

**MEETING OF AUDIT COMMITTEE  
Community College of Philadelphia  
Tuesday, March 24, 2015 – 1:30 p.m.**

Present: Mr. Anthony J. Simonetta, Mr. Jeremiah White, Donald Generals, Ed.D., Mr. Jacob Eapen, Mr. Todd E. Murphy, Mr. James P. Spiewak, Jill Garfinkle Weitz, Esq., Mr. Robert Lucas, Dr. Samuel Hirsch, Mr. Gim Lim; and representing Grant Thornton: Mr. Brian Page

Not Present: Mr. Matthew Bergheiser

**AGENDA – PUBLIC SESSION**

**(1) Approve Minutes of Audit Committee Meeting on September 29, 2014 (Action Item):**

**Action:** Mr. Simonetta asked for a motion to recommend acceptance of the September 29, 2014 Audit Committee meeting minutes. Mr. White made the motion. Mr. Simonetta seconded the motion. The motion passed unanimously.

**(2) 2013-2014 A-133 Audit Report (Information Item):**

• Mr. Brian Page reviewed the results of the 2013-2014 A-133 Audit using the draft audited financial statements and supplementary information in Attachment A to these minutes. He explained that the audit is a compliance audit, which examines Federal Funding. Page 54 of the report provides a schedule of the College's federal awards expenditures. The College had \$99.9 million in Federal expenditures of which \$91.6 million was in Student Financial Aid. Student Financial Aid is comprised of primarily Pell Awards and Direct Loans. The single audit process for determining programs to audit will result in the auditors including the Student Financial Aid Cluster, which leaves a base of about \$8 million in smaller programs from which they are to select programs for audit. The auditors use a risk-based approach in selecting the major programs for audit. Certain programs are audited primarily on their dollar value in meeting a threshold, while smaller programs are audited based on risk.

Mr. Brian Page reviewed the two specific programs that were audited: The Student Financial Aid Cluster and the Strengthening Minority Serving Institutions (Center for Male Engagement Grant). Student Financial Aid tests for eligibility and cash management in drawing the federal funds. In connection with this testing, Grant Thornton sampled 40 students. Strengthening Minority Serving Institutions grant testing was less focused on eligibility and more on allowability of the costs being incurred. Specifically, the auditors look at payroll expenditures and other direct expenditures, review supporting documentation and ensure they are allowable costs. Mr. Page noted that there were no findings with respect to either program.

In reviewing both programs, the auditors are required to understand the College's internal controls. Although no opinion is issued on this aspect, the auditors are required to do walkthroughs and testing of appropriate approvals. For example, in the packaging of student Financial Aid, they will ensure adequate controls are in place.

Mr. Brian Page then discussed the two types of opinions that Grant Thornton issued beginning on pages 56 and 58 in the A-133 Audit. First, is a yellow book opinion relating to the financial statement audit, which was discussed at the September 29, 2014 Audit Committee Meeting. The second is a compliance opinion related to the Student Financial Aid and the Strengthening Minority Serving Institutions awards.

The College is considered a high risk auditee due to the fact that two years ago the College had material weaknesses related to a compliance function, which have now been fully corrected and excepted by the Department of Education. Federal guidelines require auditors to list institutions as high risk if they have had any material weaknesses within two years. However, it should be noted that the College will become a low risk auditee next year as a result of the federal guidelines.

Mr. Simonetta asked how that would change Grant Thornton's approach to the audit. Mr. Page stated that it only affected the required amount of programs to test. Auditors are required to test 50% of the programs if an institution is considered to be high risk. Since the College's financial aid is so large, the College is always over the 50%. Therefore, it should not cause any additional programs to be tested. He again noted that there were no compliance audit findings in this year's A-133 Audit Report.

**Action:** Mr. Simonetta asked for a motion to recommend acceptance of the June 30, 2014 A-133 Audit Report. Mr. White made the motion. Mr. Simonetta seconded the motion. The motion passed unanimously.

**(3) 2014-2015 Budget Update (Information Item):**

Mr. Eapen and Mr. Spiewak provided a brief overview of the College's budget status. Attachment B to these minutes contains the handout provided to the Committee at the meeting, which provides projected year end balances and reasons for the variances in revenue and expense categories. The implications of key factors currently impacting the budget were also discussed. The originally adopted 2014-15 budget had a built in deficit of \$1,075,299; however, the projected year-end balance will be \$238,309. Mr. Eapen pointed out that, although the College is now projecting a small surplus, the College may elect to use the surplus to pay off some existing leases by fiscal year end.

**(4) Internal Audit Update (Information Item):**

Mr. Lucas, Internal Auditor, presented a brief status report of the 2014-2016 audit plan. He noted that 3 audits and 1 special project were completed. The Payroll audit, Community Based Organization audits and IT Physical Security audit. There was one minor payroll tax issue that was corrected in January 2015 and there were no issues with respect to community based organizations. During the IT physical security audit, a few matters were noted; however, management has not had the opportunity to review them yet. Once reviewed and a corrective action plan has been tested, Mr. Lucas will update the Committee. Mr. White asked if this will be connected to the College's security audit. Mr. Lucas explained it will be connected to the College's Business Continuity Plan.

Mr. Lucas also pointed out that he is working on 4 to 5 other audits as well as working with management on some follow up items on the College's audit matrix. Corrective action plans will need to be tested; however, he fully expects their completion with the exception of 1 or 2 by the next Audit Committee Meeting.

Mr. Lucas concluded his remarks and stated he will provide another update at the next Audit Committee Meeting.

**(5) Next Meeting:**

The next meeting of the Committee will be held on Wednesday, June 10, 2015 at 12:00 Noon in the Isadore Shrager Boardroom, M2-1.

TEM/lmh  
Attachments

cc: Dr. Donald Generals, Jr.  
Mr. Jacob Eapen  
Mr. Robert Lucas  
Mr. Jim Spiewak  
Jill Garfinkle Weitz, Esq.  
Dr. Samuel Hirsch  
Mr. Gim Lim  
Representing Grant Thornton: Mr. Brian Page

# **ATTACHMENT B**

**2014-2015 Budget Update**

**Community College of Philadelphia  
Operating Budget Projections  
Fiscal Year 2014-15**

	<u>Original Budget</u>	<u>Current Projection as of March 25, 2015</u>
<b><u>REVENUES</u></b>		
Student Tuition and Fees	\$76,692,948	\$75,752,180
Commonwealth of Pennsylvania	28,226,906	28,641,805
City of Philadelphia	21,197,544	20,926,394
Other Income	<u>1,867,400</u>	<u>1,714,000</u>
<b>TOTAL REVENUES</b>	<b>\$127,984,798</b>	<b>\$127,034,378</b>
<b><u>EXPENSES</u></b>		
Salaries, Net of Lapsed Funds	\$73,584,960	\$72,785,934
Fringe Benefits	34,499,400	32,689,600
Other Expenses	20,775,737	21,120,535
Student Financial Aid	<u>200,000</u>	<u>200,000</u>
<b>TOTAL EXPENSES</b>	<b>\$129,060,097</b>	<b>\$126,796,069</b>
<b>OPERATING BUDGET STATUS</b>	<b><u>(\$1,075,299)</u></b>	<b><u>\$238,309</u></b>

Community College of Philadelphia  
Operating Budget Projection  
Fiscal Year 2014-2015

	Original Budget	Current Projection as of March 25, 2015	Comment
<b><u>OPERATING REVENUES</u></b>			
State Funding	\$28,036,906	\$28,499,415	Final state budget included unexpected \$ 462,000 increase in appropriation.
State Lease funding	190,000	142,390	
<b>Total State Revenues</b>	<b>28,226,906</b>	<b>28,641,805</b>	
Tuition - Credit Students, net of write-offs, discounts and other offsets	60,902,899	59,938,649	Based upon projected enrollment level.
Technology Fee	10,684,719	10,613,675	Based upon projected enrollment level.
Course Fees	3,469,330	3,458,971	
Net Contribution from: Contracted Noncredit Instruction; Other Noncredit Instruction; Adult Community Noncredit Instruction	511,500	506,500	
Student Regulatory Fees	1,124,500	1,234,385	
<b>Total Student Tuition &amp; Fees</b>	<b>76,692,948</b>	<b>75,752,180</b>	
City Operating Funds	21,197,644	20,926,394	City funds allocated to Operating Budget affected by changes in existing and new debt service projections as well as limited amount of capital purchases.
Investment Income	645,400	492,000	
Vocational Education Funding	200,000	200,000	
Indirect Costs, Administrative Allowances	300,000	300,000	
Parking Proceeds & Miscellaneous Income	722,000	722,000	
<b>Total Other Income</b>	<b>1,867,400</b>	<b>1,714,000</b>	
<b>TOTAL OPERATING REVENUES</b>	<b><u>\$127,984,798</u></b>	<b><u>\$127,034,378</u></b>	<b>Total decrease of \$.95 million</b>

**Community College of Philadelphia  
Operating Budget Projection  
Fiscal Year 2014-2015**

	Original Budget	Current Projection as of March 25, 2015	Comment
<b><u>OPERATING EXPENSES</u></b>			
<b><u>Salaries</u></b>			
Full-Time Administrative Salaries	16,279,579	16,319,579	
Less: Projected Lapsed Salaries	(700,000)	(1,200,000)	
Net Full-Time Administrative Salaries	15,579,579	15,119,579	
Full-Time Faculty Salaries	30,016,112	30,016,112	
Less: Projected Lapsed Salaries	(150,000)	(450,000)	
Net Full-Time Faculty Salaries	29,866,112	29,566,112	
Full-Time Classified Salaries	10,820,129	10,820,129	
Less: Projected Lapsed Salaries	(500,000)	(600,000)	
Net Full-Time Classified Salaries	10,320,129	10,220,129	
<b>Subtotal - Full-Time Salaries</b>	<b>55,765,820</b>	<b>54,905,820</b>	
Part-Time & Overload Credit Salaries	10,703,459	10,681,787	
Summer Credit Instruction	4,186,542	3,946,542	
Noncredit Instructional Salaries	466,302	466,302	
All Other Salaries	2,012,837	1,776,483	Revised budget projection based upon current spending pattern.
Early Retirement Incentive Payments	450,000	350,000	
<b>Subtotal - Other than Full-Time Salaries</b>	<b>17,819,140</b>	<b>17,221,114</b>	
<b>Retirement Incentive Payments</b>		<b>659,000</b>	
<b>Total Salaries</b>	<b>73,584,960</b>	<b>72,785,934</b>	
<b><u>Fringe Benefits</u></b>			
Medical Program	23,243,400	21,635,100	Revised projection based upon revised actuarial projections.
Retirement	5,625,900	5,625,900	
FICA	3,112,400	3,062,400	
Tuition Remission	721,000	646,000	Revised budget projection based upon current spending pattern.
Group Life	475,000	477,600	
Unemployment Compensation	381,000	321,000	

**Community College of Philadelphia  
Operating Budget Projection  
Fiscal Year 2014-2015**

	Original Budget	Current Projection as of March 25, 2015	Comment
Workers' Compensation	350,000	336,600	
Unused Vacation	100,000	100,000	
Disability Premium	305,700	300,000	
Forgivable Education Loan	185,000	185,000	
<b>Total Fringe Benefits</b>	<b>34,499,400</b>	<b>32,689,600</b>	



**Community College of Philadelphia  
Operating Budget Projection  
Fiscal Year 2014-2015**

	Original Budget	Current Projection as of March 25, 2015	Comment
<b>Facility Expenses</b>			
Utilities	2,061,196	2,009,200	Revised budget projection based upon current spending pattern.
Contracted Security	1,520,880	1,499,000	
Contracted Cleaning	1,058,611	1,091,000	
			Increase due to cost of removing and replacing underground fuel storage tank higher than budget and unexpected equipment repairs.
All Other Facility Expenses	2,132,807	2,424,294	
<b>Total Facility Expenses</b>	<b>6,773,494</b>	<b>7,023,494</b>	
<b>All Other Expenses</b>			
			Increase due to paying off balance of phone switch lease and other IT leases.
Leased Equipment & Software	4,534,486	4,975,997	
Catalogs and Advertising	1,243,403	1,301,810	
			Revised budget projection based upon current spending pattern.
Supplies-Pool	1,493,840	1,299,000	
Contracted Services	1,725,650	1,609,433	
Consultant	514,100	620,220	Increase due to security consultant.
Maintenance & Repairs	506,987	506,987	
			Revised budget projection based upon current spending pattern.
Postage	395,100	343,600	
Insurance	666,750	648,211	
Legal Fees	450,000	450,000	
Other Expenses	2,471,927	2,341,783	
<b>Total All Other Expenses</b>	<b>14,002,243</b>	<b>14,097,041</b>	
<b>King Scholarship</b>	<b>200,000</b>	<b>200,000</b>	
<b>TOTAL OPERATING EXPENSES</b>	<b>\$129,060,097</b>	<b>\$126,796,069</b>	<b>Total reduction of \$2.264 million</b>
<b>Projected (Deficit) Surplus *</b>	<b><u>(\$1,075,299)</u></b>	<b><u>\$238,309</u></b>	

\* Prior to impact of GASB45 accrual

**Community College of Philadelphia**  
**Enrollment Information (FTEs) for Fiscal Year 2014-15**

	Actual FY 13-14	Budgeted FY 14-15	Actual / Projected FY 14-15	Projected FY 15 vs Actual FY 14	% Variance	Projected FY 15 vs Budgeted FY 15	% Variance
<b><u>CREDIT</u></b>							
Summer 2	1,865	1,866	1,717	(148)	-7.93%	(148)	-7.94%
Fall	12,950	13,099	12,859	(91)	-0.70%	(240)	-1.83%
Spring	12,739	12,892	12,580	(159)	-1.25%	(312)	-2.42%
Summer 1	2,547	2,658	2,550	3	0.11%	(108)	-4.06%
<b>Credit Year-to- date Totals - Annual FTEs</b>	<b>15,051</b>	<b>15,257</b>	<b>14,853</b>	<b>(198)</b>	<b>-1.31%</b>	<b>(404)</b>	<b>-2.65%</b>
<b><u>NONCREDIT</u></b>							
Summer 2	61	95	54	(7)	-11.48%	(41)	-43.16%
Fall	531	658	501	(30)	-5.65%	(157)	-23.86%
Spring	384	615	341	(43)	-11.20%	(274)	-44.55%
Summer 1	136	236	122	(14)	-10.29%	(114)	-48.31%
<b>Noncredit Year-to- date Totals - Annual FTEs</b>	<b>556</b>	<b>802</b>	<b>509</b>	<b>(47)</b>	<b>-8.45%</b>	<b>(293)</b>	<b>-36.53%</b>

Summer 1 Enrollments are revised projections.