

**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 15th 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

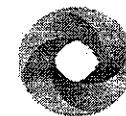
ATTACHMENT A

Grant Thornton

2015-2016 Audit Process

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June 6, 2016



Grant Thornton

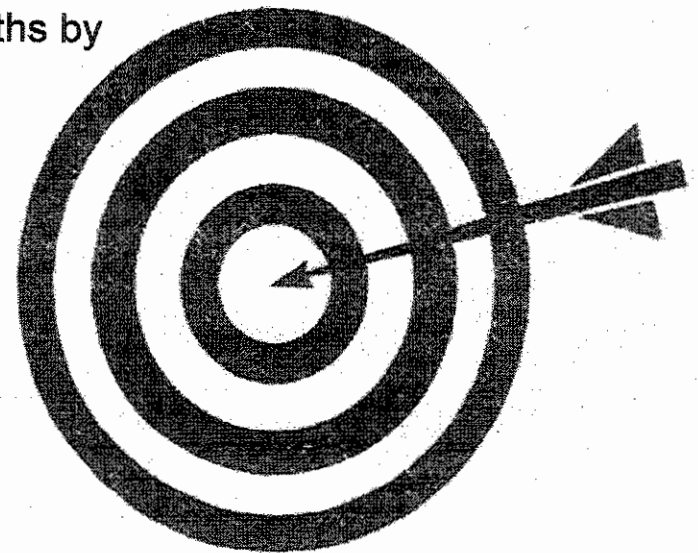
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Our values are **CLEARR**

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

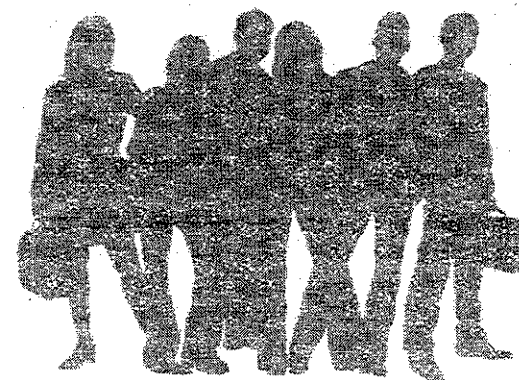
- Unite through global **Collaboration**
- Demonstrate **Leadership** in all we do
- Promote a consistent culture of **Excellence**
- Act with **Agility**
- Ensure deep **Respect** for people
- Take **Responsibility** for our actions

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.



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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:

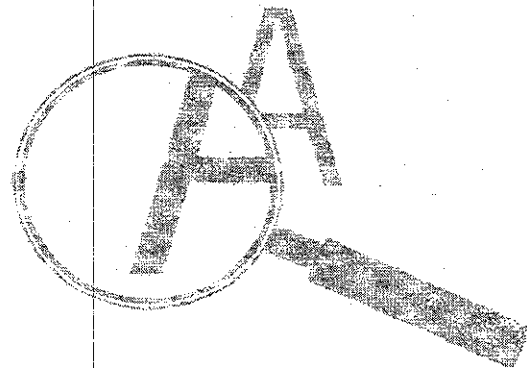
- Overseeing the financial reporting process
- Setting a positive tone at the top and challenging the Community College of Philadelphia's activities in the financial arena
- Discussing significant accounting and internal control matters with management
- Informing us about fraud or suspected fraud, including 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

AUDIT SCOPE



Audit timeline

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



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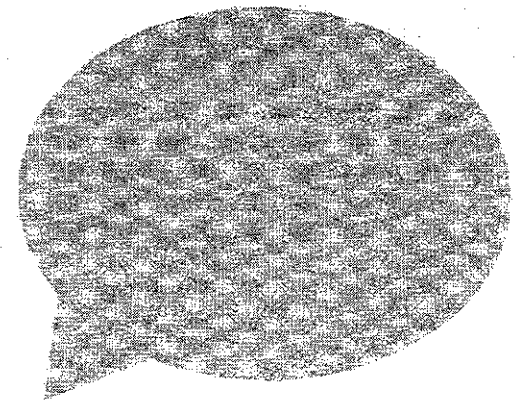
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Materiality

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"> • Perform reasonableness test on tuition, student aid and auxiliary revenue amounts. • Perform deferred revenue testing to determine proper cut-off. • 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. • Review management's analysis of allowances for doubtful accounts for consistency with methodology and accuracy of inputs.
GASB 68	<ul style="list-style-type: none"> • Ensure pension liabilities are recorded appropriately in accordance with GASB 68.

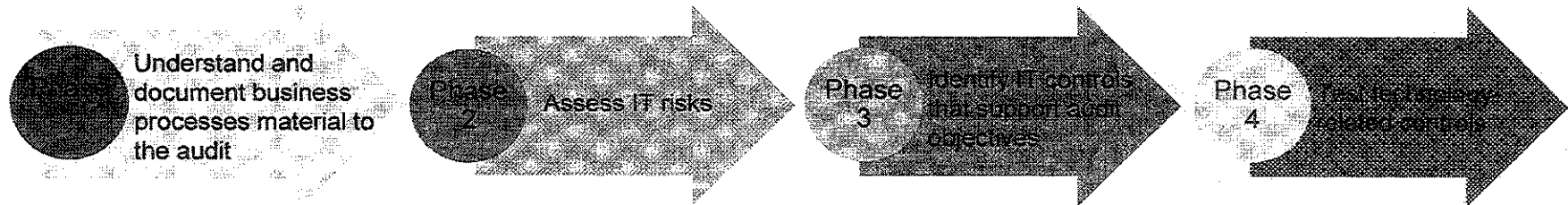
Significant risks and other areas of focus, continued

Areas of focus	Planned procedures
Investments and related earnings	<ul style="list-style-type: none"> • Confirm investments with custodians. • Test valuation of publicly traded investments using an independent pricing source. • 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. • Review investments for impairment. • Test the recognition of investment earnings by recalculating and/or testing sales activities. • Test unitization of earnings to pooled endowment.
State and Federal Grants & Contracts	<ul style="list-style-type: none"> • Review contract documents to obtain understanding of the terms. • Compare revenues and recorded expenses to determine that amounts are being recorded appropriately based upon the terms of the contracts. • Review any deferred amounts for reasonableness. • Agree any subsequent collections to year-end receivable balances. • Review propriety of financial statement presentation and disclosure.

Significant risks and other areas of focus, continued

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

Technology support as part of the audit process

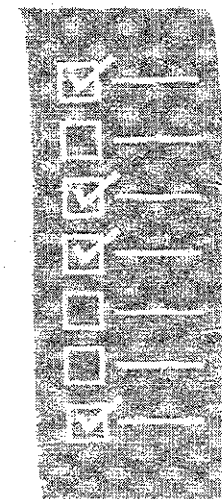


An important component of our audit approach is to understand how IT is used in supporting business operations and producing financial reports. Our technology specialists place particular emphasis on the risks relating to the use of technology and its associated controls, processes and practices.

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

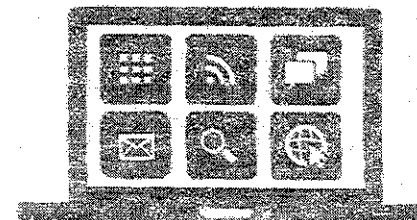
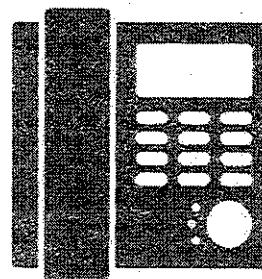
We are committed to promoting ethical and professional excellence. To advance this commitment, we have put in place a phone and Internet-based hotline system.

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

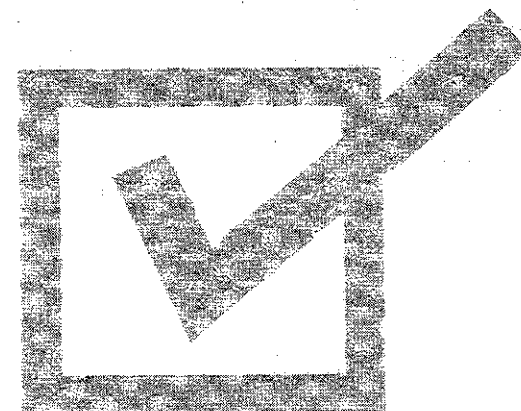
The EthicsPoint URL link

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

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



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"> • 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." • 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"> ➢ Market approach ➢ Cost approach ➢ Income approach • 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"> • Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities • 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 • Level 3 inputs are unobservable inputs, such as management's assumption of the default rate among underlying mortgages of a mortgage-backed security • Requires disclosures to be made about fair value measurement, the level within the fair value hierarchy, and valuation techniques • Effective for periods beginning after June 15, 2015 with retroactive adoption, presented as a change in accounting policy for all periods presented 	<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"> • GASB 75 replaces the requirements related to OPEB accounting and reporting currently provided in GASB 45 and 57 • GASB 74 established new accounting and financial reporting requirements for the financial statements of the state and local government OPEB plans • 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 • Provides a more comprehensive measure of OPEB expense than is currently required, which better reflects when the benefit cost is incurred • Requires more extensive disclosures and required supplementary information • Effective for fiscal years beginning after June 15, 2017, with early adoption encouraged. Similar to adoption of GASB 68 (Pensions), retrospective adoption is required 	<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"> Reduces the U.S. GAAP hierarchy for government standards from four to two categories of authoritative GAAP: <ul style="list-style-type: none"> The first category consists of the GASB Statements, as periodically incorporated into the Codification The second comprises GASB Technical Bulletins, Implementation Guides, and AICPA guidance cleared by the GASB. 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. 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. 	<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"> • 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. • 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. • 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. • Effective date is fiscal years beginning after June 15, 2016, with early adoption encouraged. Retroactive adoption is required. 	<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"> • 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 • 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) • 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. • Effective for periods beginning after 12/15/2016, with early adoption permitted. Retrospective application should be applied. 	<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 (<i>Certain Asset Retirement Obligations</i>) issued, comment period ended March 31, 2016
Fiduciary Activities	Exposure Draft (<i>Fiduciary Activities</i>) issued, comment period ended March 31, 2016
Conceptual Framework: Recognition	On Hold-preliminary views redeliberations
Leases- Reexamination of NCGA Statement 5	Exposure Draft (<i>Leases</i>), 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

GASB major project – Asset Retirement Obligations

Summary	Potential impact
<ul style="list-style-type: none"> • 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) • Existing guidance within FASB (ASC 410, <i>Asset Retirement Obligations</i>) has been applied by some GASB reporters, but not consistently • The Exposure Draft proposes the following: <ul style="list-style-type: none"> ✓ 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 ✓ 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) ✓ 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 • An Exposure Draft was issued in December 2015, and the comment period ended in March 2016 	<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>

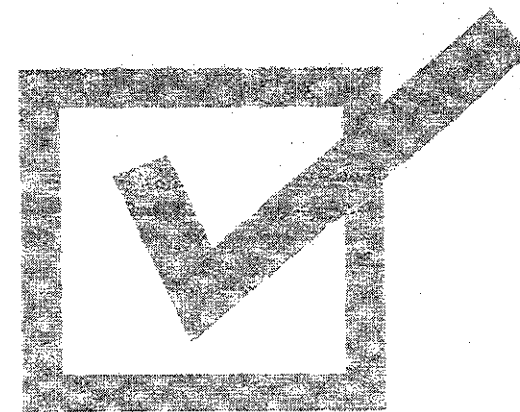
GASB major project – Leases

Summary	Potential impact
<ul style="list-style-type: none"> • The proposed guidance eliminates the distinction between capital and operating leases • 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. • Lessee governments would report the following about leases (except short-term leases) in their financial statements: <ul style="list-style-type: none"> ✓ An intangible lease asset that represents the government's right to use the underlying asset ✓ A corresponding lease liability ✓ Amortization expense related to the lease asset, and ✓ Interest expense related to the lease liability • Government lessors would report the following about leases in their financial statements: <ul style="list-style-type: none"> ✓ A receivable for the right to receive payments ✓ A corresponding deferred inflow of resources ✓ Lease revenue systematically over the term of the lease, and ✓ Interest revenue related to the receivable. • An Exposure Draft was issued in January 2016, with the comment period ending in May 2016. 	<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>

GASB major project – Financial Reporting Model

Summary	Potential impact
<ul style="list-style-type: none"> • 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. • 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"> ✓ MD&A ✓ Government-wide financial statements ✓ Major funds ✓ Governmental fund financial statements ✓ Proprietary fund and business-type activity financial statements ✓ Fiduciary fund financial statements ✓ Budgetary comparisons • Other options to permit more timely and less complex financial reporting will be explored in conjunction with other topics • The Board is in the initial deliberation stage and plans to issue an invitation to comment in late 2016 	<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&A and extraordinary and special items.</p>

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> <ol style="list-style-type: none"> I. Administrative Requirements – (Subparts B through D) standardizes definitions, general provisions and pre- and post-award requirements. II. Cost Principles – (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. III. Audit Requirements – (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 & Type B programs. 	<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

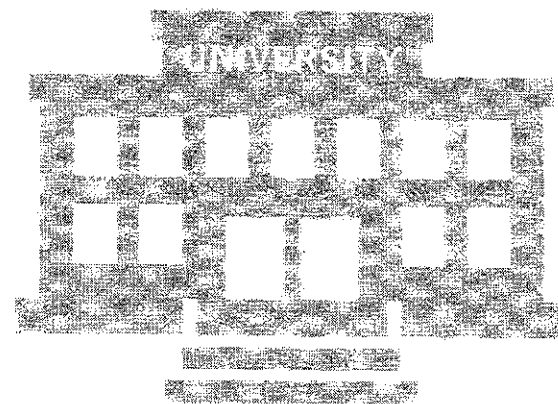
Summary

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

GRANT THORNTON

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

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.



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

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

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



Grant Thornton

An instinct for growth

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 in 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

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

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.

ATTACHMENT B

2015-2016 Budget Update

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

	<u>Original Budget</u>	<u>Current Projection as of May 23, 2016</u>	<u>Change from Original Budget</u>
<u>REVENUES</u>			
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
TOTAL REVENUES	\$132,289,133	\$129,736,444	(\$2,552,689)
<u>EXPENSES *</u>			
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)
TOTAL EXPENSES	\$132,289,133	\$129,257,906	(\$3,031,227)
EXCESS REVENUES (EXPENSES)	<u>(\$0)</u>	<u>\$478,538</u>	

* 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 Hours		Budgeted FTEs FY 15-16	Budgeted Credit Hours FY 15-16	Actual FTEs FY 15-16		Credit Hour Variance - Budgeted vs. Actual	% Variance
	Actual FTEs FY 14-15	Hours FY 14-15			FY 15-16	Hours FY 15-16		
CREDIT								
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%
Credit Year-to-date Totals - Annual FTEs	<u>14,861</u>	<u>364,765</u>	<u>15,047</u>	<u>368,643</u>	<u>14,670</u>	<u>357,767</u>	<u>(16,443)</u>	<u>-1.5%</u>
NONCREDIT								
Summer 2	54		95		64			
Fall	501		658		384			
Spring	344		615		345			
Summer 1	115		236		95			
Noncredit Year-to-date Totals - Annual FTEs	<u>507</u>		<u>802</u>		<u>444</u>			

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

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
Financial Audits				
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
Operational Audits				
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
Compliance				
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

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
IT Audits				
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
Administrative				
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	#

Confidential

Community College of Philadelphia
Internal Audit Risk Assessment

Community College of Philadelphia
Internal Audit Risk Assessment

Auditable Units, Risks and Risk Assessment Scoring

[illegible]

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	0.05	0.10	0.07	0.20	0.05	0.07	0.07	0.10	1.00		
		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			
	International Students	2	1	1	3	5	1	1	1	1	1	1	1	1.41	L	
	Faculty Release	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	2	1	1.07	L	
	Civitas Software (Student Success)	1	2	3	1	1	1	3	2	1	1	1	1	1.59	L	
	Starfish (Hobsons) Software (Student Retention)	1	2	3	1	1	1	3	2	1	1	1	1	1.59	L	
	Student Life Expenses	1	2	1	2	1	1	1	1	1	1	1	2	1.22	L	
	50th Anniversary Scholarship Program	3	2	2	3	3	1	3	3	1	1	1	2	2.17	M	
Information Technology	Software Development Life Cycle	1	1	3	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	1.20	L	
	Physical Security	1	1	2	4	1	1	3	1	4	4	1	1	1.81	M	
	Penetration Testing (Internal, External, Wireless)	1	2	2	2	1	1	1	1	1	1	1	1	1.22	L	
	Mobile Device Inventory	1	1	1	1	1	1	2	2	3	3	1	1	1.51	L	
	Software Licensing	1	1	1	1	1	2	1	1	1	1	1	1	1.10	L	
	General Controls	1	1	2	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	1.44	L	
	Application Controls	1	2	4	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	1.82	M	
	Remote Access (GoToMyPC)	1	1	1	2	1	1	1	1	1	1	2	1	1.14	L	
	Systems Administered by Non-ITS Departments	1	2	5	1	1	1	1	3	1	1	1	2	1.95	M	

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	0.05	0.10	0.07	0.20	0.05	0.07	0.07	0.10	1.00	
	Spreadsheet Management	1	1	1	3	1	1	1	1	1	1	1	1	1.14	L
Corporate	10,000 Small Businesses	1	2	2	3	3	2	1	1	1	1	1	1	1.49	L
	Risk Management	2	1	2	2	1	2	1	1	1	1	1	1	1.34	L
	Business Services (Copy Center, Mail)	1	1	1	1	1	1	1	1	1	1	2	1	1.07	L
	Government Relations	3	1	1	3	1	2	1	1	1	1	1	1	1.38	L
	Marketing Services	1	1	1	3	1	1	2	1	1	1	2	1	1.28	L
	Corporate Insurance	1	1	1	1	1	1	1	1	1	1	1	1	1.00	L
	Facilities - Construction	2	3	2	1	1	1	1	1	1	1	1	1	1.27	L
	Facilities - Maintenance	1	1	1	1	1	1	1	1	1	1	2	1	1.07	L
	Environmental Services	1	2	1	1	2	1	1	1	1	1	2	1	1.17	L
	Vehicles Owned/Leased; Drivers & Insurance	1	1	1	2	1	2	1	1	1	1	1	1	1.17	L
	Vendor Management	1	1	1	1	1	1	1	1	1	1	1	1	1.00	L
	Records Retention	1	1	1	1	1	2	1	1	1	1	1	1	1.10	L
	Bookstore (Barnes & Noble)	1	2	1	1	4	1	1	1	1	1	1	1	1.20	L
	Onsite Vendors - Cafeteria / Vending / Starbucks / Parking	1	2	1	1	3	1	1	1	1	1	2	1	1.22	L
	Onsite Credit Union	1	1	1	2	2	1	1	1	1	1	2	1	1.19	L
	Professional Services Contracts	1	1	1	1	1	3	2	1	2	2	1	1	1.39	L

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	0.05	0.10	0.07	0.20	0.05	0.07	0.07	0.10	1.00		
		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	1.19	L	
Strategic Initiatives	Diversity & Equity Administration	1	1	2	5	5	3	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	1.78	M	
	Institute for Community Engagement	1	2	1	2	1	1	4	3	1	1	1	2	1.83	M	
	Gateway to College (Contract with PSD)	1	1	1	2	3	1	2	2	1	1	1	1	1.44	L	
	Dual Enrollment	1	1	1	2	3	1	2	1	1	1	1	1	1.24	L	
	Credentialing Programs	1	1	1	1	2	1	2	2	1	1	1	1	1.32	L	
	Off Campus Programs - DACE, Workforce Development	1	1	1	2	3	1	3	3	2	2	1	5	2.23	M	
	Institutional Research	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	2	1	1.68	L	
	KEYS Program	1	1	1	3	3	5	1	1	1	1	1	1	1.64	L	
	State Recruiting Regulations	1	1	2	3	1	5	2	1	1	1	1	2	1.81	M	
	Professional Development	1	2	1	1	1	1	2	1	1	1	2	1	1.19	L	
	Multi-Media Services	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	3	1	1.14	L	
	New Employee Process	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	3	1	1.14	L	
	Sick/STD/LTD	1	1	1	1	1	1	1	1	1	1	3	1	1.14	L	

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	0.05	0.10	0.07	0.20	0.05	0.07	0.07	0.10	1.00		
		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	5	1	1.33	L	
	Prescription Benefits (self-insured)	1	2	1	1	1	1	1	1	1	1	5	1	1.33	L	
	Dental Benefits (premium based)	1	2	1	1	1	1	1	1	1	1	5	1	1.33	L	
	Life Insurance (premium based)	1	2	1	1	1	1	1	1	1	1	5	1	1.33	L	
	FMLA	1	1	1	1	1	2	1	1	1	1	5	1	1.38	L	
	Workers' Compensation	1	1	1	1	1	2	1	1	1	1	3	1	1.24	L	
	HIPAA	1	2	1	2	1	2	1	1	1	1	5	1	1.50	L	
	COBRA	1	1	1	1	1	2	1	1	1	1	1	1	1.10	L	
	ADA	1	1	1	2	1	2	1	1	1	1	3	1	1.31	L	
	Paid Time Off Recordkeeping	2	2	1	1	1	1	1	1	1	1	2	1	1.19	L	
	Retiree Benefits	1	1	1	1	1	1	1	1	1	1	4	1	1.21	L	
	403(b) Administration	1	2	1	1	1	1	1	1	1	1	5	1	1.33	L	
	Tuition Remission	1	1	1	1	1	1	1	1	1	1	2	1	1.07	L	
	Forgivable Loans	1	1	1	3	1	1	1	1	1	1	3	1	1.28	L	
	Part-Time Faculty Medical Benefits	1	3	2	1	1	1	1	1	1	1	3	1	1.34	L	
	Retiree Medical Benefits Partially Paid by Retirees	1	2	2	1	1	1	1	1	1	1	3	1	1.29	L	
Legal (General Counsel)	Grievance Administration	1	1	2	1	1	3	1	1	1	1	3	1	1.44	L	

**Community College of Philadelphia
Internal Audit Risk Assessment**

**Community College of Philadelphia
Internal Audit Risk Assessment**

Auditable Units, Risks and Risk Assessment Scoring

[illegible]

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	0.05	0.10	0.07	0.20	0.05	0.07	0.07	0.10	1.00	
		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		
Emergency Preparedness	Disaster Recovery Plan	1	1	4	3	3	1	3	1	1	1	5	1	1.96	M
	Business Continuity Plan	3	1	4	3	3	1	3	2	1	1	5	1	2.30	M
	SendWordNow	1	1	1	3	3	1	2	2	1	1	5	1	1.79	M
Security	Security Operations	1	1	1	1	4	2	3	2	1	1	4	1	1.80	M
	Clery Act	1	1	1	5	5	5	1	2	1	1	3	1	2.22	M
Risk Rating Scale:										< 1.75					
> 1.75										< 2.3					
> 2.3										5					

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
Financial Audits			
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
Operational Audits			
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 2018
Compliance			
50th Anniversary Scholarship Program	M	Determine compliance with requirements	2017
Family Educational Rights and Privacy Act	M	Compliance with FERPA regulations	2017

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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
IT Audits			
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
Administrative			
Follow Up on Prior Issues			Ongoing
Committee Meetings (Grants, Data Breach, EMT, external audits/reviews)			Ongoing