

University of Hawai'i

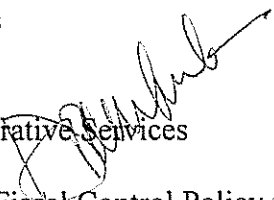
MAUI COMMUNITY COLLEGE

Administrative Services Office

February 10, 2006

Memorandum

To: MCC Administrators

From: David S. Tamanaha
Director of Administrative Services 

Subject: MCC Financial and Fiscal Control Policy for all Special and Revolving Funded Programs.

The attached policy has been discussed amongst the MCC Administrators (2/7/06), the MCC Academic Senate Budget Committee (2/9/06), and the MCC Executive Committee (2/10/06). During these discussions, no significant concerns or issues were raised, therefore I'm proposing to go forth with adopting the subject policy.

I'm extremely confident that this policy, if properly enforced will result in improved financial controls and will prevent any future occurrences of large scale deficit spending. I'm also hopeful that this policy will provide evidence for our external reviewers (auditors and accreditors) that the college has taken the necessary steps to correct our financial situation.

Please read and sign the policy. When it is fully executed, I'll send a copy to you for your files and distribution. Please be sure to inform your respective programs which may be impacted. We wish to avoid surprising any of our coordinators.

Maui Community College
Special and Revolving Funds
Financial and Fiscal Control Policy

I. Introduction

At the end of fiscal year 2005, Maui Community College's aggregate cash balance for its Community College Special Funds were in deficit status. A cash loan was acquired from the UH Community College's Repairs and Maintenance Funds to provide working capital for the MCC special funded programs in order to reverse its deficit situation and return to a position of financial stability. This fiscal control policy is necessary in order to effectuate increased controls over the colleges special and revolving funded programs, and to avoid future large-scale deficit situations. WASC Accreditation standards require the institution to substantiate financial stability by carrying an operating reserve.

II. Effective Date: February 15, 2006.

III. Description of Fiscal Policy

As of the effective date, this policy will apply to all MCC programs funded by special and/or revolving funds. This includes Bond System revolving funded programs such as the Dormitories, and programs funded with mandatory student fees such as Student Activities and MCC Health Center. This also includes all RCUH revolving accounts.

All special and revolving funded programs will be separated into three different categories. For all programs that are currently in deficit, the June 30, 2005 deficit amount will be used as baseline for the program.

1. Programs that have a positive cash balance and is NOT operating in deficit.
2. Programs that have a deficit cash balance but have reduced their deficit status as compared to its baseline (6/30/05 cash deficit).
3. Programs that have a deficit cash balance and have increased their deficit status as compared to its baseline (6/30/05 cash deficit).

As of 1/31/06, the programs would be separated into the three categories as described below:

1. **Programs that have a positive cash balance and is NOT operating in deficit.**

The FMIS System will be programmed to automatically freeze all purchasing and hiring activities for the specific account if a cash deficit occurs. The freeze will not be lifted until either an infusion of cash revenues, or a cash transfer from another program corrects the cash deficit and establishes working capital for the program to

operate. Program coordinators and/or respective Dean/Director/Vice Chancellors will be responsible for identifying available cash for transfer.

2. Programs that have a deficit cash balance but have reduced their deficit status as compared to its baseline (6/30/05 cash deficit).

These programs will be monitored against its baseline (6/30/05 cash deficit). If the deficit status exceeds its baseline, then the Business Office will manually impose a freeze on all purchasing and hiring activities, until its deficit situation improves over and beyond the 6/30/05 baseline by either an infusion of revenues or a cash transfer from another program. Program coordinators and or their respective Dean, Director or Vice Chancellor will be responsible for identifying the available cash for transfer.

In addition, these programs will be expected to completely recover from its deficit status and to return to a position of financial stability. If the program is deemed to be non feasible, then the respective Dean, Director or Vice Chancellor will be responsible for implementing program closure and identifying available cash to clear the deficits of the terminated program.

3. Programs that have a deficit cash balance and have increased their current deficit status as compared to its baseline (6/30/05 cash deficit).

These programs will be given a grace period of about two months or up to **April 15, 2006** to reduce its cash deficit back to its baseline (6/30/05 deficit). If the deficit is not reduced to equal or below its baseline, then the Business Office will manually impose a freeze on all purchasing and hiring activities, until its deficit situation improves over and beyond its 6/30/05 baseline by either an infusion of revenues or a cash transfer from another program. Program coordinators and or their respective Dean, Director or Vice Chancellor will be responsible for identifying the available cash for transfer.

In addition, these programs will be expected to completely recover from its deficit status and to return to a position of financial stability. If the program is deemed to be non feasible, then the respective Dean, Director or Vice Chancellor will be responsible for implementing program closure and identifying available cash to clear the deficits of the terminated program.

IV. New Special and Revolving Funded Programs

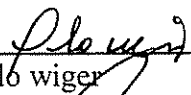
Respective Dean, Directors and or Vice Chancellors shall be responsible for the financing of any new special and revolving funded programs. If new programs require start up funds, then the respective Dean, Director and or Vice Chancellor is responsible for identifying the available cash to be transferred into the account of the new program. No new program shall be allowed to start up in deficit status; these programs shall be frozen immediately until a working capital is established.

We the undersigned have read and understand the fiscal policy on MCC special and revolving funds and I will inform my respective programs. I will assert my full attention to correcting any potential deficit situations prior to the drastic actions of this fiscal policy.



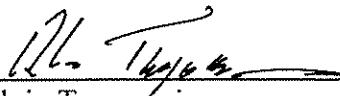
Clyde Sakamoto
Chancellor

2/13/06
Date



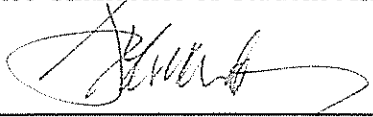
flo wiger
Vice Chancellor of Academic Affairs

2/13/06
Date



Alvin Tagomori
Vice Chancellor of Student Affairs

2/13/06
Date



David Tamanaha
Vice Chancellor of Administrative Affairs

02-10-06
Date