



SPECIAL MEETING OF THE BOARD OF TRUSTEES  
Thursday, June 30, 2016 – 3:00 p.m.  
Isadore A. Shrager Boardroom – M2-01

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SPECIAL MEETING OF THE BOARD OF TRUSTEES

AGENDA

Thursday, June 30, 2016 – 3:00 p.m.

Isadore A. Shrager Boardroom, M2-1

- (1) Executive Session
- (2) Consent Agenda
  - (a) Fixed Stair Replacement in West Building
  - (b) Solar Panel Project
  - (c) 2016-17 Property and Casualty Insurance Renewal Program
  - (d) Consultant for CCTV System for College Security
- (3) Report of the Business Affairs Committee
  - (a) 2016-17 College Operating and Capital Budget (A)
- (4) Report of the Audit Committee (A)
- (5) Public Comment
- (6) New Business
- (7) Next Meeting: Thursday, September 1, 2016 – 3:00 p.m.  
Isadore A. Shrager Boardroom – M2-1

Future Committee Meetings:

|                   |  |
|-------------------|--|
| Student Outcomes: | Thursday, September 1, 2016<br>1:00 p.m. – M2-34                                 |
| Business Affairs: | Wednesday, September 21, 2016<br>10:00 a.m. – Isadore A. Shrager Boardroom, M2-1 |
| Audit Committee:  | Thursday, September 29, 2016<br>12:00 p.m. – Isadore A. Shrager Boardroom, M2-1  |

Upcoming Events:

Foundation Annual Golf Classic:                   Monday, July 25, 2016  
11:30 a.m.  
Manufacturer's Golf and Country Club  
511 Dreshertown Road  
Fort Washington, PA

46<sup>th</sup> Annual ACCT Leadership Congress           October 5-8, 2016  
New Orleans, LA

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COMMUNITY COLLEGE OF PHILADELPHIA  
Proceedings of the Meeting of the Board of Trustees  
Thursday, June 2, 2016 – 3:00 p.m.

Present: Mr. White, presiding; Mr. Armbrister, Mr. Bergheiser, Ms. Biemiller, Mr. Edwards, Ms. Hernández Vélez, Mr. Herzog, Ms. Horstmann, Ms. Tsai, Dr. Generals, Ms. de Fries, Ms. DiGregorio, Mr. Eapen, Dr. Gay, Dr. Hirsch, Mr. Murphy, and Ms. Zellers

(1) Executive Session

The Executive Session was devoted to a discussion of real estate matters.

(2) Meeting Called to Order

Mr. White called the meeting to order.

(3) Report of the Business Affairs Committee

(3a) Presentation of 15<sup>th</sup> and Hamilton Street Development

Mr. White reported that the College issued an RFP for private developers to enter a public-private partnership with the College to develop the College's property located at 440 N. 15<sup>th</sup> Street to create a mixed-use development comprised of student housing, market-rate housing, retail amenities, and for the ongoing management of the property.

Mr. White stated that four developers, namely, Radnor Property Group, LLC; The PRC Group; University Student Living; and The Goldenberg Group responded timely to the RFP issued on January 29, 2016. The Goldenberg Group was disqualified for submitting a non-responsive or incomplete proposal. The three developers who submitted complete, responsive proposals were invited on April 8, 2016 to provide presentations to the College's selection committee which included one Trustee, and other College representatives. The three developers were evaluated after the presentation on the selection criteria, and the top two developers, Radnor Property Group, LLC, and The PRC Group were selected as finalists and offered an opportunity to provide a best and final offer. Both developers were invited back on May 16 to present to the College's selection committee which included two Trustees, President Generals, and other College representatives.

Following the presentations, the College's selection committee reviewed the materials submitted and presented by the finalists and evaluated the finalists based on the selection criteria. Mr. White stated that Radnor Property Group was ranked higher based on the selection criteria. Mr. White stated that Radnor Property Group's proposal was viewed as better meeting the College's goals for world class facilities, providing a greater variety of housing options, offered more affordable housing options for both student and non-student housing, and had a more desirable architectural design that fits the urban landscape. Additionally, Radnor Property Group

has substantial experience with long-term ground lease transactions and public-private partnerships with colleges and universities. Mr. White stated that the selection committee was recommending The Radnor Property Group for this project.

Mr. White introduced Mr. David Yeager, President of Radnor Property Group and members of his staff, who provided the Board with a detailed presentation of the development for the 15<sup>th</sup> and Hamilton Street property.

(4) Approval of Developer for the 15<sup>th</sup> & Hamilton Street Project

Mr. White read the following Resolution for Board approval:

WHEREAS, Community College of Philadelphia (the “College”) issued a Request for Proposal for private developers to submit proposals to enter a public-private partnership with the College, develop the College’s property located at 440 N. 15<sup>th</sup> Street to create a mixed-use development comprised of student housing, market-rate housing, and retail amenities, and for the ongoing management of the property (the “15<sup>th</sup> & Hamilton Project”);

WHEREAS, after review of the materials submitted by the developers, as well as initial and finalist presentations to the College, the College has evaluated the proposals submitted based on the selection criteria identified in the Request for Proposal;

WHEREAS, the College has identified Radnor Property Group, LLC as the developer with the proposal that best meets the College’s selection criteria and overall goals for the project;

NOW THEREFORE, on this second day of June, 2016, it is resolved that the Board of Trustees authorizes the College to execute a Letter of Intent and Non-Disclosure Agreement with Radnor Property Group, LLC to commence due diligence and negotiate the terms of a ground lease for the 15<sup>th</sup> & Hamilton Project.

Mr. White moved, with Ms. Hernández Vélez seconding, that the Board approve the above Resolution. The motion carried, with Mr. Bergheiser and Ms. Tsai abstaining.

(5) Report of the Student Outcomes Committee

Ms. Hernández Vélez reported that the Student Outcomes Committee did not meet. Board Committee members will be contacted to reschedule meeting.

(6) Consent Agenda

Mr. White requested Board approval of the following Consent Agenda:

- (a) Proceedings and Minutes of Decisions and Resolutions  
Meeting of May 5, 2016
- (b) Gifts and Grants

- (c) Academic Program Audit: Applied Science and Engineering Technology A.A.S.
- (d) Academic Program Audit: Technical Studies A.A.S.

Ms. Hernández Vélez moved, with Mr. Armbrister seconding, that the Board approve the Consent Agenda. The motion carried unanimously.

(7) Public Comment

Mr. White reported that there were no requests for Public Comment.

(8) Report of the Chair

(8a) Board Governance

Mr. Armbrister reported that the Ad Hoc Committee on Governance, consisting of himself, Ms. Hernández Vélez, and Ms. McPherson, had met several times to review Board structure, practices and procedures to determine whether the current structure provides the best possible conditions for meeting the strategic objectives of the College.

Mr. Armbrister reviewed a presentation of the discussions of the Committee. He stated that the comments were more observations than recommendations regarding Board governance. Mr. Armbrister stated that the questions raised by the Committee can be conducive in engaging in conversations moving forward. Mr. Armbrister stated that these conversations can be part of the College's strategic planning process which is ongoing.

Mr. Armbrister stated that as next steps, the College should move forward in recommending non-affiliate members to Board of Trustees committees.

(8b) Rescheduling of October 6, 2016 Board Meeting

Mr. White stated that due to a conflict with the Association of Community College Trustees Annual Congress, the October 6, 2016 Board meeting will be rescheduled for Thursday, October 13, 2016 at 3:00 p.m. in the Isadore A. Shrager Boardroom.

(8c) Special Board Meeting for Approval of College Budget  
Thursday, June 30, 2016, 3:00 p.m., Isadore A. Shrager Boardroom

Mr. White stated that a special meeting of the Board of Trustees will be scheduled for Thursday, June 30, 2016 at 3:00 p.m. in the Isadore A. Shrager Boardroom to approve the College's Budget. He stated that the approval of the budget was delayed from the normal timeframe as the College is awaiting more information on the College's local and state sponsor contribution.

(8d) Association of Community College Trustees  
Faculty Award

Mr. White reported that the College has submitted a nomination for the Association of Community College Trustees Faculty Award. He stated that the College has submitted Kathleen Smith, J.D., Coordinator of the Paralegal Studies Program and Director of the College's Center for Law and Society. Mr. White stated that Ms. Smith had dedicated herself to paralegal education and through the Center for Law and Society, which she created and directs, develops student learning opportunities, supports, student research projects, and runs a national recognized Reentry Support endeavor. Mr. White stated that Ms. Smith is an excellent candidate for the award.

(9) Nominating Committee for Board Officers

Mr. White reminded members of the Board to submit their nominations for Board Officers to Mr. Lassiter as soon as possible.

(10) Report of the President

Dr. Generals called attention to his memorandum in the Board folder which outlined the list of his activities during the month of May, and summarized the highlights.

Dr. Generals reported that the College hosted the Greater Philadelphia Chamber of Commerce's Roadmap for Growth Policy Forum on May 24, 2016. This policy forum featured Chief Education Officer for the City of Philadelphia Otis Hackney, who provided details of the Kenney Administration's plans to better support our long-term workforce and talent needs through education initiatives. The panel consisted of Dr. Generals, Dr. William Hite, Chief Executive Officer and Superintendent of the School District of Philadelphia; Mr. Daniel Fitzpatrick, President and Chief Executive Officer of Citizens Bank; Ms. Nicole Anderson, President of AT&T Foundation; and Robert Polisenio, Regional Executive Officer of Chubb.

Dr. Generals reported that the College is hosting, today, the 2016 PHL Diversity/Greater Philadelphia Hotel Association Hospitality Education Day in the Winnet Student Life Building. He stated that over 200 high schools students from the School District of Philadelphia are on Campus attending the various workshops focusing on careers in culinary arts.

Dr. Generals urged members of the Board to complete the Strategic Planning Survey. He stated that he would like to plan a Board Retreat in October, November or December. He stated that the Retreat will focus on strategic planning.

Dr. Generals reported that a special meeting of the Board of Trustees will take place on Thursday, June 30, 2016 at 3:00 p.m. to approve the College's budget.

(11) New Business

No new business was discussed at the meeting.

(12) Next Meeting

The next meeting of the Board of Trustees is scheduled for Thursday, June 30, 2016 at 3:00 p.m. in the Isadore A. Shrager Boardroom.

The meeting adjourned at 4:55 p.m.



COMMUNITY COLLEGE OF PHILADELPHIA  
Meeting of the Board of Trustees  
Thursday, June 2, 2016 – 3:00 p.m.  
MINUTES OF DECISIONS AND RESOLUTIONS

Present: Mr. White, presiding; Mr. Armbrister, Mr. Bergheiser, Ms. Biemiller, Mr. Edwards, Ms. Hernández Vélez, Mr. Herzog, Ms. Horstmann, Ms. Tsai, Dr. Generals, Ms. de Fries, Ms. DiGregorio, Mr. Eapen, Dr. Gay, Dr. Hirsch, Mr. Murphy, and Ms. Zellers

(1) Executive Session

The Executive Session was devoted to a discussion of real estate matters.

(2) Meeting Called to Order

Mr. White called the meeting to order.

(3) Report of the Business Affairs Committee

(3a) Presentation of 15<sup>th</sup> and Hamilton Street Development

Mr. David Yeager, President of Radnor Property Group and members of his staff, provided the Board with a detailed presentation of the development for the 15<sup>th</sup> and Hamilton Street property.

(4) Approval of Developer for the 15<sup>th</sup> & Hamilton Street Project

The Board approved the following Resolution:

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WHEREAS, the College has identified Radnor Property Group, LLC as the developer with the proposal that best meets the College’s selection criteria and overall goals for the project;

NOW THEREFORE, on this second day of June, 2016, it is resolved that the Board of Trustees authorizes the College to execute a Letter of Intent and Non-Disclosure Agreement with

Radnor Property Group, LLC to commence due diligence and negotiate the terms of a ground lease for the 15<sup>th</sup> & Hamilton Project.

(5) Report of the Student Outcomes Committee

The Student Outcomes Committee did not meet. Board Committee members will be contacted to reschedule meeting.

(6) Consent Agenda

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Meeting of May 5, 2016
- (b) Gifts and Grants
- (c) Academic Program Audit: Applied Science and  
Engineering Technology A.A.S.
- (d) Academic Program Audit: Technical Studies A.A.S.

(7) Public Comment

There were no requests for Public Comment.

(8) Report of the Chair

(8a) Board Governance

On behalf of the Ad Hoc Committee on Governance, Mr. Armbrister reviewed a presentation of discussions by the Committee.

(8b) Rescheduling of October 6, 2016 Board Meeting

The October 6, 2016 Board meeting will be rescheduled for Thursday, October 13, 2016 at 3:00 p.m. in the Isadore A. Shrager Boardroom.

(8c) Special Board Meeting for Approval of College Budget  
Thursday, June 30, 2016, 3:00 p.m., Isadore A. Shrager Boardroom

A special meeting of the Board of Trustees will be scheduled for Thursday, June 30, 2016 at 3:00 p.m. in the Isadore A. Shrager Boardroom to approve the College's Budget.

(8d) Association of Community College Trustees  
Faculty Award

The College nominated Kathleen Smith, J.D., Coordinator of the Paralegal Studies Program and Director of the College's Center for Law and Society for the Association of Community College Trustees Faculty Award.

(9) Nominating Committee for Board Officers

Board members were reminded to submit their nominations for Board Officers to Mr. Lassiter as soon as possible.

(10) Report of the President

Dr. Generals called attention to his memorandum in the Board folder which outlined the list of his activities during the month of May, and summarized the highlights.

The College hosted the Greater Philadelphia Chamber of Commerce's Roadmap for Growth Policy Forum on May 24, 2016.

The College hosted the 2016 PHL Diversity/Greater Philadelphia Hotel Association Hospitality Education Day on June 2, 2016.

Members of the Board were urged to complete the Strategic Planning Survey.

A special meeting of the Board of Trustees will take place on Thursday, June 30, 2016 at 3:00 p.m. to approve the College's budget.

(11) New Business

No new business was discussed at the meeting.

(12) Next Meeting

The next meeting of the Board of Trustees is scheduled for Thursday, June 30, 2016 at 3:00 p.m. in the Isadore A. Shrager Boardroom.

The meeting adjourned at 4:55 p.m.

Community College of Philadelphia  
Office of Institutional Advancement  
Record of Grants and Gifts  
for the June 2016 Special Meeting of the Board of Trustees

Summary by Grant Type:

|                                 | Current Month  | Fiscal             |
|---------------------------------|----------------|--------------------|
|                                 |                | Year-to-Date       |
| <b>Government/Public Grants</b> |                |                    |
| Federal                         |                | \$2,158,950        |
| State                           |                | \$1,907,206        |
| Local                           |                |                    |
| <b>Private Grants</b>           |                |                    |
| Corporation                     |                | \$8,000            |
| Foundation                      | \$3,000        | \$90,980           |
| Organization                    |                | \$245,000          |
| <b>Other Grants</b>             |                |                    |
|                                 |                |                    |
| <b>Grant Total</b>              | <b>\$3,000</b> | <b>\$4,408,136</b> |

**GIFTS**

Summary by Gift Type:

**Gifts to the Foundation (\$5,000+)**

|                                | Amount    | Purpose                       |
|--------------------------------|-----------|-------------------------------|
| AlliedBarton Security Services | \$5,500   | Scholarship                   |
| The Charitas Foundation        | \$10,000  | Golf Tournament Sponsorship   |
| Fox Rothschild                 | \$5,000   | Student Programs              |
| Goldman Sachs Gives            | \$100,000 | Endowment/Student Scholarship |
| Private Donor                  | \$6,434   | Scholarship                   |
| W.W. Smith Charitable Trust    | \$25,000  | Scholarship                   |
| Estate of Douglas A. Whyte     | \$38,108  | Scholarship                   |
|                                |           |                               |
|                                |           |                               |
|                                |           |                               |
|                                |           |                               |

**Gifts In-Kind**

|                    | Amount  | Purpose          |
|--------------------|---------|------------------|
| Tim Adams          | \$1,000 | Camera Equipment |
| Richard Guffanti   | \$1,500 | Camera Equipment |
| Ronald C. Miraglia | \$300   | Camera Equipment |
|                    |         |                  |
|                    |         |                  |
|                    |         |                  |
|                    |         |                  |
|                    |         |                  |
|                    |         |                  |

**COMMUNITY COLLEGE OF PHILADELPHIA  
Office of Institutional Advancement  
Monthly Summary of Grants and Gifts  
for the June 2016  
Special Meeting of the Board of Trustees**

**Foundation Grant**

The Teagle Foundation (subcontracted through the Association of American Colleges and Universities) has funded the Campus Action Plan for Curricular Coherence grant for \$3,000. This grant will support development of an action plan to create a more coherent and intentional curriculum for general education and promote purposeful pathways for students success.

**MEETING OF AUDIT COMMITTEE  
Community College of Philadelphia  
Wednesday, June 6, 2016 – 12:00 Noon  
Isadore A. Shrager Boardroom, M2-1**

Present: Mr. Anthony J. Simonetta, Mr. Jeremiah White (via telephone), Dr. Donald Generals, Jr., Mr. Jacob Eapen, Mr. Todd E. Murphy, Mr. James P. Spiewak, Mr. Robert Lucas, Victoria Zellers, Esq.; and representing Grant Thornton: Mr. Brian Page and Ms. Angelica Roiz and representing The Meridian Group: Mr. Anthony B. Scott (via telephone)

**AGENDA – PUBLIC SESSION**

**1. Approve Minutes of Audit Committee Meeting on March 29, 2016 (Action Item):**

**Action:** Mr. Simonetta asked for a motion to recommend acceptance of the March 29, 2016 Audit Committee meeting minutes. Mr. White made the motion. Mr. Simonetta seconded the motion. The motion passed unanimously.

**2. 2015-2016 Audit Process (Information Item):**

Attachment A contains the formal presentation made by Mr. Brian Page, Engagement Partner, Ms. Angelica Roiz, Senior Manager, from Grant Thornton and Mr. Anthony Scott (via telephone) from the Meridian Group. Mr. Page began his discussion by informing the Committee that he has had discussions with staff throughout the year about activities that have been happening at the College. He then walked through his presentation highlighting areas of focus, audit approach, as well as new accounting pronouncements that will affect this year's 2015-2016 audit as well as future fiscal years. He discussed the responsibilities of the auditors as it relates to the audit and he noted that auditing standards have remained relatively the same as last year with no significant changes. He pointed out that this year the College falls under the "Uniform Guidance" which used to be OMB Circular A-133. Basically, this guidance is a reclassification and combining of grant standards as well as some changes in report wording and the audit opinion.

Mr. Page also discussed the required communications that Grant Thornton will present as a result of the audit. He then briefly discussed the significant audit areas as outlined in Attachment A. He described the audit methodology, audit approach, timeline, as well as management's responsibilities and those charged with governance.

Mr. Page stated that his team will be on campus this week to focus on planning procedures; finalizing their risk assessment; and performing any interim testing the auditors feel appropriate. He indicated that they have already reviewed many of the new activities that the College has completed or is pursuing this year and has reviewed the new accounting pronouncements that could impact the College in conjunction with the year end audit.

Mr. Page asked the Committee members if there were any other areas that the Committee would like the audit team to focus on or matters of fraud risk that they might have concerns. The Committee members affirmed that they were satisfied with the proposed audit scope.

Mr. Simonetta asked about the audit fee for 2016. Mr. Page explained that it is outlined in the fee proposal that was submitted for the RFP process. Mr. Murphy noted that the fee proposal was for a period of five years and the College is in year three.

Mr. Page briefly discussed materiality and how the auditors develop a baseline for testing transactions for both the Financial Statements and Single Audits. The auditors take a quantitative benchmark approach but do adjust qualitatively.

Ms. Angelica Roiz then walked through the timeline, areas of focus and high risk areas that the audit team will concentrate on during the audit; specifically, tuition revenue recognition, accounts receivables, state and city appropriations, state and federal contracts, investments and auxiliary income. The audit team will perform reasonableness tests on all income to ensure proper accounting. She also explained that they will be looking at Government Accounting Standards Board (GASB) 68 which was implemented by the College last year. This standard requires the College to set up a liability on the College's books for both cost sharing pension plans in which some faculty and staff participate. An actuarial calculation will determine the value that the College will be required to record, which is completed by actuaries hired by the State. These plans are not offered to new employees. However, if a faculty or staff member were enrolled at a previous employer, the College is required to continue to offer that plan. The two plans are PERS (Public Employees' Retirement System) and SERS (State Employees' Retirement System). Currently, only 23 employees participate in PERS and 9 employees in SERS.

Mr. Murphy mentioned that the College is also undergoing another GASB 45 Assessment. This report is prepared by the College's actuary to determine the OPEB (Other Post Employee Benefit Liability) that the College is required to record and is currently phasing in over 30 years. Mr. Page noted that his team will be reviewing all of the assumptions that go into that calculation. Mr. Eapen noted the College will be using the same firm "Clarity in Numbers, LLC" as in the prior assessment.

Mr. Page discussed the process for determining what Federal programs will be audited as part of the Single audit. Specifically, student financial aid is always audited given its size. Other programs will be determined in the next few weeks.

Mr. Page discussed technology support for the audit. The auditors will review access to the systems as well as security controls, change management and any other controls that may impact the College's financial statements. Grant Thornton's Information Technology (IT) control review related to the College's ERP system is currently under review now and expects no significant change from last year. The Audit team has brought up a couple of minor recommendations in the past, but nothing significant.

Mr. Simonetta asked if the College had significantly changed anything from an IT systems perspective. Mr. Page and Mr. Murphy affirmed there had not been any changes. Mr. Page noted that his team will also review and test any one time transactions that could potentially impact the College's financial statements.

Mr. Page then discussed several new GASB accounting pronouncements and updates. The first was GASB 72 effective for this year, which deals with how the College reports fair value of investments in its financial statements. He indicated that this should not have a huge impact for the College, but will require additional disclosures in the footnotes that show how they are categorized based on how fair value is determined.

Mr. Simonetta asked if the College had to go back to the prior year in completing the new disclosures. Mr. Page stated that it was not required but is allowable.

The second was GASB 75 which is effective for fiscal year 2018, which will have the biggest accounting effect. Currently the College's OPEB Liability is being phased in over 30 years. This new pronouncement will require the full amount of that liability to be included in the financial statements for that year. Mr. Page noted that this will have a huge impact on many colleges and Government agencies. This will increase the overall liability and decrease the College's net assets.

Mr. Simonetta asked if the rating agencies have weighed in on this new standard. Mr. Page stated that rating agencies are generally in favor of more disclosures, but did not have any comments to its implementation. They already looked at this when they do their own reviews and due diligence.

The third was GASB 80, which discusses blending component units. The College will have to review the criteria and make a determination if it can continue to show the Foundation's financials discretely or be required to blend it with the College in its financials.

The fourth was GASB 81, which refers to irrevocable split-interest agreements. Mr. Page mentioned he had been in discussions with staff regarding a potential endowment that may fall into this criteria, which will allow the Foundation to record a beneficial interest in that Trust. This won't be effective this fiscal year, but could be early adopted.

Mr. Page mentioned several different major projects that GASB is currently working on that may impact the College at a future date, which is outlined in Attachment A. He then asked the Committee if there were any questions on where they will be spending their time this year or an area that the Committee would like them to focus. Mr. White asked them to take a look at the transactions associated with the 15<sup>th</sup> and Hamilton Street property in terms of the legal structure between the College and



the developer. Mr. Page stated that he will be reviewing the agreements to make sure they line up with the accounting standards. Mr. Eapen stated that he will provide the draft letter of intent when it is completed and seek Grant Thornton's guidance.

The next discussion focused on some industry updates regarding the challenges colleges and universities are facing, such as enrollment, retention and demographic changes. As part of the audit, Grant Thornton will sit down with staff to see if there are any industry topics that the College would like discussed at the next Audit Committee meeting.

Mr. White asked that given the previous state budget impasse, what rating agencies might do if another state budget problem arose. Mr. Page indicated that the agencies will most likely have concerns with anything that could affect liquidity.

Mr. White also asked Mr. Page if based on industry trends, he sees colleges investing significantly more into retention type activities? Mr. Page stated he is definitely seeing colleges investing in this area given some of the demographic trends.

Dr. Generals discussed how the College is carefully looking at the balance between affordability and revenue. He asked if there were any concerns the Auditors had with respect to not raising tuition in the last three years. Mr. Page indicated that there is some tipping point between prospective buyers (students) affordability and tuition increases. However, the College cannot continue with small tuition increases with expenses going up annually. Unfortunately, this may eventually decrease the College's operating margins unless things are done more efficiently in other areas to reduce expenses or the College develops alternative revenue streams.

Mr. Page concluded his presentation.

### **3. 2015-2016 Budget Update (Information Item):**

Mr. Spiewak provided a handout (Attachment B) to the Committee, which was previously presented at the May 23, 2016 Business Affairs Committee Meeting. The implications of key factors currently impacting the FY 15-16 budget were discussed. He described how the College exceeded its enrollment target for the late Summer and Fall semesters but fell short of enrollment budget target for Spring of 2016 by 4.8%. In addition, the early Summer semester is also experiencing a decline of about 13%. For the fiscal year, credit hours is expected to be down about 1.5% from budget. In terms of revenue, the College is expected to be down a total of \$2.5 million. Tuition and fee revenue is projected to be approximately \$2.2 million lower than budgeted and the actual state appropriation is about \$500,000 lower than budgeted. Expenses are expected to decrease overall by \$3.0 million. Savings were realized from higher-than-budgeted lapsed salaries and lower claims in the College's self-insured medical plan than budgeted. Additionally, the FY14-15 pay-off of some of the College leases resulted in savings for the FY15-16 year.

Mr. Eapen noted that the discussion of the 2016-2017 Budget will be deferred until the September 29, 2016 meeting, after the Board of Trustees approves the budget on June 30, 2016.

#### **4. Internal Audit Plan (Information Item):**

Mr. Lucas provided an update of the 2014-2016 Internal Audit Plan (Attachment C). He provided a copy of a summary report of activities since the last Audit Committee meeting as well as a copy of the audit plan for the two-year period ending June 2016 to the Committee members. Mr. Lucas stated that, since the last meeting, he issued: 1) two finalized audit reports to management; and 2) one draft audit report to management. Three other internal audits are in progress and are expected to be completed by June 30.

Mr. Lucas also noted that he continues to work with management to obtain the status of previously issued audit comments. He noted that management continues to make progress clearing open items. Mr. Lucas noted that he will provide a full update of the open items at the next Audit Committee meeting in September.

As part of the effort to develop an Internal Audit Plan for 2016-2018, Mr. Lucas stated that he met with all of the Cabinet members to discuss the risks that may exist in their respective divisions. Mr. Lucas used the information solicited from the Cabinet members to update the Internal Audit Risk Assessment for 2016. A copy of the risk assessment was provided to the Audit Committee members, which includes approximately 120 auditable areas that are each rated for various risks to help determine where Internal Audit resources should be allocated.

Lastly, Mr. Lucas noted that he developed a proposed Internal Audit Plan for the two-year period of July 1, 2016 to June 30, 2018. A copy of the proposed plan was provided to the Audit Committee members. Mr. Lucas noted that the plan has been provided to Dr. Gay, Jacob Eapen and Dr. Generals for their review. Mr. Lucas will be meeting with each of them to discuss the plan and to obtain their approvals for a final plan, which will be provided to the Audit Committee as an informational item. Mr. Lucas expects to be able to distribute the approved 2016-2018 Internal Audit Plan to the Audit Committee members by June 30, 2016.

#### **EXECUTIVE SESSION**

During any Audit Committee meeting; Management, The Independent Auditors or the Internal Auditor may request an Executive Session to meet privately with the Audit Committee. None was requested at this meeting.

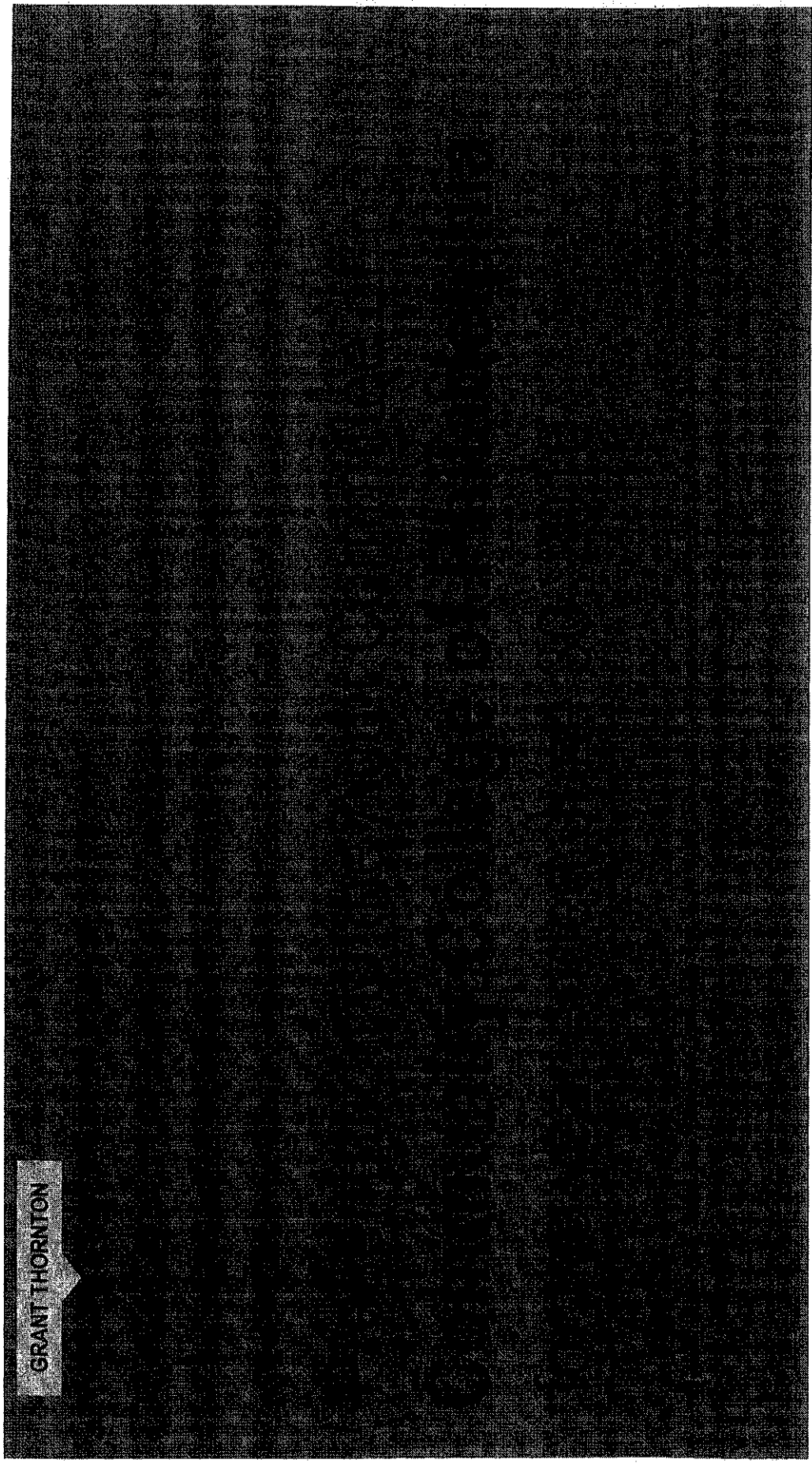
TEM/lmh  
Attachments

cc: Dr. Donald Generals, Jr.  
Mr. Jacob Eapen  
Mr. Robert Lucas  
Mr. Jim Spiewak  
Victoria Zellers, Esq.  
Representing Grant Thornton: Mr. Brian Page  
Representing Grant Thornton: Ms. Angelica Roiz  
Representing The Meridian Group: Mr. Anthony B. Scott

# **ATTACHMENT A**


**Grant Thornton**

**2015-2016 Audit Process**



GRANT THORNTON

**June 6, 2016**

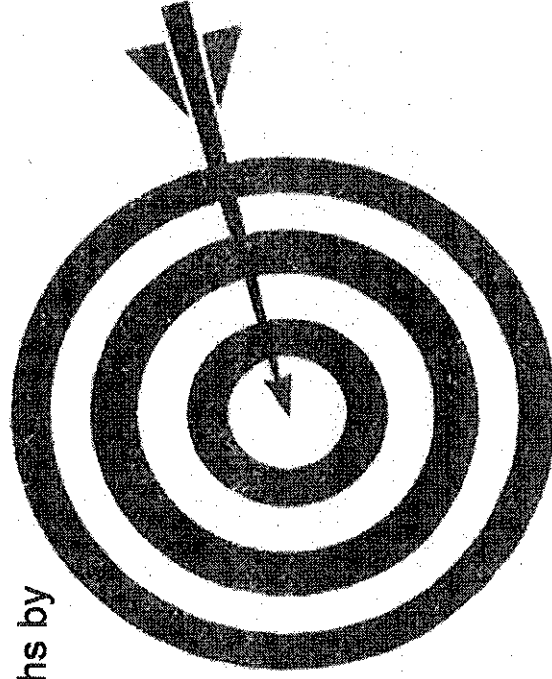
 **Grant Thornton**  
An instinct for growth™

## Our values are **CLEARR**

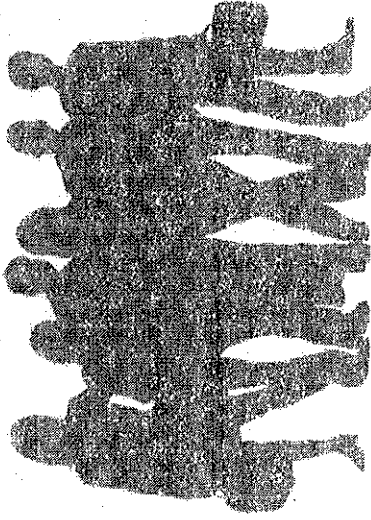
To achieve our global vision, we capitalize on our strengths by embracing the following values:

- Unite through **global Collaboration**
- Demonstrate **Leadership** in all we do
- Promote a consistent culture of **Excellence**
- Act with **Agility**
- Ensure deep **Respect** for people
- Take **Responsibility** for our actions

Our values serve as the foundation of each step we take toward achieving our vision. They guide our decision-making and provide a framework for our people to make correct and appropriate choices.



# RESPONSIBILITIES



# Our responsibilities

We are responsible for:

- Performing an audit of the Community College of Philadelphia's financial statements as prepared by management, conducted under US GAAS and *Government Auditing Standards*, with your oversight
- Forming and expressing an opinion about whether the financial statements are presented fairly, in all material respects in accordance with US GAAP
- Forming and expressing an opinion about whether certain supplementary information — including the Schedule of Expenditures of Federal (SEFA) awards — is fairly stated in relation to the financial statements as a whole
- Reading other information and considering whether it is materially inconsistent with the financial statements
- Communicating fraud and abuse with regard to federal programs
- Communicating specific matters to you on a timely basis; we do not design our audit for this purpose
- Reporting material noncompliance related to laws, regulations, contracts and grant agreements, as well as significant deficiencies and/or material weaknesses in internal control related to financial reporting
- Reporting material noncompliance with federal awards requirements applicable to major program(s) audited under the Uniform Guidance requirements (formerly OMB Circular A-133), as well as significant deficiencies and/or material weaknesses in internal control over compliance

An audit provides reasonable, not absolute, assurance that the financial statements do not contain material misstatements due to fraud or error. It does not relieve you or management of your responsibilities. Our respective responsibilities are described further in our engagement letter.

# Those charged with governance and management responsibilities

## Those charged with governance

Those charged with governance are responsible for:

- Overseeing the financial reporting process
- Setting a positive tone at the top and challenging the Community College of Philadelphia's activities in the financial arena
- Discussing significant accounting and internal control matters with management
- Informing us about fraud or suspected fraud, including its views about fraud risks
- Informing us about other matters that are relevant to our audit, such as:
  - Objectives and strategies and related business risks that may result in material misstatement
  - Matters warranting particular audit attention
  - Significant communications with regulators
  - Matters related to the effectiveness of internal control and your related oversight responsibilities
  - Your views regarding our current communications and your actions regarding previous communications

## Management

Management is responsible for:

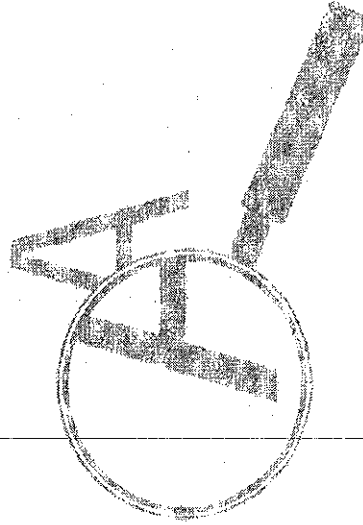
- Preparing and fairly presenting the financial statements, including supplementary information such as SEFA (Schedule of Expenditures of Federal Awards) in accordance with US GAAP
- Designing, implementing, evaluating, and maintaining effective internal control over financial reporting and compliance with federal grant requirements
- Communicating significant accounting and internal control matters to those charged with governance
- Providing us with unrestricted access to all persons and all information relevant to our audit
- Informing us about fraud, illegal acts, significant deficiencies, and material weaknesses
- Adjusting the financial statements, including disclosures, to correct material misstatements
- Informing us of subsequent events
- Providing us with certain written representations



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# AUDIT SCOPE



# Audit timeline

|                       |   |   |
|-----------------------|---|---|
| May/June 2016         | Client reacceptance                             | <ul style="list-style-type: none"> <li>• Client reacceptance</li> <li>• Issue engagement letter</li> <li>• Conduct internal client service planning meeting, including coordination with audit support teams such as IT, tax and valuation</li> </ul>   |
| June 2016             | Planning  | <ul style="list-style-type: none"> <li>• Meet with management to confirm expectations and discuss business risks</li> <li>• Discuss scope of work and timetable</li> <li>• Identify current-year audit issues and discuss recently issued accounting pronouncements of relevance</li> <li>• Initial Audit Committee communications</li> </ul> |
| June/July 2016        | Preliminary risk assessment procedures          | <ul style="list-style-type: none"> <li>• Develop audit plan that addresses risk areas</li> <li>• Update understanding of internal control environment</li> <li>• Coordinate planning with management and develop work calendar</li> </ul>   |
| June/July 2016        | Interim procedures                              | <ul style="list-style-type: none"> <li>• Perform walk-throughs of business processes and controls</li> <li>• Begin Single Audit (formerly A-133) compliance testing</li> <li>• Perform selective substantive testing on interim balances</li> </ul>   |
| August/September 2016 | Final fieldwork and deliverables (short form)   | <ul style="list-style-type: none"> <li>• Perform final phase of audit and year-end fieldwork procedures</li> <li>• Meet with management to discuss results</li> <li>• Present results to the Audit Committee</li> </ul>   |
| December 2016         | Final fieldwork and deliverables (Single Audit) | <ul style="list-style-type: none"> <li>• Perform final phase of Single Audit (formerly A-133) compliance testing</li> <li>• Meet with management to discuss results</li> </ul>  |



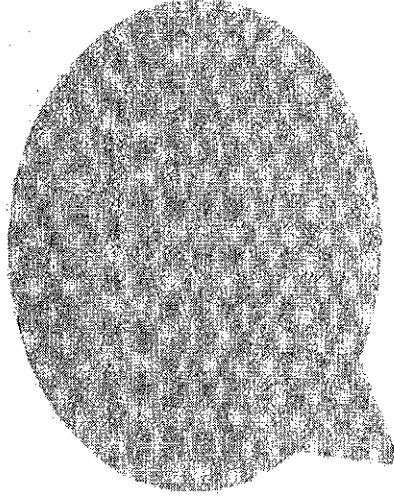
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# Materiality

Essentially, materiality is the magnitude of an omission or misstatement that likely influences a reasonable person's judgment. It is based on a relevant financial statement benchmark.

- We believe that total assets is the appropriate benchmark for the Community College of Philadelphia.
- We believe total expenditures on each major program are the appropriate benchmarks for the Single Audit.

Financial statement items greater than materiality are in scope. Other areas less than materiality may be in scope if qualitative factors are present (e.g., related party relationships or transactions and fraud risk).



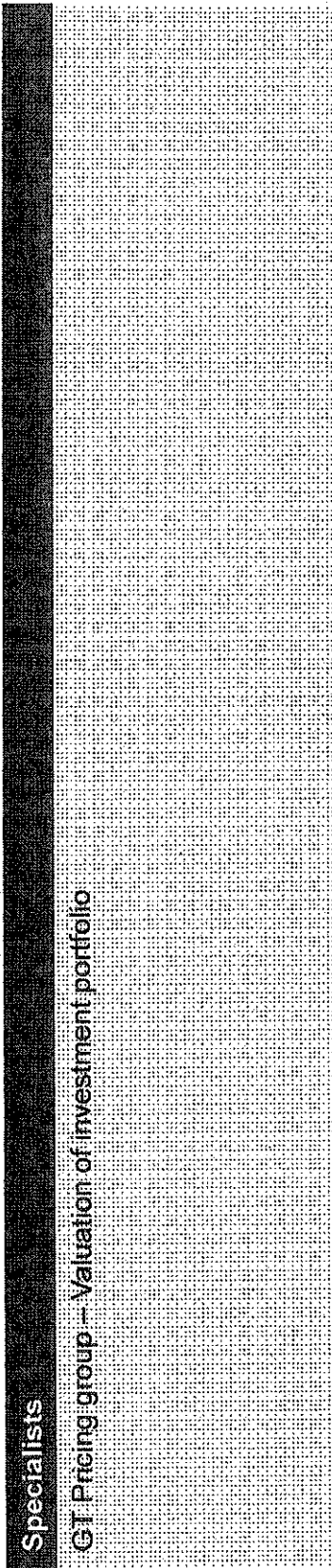
## Views of those charged with governance

| Discussion points   |
|---|
| Risks of fraud  |
| Awareness of fraud  |
| Awareness of related party transactions; understanding of purpose of related party transactions         |
| Awareness of whistleblower tips or complaints   |
| Oversight of management's risk assessment process   |
| Views about the College's objectives and strategies and related risks of material misstatement          |
| Awareness of any internal control matters and views about management's response                         |
| Oversight of financial reporting process  |
| Actions taken in response to developments in law, accounting standards and corporate governance matters |
| Actions in response to our previous communications, if any  |

# Use of the work of others

## Specialists

GT Pricing group – Valuation of investment portfolio



# Significant risks and other areas of focus

The following provides an overview of the areas of significant audit focus based on our risk assessments.

| Areas of focus  | Planned procedures  |
|---|---|
| Tuition revenue, auxiliary enterprises and related receivables/deferred revenue | <ul style="list-style-type: none"> <li>• Perform reasonableness test on tuition, student aid and auxiliary revenue amounts.</li> <li>• Perform deferred revenue testing to determine proper cut-off.</li> <li>• Inquire of management about the allowance methodology and policy(ies) governing additional charges or other steps taken (e.g., cannot register, cannot attend commencement) for lack of payment of student account.</li> <li>• Review management's analysis of allowances for doubtful accounts for consistency with methodology and accuracy of inputs.</li> </ul> |
| GASB 68   | <ul style="list-style-type: none"> <li>• Ensure pension liabilities are recorded appropriately in accordance with GASB 68.</li> </ul>   |



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# Significant risks and other areas of focus, continued

| Areas of focus                       | Planned procedures   |
|--------------------------------------|--|
| Investments and related earnings     | <ul style="list-style-type: none"> <li>• Confirm investments with custodians.</li> <li>• Test valuation of publicly traded investments using an independent pricing source.</li> <li>• Test valuation of investments that are not publicly traded by performing an independent assessment of the valuation methodology and/or testing management's process to determine fair value.</li> <li>• Review investments for impairment.</li> <li>• Test the recognition of investment earnings by recalculating and/or testing sales activities.</li> <li>• Test unitization of earnings to pooled endowment.</li> </ul> |
| State and Federal Grants & Contracts | <ul style="list-style-type: none"> <li>• Review contract documents to obtain understanding of the terms.</li> <li>• Compare revenues and recorded expenses to determine that amounts are being recorded appropriately based upon the terms of the contracts.</li> <li>• Review any deferred amounts for reasonableness.</li> <li>• Agree any subsequent collections to year-end receivable balances.</li> <li>• Review propriety of financial statement presentation and disclosure.</li> </ul>  |



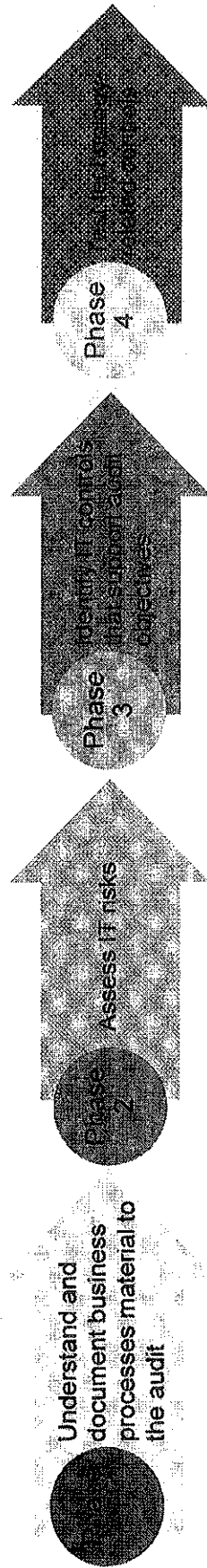
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# Significant risks and other areas of focus, continued

| Areas of focus   | Planned procedures   |
|--|--|
| State & City appropriations                                    | <ul style="list-style-type: none"> <li>• Obtain detail of appropriations received from the state for fiscal year.</li> <li>• Confirm amounts with state, agreeing to revenue recorded in general ledger.</li> <li>• Review receivable, determining calculation is correct based on cash received and amounts outstanding based on confirmation.</li> </ul> |
| Compliance with Uniform Guidance (formerly OMB Circular A-133) | <ul style="list-style-type: none"> <li>• Identify major program(s) and determine the compliance requirements that are direct and material</li> <li>• Identify key controls over compliance and test those controls.</li> <li>• Select a sample of transactions subject to compliance requirements</li> </ul>   |



## Technology support as part of the audit process

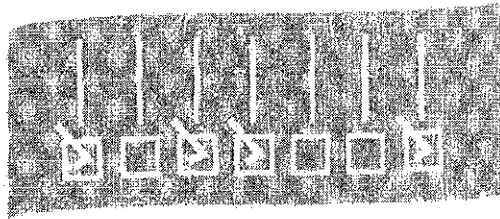


An important component of our audit approach is to understand how IT is used in supporting business operations and producing financial reports. Our technology specialists place particular emphasis on the risks relating to the use of technology and its associated controls, processes and practices.

Our general controls review evaluates the design of controls that mitigate risk in areas such as organization and operations, protection of physical assets, application systems development and maintenance, access controls and computer operations.

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# OTHER MATTERS



# Commitment to promote ethical and professional excellence

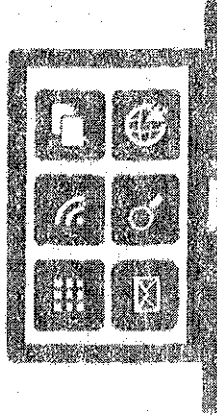
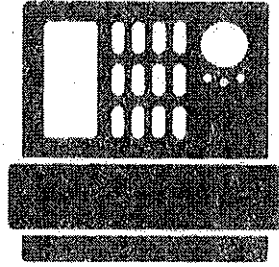
We are committed to promoting ethical and professional excellence. To advance this commitment, we have put in place a phone and internet-based hotline system.

The Ethics Hotline (+1 866 739 4134) provides individuals a means to call and report ethical concerns.

The EthicsPoint URL link

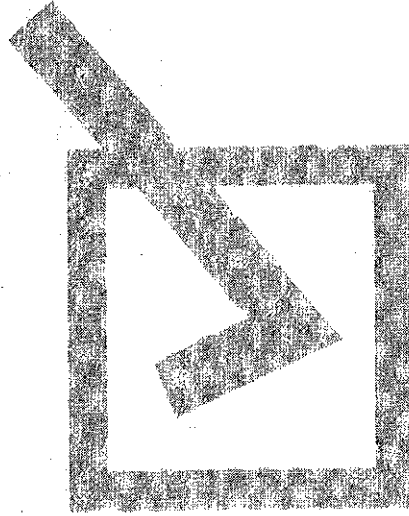
- Can be found on our internal website
- Can be accessed from our external website (<https://secure.ethicspoint.com/domain/en/report/custom.asp?clientid=15191>)

Disclaimer: EthicsPoint is not meant to act as a substitute for an entity's "whistleblower" obligations.



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# ACCOUNTING UPDATES



# Selected pronouncements effective for the year ending June 30, 2016 or subsequent periods - GASB

| Title   | Effective date   |
|---|--|
| GASB 72- Fair Value Measurements and Application  | Periods beginning after June 15, 2015  |
| GASB 73- Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 | Periods beginning after June 15, 2016, with portions for periods beginning after June 15, 2015 |
| GASB 74- Financial Reporting for Postemployment Benefit Plans Other than Pension Plans  | Fiscal years beginning after June 30, 2016   |
| GASB 75- Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions   | Fiscal years beginning after June 15, 2017   |
| GASB 76- The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments  | Reporting periods beginning after June 15, 2015  |
| GASB 80- Blending Requirements for Certain Component Units  | Fiscal years beginning after June 15, 2016   |
| GASB 81- Irrevocable Split-Interest Agreements  | Periods beginning after December 15, 2016  |
| GASB 82- Pension Issues- an Amendment of GASB statements 67, 68 and 73  | Periods beginning after June 30, 2016, except in certain circumstances                         |



# GASB Statement 72, Fair Value Measurement and Application

| Summary   | Potential Impact   |
|---|--|
| <ul style="list-style-type: none"> <li>• Defines "fair value" as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."</li> <li>• Governments are required to use appropriate valuation techniques to measure assets (i.e., investments) and liabilities at fair value and should use one of the following:             <ul style="list-style-type: none"> <li>➢ Market approach</li> <li>➢ Cost approach</li> <li>➢ Income approach</li> </ul> </li> <li>• Establishes a three-level hierarchy of inputs to valuation techniques used to measure fair value. The guidance is very similar to existing guidance for FASB organizations.             <ul style="list-style-type: none"> <li>• Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities</li> <li>• Level 2 inputs are inputs—other than quoted prices—included within Level 1 that are observable for the asset or liability, either directly or indirectly</li> <li>• Level 3 inputs are unobservable inputs, such as management's assumption of the default rate among underlying mortgages of a mortgage-backed security</li> </ul> </li> <li>• Requires disclosures to be made about fair value measurement, the level within the fair value hierarchy, and valuation techniques</li> <li>• Effective for periods beginning after June 15, 2015 with retroactive adoption, presented as a change in accounting policy for all periods presented.</li> </ul> | <p>This will significantly impact accounting for certain investments that may have been reported at cost due to ambiguity within previous guidance. In addition, all public colleges and universities will need to revise the existing disclosures to conform to the new disclosure requirements, which are very similar to current disclosure requirements for FASB organizations. Depending on the types of investments held, additional controls related to due diligence and ongoing monitoring of the valuation of certain investments, primarily those considered to be "alternative investments," will need to be established. Gathering the "leveling" information required to be disclosed could be challenging and time-consuming, depending on the instruments that are within the three categories of the valuation hierarchy. Public institutions are encouraged to review disclosures of large/complex private (FASB) institutions for helpful examples.</p> |



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# GASB Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

| Summary  | Potential Impact   |
|--|--|
| <ul style="list-style-type: none"> <li>• GASB 75 replaces the requirements related to OPEB accounting and reporting currently provided in GASB 45 and 57</li> <li>• GASB 74 established new accounting and financial reporting requirements for the financial statements of the state and local government OPEB plans</li> <li>• State and local governments providing defined benefit OPEB plans administered through a trust meeting certain criteria must report a net OPEB liability on the face of their financial statements, similar to the requirement to report the net pension liability in accordance with GASB 68</li> <li>• Provides a more comprehensive measure of OPEB expense than is currently required, which better reflects when the benefit cost is incurred</li> <li>• Requires more extensive disclosures and required supplementary information</li> <li>• Effective for fiscal years beginning after June 15, 2017, with early adoption encouraged. Similar to adoption of GASB 68 (Pensions), retrospective adoption is required</li> </ul> | <p>Colleges and Universities with OPEB plans will most likely need to reflect an obligation related to their proportionate share of the unfunded liability related to OPEB, similar to the recognition of a pension liability in connection with the adoption of GASB 68. As with GASB 68, extensive planning and discussions among all parties (management, state government contacts and others) is critical to a successful adoption. Colleges and Universities should begin to evaluate the information needed to adopt the guidance as a significant portion of that information may come from state or other related entities. Because many plans are "pay as you go," the impact of recording this liability could be much more significant than the recognition of a pension liability where there may have been existing plan assets to partially offset the liability.</p> |



# GASB Statement 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments

| Summary  | Potential Impact   |
|--|--|
| <ul style="list-style-type: none"> <li>• Reduces the U.S. GAAP hierarchy for government standards from four to two categories of authoritative GAAP.                             <ul style="list-style-type: none"> <li>• The first category consists of the GASB Statements, as periodically incorporated into the Codification</li> <li>• The second comprises GASB Technical Bulletins, Implementation Guides, and AICPA guidance cleared by the GASB</li> </ul> </li> <li>• Statement 76 also addresses the use of authoritative and nonauthoritative literature for situations when the accounting treatment for a transaction or event is not specified in either of the categories above.</li> <li>• Guidance is effective for reporting periods beginning after June 15, 2015, with any changes in accounting as a result of adoption to be reflected as a restatement of all periods presented, if practical. Earlier application is encouraged.</li> </ul> | <p>Depending on what accounting policies a college and university uses to report its financial transactions, existing guidance could potentially no longer be considered authoritative and could result in necessary changes in accounting as a result of adoption of this standard. Management should review key accounting policies to ensure they are based on guidance that continues to be authoritative.</p> |



# GASB Statement 80, Blending Requirements for Certain Component Units

| Summary   | Potential Impact  |
|---|---|
| <ul style="list-style-type: none"> <li>Objective is to clarify existing guidance and address diversity in practice as it relates to certain component units incorporated as not-for-profit corporations, and whether they should be discretely presented or blended with the primary government financial statements.</li> <li>A distinction is made for component units in which the primary government is the sole corporate member (typically defined in articles of incorporation and/or bylaws of the component unit) AND the component unit is included in the financial reporting entity pursuant to the provisions in paragraphs 21-37 of Statement 14, as amended.</li> <li>Component units organized as not-for-profit corporations in which the primary government is the sole corporate member should be included in the reporting entity financial statements using the blending method.</li> <li>Effective date is fiscal years beginning after June 15, 2016, with early adoption encouraged. Retroactive adoption is required.</li> </ul> | <p>Management must re-evaluate the current presentation of component units that may have been presented discretely under existing guidance and determine whether those units must now be presented as blended by the College. Depending on the structure of the foundation as it relates to control, this entity could be blended with the financial statements of the College upon adoption.</p> |



# GASB Statement 81, Irrevocable split-interest agreements

| Summary   | Potential impact   |
|---|--|
| <ul style="list-style-type: none"> <li>• Scope includes irrevocable split-interest agreement giving arrangements for which the government is the intermediary (trustee or agent) and a beneficiary, as well as beneficial interests in resources held and administered by third parties</li> <li>• Guidance establishes accounting for Lead interests (government is a recipient of payments during the term of the agreement) and Remainder interests (government is the beneficiary when the agreement terminates, and makes payments to non-government beneficiary – typically the donor or designee of the donor – during the term of the agreement)</li> <li>• Accounting requires recognition of an asset, liability and deferred inflow. When assets are held by third parties, the recognition will be an asset and a deferred inflow, with no need for a corresponding liability</li> <li>• Effective for periods beginning after 12/15/2016, with early adoption permitted. Retrospective application should be applied.</li> </ul> | <p>Because there has been some diversity in practice related to accounting for irrevocable split-interest agreements, some colleges and universities may need to reflect new accounting, primarily the recognition of deferred inflows, associated with these arrangements. Management should begin to inventory the current agreements in place to determine the impact of this standard on current accounting.</p> |

# GASB projects and pre-agenda research

| Project  | Timing  |
|--|---|
| Asset Retirement Obligations   | Exposure Draft (Certain Asset Retirement Obligations) issued, comment period ended March 31, 2016 |
| Fiduciary Activities   | Exposure Draft (Fiduciary Activities) issued, comment period ended March 31, 2016                 |
| Conceptual Framework: Recognition  | On Hold-preliminary views, redeliberations  |
| Leases- Reexamination of NCGA Statement 5  | Exposure Draft (Leases), comment period to end May 31, 2016                                       |
| Financial Reporting Model- Reexamination of Statements 34, 35, 37, 41 and 46, and Interpretation 6 | Initial deliberations   |
| Debt disclosures, including Direct Borrowing   | Pre-agenda research   |
| Going concern disclosures  | Pre-agenda research   |
| Revenue recognition for exchange and exchange-like transactions                                    | Pre-agenda research   |



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# GASB major project – Asset Retirement Obligations

| Summary  | Potential Impact  |
|--|---|
| <ul style="list-style-type: none"> <li>• Objective is to develop requirements on recognition and measurement for asset retirement obligations (ARO), other than landfills (refer to GASB 18) or pollution remediation obligations (GASB 49)</li> <li>• Existing guidance within FASB (ASC 410, <i>Asset Retirement Obligations</i>) has been applied by some GASB reporters, but not consistently</li> <li>• The Exposure Draft proposes the following:               <ul style="list-style-type: none"> <li>✓ Establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources when a governmental entity has a legal obligation to perform future asset retirement activities related to its tangible capital assets</li> <li>✓ Proposes capitalization of the ARO as a deferred outflow of resources, to be amortized in a systematic and rational manner (such as the straight-line method)</li> <li>✓ Requires disclosures regarding governmental entity legal requirements to provide funding or other financial assurance for their performance of asset retirement obligations (e.g., how are those requirements being met) as well as nature and timing of AROs, method used to determine the estimated liability and useful life of the associated tangible asset</li> </ul> </li> <li>• An Exposure Draft was issued in December 2015, and the comment period ended in March 2016</li> </ul> | <p>This proposed standard is intended to reduce diversity in practice and related inconsistency in current reporting, thereby enhancing comparability between governmental entities, including colleges and universities with AROs. It would also improve the usefulness of information for external users, including rating agencies and analysts by expanding disclosure requirements related to these obligations.</p> |



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# GASB major project – Leases

| Summary  | Potential Impact  |
|--|---|
| <ul style="list-style-type: none"> <li>• The proposed guidance eliminates the distinction between capital and operating leases</li> <li>• Short term leases are those that, at the beginning of the lease, have a maximum possible term of 12 months or less, and would be recognized as a deferred outflow or inflow of resources.</li> <li>• Lessee governments would report the following about leases (except short-term leases) in their financial statements:             <ul style="list-style-type: none"> <li>✓ An intangible lease asset that represents the government's right to use the underlying asset</li> <li>✓ A corresponding lease liability</li> <li>✓ Amortization expense related to the lease asset, and</li> <li>✓ Interest expense related to the lease liability</li> </ul> </li> <li>• Government lessors would report the following about leases in their financial statements:             <ul style="list-style-type: none"> <li>✓ A receivable for the right to receive payments</li> <li>✓ A corresponding deferred inflow of resources</li> <li>✓ Lease revenue systematically over the term of the lease, and</li> <li>✓ Interest revenue related to the receivable.</li> </ul> </li> <li>• An Exposure Draft was issued in January 2016, with the comment period ending in May 2016</li> </ul> | <p>Similar to the GASB Major Project addressing fair value measurements, this project reflects an effort by the GASB to align its accounting for leases with the accounting guidance proposed by the FASB and IASB as a joint project. The most significant change could be the elimination of most arrangements currently recorded as operating leases. If requirements are standardized as proposed, the impact on all entities with lease arrangements could be profound. If and when a new GASB Standard is issued, the effective date is most likely to be at least several years away. However, public colleges and universities are encouraged to inventory all existing lease agreements, closely monitor the FASB Leases project and begin to analyze the potential impact on key financial ratios, debt covenants and credit ratings.</p> |



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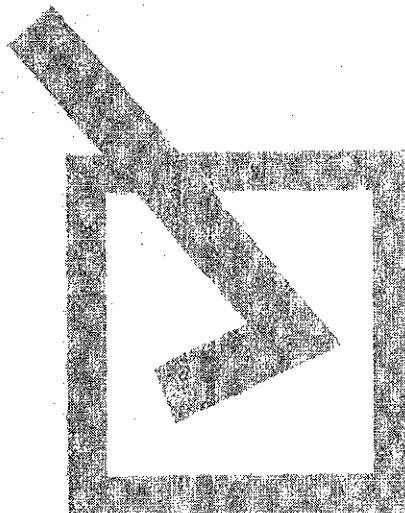
# GASB major project – Financial Reporting Model

| Summary  | Potential impact   |
|--|--|
| <ul style="list-style-type: none"> <li>• Similar to the project on leases and Asset Retirement Obligations, GASB is revisiting its reporting model established in GASB 34 and 35, as well as other GASB standards, following the FASB project to revisit the reporting model of NFP entities.</li> <li>• Although there is general consensus that most of the components of the financial reporting model are effective, the Board determined that there is a need to update guidance related to several categories, focusing on the following:             <ul style="list-style-type: none"> <li>✓ MD&amp;A</li> <li>✓ Government-wide financial statements</li> <li>✓ Major funds</li> <li>✓ Governmental fund financial statements</li> <li>✓ Proprietary fund and business-type activity financial statements</li> <li>✓ Fiduciary fund financial statements</li> <li>✓ Budgetary comparisons</li> </ul> </li> <li>• Other options to permit more timely and less complex financial reporting will be explored in conjunction with other topics.</li> <li>• The Board is in the initial deliberation stage and plans to issue an invitation to comment in late 2016.</li> </ul> | <p>Similar to the significant impact on reporting and disclosures when GASB 34 and 35 were issued, this proposed guidance could have sweeping effects on the reporting and disclosures by public colleges and universities. Depending on how much the GASB looks to what is being done by the FASB on the NFP reporting model, there could be an increase in comparability between the two types of entities that currently use very different reporting models.</p> <p>Three of the business-type activities issues that the GASB is considering that are particularly relevant to public universities are guidance on the operating indicator, MD&amp;A and extraordinary and special items.</p> |



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# REGULATORY UPDATES



# OMB reform of federal policies relating to grants and cooperative agreements

| Summary   | Potential Impact  |
|---|---|
| <p>The Office of Management and Budget (OMB) published <i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards</i> (Uniform Grant Guidance), which became effective on Dec. 26, 2014, and replaces eight existing OMB sets of guidance. Single Audits for periods beginning after Dec. 26, 2014, are subject to Uniform Grant Guidance.</p> <p><b>I. Administrative Requirements</b> – (Subparts B through D) standardizes definitions, general provisions and pre- and post-award requirements.</p> <p><b>II. Cost Principles</b> – (Subpart E) limits allowable costs to make the best use of federal resources, clarifies allowable spending for certain specific cost items, and provides for the consistent and transparent treatment of costs.</p> <p><b>III. Audit Requirements</b> – (Subpart F) raises the Single Audit threshold from \$500,000 in annual federal expenditures to \$750,000 and decreases required coverage to 20% and 40% for low- and high-risk auditees, respectively. It modifies evaluation criteria for low-risk auditees, as well as how the auditor should determine Type A &amp; Type B programs.</p> | <p>Colleges and Universities were required to revisit policies and procedures related to federal grants for any new and incremental funding as of Dec. 26, 2014 (funding received prior to that date is subject to former guidance, although many universities have adopted the policy changes to all transaction post-12/26/14).</p> <p>Guidance related to updated audit requirements will apply to audits of fiscal years beginning on or after Dec. 26, 2014.</p> |



# Highlights of changes under Uniform Grant Guidance

## Summary

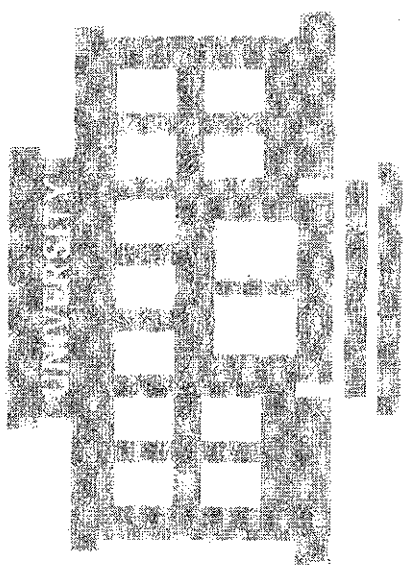
Highlights of the more significant changes to federal awards programs and compliance are in the following areas:

- Time & Effort reporting
- Subrecipient monitoring
- Cash management
- Indirect cost recoveries
- Additional required elements for a Schedule of Expenditures of Federal Awards (SEFA)
- Procurement
- Documentation of internal controls related to federal awards
- Changes to audit requirements (e.g., thresholds, risk assessment and identification of major programs)
- Elements of a finding to include additional information



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# INDUSTRY TRENDS



## Leadership responding to changing conditions

**Institutions will need to carefully select initiatives, making clear choices about what to do and, most significantly, what not to do. Strategies being deployed to guide these decisions include:**

- Engaging faculty to improve financial performance
- Assessing campus and academic operations from the lens of increasing student diversity
- Enhancing stakeholder communications and transparency
- Using strategic goals to develop key performance indicators and scorecards
- Utilizing data analytics to improve performance
- Integrating strategic plans and budgeting
- Analyzing the cost and value of research and development activities
- Achieving and measuring social responsibility and sustainability efforts



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## Addressing enrollment and demographic changes

**Institutions cannot afford to rely exclusively on organic growth. Proactive strategies are needed to adapt to shifting student profiles and enrollment trends.**

- Recruiting new populations is essential.
- Programs will need to be shaped specifically to attract new students.
- Marketing existing programs to new populations may require new approaches.
- Colleges and Universities will need to exploit market niches and their unique offerings to compete effectively.
- Cost of education and student borrowings will continue to be measured against proven outcomes.
- Partnering with corporations to provide online education opportunities for employees, presenting new enrollment and revenue growth opportunities for universities.



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## Increasing student outcomes and achievement

### Changing educational delivery models and online education intensify competition. Management and boards are:

- Encouraging faculty to teach in increasingly student-centered ways and using technology to do so
- Aligning the board agendas and committee structure to focus on cross-cutting strategic topics and not perfunctory review and routine report-outs
- Carefully evaluating short- and long-term strategic investments and opportunities in the context of their own institutions' market niches, positioning, and financial capabilities
- Establishing and evaluating key performance indicators that measure outcomes, not outputs of routine functions
- Assessing organizational performance and progress toward goals
- Increasingly relying on data to make more informed decisions about the value the College provides to students, the community and stakeholders
- Managing the increased uncertainty as a result of changes to educational delivery models in an already competitive landscape by identifying new prospects for revenue generation, expense containment and organizational partnerships



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## Emerging technology tools to improve academic and operating results

**Higher educational institutions are benefitting from new tools that improve learning, research, administration, access to faculty and access to courses and career opportunities.**

- Data analytics predict whether students and prospective students will be academically successful
- Data mining and analytics more prevalent in monitoring student learning and progress, procurement operations, fundraising and admissions
- Contracting with third-party providers for various services (recruitment, curricular development, student services) to help develop or expand their online programs
- Creating affiliated entities to offer online education; in 2015, 5.8 million students (28%) took at least one online course (3.9% increase)
- Increasing use of flipped classrooms, and technology-enabled, competency-based programs
- Utilizing open software content and communities-of-interest to build collaboration and customized solutions to administrative or academic challenges



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# Enterprise risk management is a necessity to safeguard reputation

**Colleges and universities are increasingly making oversight of institutional risk a priority.**

- Strong governance, accountability and transparency mandates have resulted in universities establishing or reassessing their risk management programs
- Compliance must be increased, particularly around sexual assaults, reporting violence, and adherence to ethics standards
- Leaders have struggled to find the right tone and policy to address the racial/ethnicity sensitivities of a growingly diverse student population
- Failures in public safety, cybersecurity, ethics, and decision-making have tested the crisis management plans of many universities
- Government scrutiny and reporting mandates place annual reporting in the spotlight, requiring robust processes to vet all data reported externally
- Doing business abroad continues to challenge business and internal control systems due to changing world politics and economic policies
- Deferred maintenance is a growing financial and reputational risk. A 2014 *Sightlines* report documents the growing backlog of deferred maintenance on university campuses



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## Boards intensify the focus on being financially sustainable

### **Actions to strengthen operational performance:**

1. Relevant strategy linked to financial projections to guide informed decisions
2. opportunities for acquisitions of programs; affiliations with educational and private businesses; spin-off of programs to other institutions
3. Define unique market niche and core strengths to build on
4. Analyze and understand instructional costs
5. Leverage technology in all ways possible
6. Identify key risks to achieving goals and sound financial stewardship
7. Measure performance of key student, faculty and institutional indicators
8. Analyze markets to increase the percentage of applicants self-selecting your College
9. Strengthen knowledge of risks and trends and involvement is strategy
10. Diversify revenues
  - Look to new markets with corporations
  - Facilities revenue from serving community needs and business partners
  - Alternative energy revenue production
  - Privatize housing options and amenities



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## 2016 Rating Agency outlook is stable for the next 18 to 24 months

- Moderate revenue growth at or above 3%, with 20 - 30% of colleges challenged to do so
- Endowment income expected to grow 4-5%, gifts 3-4% and student charges 2-3%
- Investments in technology and related spending expected to grow greater than inflation
- Ongoing expense discipline expected to maintain operating and cash margins; 15-20% of colleges expected to cut costs to maintain operating stability; expect to see more collaborations such as shared courses and shared faculty
- Expect more virtual and actual mergers as smaller schools seek to achieve economies of scale and states take action to rationalize public university systems
- Reserves to remain stable with continued strategic capital investment unless market volatility reduces endowment gains below the allowed spending rate
- Pension burdens will be an increasing credit challenge
- 2016 federal budget modestly positive for higher education with growth in research funding, increased Pell grants, the continuation of Perkins loans through the 2017-18 school year, and increased funding to minority serving institutions



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This communication is intended solely for the information and use of management and the Audit Committee of Community College of Philadelphia and is not intended to be and should not be used by anyone other than these specified parties.



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# **ATTACHMENT B**

## **2015-2016 Budget Update**

**Community College of Philadelphia  
Operating Budget Projections  
Fiscal Year 2015-16**

|                                   | <u>Original Budget</u> | <u>Current Projection<br/>as of May 23, 2016</u> | <u>Change from<br/>Original Budget</u> |
|-----------------------------------|------------------------|--|--|
| <b><u>REVENUES</u></b>            |                        |  |  |
| Student Tuition and Fees          | \$76,691,245           | \$74,497,106                                     | (\$2,194,139)                          |
| Commonwealth of Pennsylvania      | 30,621,805             | 30,106,101                                       | (\$515,704)                            |
| City of Philadelphia              | 23,247,363             | 23,367,407                                       | \$120,044                              |
| Other Income                      | <u>1,728,720</u>       | <u>1,765,830</u>                                 | \$37,110                               |
| <b>TOTAL REVENUES</b>             | <b>\$132,289,133</b>   | <b>\$129,736,444</b>                             | <b>(\$2,552,689)</b>                   |
| <b><u>EXPENSES *</u></b>          |                        |  |  |
| Salaries, Net of Lapsed Funds     | \$75,642,290           | \$74,041,842                                     | (\$1,600,448)                          |
| Fringe Benefits                   | 34,124,000             | 33,365,788                                       | (\$758,212)                            |
| Other Expenses                    | 22,322,843             | 21,759,276                                       | (\$563,567)                            |
| Student Financial Aid             | <u>200,000</u>         | <u>91,000</u>                                    | (\$109,000)                            |
| <b>TOTAL EXPENSES</b>             | <b>\$132,289,133</b>   | <b>\$129,257,906</b>                             | <b>(\$3,031,227)</b>                   |
| <b>EXCESS REVENUES (EXPENSES)</b> | <b><u>(\$0)</u></b>    | <b><u>\$478,538</u></b>                          |  |

\* Prior to impact of GASB 45 and 64 accruals

**Community College of Philadelphia**  
**Enrollment Information (FTEs and Credit Hours)**  
**Fiscal Year 2015-16**

|  | Actual Credit           |                   | Budgeted<br>FTEs<br>FY 15-16 | Budgeted<br>Credit Hours<br>FY 15-16 | Actual Credit           |                   | Credit Hour<br>Variance -<br>Budgeted vs. |              |
|--|-------------------------|-------------------|------------------------------|--------------------------------------|-------------------------|-------------------|---|--------------|
|  | Actual FTEs<br>FY 14-15 | Hours<br>FY 14-15 |                              |                                      | Actual FTEs<br>FY 15-16 | Hours<br>FY 15-16 | Actual                                    | % Variance   |
| <b>CREDIT</b>                                      |                         |                   |                              |                                      |                         |                   |   |              |
| Summer 2   | 1,716                   | 20,591            | 1,717                        | 20,609                               | 1,730                   | 20,763            | 154                                       | 0.7%         |
| Fall   | 12,859                  | 158,471           | 12,976                       | 159,625                              | 12,964                  | 160,215           | 590                                       | 0.4%         |
| Winter   | 46                      | 546               | 50                           | 600                                  | 47                      | 558               | (42)                                      | -7.0%        |
| Spring   | 12,587                  | 155,231           | 12,801                       | 157,209                              | 12,182                  | 149,621           | (7,588)                                   | -4.8%        |
| Summer 1   | 2,494                   | 29,926            | 2,550                        | 30,600                               | 2,217                   | 26,600            | (4,000)                                   | -13.1%       |
| <b>Credit Year-to-date Totals - Annual FTEs</b>    | <b>14,851</b>           | <b>364,765</b>    | <b>15,047</b>                | <b>368,643</b>                       | <b>14,570</b>           | <b>357,757</b>    | <b>(5,443)</b>                            | <b>-1.5%</b> |
| <b>NONCREDIT</b>                                   |                         |                   |                              |                                      |                         |                   |   |              |
| Summer 2   | 54                      |                   | 95                           |                                      | 64                      |                   |   |              |
| Fall   | 501                     |                   | 658                          |                                      | 384                     |                   |   |              |
| Spring   | 344                     |                   | 615                          |                                      | 345                     |                   |   |              |
| Summer 1   | 115                     |                   | 236                          |                                      | 95                      |                   |   |              |
| <b>Noncredit Year-to-date Totals - Annual FTEs</b> | <b>507</b>              |                   | <b>802</b>                   |                                      | <b>444</b>              |                   |   |              |

# **ATTACHMENT C**

## **Internal Audit Plan**

## COMMUNITY COLLEGE OF PHILADELPHIA

Date: June 6, 2016  
To: Audit Committee Members  
From: Robert Lucas, Internal Auditor  
Subject: Internal Audit – Plan Status and Other Information  
Copies: Donald Generals, Judith Gay, Jacob Eapen

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Since the last Audit Committee meeting, the following audit work has been performed:

- Internal audit reports finalized since the last meeting:
  - Releases of Library Holds
  - Remote Sites DACE CBO Program
- Draft internal audit reports have been issued to management for the following audits:
  - ITS Physical Security (Updated through May 2016)
- Three audits are in progress – TAACCCT report is expected to be issued by June 15; Human Resources (New Hires and Employee Terminations) are in progress and are expected to be complete by June 30.
- Follow up on prior audit comments is an ongoing process with good progress by management since the last Audit Committee meeting. A full update will be presented at the September Audit Committee meeting.
- Met with all Cabinet members to discuss risks and concerns in their areas to be considered for inclusion in the 2016-2018 Internal Audit Plan.
- Internal Audit Risk Assessment was updated to support development of 2016-2018 Internal Audit Plan.
- Proposed 2016-2018 Internal Audit Plan was developed and is being reviewed by Dr. Generals, Dr. Gay and Jacob Eapen. Management approvals expected by June 30.

Community College of Philadelphia  
Internal Audit Plan - July 1, 2015 to June 30, 2016

| Functional Area                                    | Risk Rating | Risk Explanation / Reason for Audit                                      | Stage | Planned Quarter |
|--|-------------|--|-------|-----------------|
| <b>Financial Audits</b>                            |             |  |       |                 |
| Bursar Billing Procedures                          | H           | New billing procedures   |       | 3               |
| Timekeeping / Overtime                             | L           | Verify controls for hourly employees' payroll process                    |       | 4               |
| Colonial One Card                                  | H           | Determine controls over prepaid card program                             |       | 4               |
| <b>Operational Audits</b>                          |             |  |       |                 |
| New Employee Process                               | L           | Validate controls over processes   | 4     | 2               |
| Termination Process                                | L           | Validate controls over processes   | 4     | 2               |
| Part-Time Faculty Medical Benefits                 | L           | Determine controls and accuracy of only benefit funded entirely by staff |       | 4               |
| Business Continuity Plan *                         | H           | Determine management's level of preparation for business interruption    | #     |                 |
| Financial Aid                                      | H           | Determine compliance with policies, procedures and regulations           |       | 3               |
| Pell Grants - Appeal Process for Academic Progress | M           | Determine compliance with requirements                                   |       | 2               |
| Center on Disability                               | L           | Determine compliance with requirements                                   | 7     | 1               |
| Ethics Hotline                                     | L           | Verify chain of notifications and timeliness                             | 7     | 1               |
| Veterans' Resource Center                          | M           | Compliance with Veterans' Education Benefits Laws                        |       | 3               |
| Site Visits - GED, ESL                             | L           | Ensure risks are controlled / minimized in remote locations              | 7     | 3               |
| <b>Compliance</b>                                  |             |  |       |                 |
| TAACCCT  |             | Determine compliance with grant guidelines                               | 4     | 1               |
| 10,000 Small Businesses                            | H           | Determine compliance with grant guidelines                               | 7     | 1               |
| Family Educational Rights and Privacy Act          | L           | Compliance with FERPA Regulations  |       | 3               |
| Family Medical Leave Act                           | L           | Determine compliance with policies, procedures and regulations           |       | 4               |

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Community College of Philadelphia  
Internal Audit Plan - July 1, 2015 to June 30, 2016

| Functional Area   | Risk Rating | Risk Explanation / Reason for Audit                            | Stage   | Planned Quarter |
|---|-------------|--|---------|-----------------|
| Americans with Disabilities Act   | L           | Determine compliance with policies, procedures and regulations | 7       | 1               |
| Residency Verification  | L           | Compliance with procedures to obtain tuition discount          | 1       | 1               |
| Tuition Discount Verification   | L           | Compliance with procedures to obtain tuition discount          | 1       | 1               |
| <b>IT Audits</b>  |             |  |         |                 |
| Disaster Recovery Plan  | M           | Determine adequacy of readiness and periodic testing           |         | 3               |
| Cloud Usage   | M           | Determine adequacy of controls                                 |         | 2               |
| Physical Security   | M           | Determine adequacy of controls                                 | 7       |                 |
| Software Licensing  | L           | Verify controls over use of only legally obtained software     |         | 2               |
| Library Hold Releases   | H           | Review internal controls as requested                          | 7       | 2               |
| <b>Administrative</b>   |             |  |         |                 |
| Follow Up on Prior Issues   |             |  | Ongoing | Ongoing         |
| Committee Meetings (Grants, Data Breach Planning, EMT, external audits/reviews) |             |  | Ongoing | Ongoing         |

Stage:

|                            |   |
|----------------------------|---|
| Risk Assessment / Planning | 1 |
| Announcement / Contact     | 2 |
| Opening Meeting Held       | 3 |
| Fieldwork                  | 4 |
| Draft Report Issued        | 5 |
| Closing Meeting Held       | 6 |
| Final Report Issued        | 7 |
| Audit Deferred Pending     |   |
| External Review Results    | # |

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Community College of Philadelphia  
Internal Audit Risk Assessment

2016-2018

Auditable Units, Risks and Risk Assessment Scoring

| FUNCTIONAL AREA      | Risk Assessed at This Level                          | Risk Weightings  |   |                           |                               |                      |                               |                       |                     |   |                                     |                              |                    | Weighted Average |
|----------------------|--|------------------|---|---------------------------|-------------------------------|----------------------|-------------------------------|-----------------------|---------------------|---|-------------------------------------|------------------------------|--------------------|------------------|
|                      |  | 0.07             | 0.05  | 0.10                      | 0.07                          | 0.10                 | 0.05                          | 0.07                  | 0.20                | 0.05  | 0.07                                | 0.07                         | 0.10               |                  |
|                      |  | Financial Impact | Throughput/Transaction Volume (Level of Activity) | Complexity and Automation | Public Relations / Reputation | Student Satisfaction | Legal / Regulatory Compliance | Corporate Initiatives | Significant Changes | Known problems/issues/recent audit findings | Control Status (from Prior Year(s)) | Faculty / Staff Satisfaction | Executive Override |                  |
| Finance & Accounting | Accounts Payable                                     | 3                | 2   | 1                         | 1                             | 1                    | 1                             | 1                     | 1                   | 1   | 1                                   | 1                            | 1                  | 1.19             |
|                      | Accounts Receivable (corporate, non-student related) | 3                | 1   | 1                         | 1                             | 1                    | 1                             | 1                     | 1                   | 1   | 1                                   | 1                            | 1                  | 1.14             |
|                      | General Ledger Closing Process                       | 5                | 2   | 1                         | 1                             | 1                    | 1                             | 1                     | 1                   | 1   | 1                                   | 1                            | 1                  | 1.33             |
|                      | Investments  | 5                | 1   | 1                         | 2                             | 1                    | 1                             | 1                     | 1                   | 1   | 1                                   | 1                            | 1                  | 1.35             |
|                      | Payroll  | 5                | 3   | 1                         | 1                             | 1                    | 1                             | 1                     | 1                   | 1   | 5                                   | 1                            | 1                  | 1.66             |
|                      | Timekeeping / Overtime                               | 3                | 2   | 1                         | 1                             | 1                    | 1                             | 1                     | 1                   | 1   | 5                                   | 1                            | 1                  | 1.47             |
|                      | 403(b) Transactions                                  | 2                | 2   | 1                         | 1                             | 1                    | 2                             | 1                     | 1                   | 1   | 5                                   | 1                            | 1                  | 1.50             |
|                      | Bursar   | 4                | 4   | 1                         | 2                             | 4                    | 1                             | 1                     | 1                   | 1   | 1                                   | 1                            | 1                  | 1.58             |
|                      | Student Accounts Receivable                          | 2                | 2   | 1                         | 1                             | 2                    | 1                             | 1                     | 1                   | 1   | 1                                   | 1                            | 1                  | 1.17             |
|                      | Budgeting Process                                    | 3                | 2   | 3                         | 1                             | 1                    | 1                             | 1                     | 1                   | 1   | 1                                   | 1                            | 1                  | 1.39             |
|                      | Purchasing - Operating and Capital                   | 3                | 3   | 1                         | 3                             | 1                    | 1                             | 1                     | 1                   | 1   | 2                                   | 1                            | 1                  | 1.45             |
|                      | Bidding Process                                      | 1                | 1   | 1                         | 2                             | 1                    | 2                             | 1                     | 1                   | 1   | 1                                   | 1                            | 1                  | 1.17             |
|                      | Procurement Cards                                    | 3                | 3   | 1                         | 3                             | 1                    | 1                             | 1                     | 1                   | 1   | 5                                   | 3                            | 1                  | 1.80             |
|                      | Check Requests (Vendor)                              | 1                | 2   | 1                         | 2                             | 1                    | 1                             | 1                     | 1                   | 1   | 1                                   | 2                            | 1                  | 1.19             |
|                      | Check Requests (Employee)                            | 1                | 2   | 1                         | 2                             | 1                    | 1                             | 1                     | 1                   | 1   | 1                                   | 2                            | 1                  | 1.19             |
|                      | Grant / Special Funds Accounting                     | 3                | 2   | 2                         | 2                             | 1                    | 3                             | 1                     | 1                   | 1   | 1                                   | 1                            | 1                  | 1.56             |
|                      | Colonial One Card                                    | 1                | 2   | 1                         | 1                             | 3                    | 1                             | 2                     | 1                   | 1   | 1                                   | 3                            | 1                  | 1.36             |
|                      | Fixed Assets   | 2                | 1   | 1                         | 1                             | 1                    | 1                             | 1                     | 1                   | 1   | 1                                   | 1                            | 1                  | 1.07             |

*Auditable Units, Risks and Risk Assessment Scoring*

| FUNCTIONAL AREA              | Risk Assessed at This Level               | Risk Weightings            |   |                           |                               |                      |                             |                       |                     |   |                                   |                              |                    | Weighted Average |
|------------------------------|---|----------------------------|---|---------------------------|-------------------------------|----------------------|-----------------------------|-----------------------|---------------------|---|-----------------------------------|------------------------------|--------------------|------------------|
|                              |   | 0.07                       | 0.05  | 0.10                      | 0.07                          | 0.20                 | 0.05                        | 0.10                  | 0.07                | 0.20  | 0.05                              | 0.07                         | 0.10               |                  |
|                              |   | Financial Statement Impact | Throughput/Transaction Volume (Level of Activity) | Complexity and Automation | Public Relations / Reputation | Student Satisfaction | Legal/Regulatory Compliance | Corporate Initiatives | Significant Changes | Known problems/Issues/recent audit findings | Control Status (from Prior Years) | Faculty / Staff Satisfaction | Executive Override |                  |
|                              | Computer Loans                            | 1                          | 1   | 1                         | 1                             | 1                    | 1                           | 1                     | 1                   | 1   | 1                                 | 2                            | 1                  | 1.07             |
| Institutional Advancement    | Administration                            | 3                          | 1   | 2                         | 1                             | 1                    | 1                           | 1                     | 1                   | 1   | 1                                 | 2                            | 1                  | 1.31             |
|                              | Fundraising                               | 5                          | 1   | 2                         | 2                             | 1                    | 1                           | 2                     | 1                   | 1   | 1                                 | 2                            | 1                  | 1.59             |
|                              | Endowments                                | 3                          | 1   | 2                         | 2                             | 1                    | 2                           | 2                     | 1                   | 1   | 1                                 | 1                            | 1                  | 1.48             |
|                              | Investments                               | 5                          | 1   | 3                         | 2                             | 1                    | 1                           | 1                     | 1                   | 1   | 1                                 | 2                            | 1                  | 1.62             |
|                              | Grants Administration                     | 3                          | 2   | 3                         | 2                             | 1                    | 2                           | 1                     | 1                   | 1   | 1                                 | 2                            | 1                  | 1.63             |
|                              | Enrollment Services                       | 4                          | 4   | 3                         | 2                             | 5                    | 1                           | 1                     | 1                   | 1   | 1                                 | 2                            | 1                  | 1.90             |
| Academic and Student Success | Records & Registration                    | 1                          | 3   | 2                         | 2                             | 3                    | 2                           | 1                     | 1                   | 1   | 1                                 | 1                            | 1                  | 1.47             |
|                              | Financial Aid - Title IV                  | 5                          | 3   | 2                         | 2                             | 3                    | 2                           | 1                     | 1                   | 1   | 1                                 | 1                            | 1                  | 1.75             |
|                              | Veteran's Benefits                        | 1                          | 2   | 2                         | 4                             | 3                    | 4                           | 1                     | 1                   | 1   | 1                                 | 1                            | 1                  | 1.76             |
|                              | Study Abroad                              | 1                          | 1   | 2                         | 3                             | 3                    | 1                           | 1                     | 1                   | 1   | 1                                 | 1                            | 1                  | 1.34             |
|                              | Center on Disability                      | 1                          | 2   | 1                         | 3                             | 3                    | 3                           | 1                     | 1                   | 1   | 1                                 | 1                            | 1                  | 1.49             |
|                              | PELL Grants Appeal Process                | 1                          | 2   | 1                         | 1                             | 4                    | 3                           | 1                     | 1                   | 1   | 1                                 | 1                            | 3                  | 1.60             |
|                              | Excused Withdrawals                       | 1                          | 2   | 1                         | 1                             | 4                    | 1                           | 1                     | 1                   | 1   | 1                                 | 1                            | 1                  | 1.20             |
|                              | CA-IM Program                             | 1                          | 1   | 1                         | 1                             | 1                    | 1                           | 2                     | 1                   | 1   | 1                                 | 1                            | 1                  | 1.07             |
|                              | Athletics                                 | 1                          | 1   | 1                         | 1                             | 3                    | 1                           | 1                     | 1                   | 1   | 1                                 | 1                            | 1                  | 1.10             |
|                              | Family Educational Rights and Privacy Act | 1                          | 4   | 3                         | 3                             | 5                    | 4                           | 1                     | 1                   | 1   | 1                                 | 1                            | 2                  | 2.09             |
|                              | Center for Male Engagement                | 1                          | 1   | 1                         | 2                             | 3                    | 1                           | 1                     | 1                   | 1   | 1                                 | 1                            | 1                  | 1.17             |
|                              | Residency Verification                    | 2                          | 2   | 1                         | 2                             | 1                    | 1                           | 1                     | 1                   | 1   | 1                                 | 1                            | 1                  | 1.19             |
|                              | Credit Transfers                          | 1                          | 2   | 1                         | 2                             | 3                    | 1                           | 1                     | 1                   | 1   | 1                                 | 1                            | 1                  | 1.22             |

Auditable Units, Risks and Risk Assessment Scoring

| FUNCTIONAL AREA        | Risk Assessed at This Level                        | Risk Weightings |      |      |      |      |      |      |      |      |      |      |      | Weighted Average |   |   |      |   |
|------------------------|--|-----------------|------|------|------|------|------|------|------|------|------|------|------|------------------|---|---|------|---|
|                        |  | 0.07            | 0.05 | 0.10 | 0.07 | 0.05 | 0.10 | 0.07 | 0.05 | 0.10 | 0.07 | 0.05 | 0.10 |                  |   |   |      |   |
|                        | International Students                             | 2               | 1    | 1    | 3    | 5    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1                | 1 | 1 | 1.41 | L |
|                        | Faculty Release                                    | 1               | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1                | 2 | 1 | 1.07 | L |
|                        | Faculty Extended Time                              | 1               | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 2                | 1 | 1 | 1.07 | L |
|                        | Civitas Software (Student Success)                 | 1               | 2    | 3    | 1    | 1    | 1    | 3    | 2    | 1    | 1    | 1    | 1    | 1                | 1 | 1 | 1.59 | L |
|                        | Starfish (Hobsons) Software (Student Retention)    | 1               | 2    | 3    | 1    | 1    | 1    | 3    | 2    | 1    | 1    | 1    | 1    | 1                | 1 | 1 | 1.59 | L |
|                        | Student Life Expenses                              | 1               | 2    | 1    | 2    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1                | 2 | 1 | 1.22 | L |
|                        | 50th Anniversary Scholarship Program               | 3               | 2    | 2    | 3    | 3    | 1    | 3    | 3    | 1    | 1    | 1    | 1    | 1                | 2 | 2 | 2.17 | M |
| Information Technology | Software Development Life Cycle                    | 1               | 1    | 3    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1                | 1 | 1 | 1.20 | L |
|                        | Change Management                                  | 1               | 1    | 3    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1                | 1 | 1 | 1.20 | L |
|                        | Physical Security                                  | 1               | 1    | 2    | 4    | 1    | 1    | 3    | 1    | 1    | 4    | 1    | 1    | 1                | 1 | 1 | 1.81 | M |
|                        | Penetration Testing (Internal, External, Wireless) | 1               | 2    | 2    | 2    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1                | 1 | 1 | 1.22 | L |
|                        | Mobile Device Inventory                            | 1               | 1    | 1    | 1    | 1    | 1    | 2    | 2    | 1    | 3    | 1    | 1    | 1                | 1 | 1 | 1.51 | L |
|                        | Software Licensing                                 | 1               | 1    | 1    | 1    | 1    | 2    | 1    | 1    | 1    | 1    | 1    | 1    | 1                | 1 | 1 | 1.10 | L |
|                        | General Controls                                   | 1               | 1    | 2    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1                | 1 | 1 | 1.10 | L |
|                        | Network Security                                   | 1               | 3    | 3    | 3    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1                | 1 | 1 | 1.44 | L |
|                        | Application Controls                               | 1               | 2    | 4    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1                | 1 | 1 | 1.35 | L |
|                        | Cloud Usage  | 1               | 1    | 5    | 5    | 1    | 1    | 3    | 1    | 1    | 1    | 1    | 1    | 1                | 1 | 1 | 1.82 | M |
|                        | Remote Access (GoToMyPC)                           | 1               | 1    | 1    | 2    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 2                | 1 | 1 | 1.14 | L |
|                        | Systems Administered by Non-ITS Departments        | 1               | 2    | 5    | 1    | 1    | 1    | 1    | 3    | 1    | 1    | 1    | 1    | 1                | 2 | 1 | 1.95 | M |

Community College of Philadelphia  
Internal Audit Risk Assessment

2016-2018

Auditable Units, Risks and Risk Assessment Scoring

| FUNCTIONAL AREA | Risk Assessed at This Level                                | Risk Weightings            |   |                           |                               |                      |                               |                       |                     |  |                                   | Weighted Average             |                    |      |
|-----------------|--|----------------------------|---|---------------------------|-------------------------------|----------------------|-------------------------------|-----------------------|---------------------|--|-----------------------------------|------------------------------|--------------------|------|
|                 |  | 0.07                       | 0.05  | 0.10                      | 0.07                          | 0.05                 | 0.10                          | 0.07                  | 0.20                | 0.05   | 0.07                              |                              | 0.07               | 0.10 |
|                 |  | Financial Statement Impact | Throughput / Transaction Volume (Level of Activity) | Complexity and Automation | Public Relations / Reputation | Student Satisfaction | Legal / Regulatory Compliance | Corporate Initiatives | Significant Changes | Known Problems/ Issues/recent audit findings | Control Status (from Prior Years) | Faculty / Staff Satisfaction | Executive Override |      |
|                 | Spreadsheet Management                                     | 1                          | 1   | 1                         | 3                             | 1                    | 1                             | 1                     | 1                   | 1  | 1                                 | 1                            | 1                  | 1.14 |
| Corporate       | 10,000 Small Businesses                                    | 1                          | 2   | 2                         | 3                             | 3                    | 2                             | 1                     | 1                   | 1  | 1                                 | 1                            | 1                  | 1.49 |
|                 | Risk Management  | 2                          | 1   | 2                         | 2                             | 1                    | 2                             | 1                     | 1                   | 1  | 1                                 | 1                            | 1                  | 1.34 |
|                 | Business Services (Copy Center, Mail)                      | 1                          | 1   | 1                         | 1                             | 1                    | 1                             | 1                     | 1                   | 1  | 1                                 | 2                            | 1                  | 1.07 |
|                 | Government Relations                                       | 3                          | 1   | 1                         | 3                             | 1                    | 2                             | 1                     | 1                   | 1  | 1                                 | 1                            | 1                  | 1.38 |
|                 | Marketing Services   | 1                          | 1   | 1                         | 3                             | 1                    | 1                             | 2                     | 1                   | 1  | 2                                 | 1                            | 1                  | 1.28 |
|                 | Corporate Insurance  | 1                          | 1   | 1                         | 1                             | 1                    | 1                             | 1                     | 1                   | 1  | 1                                 | 1                            | 1                  | 1.00 |
|                 | Facilities - Construction                                  | 2                          | 3   | 2                         | 1                             | 1                    | 1                             | 1                     | 1                   | 1  | 1                                 | 1                            | 1                  | 1.27 |
|                 | Facilities - Maintenance                                   | 1                          | 1   | 1                         | 1                             | 1                    | 1                             | 1                     | 1                   | 1  | 2                                 | 1                            | 1                  | 1.07 |
|                 | Environmental Services                                     | 1                          | 2   | 1                         | 1                             | 2                    | 1                             | 1                     | 1                   | 1  | 2                                 | 1                            | 1                  | 1.17 |
|                 | Vehicles Owned/Leased; Drivers & Insurance                 | 1                          | 1   | 1                         | 2                             | 1                    | 2                             | 1                     | 1                   | 1  | 1                                 | 1                            | 1                  | 1.17 |
|                 | Vendor Management  | 1                          | 1   | 1                         | 1                             | 1                    | 1                             | 1                     | 1                   | 1  | 1                                 | 1                            | 1                  | 1.00 |
|                 | Records Retention  | 1                          | 1   | 1                         | 1                             | 1                    | 2                             | 1                     | 1                   | 1  | 1                                 | 1                            | 1                  | 1.10 |
|                 | Bookstore (Barnes & Noble)                                 | 1                          | 2   | 1                         | 1                             | 4                    | 1                             | 1                     | 1                   | 1  | 1                                 | 1                            | 1                  | 1.20 |
|                 | Onsite Vendors - Cafeteria / Vending / Starbucks / Parking | 1                          | 2   | 1                         | 1                             | 3                    | 1                             | 1                     | 1                   | 1  | 2                                 | 1                            | 1                  | 1.22 |
|                 | Onsite Credit Union  | 1                          | 1   | 1                         | 2                             | 2                    | 1                             | 1                     | 1                   | 1  | 2                                 | 1                            | 1                  | 1.19 |
|                 | Professional Services Contracts                            | 1                          | 1   | 1                         | 1                             | 1                    | 3                             | 2                     | 1                   | 2  | 1                                 | 1                            | 1                  | 1.39 |

Community College of Philadelphia  
Internal Audit Risk Assessment

2016-2018

Auditable Units, Risks and Risk Assessment Scoring

| FUNCTIONAL AREA       | Risk Assessed at This Level                       | Risk Weightings            |   |                           |                               |                      |                             |                       |                     |   |                                     |                              | Weighted Average |                    |   |      |      |   |
|-----------------------|---|----------------------------|---|---------------------------|-------------------------------|----------------------|-----------------------------|-----------------------|---------------------|---|-------------------------------------|------------------------------|------------------|--------------------|---|------|------|---|
|                       |   | Financial Statement Impact | Throughput/Transaction Volume (Level of Activity) | Complexity and Automation | Public Relations / Reputation | Student Satisfaction | Legal/Regulatory Compliance | Corporate Initiatives | Significant Changes | Known problems/Issues/recent audit findings | Control Status (from Prior Year(s)) | Faculty / Staff Satisfaction |                  | Executive Override |   |      |      |   |
|                       | Childcare Center on Main Campus (as Lessor)       | 1                          | 1   | 1                         | 3                             | 2                    | 1                           | 1                     | 1                   | 1   | 1                                   | 1                            | 1                | 1                  | 1 | 1.19 | L    |   |
| Strategic Initiatives | Diversity & Equity Administration                 | 1                          | 1   | 2                         | 5                             | 5                    | 3                           | 1                     | 1                   | 1   | 1                                   | 1                            | 1                | 1                  | 3 | 1    | 1.92 | M |
|                       | Equity Issues - Title IX                          | 1                          | 1   | 2                         | 5                             | 5                    | 3                           | 1                     | 1                   | 1   | 1                                   | 1                            | 1                | 1                  | 1 | 1    | 1.78 | M |
|                       | Institute for Community Engagement                | 1                          | 2   | 1                         | 2                             | 1                    | 1                           | 4                     | 3                   | 1   | 1                                   | 1                            | 1                | 1                  | 2 | 1    | 1.83 | M |
|                       | Gateway to College (Contract with PSD)            | 1                          | 1   | 1                         | 2                             | 3                    | 1                           | 2                     | 2                   | 1   | 1                                   | 1                            | 1                | 1                  | 1 | 1    | 1.44 | L |
|                       | Dual Enrollment                                   | 1                          | 1   | 1                         | 2                             | 3                    | 1                           | 2                     | 1                   | 1   | 1                                   | 1                            | 1                | 1                  | 1 | 1    | 1.24 | L |
|                       | Credentialing Programs                            | 1                          | 1   | 1                         | 1                             | 2                    | 1                           | 2                     | 2                   | 1   | 1                                   | 1                            | 1                | 1                  | 1 | 1    | 1.32 | L |
|                       | Off Campus Programs - DACE, Workforce Development | 1                          | 1   | 1                         | 2                             | 3                    | 1                           | 3                     | 3                   | 2   | 2                                   | 1                            | 1                | 1                  | 5 | 1    | 2.23 | M |
|                       | Institutional Research                            | 1                          | 1   | 1                         | 1                             | 1                    | 1                           | 1                     | 1                   | 1   | 1                                   | 1                            | 1                | 1                  | 1 | 1    | 1.00 | L |
|                       | Academic Assessment                               | 1                          | 1   | 3                         | 2                             | 1                    | 1                           | 3                     | 2                   | 1   | 1                                   | 1                            | 1                | 1                  | 1 | 1    | 1.68 | L |
|                       | KEYS Program                                      | 1                          | 1   | 1                         | 3                             | 3                    | 5                           | 1                     | 1                   | 1   | 1                                   | 1                            | 1                | 1                  | 1 | 1    | 1.64 | L |
|                       | State Recruiting Regulations                      | 1                          | 1   | 2                         | 3                             | 1                    | 5                           | 2                     | 1                   | 1   | 1                                   | 1                            | 1                | 1                  | 2 | 1    | 1.81 | M |
|                       | Professional Development                          | 1                          | 2   | 1                         | 1                             | 1                    | 1                           | 2                     | 1                   | 1   | 1                                   | 1                            | 1                | 1                  | 2 | 1    | 1.19 | L |
|                       | Multi-Media Services                              | 1                          | 1   | 1                         | 1                             | 1                    | 1                           | 1                     | 1                   | 1   | 1                                   | 1                            | 1                | 1                  | 2 | 1    | 1.07 | L |
|                       | Human Resources                                   | HR Administration          | 1   | 1                         | 1                             | 1                    | 1                           | 1                     | 1                   | 1   | 1                                   | 1                            | 1                | 1                  | 3 | 1    | 1.14 | L |
|                       | New Employee Process                              | 1                          | 1   | 1                         | 1                             | 1                    | 1                           | 1                     | 1                   | 1   | 1                                   | 1                            | 1                | 3                  | 1 | 1.14 | L    |   |
|                       | Termination Process                               | 1                          | 1   | 1                         | 1                             | 1                    | 1                           | 1                     | 1                   | 1   | 1                                   | 1                            | 1                | 3                  | 1 | 1.14 | L    |   |
|                       | Sick/STD/LTD                                      | 1                          | 1   | 1                         | 1                             | 1                    | 1                           | 1                     | 1                   | 1   | 1                                   | 1                            | 1                | 3                  | 1 | 1.14 | L    |   |

Community College of Philadelphia  
Internal Audit Risk Assessment

2016-2018

Auditable Units, Risks and Risk Assessment Scoring

| FUNCTIONAL AREA | Risk Assessed at This Level                         | Risk Weightings            |   |                           |                             |                      |                             |                       |                     |   |                                     |                              |                    | Weighted Average |   |   |      |
|-----------------|---|----------------------------|---|---------------------------|-----------------------------|----------------------|-----------------------------|-----------------------|---------------------|---|-------------------------------------|------------------------------|--------------------|------------------|---|---|------|
|                 |   | Financial Statement Impact | Throughput/Transaction Volume (Level of Activity) | Complexity and Automation | Public Relations/Reputation | Student Satisfaction | Legal/Regulatory Compliance | Corporate Initiatives | Significant Changes | Known problems/Issues/recent audit Findings | Control Status (from Prior Year(s)) | Faculty / Staff Satisfaction | Executive Override |                  |   |   |      |
|                 | Medical Benefits (self-insured)                     | 1                          | 2   | 1                         | 1                           | 1                    | 1                           | 1                     | 1                   | 1   | 1                                   | 1                            | 1                  | 1                | 1 | 1 | 1.33 |
|                 | Prescription Benefits (self-insured)                | 1                          | 2   | 1                         | 1                           | 1                    | 1                           | 1                     | 1                   | 1   | 1                                   | 1                            | 1                  | 1                | 1 | 1 | 1.33 |
|                 | Dental Benefits (premium based)                     | 1                          | 2   | 1                         | 1                           | 1                    | 1                           | 1                     | 1                   | 1   | 1                                   | 1                            | 1                  | 1                | 1 | 1 | 1.33 |
|                 | Life Insurance (premium based)                      | 1                          | 2   | 1                         | 1                           | 1                    | 1                           | 1                     | 1                   | 1   | 1                                   | 1                            | 1                  | 1                | 1 | 1 | 1.33 |
|                 | FMLA  | 1                          | 1   | 1                         | 1                           | 1                    | 1                           | 1                     | 2                   | 1   | 1                                   | 1                            | 1                  | 1                | 1 | 1 | 1.38 |
|                 | Workers' Compensation                               | 1                          | 1   | 1                         | 1                           | 1                    | 1                           | 1                     | 2                   | 1   | 1                                   | 1                            | 1                  | 1                | 1 | 1 | 1.24 |
|                 | HIPAA   | 1                          | 2   | 1                         | 2                           | 1                    | 2                           | 1                     | 2                   | 1   | 2                                   | 1                            | 1                  | 1                | 1 | 1 | 1.50 |
|                 | COBRA   | 1                          | 1   | 1                         | 1                           | 1                    | 1                           | 1                     | 2                   | 1   | 2                                   | 1                            | 1                  | 1                | 1 | 1 | 1.40 |
|                 | ADA   | 1                          | 1   | 1                         | 2                           | 1                    | 2                           | 1                     | 2                   | 1   | 2                                   | 1                            | 1                  | 1                | 1 | 1 | 1.31 |
|                 | Paid Time Off                                       | 2                          | 2   | 1                         | 1                           | 1                    | 1                           | 1                     | 1                   | 1   | 1                                   | 1                            | 1                  | 1                | 1 | 1 | 1.19 |
|                 | Recordkeeping                                       |                            |   |                           |                             |                      |                             |                       |                     |   |                                     |                              |                    |                  |   |   |      |
|                 | Retiree Benefits                                    | 1                          | 1   | 1                         | 1                           | 1                    | 1                           | 1                     | 1                   | 1   | 1                                   | 1                            | 1                  | 1                | 1 | 1 | 1.21 |
|                 | 403(b) Administration                               | 1                          | 2   | 1                         | 1                           | 1                    | 1                           | 1                     | 1                   | 1   | 1                                   | 1                            | 1                  | 1                | 1 | 1 | 1.33 |
|                 | Tuition Remission                                   | 1                          | 1   | 1                         | 1                           | 1                    | 1                           | 1                     | 1                   | 1   | 1                                   | 1                            | 1                  | 1                | 1 | 1 | 1.07 |
|                 | Forgivable Loans                                    | 1                          | 1   | 1                         | 3                           | 1                    | 1                           | 1                     | 1                   | 1   | 1                                   | 1                            | 1                  | 1                | 1 | 1 | 1.28 |
|                 | Part-Time Faculty Medical Benefits                  | 1                          | 3   | 2                         | 1                           | 1                    | 1                           | 1                     | 1                   | 1   | 1                                   | 1                            | 1                  | 1                | 1 | 1 | 1.34 |
|                 | Retiree Medical Benefits Partially Paid by Retirees | 1                          | 2   | 2                         | 1                           | 1                    | 1                           | 1                     | 1                   | 1   | 1                                   | 1                            | 1                  | 1                | 1 | 1 | 1.29 |
|                 | Grievance Administration                            | 1                          | 1   | 2                         | 1                           | 1                    | 1                           | 3                     | 1                   | 1   | 1                                   | 1                            | 1                  | 1                | 1 | 1 | 1.44 |

2016-2018

Community College of Philadelphia  
Internal Audit Risk Assessment

Auditable Units, Risks and Risk Assessment Scoring

| FUNCTIONAL AREA | Risk Assessed at This Level           | Risk Weightings            |   |                           |                               |                      |                             |                       |                     |   |                                   | Weighted Average             |                    |      |
|-----------------|---------------------------------------|----------------------------|---|---------------------------|-------------------------------|----------------------|-----------------------------|-----------------------|---------------------|---|-----------------------------------|------------------------------|--------------------|------|
|                 |                                       | 0.07                       | 0.05  | 0.10                      | 0.07                          | 0.10                 | 0.07                        | 0.20                  | 0.05                | 0.07  | 0.07                              |                              | 0.10               | 0.10 |
|                 |                                       | Financial Statement Impact | Throughput / Transaction Volume (Level of Activity) | Complexity and Automation | Public Relations / Reputation | Student Satisfaction | Legal/Regulatory Compliance | Corporate Initiatives | Significant Changes | Known problems/issues/recent audit findings | Control Status from Prior Year(s) | Faculty / Staff Satisfaction | Executive Override | 1.00 |
|                 | Whistleblower Policy / Ethics Hotline | 1                          | 1   | 1                         | 3                             | 2                    | 1                           | 1                     | 1                   | 1   | 1                                 | 3                            | 1                  | 1.33 |
|                 | Right to Know Requests                | 1                          | 1   | 1                         | 3                             | 1                    | 5                           | 1                     | 1                   | 1   | 1                                 | 1                            | 1                  | 1.54 |
|                 | Outsourced Legal Work                 | 1                          | 1   | 4                         | 1                             | 1                    | 1                           | 1                     | 1                   | 1   | 1                                 | 1                            | 1                  | 1.30 |





Community College of Philadelphia  
Internal Audit Plan - July 1, 2016 to June 30, 2018

| Functional Area                                    | Risk Rating | Risk Explanation / Reason for Audit                                      | Fiscal Year  |
|--|-------------|--|--------------|
| <b>Financial Audits</b>                            |             |  |              |
| Colonial One Card                                  | L           | Determine controls over prepaid card program                             | 2017         |
| Check Requests - Vendors                           | L           | Verify controls for payments to vendors                                  | 2018         |
| Check Requests - Employees                         | L           | Verify controls for reimbursements to employees                          | 2018         |
| Purchasing Cards                                   | M           | Determine compliance with purchasing card policies                       | 2018         |
| 403(b) Transactions *                              | L           | Determine controls over payments to retirement savings vendors           | 2018         |
| <b>Operational Audits</b>                          |             |  |              |
| 403(b) Administration *                            | L           | Determine controls over employee requests related to retirement savings  | 2018         |
| Part-Time Faculty Medical Benefits                 | L           | Determine controls and accuracy of only benefit funded entirely by staff | 2017         |
| Business Continuity Plan                           | M           | Determine management's level of preparation for business interruption    | 2017         |
| Pell Grants - Appeal Process for Academic Progress | M           | Determine compliance with requirements                                   | 2017         |
| Veterans' Resource Center                          | M           | Compliance with Veterans' Education Benefits Laws                        | 2018         |
| Off Campus Programs - DACE, Workforce Development  | M           | Ensure risks are controlled / minimized in remote locations              | 2017<br>2018 |
| <b>Compliance</b>                                  |             |  |              |
| 50th Anniversary Scholarship Program               | M           | Determine compliance with requirements                                   | 2017         |
| Family Educational Rights and Privacy Act          | M           | Compliance with FERPA regulations  | 2017         |

Confidential

Community College of Philadelphia  
Internal Audit Plan - July 1, 2016 to June 30, 2018

| Functional Area  | Risk Rating | Risk Explanation / Reason for Audit                                       | Fiscal Year |
|--|-------------|---|-------------|
|  |             |   |             |
| State Recruiting Regulations   | M           | Determine compliance with regulations / restrictions                      | 2017        |
| Family Medical Leave Act   | L           | Determine compliance with policies, procedures and regulations            | 2018        |
| Residency Verification   | L           | Compliance with procedures and controls to pay tuition based on residency | 2018        |
| Forgivable Loans   | L           | Compliance with procedures and controls for such loans                    | 2018        |
| Clery Act  | M           | Compliance with law and required disclosures                              | 2017        |
| <b>IT Audits</b>   |             |   |             |
| Disaster Recovery Plan   | M           | Determine adequacy of readiness and periodic testing                      | 2017        |
| Non-ITS Administered Software Programs                                 | M           | Determine adequacy of administration controls                             | 2017        |
| Network Security   | L           | Determine adequacy of controls for systems access                         | 2018        |
|  |             |   |             |
| <b>Administrative</b>  |             |   |             |
| Follow Up on Prior Issues  |             |   | Ongoing     |
| Committee Meetings (Grants, Data Breach, EMT, external audits/reviews) |             |   | Ongoing     |

**MEETING OF THE BUSINESS AFFAIRS COMMITTEE  
OF THE BOARD OF TRUSTEES  
Community College of Philadelphia  
Wednesday, June 22, 2016 - 10:00 A.M.  
Isadore A. Shrager Boardroom, M2-1**

**Present:** Mr. Matthew Bergheiser, presiding; Mr. Steve Herzog, Stella Tsai, Esq. (*via* teleconference – Executive Session), Mr. Jeremiah J. White, Jr., Dr. Donald Generals, Mr. Jacob Eapen, Mr. Todd E. Murphy, Mr. James P. Spiewak, and Victoria Zellers, Esq.

**EXECUTIVE SESSION**

Discussion of legal matters was held.

**AGENDA – PUBLIC SESSION**

**(1) Fixed Stair Replacement in West Building (Action Item):**

Discussion: Committee members discussed contractor issues related to the Fixed Stair Replacement Project in the West Building. A re-bid of the project commenced under RFP #9931. At the conclusion of the RFP process, Torrado Construction Company Inc. was the apparent lowest responsible bidder. (Bid results are displayed below)

An AIA contract was sent to Torrado Construction Company Inc. for execution, but has not been executed. Additionally, Torrado Construction Company Inc. has not been able to acquire the Performance & Payment Bond which is a requirement for this project as per the Pennsylvania Code, Chapter 35 Section 35.51, Bidding and Awarding of Contracts. Accordingly, staff recommended moving forward with the next lowest responsible bidder, A.P. Construction.

**Bid Summary:**

| <b>Bid</b>      | <b>Torrado Construction</b> | <b>A.P. Construction</b> | <b>JPC Group, Inc.</b> |
|-----------------|-----------------------------|--------------------------|------------------------|
| <b>RFP#9931</b> | \$ 1,374,000.00             | \$ 1,762,000.00          | \$ 2,565,000.00        |

Action: Mr. White moved and Mr. Herzog seconded the motion authorizing staff to contract with the second lowest responsible bidder, A.P. Construction Company, if deemed necessary. The motion passed unanimously.

**(2) Fiscal Year 2016-17 Operating and Capital Budget (Action Item):**

Discussion: Dr. Generals provided the Committee members with an overview of the College’s budget scenario for fiscal year 2016-17 including the strategic initiatives that are incorporated into the budget plan. Mr. Eapen and Mr. Spiewak described the budgetary assumptions and related financial tables. Committee members further discussed the budget

document in relation to the operating and capital revenues and expenses as it relates to the strategic goals.

Action: Mr. Herzog moved and Mr. White seconded the motion to recommend the adoption of the Fiscal Year 2016-17 Operating and Capital Budget to the full Board. The motion passed unanimously.

**(3) Solar Panel Project (Action Item):**

Discussion: Mr. Eapen explained that faculty, staff and students presented the concept of a solar energy source to demonstrate the renewable and sustainable alternative energy now being taught in several disciplines. This team presented a proposal to the President's Cabinet for funding under the College's Innovation Fund. He explained the various components of the project and uses for the power generated by the solar panels.

A scope of work was written and included in a formal Request for Proposals, RFP #9935, then posted on Penn Bid. A mandatory pre-bid meeting was attended by several bidders but only one, Solar States, responded. Additionally, Solar States was the only supplier that expressed an interest and commitment in supporting the educational aspect of the project.

Action: Mr. White moved and Mr. Herzog seconded the motion that the Committee recommend to the full Board that the Solar Panel Project contract for \$89,470.00 be awarded to Solar States. The motion passed unanimously.

**(4) 2016-17 Property and Casualty Insurance Renewal Program (Action Item):**

Discussion: Mr. Spiewak referred Committee members to Attachment A for background information. He noted that the results of the marketing of the College's insurance program were very successful. Overall, the premiums for all insurance policies decreased by approximately \$27,000. This was the fourth consecutive year the College has experienced an overall decrease in insurance premiums and has reached a low point in costs which may be difficult to continue in subsequent years. All policies had stable or declining premiums with the exception of the general liability policy which has a 7.7% premium increase. The workers' compensation policy has an 11.7% decrease in premium. Overall, College insurance premiums will decrease 3.2% from \$851,572 to \$824,197.

Mr. Spiewak pointed out two notable events associated with the renewal. The Security and Privacy (Cyber Liability) policy is being switched from AIG to Travelers with the policy limit increasing from \$1 million to \$3 million and the number of covered affected individuals increasing from 250,000 to 500,000. He noted that College staff will explore methods to limit the number of affected individuals in the unlikely scenario of a data breach. The crime policy is being supplemented with a "Social Engineering Fraud Activity" endorsement that protects the College in the event of a funds transfer initiated by the College to a fraudulent account due to deceptive activities.

Action: Mr. Herzog moved and Mr. White seconded the motion that the Committee recommend to the full Board approval of the 2016-17 insurance program with a total cost, including broker fee, of \$55,000 per Willis Towers Watson's five-year contract, of \$879,197. The motion passed unanimously.

**(5) Consultant for CCTV System for College Security (Action Item):**

**Background:**

The Community College of Philadelphia issued a Request for Proposal (RFP) #9925 to select a Security Subject Matter Expert to support the College in modernizing and upgrading its security system technologies which include system upgrades to Access Control, Closed Circuit Television (CCTV) and Multi Use Radio Service (MURS) to optimize compliance with the FCC service rules governing expanding operational needs.

Mr. Eapen explained the need for this critical activity. He noted that the RFP was sent to 13 firms with 2 firms submitting proposals, Sentinel Consulting and Evert & Associates.

Each of the respondents were interviewed by a 5-member evaluation team. At the conclusion of the interviews, the two firms were both deemed qualified to manage this project; however, one firm had more relevant experience working with higher education institutions.

Staff recommended awarding the contract to Evert & Associates. The evaluation team felt Evert was best prepared to assist the College with the project based upon the many similar projects they have undertaken at other higher education institutions and references to support their work. The bid price of the two firms is below.

Evert & Associates - \$103,100 (recommended)  
Sentinel Consulting - \$138,178

Action: Mr. White moved and Mr. Herzog seconded the motion that the Committee recommend to the full Board that Evert & Associates be awarded a contract as the consultant for the CCTV System for College security in the amount of \$103,100. The motion passed unanimously.

Prior to adjournment, Dr. General and Mr. Eapen responded to Committee members' questions concerning College security efforts.

**(6) Next Meeting:**

The next meeting date of the Committee is scheduled for **Wednesday, September 21, 2016 at 10:00 A.M.** in the College's Isadore A. Shrager Boardroom, M2-1.

JE/lm  
Attachments

## **ATTACHMENT A**

### **2016-17 PROPERTY AND CASUALTY INSURANCE RENEWAL PROGRAM**

## **2016-17 Property and Casualty Insurance Renewal Program**

### **Introduction:**

The College insurance program is reviewed annually prior to the July 1 renewal. During the renewal strategy meeting held on March 2, 2016, it was decided that Willis Towers Watson (the College's current Broker) would approach the incumbent carriers and a few select insurers with higher education experience with the intent of securing identical (or better) coverage at premiums close to expiring. This strategy was effective as all policies had stable or declining premiums with the exception of the general liability policy which has an 7.7% premium increase. The workers' compensation policy has a 11.7% decrease in premium. Overall, College insurance premiums will decrease from \$851,572 to \$824,197 or 3.2%.

### **General Liability:**

The College's general liability coverage has been with United Educators (UE) for the past fifteen years. Willis Towers Watson has opined that UE has the best General Liability (GL) policy form available in the higher education market offering the most comprehensive coverage. United Educators offered a renewal premium of \$180,770 which is \$12,932 or 7.7% higher than the expiring rate with no change to the deductibles (\$25,000 each occurrence; \$100,000 annual aggregate). The College was again granted a 4% premium rate credit based upon certain risk management initiatives that were undertaken during the year. Furthermore, the College is entitled to a dividend of \$12,727 from United Educators if at least one coverage line (GL or Umbrella) is renewed. This, in effect, makes the net cost to the College for fiscal year 2015-16 equal to \$168,043. United Educators is organized as a reciprocal risk retention group – owned by its members like CCP; this would be the sixth consecutive year that the College will have received a dividend. The 6-year aggregate dividend to the College totals \$89,923.

### **Umbrella:**

The College's umbrella liability coverage (\$25 million for any one loss) has also been with United Educators for fifteen years. UE's policy form offers the most comprehensive coverage in the higher education market for umbrella/excess coverage according to Willis Towers Watson. United Educators offered a renewal rate of \$87,075 which is \$239 lower than the previous year's premium. This policy also sits on top of the \$1 million coverage for student medical malpractice insurance. It also provides excess general liability, automobile liability, employers' liability and foreign liability insurance. As with the general liability policy, the College was granted a 4 percent premium reduction based upon certain risk management initiatives that were undertaken during the year.

### **Workers' Compensation:**

Amerihealth, the incumbent carrier and an Independence Blue Cross subsidiary, offered a renewal rate of \$249,913 which is \$33,195 (11.7%) lower than the expiring premium. The Human Resources Office and the College's Safety Committee continue to review all work-related claims and offer recommendations and training efforts where needed. The College's Safety Committee again received re-certification from the PA Department of Labor; this automatically makes the College eligible for a 5 percent reduction in premium.

### **Property:**

Affiliated FM quoted a rate of \$166,554 or \$26 lower than the expiring premium. The College will have a blanket limit of \$357,732,000 with a deductible of \$25,000. This policy also



provides \$7 million of business interruption insurance. Affiliated is providing a two-year rate guarantee; next year's policy will only increase due to increases in insured values.

**Educator Legal Liability:**

The ELL policy provides management liability protection (\$15 million limit with a \$75,000 retention) for the College's Board of Trustees and the Foundation's Board of Trustees, employment practices liability, employed lawyers liability and professional liability for faculty and staff. AIG, the incumbent carrier, provided a quote of \$86,204 that is the same as the expiring premium.

**Automobile:**

The incumbent carrier, Philadelphia Insurance Co., offered a renewal rate of \$17,284 which is \$7,253 lower than the current year. The automobile policy covers employees driving College owned, rented or hired vehicles as well as providing collision and comprehensive coverage for the College's vehicles. This renewal premium is based upon the current number of vehicles insured by the College.

**Student Medical Malpractice:**

CNA offered a quote of \$7,670 that is \$875 lower than the expiring premium. The College again received rate reductions for being a long-term client (4+ years) and for having no claims during the most recent four-year period. The number of students participating in clinical settings affects the cost of this insurance. This policy provides \$1 million in coverage to the College and to students and faculty related to their activities in a clinical setting.

**Crime:**

Travelers, the incumbent carrier, offered a renewal rate of \$5,413 that is \$90 lower than the expiring rate. Travelers offered this rate based upon their opinion that the College had strong existing internal control features to prevent employee theft. This policy provides the College with protection against 1<sup>st</sup> party (employee) theft and 3<sup>rd</sup> party theft and fraud for a limit of \$4 million. The College also received a quote for optional "social engineering fraud/ funds transfer" coverage at a cost of \$165. This provides coverage should an employee unwittingly transfer College assets to a fraudulent third party due to deceptive activities. Travelers has committed to a 3-year rate guarantee on this policy.

**International Liability:**

This policy provides foreign-based general liability, automobile liability, and workers' compensation coverage as well as travel, medical and security assistance services for faculty and staff traveling abroad. This policy also includes kidnap and extortion coverage. The College purchased a three-year policy last fiscal year at an annual cost of \$3,324.

**Security and Privacy (Cyber Insurance):**

The College first secured this line of coverage for the 2011-2012 fiscal year. This insurance offers protection to the College if there were data security breaches or compromises of student and/or employee "private" information (as determined by federal and state jurisdiction). The carrier will provide forensic and legal assistance from a panel of experts to help determine the extent of the breach and the steps required to comply with applicable laws, include the following: notification to persons who must be notified under applicable

law or on a voluntary basis; offer 12 months of 3-bureau credit monitoring to affected individuals; identify theft-related fraud resolution services for individuals enrolled in credit monitoring who become victims of identity theft; and extend coverage for theft, loss or unauthorized disclosure of information held by business associates as defined by HIPPA. First party benefits include protection for data recovery and business interruption, extortion threats and regulatory defense and penalties. The policy also protects the College against 3<sup>rd</sup> party legal action for damages arising from the alleged breach (including defense costs).

The College currently has a policy limit of \$1 million and offers notification and credit monitoring services for up to 250,000 affected individuals. The renewal quote received from AIG, is \$17,385 and a comparable policy from Travelers is quoted at \$10,889. Staff requested that Willis Towers Watson solicit additional options from both carriers increasing both the policy limit and the number of affected individuals. The most attractive option reviewed is from Travelers. It has a policy limit of \$3 million and offers notification and credit monitoring services for up to 500,000 affected individuals. The cost of the policy with these optional limits is \$18,441.

**Broker Fee:**

The annual fee for 2016-17 is \$55,000 which represents the fifth year amount as outlined in Willis' proposal to the College's RFP issued in 2012.

**Recommendation:**

College staff, after carefully considering the available options internally and with its broker representatives, recommends that the College procure insurance as detailed below.

| <u>Coverage</u>                                  | <u>Carrier</u>       | <b>Expiring<br/>(2015-16)<br/>Premium</b> | <b>Renewal<br/>(2016-17)<br/>Premium</b> |
|--|----------------------|---|--|
| General Liability (\$1M)                         | United Educators     | \$167,838                                 | \$180,770                                |
| Umbrella (\$25M)                                 | United Educators     | 87,314                                    | 87,075                                   |
| Workers' Compensation                            | Amerihealth          | 283,108                                   | 249,913                                  |
| Property   | Affiliated FM        | 166,580                                   | 166,554                                  |
| Educators Legal Liability (\$15M)                | AIG                  | 86,204                                    | 86,204                                   |
| Automobile                                       | Phila. Insurance Co. | 24,537                                    | 17,284                                   |
| Student Medical Professional<br>Liability (\$1M) | CNA                  | 8,545                                     | 7,670                                    |
| Crime (\$4M)                                     | Travelers            | 5,503                                     | 5,578                                    |
| International Liability                          | Navigators           | 3,324                                     | 3,324                                    |
| Security & Privacy (\$3M for FY17)               | Travelers            | 17,235                                    | 18,441                                   |
| Travel Accident                                  |                      | 1,384                                     | 1,384                                    |
| <b>TOTAL INSURANCE PREMIUMS</b>                  |                      | <b>\$851,572</b>                          | <b>\$824,197</b>                         |
| Broker Fee                                       | Willis Towers Watson | \$ 50,000                                 | \$ 55,000                                |