Didion and CIPA)

⁴⁰ Meeting minutes for CIPA indicated that Mr. Didion continued to serve as Managing Director for CIPA through 2023, with Mr. Didion transitioning to the role of Board President of CIPA in January 2024 (see Exhibit 54).

⁴¹ See Exhibit 51 (Appointment of Mr. Hardash to CIPA Board in May 2017)

⁴² CIPA issues separate financial statements which are maintained by ASCIP.

Invoices related to premiums paid by the District under CIPA's OCIP program were issued by ASCIP and addressed to either Mr. Didion or Mr. Hardash, who also signed the invoices to authorize payment by the District.⁴³

Based on our interviews with individuals from the District's Business Services Department, it did not appear that the District received any rebates from either CIPA or ASCIP related to premiums paid under the OCIP program. During our interview with ASCIP representatives, ASCIP stated that they would not be able to provide Weaver with information or documentation pertaining to CIPA due to CIPA being a separate entity, despite the fact that the insurance premiums paid by the District related to CIPA were paid to ASCIP. As such, we were unable to corroborate whether the District was eligible for rebates related to insurance premiums paid to ASCIP under CIPA's OCIP program.

u. Review of Conflicts of Interest Concerning Mr. Didion's Role with ASCIP / CIPA

During his tenure with the District, Mr. Didion served as a member of ASCIP's Executive Committee during the 1999 – 2016 time period, including as President of the Executive Committee during the 2000 – 2002 time period and again during the 2009 – 2010 time period. It is also our understanding that Mr. Didion previously served as a member of ASCIP's Executive Committee prior to his tenure with the District, during his tenure at Long Beach Community College District. We also determined that Mr. Didion served as a founding Board member for CIPA when it was formed in 2005, and served as a CIPA Board member through 2016.⁴⁴

Following his retirement from the District in 2016, Mr. Didion entered into a contract agreement with CIPA in January 2017 to serve as CIPA's Managing Director, with compensation of \$8,000 per month.^{45,46} Mr. Didion's role as Managing Director included responsibilities for program development, operational oversight and management of CIPA's OCIP program, and other insurance, reinsurance and related operations and programs at CIPA's direction. It appeared that Mr. Didion transitioned to the role of Board President of CIPA in January 2024.

While it did not appear that Mr. Didion received compensation from ASCIP or CIPA during the time he was employed by the District, it appeared that Mr. Didion's long-stand relationship with ASCIP

⁴³ See Exhibit 55 (ASCIP Invoices related to CIPA OCIP program)

⁴⁴ Mr. Didion also serves on the Board of Directors for SchoolsFirst Federal Credit Union, which has a financial relationship with the District.

⁴⁵ See Exhibit 11 (Managing Director Agreement between Mr. Didion and CIPA)

⁴⁶ It is our understanding that Mr. Didion stepped down from his role as a CIPA Board member when he started to receive compensation for his role as Managing Director for CIPA in 2017.

and CIPA, including his role as President of the Executive Committee, created inherent conflicts of interest concerning his role with the District and decisions related to the deferral of rebates from ASCIP to be held in the RMDF.^{47,48} It was notable that the District rejoined as a member of ASCIP in June 1997, shortly after Mr. Didion started his employment with the District in January 1997. It was also notable that Mr. Didion led the Joint Benefits Committee which recommended for the District to switch health insurance providers and join ASCIP's Health Benefits program in 2015, during which time Mr. Didion served as a member of ASCIP's Executive Committee.⁴⁹

v. Review of Conflicts of Interest Concerning Mr. Hardash's Role with ASCIP / CIPA

Mr. Hardash served as a representative of ASCIP's Executive Committee during the 1997 – 2000 time period and again during the 2016 – 2020 time period, serving either as a member or an alternate member. Email communications indicated that Mr. Didion nominated Mr. Hardash to fill his seat on the ASCIP Executive Committee prior to Mr. Didion's retirement from the District in 2016.⁵⁰

From:	Hardash, Peter
Sent time:	06/09/2016 02:17:34 PM
To:	Didion, John
Subject:	RE: ASCIP

Yes, I accept the nomination. Will you tell him or should I?
Thanks

Peter Hardash
Vice Chancellor
Business Operations/Fiscal Services
Rancho Santiago Community College District
714-480-7340 - Office
714-796-3950 - Fax

-----Original Message-----
From: Didion, John
Sent: Thursday, June 09, 2016 12:14 PM
To: Hardash, Peter
Subject: ASCIP

Apparently I was the only person who turned in a nomination for my seat on the ASCIP board. Fritz wanted to confirm that you accept the nomination

⁴⁷ CIPA Board members received travel accommodations paid by ASCIP and/or CIPA to attend conferences and other meetings for CIPA, which were typically held at luxury hotels in Hawaii such as the Grand Hyatt Kauai Resort & Spa.

⁴⁸ As described previously in this Report, ASCIP's Bylaws require the Executive Committee to be comprised of individuals employed by an ASCIP member.

⁴⁹ The District paid premiums to ASCIP ranging from \$23.8 - \$29.3 million each year as a member of ASCIP's Health Benefits program beginning in 2015.

⁵⁰ See Exhibit 53

Mr. Hardash also served on ASCIP's Finance Committee and was involved in decisions regarding information to be included in ASCIP's audited financial statements related to the RMDF in 2016. We also determined that Mr. Hardash was appointed to be a Board member for CIPA in 2017, which occurred shortly after Mr. Didion's transition from CIPA Board member to Managing Director.⁵¹ Email communications indicated that Mr. Hardash advocated for other community colleges to become members of ASCIP, as shown in the email below.⁵²

From: Hardash, Peter
Sent time: 05/01/2015 12:39:13 AM
To: Coleal, Sharlene <Sharlene.coleal@canyons.edu>
Subject: Re: ASCIP

Hi Sharlene,

I love ASCIP. I've been with them since almost their inception, except for the years I was at Pasadena City College which was in the SWACC program. So I've seen both organizations. I'd be happy to talk to you more about ASCIP. In my opinion and experience, with ASCIP almost all their programs are bundled under one fee. Keenan makes a lot of money because their coverages and services are separate and a la carte. Keenan is a for profit organization. ASCIP is a member owned organization that is not in business to make a profit. I know everyone at ASCIP very well. If you would like to talk to them, I'd be happy to help arrange it.

Peter

Mr. Hardash's role as a member of ASCIP's Executive Committee and Finance Committee appeared to create a conflict of interest as it related to his role as the District's Vice Chancellor of Business Services. When the District became aware that it would receive a rebate from ASCIP in July 2016 and needed to make an election whether to have the rebate deposited into the RMDF or disbursed to the District, Mr. Hardash advised Mr. Maus and Mr. O'Connor that ASCIP "may need these reserves as rate stabilization funds" due to hardening conditions in the workers' compensation market.⁵³ Mr. Hardash's recommendation to defer the rebate from ASCIP appeared to be based on the best interest of ASCIP, and not necessarily the District.

From: Hardash, Peter
Sent time: 07/25/2016 03:16:37 PM
To: Maus, Donald; O'Connor, Adam
Subject: RE: Workers' Comp Rebate

Let's talk about this rebate and what to do with it. The WC market is hardening and we may need these reserves as rate stabilization funds.

⁵¹ See Exhibit 51 (Appointment of Mr. Hardash to CIPA Board in May 2017)

⁵² See Exhibit 12 (Email from Mr. Hardash in May 2015 regarding ASCIP)

⁵³ See Exhibit 21

While it did not appear that Mr. Hardash received compensation from ASCIP or CIPA during the time he was employed by the District, it appeared that Mr. Hardash's long-stand relationship with ASCIP and CIPA, including his role on ASCIP's Finance Committee, created inherent conflicts of interest concerning his role with the District and decisions related to the deferral of rebates from ASCIP to be held in the RMDF.^{54,55}

⁵⁴ CIPA Board members received travel accommodations paid by ASCIP and/or CIPA to attend conferences for CIPA, which were typically held at luxury hotels in Hawaii such as the Grand Hyatt Kauai Resort & Spa.

⁵⁵ As described previously in this Report, ASCIP's Bylaws require the Executive Committee to be comprised of individuals employed by an ASCIP member.

VI. Conclusions

Based on the observations and findings formed by Weaver during the forensic audit of funds held in the RMDF by ASCIP on behalf of the District, Weaver's conclusions are summarized below:

a. ASCIP Rebates Held in the RMDF by ASCIP on Behalf of the District

Weaver confirmed that all of the rebates issued to the District by ASCIP and held in the RMDF by ASCIP on behalf of the District have been deposited into the District's accounts, as of this Report.

Findings in support of our conclusion are outlined below:

- Since the District rejoined as a member of ASCIP in 1997, the District elected to defer \$10,335,619 in ASCIP rebates to be held in the RMDF by ASCIP on behalf of the District.⁵⁶
- Based on our review of District financial and bank records, Weaver confirmed that the District withdrew \$10,838,609 from the RMDF and the funds were deposited into the District's accounts. The withdrawals accounted for all of the deferred rebates totaling \$10,335,619, as well as other deposits into the RMDF totaling \$50,796, and interest earned in the RMDF.
- The largest withdrawal from the RMDF was for \$7,167,249 on June 24, 2024, which represented a withdrawal of all District funds held in the RMDF at that time. Weaver confirmed the District's receipt of those funds, which were deposited into the District's General Fund – Unrestricted One-Time Funds (Fund 13) and Property & Liability Fund (Fund 61).
- As of December 31, 2024, the District's fund balance in the RMDF was \$32,558, which was due to interest applied by ASCIP after the District's withdrawal of \$7,167,249 on June 24, 2024.

b. Failure to Disclose Fund Balances Held in the RMDF in District Financial Statements

The District failed to disclose fund balances held in the RMDF by ASCIP on behalf of the District in its Annual Financial and Budget Report (CCSF 311) and audited financial statements, possibly in violation of California Code of Regulations, Title 5, Section 58300.⁵⁷

We determined that rebates issued to the District by ASCIP and held in the RMDF by ASCIP on behalf of the District were not disclosed in the District's audited financial statements each year,

⁵⁶ The District also received rebates totaling approximately \$1.3 million where the District elected to have the rebate paid directly to the District, rather than deposited into the RMDF.

⁵⁷ California Code of Regulations, Title 5, Section 58300 states, "On or before the 15th day of September of each year the governing board of each community college district shall prepare and keep on file for public inspection a **statement of all receipts and expenditures of the district** for the preceding fiscal year and a statement of the estimated total expenses for the district for the current fiscal year." **[emphasis added]**

including the Annual Financial and Budget Report (CCSF 311). Findings in support of our conclusion are outlined below:

- Rebates were formally issued to the District each year by ASCIP and the District had the option to have the rebate paid directly to the District.
- The District had the ability to withdraw any and all funds held in the RMDF at any time.
- ASCIP provided statements to the District each quarter showing the balance of funds held in the RMDF by ASCIP on behalf of the District.
- ASCIP included total funds held in the RMDF for all members as a liability on its Statement of Net Position in its audited financial statements.
- Revisions to the BAM in 2024 specifically clarified that funds held in a JPA should be included as an asset on the District's balance sheet under *Cash With Fiscal Agent*.
- Government Accounting Standards Board (GASB) guidance indicates when policy holders which participate in a public entity risk pool receive a return of contribution, the entity should record that return of contribution in the entity's financials such as to a receivable account.⁵⁸
- The balance of funds in the RMDF held by ASCIP on behalf of the District at the end of each fiscal year since 2009 ranged from \$0.5 million to \$5.3 million.⁵⁹

c. District Funds Held in RMDF Appeared to Violate District's Investment Policy

District funds held in the RMDF by ASCIP on behalf of the District do not appear to have been invested in accordance with the District's investment policy and California Government Code Section 53600.

Specific findings that formed the basis for our conclusion are provided below:

- District Administrative Regulation 6320 requires funds maintained by the County Treasurer not required for the immediate needs of the District to be invested in the County Treasurer's Investment Pool, the State's Local Agency Investment Fund, or other investments subject to prior approval from the Board.
- District funds held in the RMDF by ASCIP on behalf of the District appear to have been invested in actively managed funds outside of the permissible investments included in the District's investment policy.

⁵⁸ GASB Cod. Sec. C50.143; GASBIG 2015-1, Q3.72.2; GASBS 10, Sec. 130

⁵⁹ The District's balance of funds in the RMDF was \$7.2 million in 2024 prior to the withdrawal of all funds in the RMDF in June 2024.

d. Failure to Disclose Funds Held in the RMDF to the Board

District administrators failed to disclose to the Board sufficient information concerning funds held in the RMDF by ASCIP on behalf of the District, including sufficient information for the Board to govern the District's use of excess funds as required under California Code of Regulations, Title 5, Section 58308.

Specific findings that formed the basis for our conclusion are provided below:

- Information shared with the Board in a memo from former Chancellor Rodriguez in May 2018 was the first instance identified by Weaver in which the Board was made aware of the RMDF, or the balance of funds held in the RMDF. However, it is important to note that the information provided by Chancellor Rodriguez did not indicate that funds held in the RMDF were held by ASCIP on behalf of the District, in fact the memo appeared to imply that the RMDF was a District-held fund, similar to the general fund.
- Information presented to the Board by Vice Chancellor Ingram during the Board meeting on October 23, 2023 was the first instance identified by Weaver where information was shared with the Board to indicate that rebates issued by ASCIP were held in an account by ASCIP on behalf of the District. However, the District's fund balance in the RMDF was not provided to the Board, which was approximately \$5.3 million as of October 2023.
- District funds held in the RMDF by ASCIP on behalf of the District were not disclosed in the District's audited financial statements.
- None of the Board members interviewed had any recollection of information being disclosed to the Board regarding funds held in the RMDF by ASCIP on behalf of the District prior to the October 2023 Board meeting.
- Prior to the Board meeting on October 23, 2023, knowledge of District funds being held by ASCIP in an account outside of the District's funds appeared to be limited to leadership in the Business Services, Human Resources and Risk Management Departments, as well as the Chancellor.

e. Conflicts of Interest Concerning Messrs. Didion and Hardash

Messrs. Didion and Hardash made decisions on behalf of the District concerning the deferral of ASCIP rebates that demonstrated an apparent conflict of interest concerning their role as members and/or officers of ASCIP's Executive Committee, while also serving as District administrators.

Specific findings that formed the basis for our conclusion are provided below:

- During the 1998 – 2016 time period, Mr. Didion was involved in decisions by the District to defer rebates from ASCIP to be held in the RMDF, during which time he served as either a member or officer on ASCIP's Executive Committee, including as President.

- After Mr. Didion retired from the District in 2016, he entered into a contract in January 2017 with CIPA, a wholly-owned subsidiary of ASCIP, to serve as Managing Director for which he received compensation of \$8,000 per month. It is our understanding that Mr. Didion continues to serve as Managing Director for CIPA.
- During the 2016 – 2020 time period, Mr. Hardash was involved in decisions by the District to defer rebates from ASCIP to be held in the RMDF, during which time he served as either a regular member or alternate member on ASCIP's Executive Committee, as well as a member of the Finance Committee.
- In 2016, Mr. Hardash recommended that the District's rebate from ASCIP be held in the RMDF to provide reserves for ASCIP as rate stabilization funds.
- In 2016, Mr. Hardash was a member of ASCIP's Finance Committee and participated in the decision not to disclose individual member balances for funds held in the RMDF as part of ASCIP's audited financial statements.

VII. Recommendations

Based on our observations, findings and conclusions outlined in this Report, Weaver has provided recommendations for the District's consideration, as outlined below.

a. Disclosure of Rebates to the Board

We recommend the District consider updating its policies and procedures to require that any rebates issued by a JPA be disclosed to the Board to ensure the Board has full visibility of all District funds.

b. Rebates to be Paid Directly to the District

We recommend for any future rebates issued to the District by ASCIP or other JPAs, the District elect for rebates to be paid directly to the District rather than deferring rebates to be held by ASCIP or any other JPA. This will ensure that the District has access and control over all District funds, that all District funds are properly accounted for, as well as District compliance with California Code of Regulations.

c. Restrictions on Districts Use of Funds Received for Rebates

We recommend that the District consider implementing a policy to restrict the use of funds received by the District related to rebates, such that the use of funds with rebates is aligned with the purpose of the original expenditure (e.g., rebates received from ASCIP's health benefits program could only be used to offset future premiums or other costs related to health benefits).

d. Disclosure of RMDF Quarterly Statements to the District's External Auditor

We recommend that the District provide its external auditor with all past and future quarterly statements received from ASCIP for District funds held in the RMDF, to the extent this information has not already been provided. We also recommend that the District provide its external auditor the JPA Agreement between the District and ASCIP, as well as ASCIP's Bylaws and other relevant information pertaining to the administration of the RMDF.

e. Safeguards to Mitigate Conflicts of Interest for District Employees Involved in External Organizations

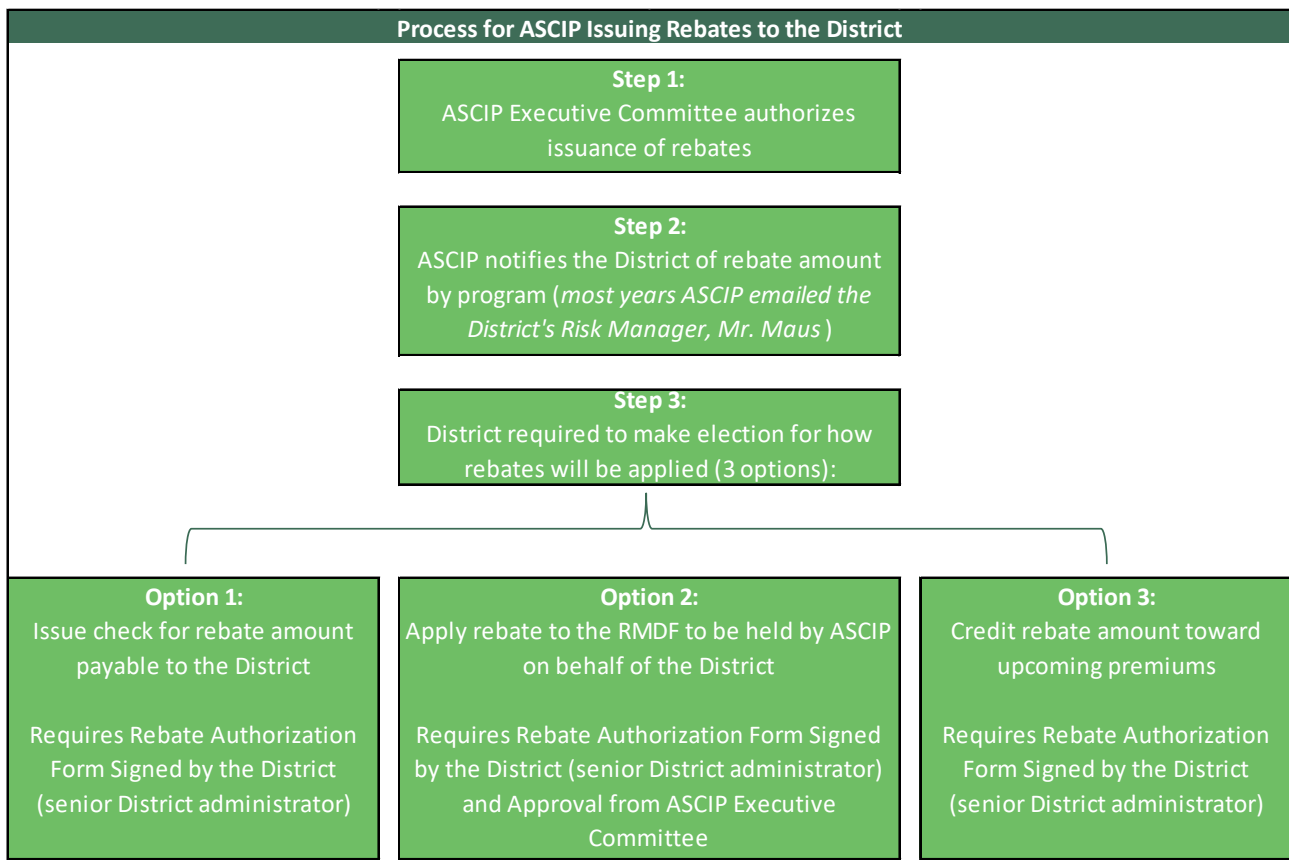
Given that ASCIP's Bylaws require members of the Executive Committee to be employees of the member entities, we recommend that the District consider implementing safeguards to mitigate potential conflicts of interest, such as limits on consecutive terms as a member of the Executive Committee by the same employee. We also recommend that District employees who are

involved in external organizations recuse themselves from participation in decision-making as it relates to financial decisions that impact both the District and the external organization.

Analysis of Rebates, Other Deposits and Interest in RMDF

I. ASCIP Process for Issuing Rebates

Following the completion of ASCIP's annual audit each year and determination of excess premium deposits by ASCIP's Executive Committee, ASCIP notified the District's designated contact person of any rebates to be issued back to the District by ASCIP, broken out by program. The District was given the option to defer their receipt of the rebate and have it deposited into the RMDF to be held by ASCIP on the District's behalf, or to have the rebate distributed directly to the District by check.⁶⁰ ASCIP's process for the District's receipt of rebates is illustrated below.



II. Analysis of ASCIP Rebates

We performed a review of email communications and Rebate Authorization forms for each rebate to gain an understanding of the District's process for electing whether to defer rebates

⁶⁰ ASCIP also allowed members to apply the rebate as a credit against future premium payments for programs being renewed by the District.

from ASCIP to be held in the RMDF, or have the rebate check issued directly to the District. A summary of our analysis of ASCIP rebates is provided in the table below, with supporting documentation included as Exhibits to this Report.

Date	Program	Amount	District's Election	People Involved in Decision	Signature on Rebate Form	Report Exhibit
9/2008	Workers' Comp.	\$145,519	Deferral	N/A	Leslie Piazza	Exhibit 13
3/2009	Workers' Comp.	\$373,118	Deferral	N/A	John Didion	Exhibit 14
8/2009	Workers' Comp.	\$122,503	Deferral	N/A	Leslie Piazza	Exhibit 15
8/2010	Workers' Comp.	\$205,102	Deferral	John Didion Peter Hardash	John Didion	Exhibit 16
8/2011	Workers' Comp.	\$193,602	Deferral	John Didion Peter Hardash	N/A	Exhibit 17
8/2012	Workers' Comp.	\$193,701	Deferral	John Didion Peter Hardash	Judyanne Chitlik	Exhibit 18
11/2014	Workers' Comp.	\$324,396	Deferral	John Didion Peter Hardash	John Didion	Exhibit 19
12/2015	Workers' Comp.	\$241,266	Deferral	John Didion Peter Hardash Raul Rodriguez	N/A	Exhibit 20
9/2016	Workers' Comp.	\$246,744	Deferral	Peter Hardash Adam O'Connor Don Maus	Peter Hardash	Exhibit 21
9/2017	Workers' Comp.	\$360,862	Deferral	Peter Hardash	Peter Hardash	Exhibit 22
12/2018	Workers' Comp.	\$350,561	Deferral		Don Maus	Exhibit 23
11/2019	Workers' Comp.	\$712,392	Deferral	Peter Hardash Tracie Green Adam O'Connor	Don Maus	Exhibit 24
10/2020	Health Benefits	\$403,528	Check Directly to ASCIP	Adam O'Connor Tracie Green	N/A	Exhibit 25
10/2020	Workers' Comp.	\$1,417,988	Deferral	Marvin Martinez Peter Hardash Adam O'Connor Tracie Green	Don Maus	Exhibit 26
9/2021	Workers' Comp. Health Benefits	\$2,207,080	Deferral	Iris Ingram Adam O'Connor	Iris Ingram	Exhibit 27
11/2022	Health Benefits	\$673,313	Deferral	Iris Ingram Adam O'Connor	Don Maus	Exhibit 28
11/2022	Workers' Comp.	\$777,205	Deferral	Iris Ingram Adam O'Connor	Don Maus	Exhibit 28
10/2023	Workers' Comp.	\$1,772,839	Deferral	Iris Ingram Adam O'Connor	Iris Ingram	Exhibit 29
6/2024	Workers' Comp. Health Benefits	\$878,105	Check Directly to ASCIP	Iris Ingram Alistair Winter	Iris Ingram	Exhibit 47
Total		\$11,617,252				

III. Other Deposits

In addition to ASCIP rebates deposited into the RMDF on behalf of the District, we identified two (2) additional deposits into the RMDF that did not appear to be related to ASCIP rebates.

a. SWACC Rebate of \$48,296 Deposited into RMDF in 2010

In December 2010, the District was notified that it would receive a rebate of \$48,296 from The Statewide Association of Community Colleges Joint Powers Authority ("SWACC"), which is another JPA that the District joined as a member for insurance coverage related to liability and property damages. Email communications between the District and ASCIP indicated that Mr. Didion and Mr. Hardash wanted the rebate check from SWACC to be made payable to ASCIP to be deposited into the ASCIP RMDF.⁶¹ Quarterly statements from ASCIP confirmed that the SWACC rebate of \$48,296 was deposited into the ASCIP RMDF where it was held on behalf of the District.

The deposit of the SWACC rebate into the ASCIP RMDF appeared to be inconsistent with ASCIP's Risk Management Deposit Fund Policy implemented in April 2016, "ASCIP is the exclusive source of funds eligible for deposit into the RMDF."⁶² It is unclear if a similar policy was in effect when the deposit occurred in 2010.

b. Award of \$2,500 for ASCIP "Risk Management Pays" Program in 2014

In 2009, ASCIP developed the "Risk Management Pays" Incentive Program to recognize members for proactive use of ASCIP's risk management and loss control services. Every three (3) years, ASCIP gives monetary awards to select members ranging from \$1,500 - \$2,500. In October 2014, the District received an award of \$2,500 from ASCIP under the "Risk Management Pays" program, which was deposited into the RMDF on behalf of the District.⁶³

IV. Interest Earned

Funds held in the RMDF by ASCIP on behalf of the District earned interest based on the average daily balance, which was applied quarterly. According to ASCIP's Loss Control Assistance Program, funds held in the RMDF "will earn interest at the prevailing rate earned by ASCIP in its regular investment portfolio."⁶⁴ During the 1997 – 2024 time period, District funds held in the RMDF earned \$484,752 in interest. Based on our review of quarterly statements submitted by ASCIP, District funds held by ASCIP in the RMDF earned interest at a rate ranging from 0.54% - 6.75% during

⁶¹ See Exhibit 30 (2010 SWACC Rebate of \$48,296 Deposited into ASCIP RMDF)

⁶² See Exhibit 4 (ASCIP Risk Management Deposit Fund Policy dated April 28, 2016)

⁶³ See Exhibit 31 (RMDF Deposit of \$2,500 in 2014 for "Risk Management Pays" award)

⁶⁴ See Exhibit 3 (Loss Control Assistance Program Policy, Revised May 17, 2002)

the 1997 – 2024 time period, which fluctuated each quarter based on economic and market conditions.⁶⁵

A summary of our analysis of account activity by year for District funds held by ASCIP in the RMDF is provided in the table below, including ASCIP rebates deposited into the RMDF, other deposits, interest and withdrawals.⁶⁶

Account Activity for District Funds Held in ASCIP RMDF (by Calendar Year)						
Year	Rebates	Other Deposits	Interest	Withdrawals	Ending Balance	
1997	\$ 6,157	\$ -	\$ 128	\$ -	\$ 6,285	
1998	-	-	418	-	6,704	
1999	9,425	-	512	-	16,640	
2000	1,832	-	1,085	-	19,557	
2001	7	-	1,145	-	20,709	
2002	7	-	847	-	21,562	
2003	-	-	580	-	22,142	
2004	-	-	522	-	22,664	
2005	-	-	762	-	23,426	
2006	-	-	1,099	-	24,526	
2007	-	-	1,321	-	25,846	
2008	145,519	-	3,373	-	174,739	
2009	495,621	-	12,647	-	683,007	
2010	205,102	-	11,243	(32,296)	867,057	
2011	193,602	48,296	11,648	(21,433)	1,099,170	
2012	193,701	-	8,991	(11,000)	1,290,862	
2013	-	-	7,925	-	1,298,786	
2014	324,396	-	12,112	(12,500)	1,622,794	
2015	241,266	2,500	17,954	(43,250)	1,841,265	
2016	246,744	-	25,127	(5,000)	2,108,136	
2017	360,862	-	35,488	-	2,504,486	
2018	350,561	-	38,765	(1,132,881)	1,760,931	
2019	712,392	-	20,441	(1,013,000)	1,480,764	
2020	1,417,988	-	22,921	(1,400,000)	1,521,673	
2021	2,207,080	-	23,926	-	3,752,679	
2022	1,450,518	-	53,200	-	5,256,397	
2023	1,772,839	-	100,010	-	7,129,246	
2024	-	-	70,561	(7,167,249)	32,558	
Total	\$ 10,335,619	\$ 50,796	\$ 484,752	\$ (10,838,609)		

⁶⁵ See Exhibit 5 (Quarterly Statements for the RMDF Submitted by ASCIP to the District)

⁶⁶ Rebates deposited into the RMDF of \$10,335,619 does not include the ASCIP rebate of \$403,528 that was paid directly to the District in October 2020, or the ASCIP rebate of \$878,105 paid directly to the District in June 2024.

Analysis of Withdrawals from RMDF and Use of Funds

I. Tracing of ASCIP Rebates to District Accounts

We identified 16 deposits into the District accounts related to ASCIP rebates totaling over \$12,120,242 million during the 1997 – 2024 time period, including 14 deposits related to the withdrawal of funds held by ASCIP in the RMDF totaling \$10,838,609, and two (2) deposits related to ASCIP rebates sent directly to the District totaling \$1,281,633.

a. Withdrawals from the RMDF Received by the District

District funds held by ASCIP in the RMDF can be withdrawn at any time to be disbursed back to the District without restriction. ASCIP required the District to complete a Disbursement of Risk Management Deposit Funds form for any withdrawal from the RMDF, which requires authorization from the District's primary contact and alternate contact. During the 1997 – 2024 time period, we identified 14 withdrawals from the ASCIP RMDF distributed back to the District totaling over \$10.8 million. For each withdrawal, we reviewed supporting documentation from District records to confirm the District's receipt of the funds, including bank statements and general ledger records. A summary of withdrawals from the ASCIP RMDF distributed back to the District is provided in the table below, with supporting documentation for each withdrawal included as exhibits attached to this Report (see exhibit reference for each withdrawal).

Check Date	GL Fund Account	GL Object Account	Amount	Confirmed by Weaver (Y/N)	Report Exhibit
8/4/2010	Property and Liability Fund (61)	Other Local Revenues (8890)	\$32,296	Yes	Exhibit 32
3/15/2011	Child Development Fund (33)	Other Local Revenues (8890)	\$16,183	Yes	Exhibit 33
10/13/2011	Child Development Fund (33)	Other Local Revenues (8890)	\$5,250	Yes	Exhibit 34
3/27/2012	Child Development Fund (33)	Other Local Revenues (8890)	\$11,000	Yes	Exhibit 35
11/5/2014	General Fund (11)	Employee Travel (5210)	\$2,500	Yes	Exhibit 36
12/19/2014	General Fund (11)	Non-Instructional Supplies (4610), Contracted Services (5100)	\$10,000	Yes	Exhibit 37
1/9/2015	Property and Liability Fund (61)	Reserved for Special Purposes (7940)	\$37,000	Yes	Exhibit 38
8/13/2015	Property and Liability Fund (61)	Inst Dues & Memberships (5300)	\$6,250	Yes	Exhibit 39
2/10/2016	General Fund (11)	Contracted Repair Services (5605)	\$5,000	Yes	Exhibit 40
7/3/2018	Property and Liability Fund (61)	Legal Expenses (5700)	\$1,132,881	Yes	Exhibit 41

Check Date	GL Fund Account	GL Object Account	Amount	Confirmed by Weaver (Y/N)	Report Exhibit
2/4/2019	Capital Outlay Projects Fund (41)	Suspense/Clearing-Other (9904)	\$1,000,000	Yes	Exhibit 42
10/15/2019	General Fund (11)	Inst Dues & Memberships (5300)	\$13,000	Yes	Exhibit 43
10/16/2020	General Fund (11)	Other Local Revenues (8890)	\$1,400,000	Yes	Exhibit 44
6/25/2024	GF Unrestricted One-Time Funds (13) & Property and Liability Fund (61)	Other Local Revenues (8890), All Other Contract Services (8839)	\$7,167,249	Yes	Exhibit 45
Total			\$10,838,609		

b. Rebates Received Directly by the District

In addition to the 14 withdrawals from the RMDF, we identified two instances where ASCIP rebates were issued directly to the District without being deposited into the RMDF, which totaled approximately \$1.3 million.

Check Date	GL Fund Account	GL Object Account	Amount	Confirmed by Weaver (Y/N)	Report Exhibit
9/29/2020	General Fund (11)	Other Local Revenues (8890)	\$403,528	Yes	Exhibit 46
6/25/2024	Property and Liability Fund (61)	All Other Contract Services (8839)	\$878,105	Yes	Exhibit 47
Total			\$1,281,633		

II. Use of Funds Withdrawn from RMDF

According to ASCIP's Risk Management Deposit Fund Policy, the intent of the RMDF was to allow members "to leave funds in ASCIP's custody which the member foresees will likely be needed to pay for future expenses related to risk management, loss control, safety, training & education, insurance or other services and activities."

During the 2010 – 2016 time period, it appeared that the District withdrew funds from the RMDF to be used by the District for smaller one-time purchases not included in the budget, such as purchases of a Toyota Prius, football helmets, or safety fencing for a Child Development Center. Beginning in 2018, it appeared that the District withdrew funds from the RMDF for larger expenditures, including over \$1.1 million to pay a legal settlement in 2018 and \$1 million to help cover costs related to the Emergency Blue Phone Project in 2019.⁶⁷ In 2020, the District withdrew

⁶⁷ The Emergency Blue Phone Project was a District safety initiative to replace outdated emergency phones on several District properties. It is our understanding that the District has emergency blue light tower phones located in public

over \$1.8 million to help cover a budget deficit of approximately \$2.2 million during the adoption of the 2020 annual budget. In 2024, funds withdrawn from the RMDF were deposited into the District's General Fund (Unrestricted One-Time Funds) and Property and Liability Fund, and did not have a specified use.

A summary of the District's use of funds received from ASCIP rebates, including withdrawals from the RMDF, is provided in the table below.

Date	Payee	Use of Funds by the District	Amount
8/2010	N/A	Reimbursement for District purchase of Prius vehicle from District's Safety Parking fund	\$32,296
3/2011	De La Torre Commercial	Replace plexiglass gates at SAC CDC with metal gates	\$16,183
10/2011	De La Torre Commercial	Fencing at SAC CDC to prevent a safety hazard	\$5,250
3/2012	De La Torre Commercial	Additional fencing at SAC CDC to prevent a safety hazard	\$11,000
11/2014	Association of Title IX Administrators	Reimbursement of expenses for Mr. Didion to attend ATIXA training	\$2,500
12/2014	David Barber Productions, Inc.	Purchase for production of Title IX video	\$10,000
1/2015	Riddell	Football helmets with InSight Safety system for concussion prevention	\$37,000
8/2015	Association of Title IX Administrators	Payment of 3-year membership with ATIXA	\$6,250
2/2016	Hirschfeld Kraemer, LLP	Payment for Title IX training	\$5,000
7/2018	Marisa F. Hernandez & Robert S. Scuderi (Attorneys)	Payment of legal settlement to Marissa Hernandez	\$1,132,881
2/2019	N/A	Purchases related to Emergency Blue Phone projects (purchases of blue phones and installation)	\$1,000,000
10/2019	Association of Title IX Administrators	Payment of 3-year membership with ATIXA	\$13,000
10/2020	N/A	Funding to balance the budget for FY2019-2020 (estimated budget deficit of \$2.2 million)	\$403,528
10/2020	N/A	Funding to balance the budget for FY2019-2020 (estimated budget deficit of \$2.2 million)	\$1,400,000
6/2024	N/A	Deposited into the District's General Fund – Unrestricted One-Time Funds (Fund 13) and Property & Liability Fund (Fund 61)	\$7,167,249
6/2024	N/A	Deposited into the District's Property & Liability Fund (Fund 61)	\$878,105
Total			\$12,120,242

areas on campuses and center buildings, elevators, administration buildings, and other outdoor locations. The phones provide direct voice communication to the Campus Safety office twenty-four (24) hours a day, seven (7) days a week.

Exhibits
