

**MEETING OF AUDIT COMMITTEE  
Community College of Philadelphia  
Thursday, March 21, 2013 – 12:00 Noon**

Present: Mr. Jeremiah White, Mr. Rich Downs (via telephone), Dr. Stephen M. Curtis, Dr. Thomas R. Hawk, Mr. Todd Murphy, Mr. James Spiewak, Dr. Samuel Hirsh, Jill Garfinkle Weitz, Esq., Mr. Waverly Coleman, Mr. Gim Lim, Mr. Daniel Robb, Dr. Wayne Wormley; and representing KPMG: Ms. Chris Chepel and Mr. Arthur M. Ayres, Jr.

Not Present: The Honorable Michael A. Nutter and Mr. Matt Bergheiser

**AGENDA – PUBLIC SESSION**

**(1) Approve Minutes of Audit Committee Meeting on September 25, 2012 (Action Item):**

**Action:** Mr. Downs asked for a motion to recommend acceptance of the September 25, 2012 Audit Committee meeting minutes. Mr. White made the motion. Mr. Downs seconded the motion. The motion passed unanimously.

**(2) 2011-2012 A-133 Audit Report (Information Item):**

Ms. Chepel and Mr. Ayres reviewed the results of the 2012 A-133 Audit using the draft in Attachment A. They summarized the scheduled of federal awards. The College's had \$98 million in Federal expenditures of which \$91 million was in Student Financial Aid. Student Financial Aid is comprised of primarily Pell Awards and Direct Loans. The single audit process for determining programs to audit requires auditors to remove the Student Financial Aid Cluster, which leaves a base of about \$6 million in smaller programs from which they are to select programs for audit.

Ms. Chepel reviewed the specific programs that were audited: the Student Financial Aid Cluster, Pathways out of Poverty Grant, Predominantly Black Institutions Formula Grant and the Trade Adjustment Assistance Community College and Career Training Grant (TAACCCT). She explained that as a result of a timing issue, there were repeat findings from last year for the Pathways Out of Poverty Grant. The program ended half way through the 2011-12 year. The repeat findings occurred as a result of the timing of the 2010-11 A-133 audit which generated findings to which the College responded in the second half of the 2011-12 year. However, because the findings did occur in the 2011-12 year before the corrective action plan was implemented, the auditors were required to repeat the 2010-11 findings. No further recommendations were made because a corrective action plan had been implemented as of March 2012.

Ms. Chepel discussed the Trade Adjustment Assistance Community College and Career Training Grant (TAACCCT). She reminded the Committee that this was a \$20 million Department of Labor grant that awards funds to all 14 Pennsylvania Community Colleges with Community College of Philadelphia being the lead institution. For the FY2012 year, the Project did not have a large amount of expenses, since most Colleges were in the start-up year. Community College of Philadelphia is required to monitor the other 13 Community Colleges to ensure that they are spending the dollars in accordance with Federal guidelines as part of the College's fiscal agent responsibility.

Mr. Downs asked if KPMG was participating in the monitoring process. Ms. Chepel explained that KPMG must maintain their independence. However, they have worked with Mr. Murphy and the TAACCCT staff in helping to define a monitoring guide which is now being used by CCP in the project management process. In addition, Community College of Philadelphia, as part of the monitoring requirements, obtains copies of each College's A-133 Audit reports, since they are all subject to the A-133 audit requirements. KPMG is reviewing the A-133 audits performed at the other colleges. If there is a specific concern about any particular College, KPMG could be engaged to perform an "Agreed Upon Procedures" Audit if the College deems it necessary.

Dr. Hawk asked if there was a chance that any of the other Colleges' TAACCCT Grant could escape an A-133 Audit. Ms. Chepel explained that it would depend on the make-up of each school's Federal Awards and Student Financial Aid Cluster, so there is a chance that a school's TAACCCT program may not be audited. However, since the threshold is currently \$300,000 it is expected that most of the other College's would reach that level in year two. There is a single audit requirement for auditors to audit any program over \$300,000 if it has never been audited.

Mr. White asked if there were procedures in place to ensure compliance. Dr. Curtis explained that every invoice from all the 14 Colleges flows through CCP and all paperwork is carefully reviewed by staff. In addition, the Department of Labor performed an audit of year one. The College has been very aggressive in its monitoring efforts, and project staff have spent a significant amount of time performing site visits to the other colleges reviewing paperwork and ensuring compliance. Ms. Weitz noted that since we get copies of the other colleges' A-133 Audits, we can identify any potential issues and follow up as necessary.

Mr. Downs raised the question as to why the College was no longer classified as "low risk." Ms. Chepel explained that this status only means that the College had reportable A-133 findings in the prior year. The only impact is now KPMG is required to audit at least 50% of the College's expenditures rather than 25%. However, since the College's Student Financial Aid is significantly more than 50%, this requirement did not affect CCP. This status will continue unless the College has a year with no A-133 findings.

Ms. Chepel and Mr. Ayres reviewed the new A-133 2011-12 finding. The finding was in the Student Financial Aid program area and related to reporting student enrollment status changes within 60 days. In the sample of 40 students, 11 student status changes were not communicated on a timely basis to the National Student Loan Data System (NSLDS). Mr. Ayres stated that there was an error in the programming that caused the discrepancy in the timing of the communication. The impact of this finding is that it can affect the timing of students entering into repayment status of student loans. Mr. Murphy explained that he

discussed this with the Student Affairs representatives and they have ensured that the programming has since been corrected. Mr. White asked if there is a concern that this issue could happen again. Mr. Murphy mentioned as a follow up, the Internal Auditor could review the process to ensure that the College's corrective action plan is followed. Mr. Lim explained that Financial Aid carefully reviews and scrubs all data before it is sent to NSLDS. A programming error occurred after a reporting change was made. The system issue is now fixed; it should not happen again. Ms. Chepel mentioned that the College had not had this finding previously, and it was the program used that actually provided the incorrect information. KPMG believes that the College's corrective action should prevent this from occurring in the future. Dr. Hirsch noted that his area has put a number of checks and balances within the process and the system to ensure this does not happen again.

Ms. Chepel discussed the other four findings as repeat from the previous year. She told the Committee that the Department of Labor reviewed the audit last year and accepted the College's corrective action plan. KPMG feels that no further action is required.

**Action:** Mr. Downs asked for a motion to recommend acceptance of the June 30, 2012 A-133 Audit. Mr. White made the motion. Mr. Downs seconded the motion. The motion passed unanimously.

Mr. White inquired about the cost of the audit. Dr. Hawk explained the cost of the audit was within the budgeted amount since fewer audits were completed than last year. Ms. Chepel stated that last year, the College had seven major programs audited as compared to only four this year. This was the result of several grant programs ending or falling below the audit threshold. In addition, where the College had a clean audit, KPMG now has the flexibility to rotate when the program is next audited.

Mr. White asked if there were any issues with respect to the relationship with the staff. Ms. Chepel stated that management has always been very responsive to any findings and reacts quickly to supplying any information.

Mr. White asked if there were any new rules or guidelines that will affect the College in the future. Ms. Chepel discussed an OMB (Office of Management and Budget) proposal that will change the single audit. The purpose is to help streamline and reduce the audit effort within the next few years.

Mr. Downs asked if the College is still facing a change with respect to GASB 45. Ms. Chepel explained that an exposure draft summarizing the recommended changes should be out shortly with a final standard issued in June of 2015. The new standard will no longer allow the College to phase in the total accrued Other Post Employee Benefits (OPEB) liability, instead the entire amount will be recorded at one time on the College's balance sheet. However, there is discussion about the portion that is an actual liability and the portion that will be classified as a deferred outflow of resources. This will create a distinction between the amount the College actually owes and long-term actuarial calculation for future costs. The overall impact is that the College's net assets will potentially be reported at a negative level. All rating agencies are aware of the change and realize nothing is happening economically. Mr. Downs stated he was concerned as to how rating agencies will be able to provide an A1 rating to an institution with negative net assets.

**(3) 2012-2013 Budget Update (Information Item):**

Mr. Downs discussed the Budget results before the Audit meeting with Todd Murphy. Mr. White reviewed the Budget results at the Business Affairs Committee meeting yesterday, March 20, 2013, and had no further questions as well.

**(4) Next Meeting:**

The next meeting of the Committee will be held on Wednesday, June 26, 2013 at 12:00 noon in the Isadore Shrager Boardroom, M2-1.

**EXECUTIVE SESSION**

An Executive session was held with Board members and College staff.

TEM/lmh

Attachments

cc: Dr. Stephen M. Curtis  
Dr. Thomas R. Hawk  
Jill Garfinkle Weitz, Esq.  
Mr. James P. Spiewak  
Mr. Gim Lim  
Mr. Waverly Coleman  
Dr. Wayne Wormley  
Mr. Daniel Robb  
Dr. Samuel Hirsch  
Representing KPMG: Ms. Chris Chepel and Mr. Arthur Ayres