

**MEETING OF THE BUSINESS AFFAIRS COMMITTEE  
OF THE BOARD OF TRUSTEES  
Community College of Philadelphia  
Wednesday, November 20, 2013– 9:00 A.M.**

**Present:** Mr. Jeremiah White, Jr., presiding; Mr. Matthew Bergheiser, Ms. Suzanne Biemiller, Stella Tsai, Esq., Dr. Judith Gay, Dr. Thomas R. Hawk, Mr. Gary Bixby, Mr. Waverly Coleman, Mr. Robert Lucas, Mr. Todd E. Murphy, Mr. James P. Spiewak, and Jill Weitz, Esq.

**AGENDA – PUBLIC SESSION**

**(1) Accounting Services RFP (Information Item):**

The current contract with KPMG LLP to conduct the annual independent financial audit will terminate with the completion of the 2013 audits. Consistent with past practice, an RFP for independent audit services will be issued for the next five fiscal year audits. Pending the appointment of a Board Audit Committee, the auditor selection process will be handled under the auspices of the Business Affairs Committee. Attachment A contains the section of the Request for Proposal (RFP) which outlines the scope of services required of the independent auditor. The Committee was asked to provide advice on two issues: 1) Are there any changes to the scope of services that are desirable? 2) Does the Committee want to interview several firms or only the finalist firm recommended by staff? The final version of the RFP will incorporate the recommendations made by the Committee on these two issues.

The Committee agreed to interview the two or more firms identified as finalists by staff. Mr. White indicated that he would try to sit in on the interview of all firms in order to provide a board perspective throughout the process. No suggested changes to the RFP language were made at the meeting. Committee members agreed to send any ideas for changes to the RFP requirements to Todd Murphy or Tom Hawk by Monday, December 23, 2013.

**(2) Addition of Roth 403(b) Option to TIAA-CREF and Fidelity Retirement Plans (Action Item):**

Information: Included in the terms of the recently-adopted Collective Bargaining Agreements, was an addition to the College's defined-contribution retirement plans. A Roth IRA was added as an option to the current pre-tax contribution plans. There are no financial consequences for the College from this change, and the Roth option is a better choice for some employees' long-term financial planning.

Ms. Weitz explained that the Board had already approved the employee contracts which contained the Roth IRA option. However, in order to officially change the Retirement Plan Documents, a formal board resolution to modify the Retirement Plan Documents was required.

Action: Ms. Tsai moved and Ms. Biemiller seconded the motion that the Committee recommend to the full Board that the College's Retirement Plan Documents be modified to include the Roth IRA option within the College's 403(b) plans. The motion passed unanimously.

**(3) Automotive Program Receivable Write-Off (Action Item):**

Information: College policy requires that Accounts Receivable write-offs with a value of \$10,000 or greater be authorized by the Board. Mr. Coleman provided background information on an older receivable that was presented for Board authorization to be written off. In May 2009, Corporate Solutions offered a non-credit Emissions Inspector and Safety Inspection course for the Philadelphia Automotive Training (PAT) organization. The value of the contract was \$16,820. Claiming concerns about student pass rates, PAT refused to pay for the educational program after it was delivered. Mr. Coleman noted that this non-credit course was one of several that the College offered under the auspices of PAT. PAT honored its financial obligations for the prior courses where the student success rates were higher.

Mr. Murphy stated that a variety of collection efforts undertaken by the College to obtain payment have not been met with success. The value of the receivable has been eliminated from the College's financial data. Further collection efforts will continue after the Board's approved write-off of the receivable, but receipt of the funds at this point appears unlikely. Mr. Bergheiser asked how many non-student accounts receivable end up in collection status. Mr. Murphy indicated he would have to do some research in order to provide an accurate answer. In response to a question from Mr. White, Mr. Murphy stated that there were no other receivables of this magnitude currently outstanding.

Action: Ms. Biemiller moved and Mr. Bergheiser seconded the motion that the Committee recommend to the full Board that the receivable from the Philadelphia Automotive Training organization in the amount of \$16,820 be written off. The motion passed unanimously.

**(4) Construction Projects Update (Information Item):**

Mr. Bixby provided an update on current construction projects. Mr. Bixby reported that the College had finally obtained official notice that the Northeast Regional Center had received final certification for LEED status at the silver level. He noted that while the Northeast Regional Center was built to a LEED gold standard, several contractors involved in the construction had merged or gone out of business during the certification process which had made it impossible to document all of the required points needed to achieve the gold level. The College missed the gold level certification by two points.

The majority of the landscaping work planned for the east side of 17<sup>th</sup> Street (Bonnell courtyard area) has now been completed. Hardscape as well as significant amounts of seating, planting and grass sodding have been installed. The historic cobblestones that were removed from the ground during the Bonnell construction phase

have been reinstalled to create a large seating area directly west of the Bonnell Building. The next phase of the project, the construction of a bump-out on 17<sup>th</sup> Street which will reduce the width of the street and create a landscaped corridor along 17<sup>th</sup> Street, is awaiting final approval from City officials. Receipt of approval is not believed to be an issue. At the January 22, 2014 meeting of the Committee, staff plan to present the bid results for the next phase of the landscaping effort which will occur on the west side of 17<sup>th</sup> Street.

The science lab projects in the West Building are proceeding on schedule. Phase one of the Chemistry Lab project will result in the opening of two chemistry labs effective for the Spring 2014 term. Construction on the remaining chemistry labs will be completed during the Spring term with all chemistry lab construction completed in time for a fall 2014 term use. The engineering technologies and biochemistry lab in the West Building are currently ahead of schedule as a result of the contractors' abilities to mobilize to begin to work sooner than was originally anticipated. The final phase of the West Building project will include the development of the research lab for faculty and student use in both biology and chemistry. This is an important new component being added to the College's science programs. All West Building construction activity is scheduled to be completed by the end of the 2014 calendar year.

Mr. White asked if the roof leak at the Northeast Regional Center had been repaired. Mr. Bixby stated that he was very happy to report that the leak had finally been resolved and tested in a recent major rainstorm with no evidence of the leak's return.

**(5) Internal Auditor Report on 2013-14 Audit Activity (Information Item):**

Mr. Lucas, Internal Auditor, provided an update on 2013-14 internal audit activity. The focus of his presentation was on the approach which was used to develop the 2013-14 audit plan. Mr. Lucas noted that the first step he had taken after his hire by the College had been to begin to identify the universe of potential audits that should be included in the development of the audit plan. This was done by detailed interviews with senior staff and other key College leaders to understand the range of institutional activities in areas where there were potential risk exposures. Based upon his initial assessments, 75 areas for internal audits were identified. Mr. Lucas noted that he anticipated that the list of potential audit areas will grow as he delves more deeply into the institution and becomes familiar with other potential risk exposures for the College.

Mr. Lucas outlined examples of risk conditions that he considered in developing the audit plan. These include: heavy volume of transactions, large dollar values associated with an activity, potential public relations and reputational risks, College resources usage inconsistent with internal policies and/or external regulations, legal and regulatory non-compliance, areas where new staffing or new programs have been added, areas experiencing significant revisions in existing practices, areas where prior audit findings had emerged, satisfaction measures which indicate that a process or activity may not be functioning according to desired standards, and emergent issues external to the College which may result in a leadership decision to validate that College procedures are compliant with internal and external expectations. Mr. Lucas noted that

an example of the latter issue resulted from a large number of issues on other campuses during the past year associated with loss of control over hand-held devices. In consultation with Dr. Curtis, it was determined that hand-held device management would be included in the internal audit plan for the 2013-14 year. The major risk associated with hand-held devices is the potential loss of control over institutional data when a hand-held device is no longer in the College's control.

Recognizing that only a limited number of in-depth audits can be accomplished in each fiscal year, using the above risk factors, a weighting system is employed for each possible audit area to classify potential audit areas into high-priority, medium-priority and low-priority categories. Areas that have been recently audited are given a lower priority than those that have not been carefully examined in several audit cycles. In addition to a large number of smaller routine audits, in-depth audit efforts in the current year are occurring in the areas of hand-held devices, procurement cards and Title IX compliance. Mr. Lucas noted that he was collaborating with Dr. Gay to develop audit reporting formats that will be of most use to the Board.

Mr. White asked how Mr. Lucas maintained his independence within the audit process. Mr. Lucas responded that since an internal auditor is an organizational employee, the auditor technically cannot be described as being independent. The goal for the internal auditor's role is to be completely objective and assess institutional performance against agreed-upon standards. The dotted-line relationship that the Internal Auditor has with the Board, including regular Executive Session reporting to the Board, ensures that the Internal Auditor has unrestricted access to the Board to discuss potential audit issues.

Mr. White noted that an open issue from the activity undertaken by the prior Internal Auditor had been to take a look at the major technology investment that the College had recently made in an automated imaging system for enrollment services and to assess the return on investment that had been achieved through the implementation of the new imaging system. He asked that Mr. Lucas take a look at the institutional benefits which had occurred as a result of that technology investment.

Ms. Biemiller asked what vehicles were in place for employees, students and others who had concerns about issues which might represent inappropriate or bad practices at the College. Ms. Weitz noted that the College has had a reporting hotline in place since 2008. The reporting hotline allows individuals to make anonymous or self-identified reports about specific activities at the College which they perceived to be inappropriate and/or a misuse of resources. The Board has approved policies and procedures associated with the reporting hotline which ensures that individuals reporting potential issues will not be penalized or sanctioned in any fashion.

Ms. Weitz noted that most hotline reports are initially received by the General Counsel, and then referred to the appropriate area of the College that is best able to respond. In situations where a potential presidential issue is reported, the reports go directly to the Chair of the Board. A report related to the performance of the General Counsel would go to the President. Ms. Tsai asked what types of incidents were being reported over the reporting hotline. Ms. Weitz stated that the vast majority of the incidents relate to personnel relationship issues (e.g., perceived favoritism in work assignments.)

**(6) Retirement of Dr. Thomas R. Hawk:**

The Committee thanked Dr. Hawk for his many years of hard work and dedication to the success of the College.

**(7) Next Meeting Date**

The next meeting of the Committee is scheduled for Wednesday, January 22, 2014 at 9:00 A.M. in the Isadore A. Shrager Boardroom, M2-1.

**EXECUTIVE SESSION**

The Committee met separately with the Internal Auditor to discuss recent audit activity.

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Attachments  
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# **ATTACHMENT A**

## **PROPOSED SCOPE OF SERVICES TO BE INCLUDED IN REQUEST FOR PROPOSAL**

### **PUBLIC ACCOUNTANT SERVICES**

**PROPOSED SCOPE OF SERVICES  
REQUEST FOR PROPOSAL  
PUBLIC ACCOUNTANT SERVICES**

**A. DESCRIPTION**

The Community College of Philadelphia is soliciting proposals for a comprehensive financial audit of the College's financial records for five fiscal years covering the time period July 1, 2013 through June 30, 2018. The Community College of Philadelphia is a public institution of higher education which receives support from the Commonwealth of Pennsylvania, the City of Philadelphia, tuition and other miscellaneous sources. The College's projected unrestricted operating expenditures including auxiliaries for fiscal 2014 is \$127,000,000. Current restricted fund activity which includes student aid and grants is estimated at \$109,000,000. The capital budget for this same period is \$14,047,529 including debt service payments of \$12,887,529.

The College is required to submit audited financial statements to the Board of Trustees, State and City authorities, and other funding sources no later than September 20th after the closing of the fiscal year. The College has been determined to be a component unit of the City of Philadelphia and, as such, adopted the applicable provisions of the Governmental Accounting Standards Board.

**B. PROPOSAL REQUIREMENTS**

There are a number of requirements which must be included in or accompany a proposal.

1. Price: The bid price is to be an annual fee quoted for each year of the five one-year audit periods: July 1, 2013 – June 30, 2014; July 1, 2014 – June 30, 2015; July 1, 2015 – June 30, 2016; July 1, 2016 – June 30, 2017; July 1, 2017 – June 30, 2018.
2. The bid price must include separate quotes for the General Purpose Financial Statement, for Federal Title IV financial aid programs under OMB Circular No. A-133 guidelines, for the Community College of Philadelphia Foundation audit, and for the Commonwealth of Pennsylvania audit.
3. Experience: Proposers are to provide evidence of successful GASB auditing experience with public institutions of higher education. Experience should include the auditing of governmental grants, programs, and required financial reporting. A list of references, contact persons, and telephone numbers from each institution is required as part of the proposal. In addition, proposers are required to submit a list with reference names and telephone numbers of all educational accounts within the last three years.

4. Local office: The College will consider only a major accounting firm with a broad-based client base in the Philadelphia region.

**C. PERIOD OF AGREEMENT**

The term of the agreement for financial audit services is to include the following:

<u>Fiscal Year Audit</u>	<u>Audit Period</u>
July 1, 2013 – June 30, 2014	05/01/14 – 02/28/15
July 1, 2014 – June 30, 2015	05/01/15 – 12/31/15
July 1, 2015 – June 30, 2016	05/01/16 – 12/31/16
July 1, 2016 – June 30, 2017	05/01/17 – 12/31/17
July 1, 2017 – June 30, 2018	05/01/18 – 12/31/18

The agreement is subject to termination at any time by either party on written notice by certified mail with return receipt with not less than 90 days prior notice.

**D. NATURE OF SERVICES**

The College accounting records are maintained on an accrual basis. Separate accounts are maintained for the following fund groups:

Current Unrestricted  
Current Restricted  
Endowment  
Plant  
Agency  
Foundation

Transactions are recorded and financial statements are reported in a manner consistent with applicable GASB standards.

The Community College of Philadelphia Foundation is considered a component unit of the College and is included in the General Purpose Financial Statement. The Foundation does not issue separate financial statements.

The College requires an examination of Financial Statements in accordance with the generally accepted Auditing Standards as is appropriate in the industry for Public Colleges and Universities.

Audit of federal programs will be conducted in accordance with OMB Circular No. A-133. The audit of all funds is to be coordinated assuring that any federal audit work pursuant to this attachment builds on all other audit work.



As a part of the services provided, an annual audit on behalf of the Commonwealth of Pennsylvania is to be conducted addressing enrollment verification, tuition compliance, and capital expenditures. Specific policies and procedures are in writing along with applicable Commonwealth regulations contained in the Pennsylvania Code/Title 22, Chapters 35 and 335.

Audit entrance and exit conferences must be held with College staff as part of the audit, as well as additional audit conferences with the President and the Trustees of the College. The firm will be available to meet with Trustees and College staff to discuss matters of an accounting or fiscal nature on an as-needed basis throughout the period of the contract.

The firm will keep the College advised with respect to relevant changes enacted by appropriate accounting standard boards (GASB), audit guides and the Internal Revenue Service (IRS). The College has an internal audit program. The results of internal auditing activities will be provided to the external auditor. The Internal Auditor will be available to the external audit staff for consultation as needed.

College computer hardware is identified on the Exhibit C. The College utilizes Ellucian Banner financial software including the following packages: Finance, HR-Payroll, Student, Financial Aid, and Endowment Management. The Banner System is fully documented. Computer staff, equipment time, and general user software will be available on a scheduled basis.

#### **E. FINANCIAL REPORTING REQUIREMENTS**

College Financial Statements are prepared by the Controller staff and submitted to the independent accountant firm for audit and opinion. The independent accountant's report should be addressed to the Board of Trustees, Community College of Philadelphia. The report must contain, at a minimum, the following statements:

1. Statement of Net Position
2. Statement of Revenues, Expenses and Changes in Net Position
3. Statement of Cash Flows
4. Appropriate Notes to Financial Statements
5. Appropriate reports to satisfy Title IV and other A-133 requirements
6. Letter of Independence to the City of Philadelphia
7. Management Discussion and Analysis (prepared by staff with input from auditors)
8. GASB 44 Statistical Section
9. City of Philadelphia Schedules

Reports of examinations of financial statements must (a) state the scope of the examination and that the audit was performed in accordance with generally accepted auditing standards, and (b) must include an opinion as to whether the statements conform to generally accepted accounting principles.

An internal control report is required and it should include a statement of audit findings and recommendations affecting the financial statements, internal control, accounting systems, legality of actions taken as they relate to existing laws and regulations and any other matters that may be material in nature.

The financial statement for the Community College of Philadelphia Foundation is incorporated as a component unit into the College's financial statements. A separate report is not issued. However, the College is requiring the auditors to complete the preparation of the Foundation's Federal Form 990 return. A separate State Audit Report is to be prepared in the format required by the Commonwealth of Pennsylvania.

**F. WORKING PAPERS**

All papers and work products are to be held in the strictest confidence, and will be retained according to industry standards or the completion of governmental agency audits and program reviews whichever is later. The working papers will be available for examination by the College, the City of Philadelphia Controller's Office, the Commonwealth of Pennsylvania, and other authorized representatives of cognizant Governmental audit agencies.

**G. TIME SCHEDULE**

Date of RFP	January 13, 2014
Date of Pre-Proposal Conference	January 22, 2014
Date Proposal Questions Due	January 29, 2014
Date Proposal Amendment Will Be Distributed (if applicable)	February 5, 2014
Date of Proposal Submission	February 17, 2014
Staff Proposal Review and Firm Interviews	February 17 to March 4, 2014
Finalists Interviews Board Business Affairs Committee or Audit Committee as appropriate	March 19, 2014

Date of Award - Board of Trustees	April 3, 2014
Date for Work to Commence	Mutual Agreement
Date for General Financial Audit Reports	September 20 <sup>th</sup> of each year
State Audit (Agreed-Upon Procedures)	December 31 <sup>st</sup> of each year
Date for Title IV and Other A-133 Audit Reports	Prevailing due date as issued by U.S. Department of Education (Currently March 31)
Contract Expires	March 31, 2019