MEETING OF AUDIT COMMITTEE
Community College of Philadelphia
Thursday, September 29, 2016 – 12:00 Noon
Isadore A. Shrager Boardroom, M2-1

Present: Mr. Anthony J. Simonetta, Mr. Matthew Bergheiser (*via telephone*), Mr. Jeremiah White (*via telephone*), Donald Generals, Ed.D., 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

Not Present: Representing the Meridian Group: Mr. Anthony B. Scott

AGENDA – PUBLIC SESSION

(1)   Approve Minutes of Audit Committee Meeting on June 6, 2016 (Action Item):

Action: Mr. Simonetta asked for a motion to recommend acceptance of the June 6, 2016 Audit Committee meeting minutes. Mr. Bergheiser made the motion. Mr. Simonetta seconded the motion. The motion passed unanimously.

(2)   2015-16 Fiscal Year Audit Report (Action Item):

Attachment A contains the presentation made by Mr. Brian Page, Engagement Partner, and Ms. Angelica Roiz, Senior Manager, from Grant Thornton and Attachment B contains audit results for the 2015-2016 fiscal year. Mr. Page began the discussion by reviewing the required communications, roles and responsibilities for the financial statements including the auditors, the Board and Audit Committee. Mr. Page pointed out that they discussed the specific areas where they were going to spend their time during the audit at the June 2016 meeting. There were no material changes to their audit approach presented at that time. Mr. Page also noted that he has reviewed agreements dealing with the College's public private partnership (P3) to ensure there are no accounting issues or impact on the College's financial statements.

Ms. Roiz then discussed the audit timeline and areas of focus of Grant Thornton's audit. Specifically, she mentioned reasonableness tests regarding tuition, deferrals, receivables and management's allowance for doubtful account calculation as compared to the enrollment population, as well as State and City appropriations and investment earnings, recorded pension liabilities and the new accounting pronouncement implementation of GASB 72 Fair Value Measurements and Application. Under this new accounting standard, the College is required to use appropriate measurement techniques to measure the fair value of its assets. In addition, the College is required to include additional disclosures in its financial statements on the leveling of those assets (Level 1, 2 or 3). Ms. Roiz noted that all the necessary disclosures included in this year's financial statements where correct and in accordance with the new pronouncement.

Ms. Roiz then discussed the Information Technology portion of the audit. The auditors review procedures did not result in any internal control findings. However, the auditors did identify certain best practices for the College's consideration.

Ms. Roiz then walked through the summary of audit adjustments. There were no significant audit adjustments; however, there were two passed audit adjustments that related to current and non-current vacation accruals and current and non-current security deposits outlined in the presentation. These adjustments were considered balance sheet re-classes and are considered immaterial to the College's financial statements.

She then stated that there had been no disagreements with management in the preparation of the financial statements, and there had been no difficulties encountered in performing the audit. The audit team was in fact very pleased with how quickly management responded to their questions and points of inquiry. It should be noted that there were no material weaknesses or significant deficiencies identified in the 2015-2016 financial statements.

Mr. Brian Page then walked through some key highlights of this year's financial statements. Specifically, he discussed the audit opinion that would be issued as unmodified, which will be presented to the City of Philadelphia.

Mr. Simonetta asked if the Committee was recommending the audit report to the Board and issued to the City before the Board accepts it. Mr. Murphy stated that this is due to the annual City deadline of September 30th but will get presented at the October 13, 2016 Board Meeting.

Some of the other highlights Mr. Page focused on were the changes on the balance sheet due to the impact of the refinancing of the College's 2008 Bonds; the increase in Deferred Inflows/Outflows will be amortized over time into interest expense with the life period of the Bond; bond proceeds increased to $7.4 million; and, bond premiums increased to $6.6 million, which was all related to the refinancing. He also discussed the new note disclosures in Note B of the financial statements as a result of the new GASB 72 Fair Value Measurement & Leveling of Investments implementation.

Several technical updates, projects, regulatory issues and upcoming accounting pronouncements were pointed out to the Committee, which are outlined in the presentation. Specifically, the new accounting pronouncements listed in Attachment A were discussed focusing on GASB 72, 75 & 80. Under GASB 72, the College was required to include more disclosures with respect to investments. Depending upon the method used to determine their fair value, investments are now separated into three categories. Under GASB 75, which is effective for fiscal years beginning after June 15, 2017, the College will be required to record the full value of other post-employee benefit liabilities in their entirety. Currently, the College is phasing this in over a thirty year amortization period. Consequently, the College will have a large decrease in its net assets going forward. Under GASB 80, the College will need to re-evaluate the current presentation of the Component Unit Foundation to determine whether it should be blended into the College's financial statements for reporting purposes or continue to be presented separately.

Mr. Simonetta commented that the City would be going through the GASB 75 change as well and it may be worthwhile for staff to have some conversations with them regarding any new supplemental schedules they may require. Mr. Murphy pointed out that there are certain schedules now that the City requires reformatting, which are added in the back of the College's Financial Statements. Mr. Page stated that more than likely the City will include them in their required reporting package to the College.

Mr. Page then highlighted some industry updates regarding Moody's outlook on community colleges. Specifically, he mentioned that there is a stable outlook for the next 18 to 24 months. They expect modest revenue growth of about 3%; however, about 20 to 30% of institutions are expected to struggle with any revenue growth. An increase in technology investments is expected to outpace the rate of inflation. In addition, good expense discipline has been observed with improving cash margins. However, they do expect a cut of 15-20% in cost in order to manage some of the enrollment challenges institutions are facing. More mergers of smaller schools to achieve economies of scale are expected. Finally, they believe cash and liquidity reserves will remain fairly stable in the next 18 to 24 months.

Mr. Simonetta commented that there have been some announcements locally about institutions like La Salle and Rosemont College cutting their tuition significantly. He asked Mr. Page if this is the trend Grant Thornton is seeing across the country. Mr. Page stated that cutting tuition is viewed as an enrollment management strategy. However, he stated that probably less than 10% of colleges and universities are doing so.

Mr. Page then pointed out that the Moody's report on community colleges survey for FY 2015 was the first year in 5 years of reporting that revenue growth outpaced expense growth industry wide. However, 90% of all community colleges have experienced enrollment declines since 2011.

Mr. Page concluded his presentation with a brief discussion of how leadership among institutions is responding to changing conditions, which is outlined in Attachment A.

Action: Mr. Simonetta made a motion to recommend acceptance of the 2015-2016 Financial Statement Audit to the Board of Directors. Mr. Bergheiser seconded. The motion passed unanimously.

(3) **2015-16 Final Budget Results (Information Item):**

Mr. Eapen provided an overview of the College's budget results for fiscal year 2015-16. The College began the 2015–2016 fiscal year with a balanced budget. The year ended with operating revenues exceeding operating expenses by $2,160,223.

Student credit hours exceeded budget for the summer and fall 2015 semesters but spring and summer 2016 semesters were below budget as outlined in Attachment C. Overall total credit hours were 2% below budget resulting in approximately $2 million less student tuition and fees than budgeted. State funds were budgeted at an increased amount of $1.98 million, as originally proposed by Governor Wolf, but as a result of state budget negotiations were only increased by $1.64 million. More of the City's appropriation was able to be allocated to the operating budget because the State began funding 50%

of the debt service of the 2013 loan that financed improvements to the West Building. Both investment income and income from miscellaneous sources were above budget.

Total operating expenditures ended the year $4 million less than budgeted. Positions that were vacant for all or part of the year resulted in spending $1.8 million less on full-time salaries than originally budgeted. Overall, total salaries were $1,939,000 lower than budgeted. This had the impacted of reducing FICA costs which ended the year $132,000 lower than budgeted. The fringe benefit budget was positively affected by a favorable year for the medical self-funded program. Final expenses associated with healthcare were almost $600,000 below budget. Administration took advantage of the savings from the salary and fringe benefit lines and other expense lines to pay-off existing longer-term leases in the amount of $1.57 million. This strategy provides flexibility in the College's operating budget for future years. Attachment C provides detail on the revenue and expenses variances. As presented in the FY 2016-17 budget that was approved by the Board on June 30, 2016, $915,800 of the excess revenues from FY 2015-16 is required as a revenue source for FY 2016-17. Due to the lower-than-budgeted enrollments experienced thus far in FY 2016-17, additional amounts of the FY 2015-16 excess revenues may be required as a revenue source for FY 2016-17. The remaining excess revenues may be utilized to establish reserve funds for deferred maintenance and technology refresh needs.

Mr. Eapen noted that some of the steps that were taken to deal with the challenges of the 2016-2017 budget were: a freeze on all positions except faculty and reduced expenses on all budgets across the institution.

(4)   Internal Audit Plan 2014-2016 Year Update (Information Item):

Mr. Lucas provided a final update on the 2014-2016 Internal Audit Plan (Attachment D). 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 had issued one finalized audit report to management and completed three audits with draft audit reports issued to management, including one requested by management after the last Audit Committee meeting. One 2016 internal audit is in progress and the draft audit report is expected to be issued by October 7, 2016.

Mr. Lucas also provided a copy of the 2016-2018 Internal Audit Plan approved by management to the Audit Committee members. He noted that the plan is the same one provided as the proposed plan at the last Audit Committee meeting with the addition of one audit, Royalty Payments from Publishers, requested by management for which the draft report has already been issued to management. Work has begun on several other audits as indicated on the audit plan.

The audit of the Disaster Recovery Plan (DRP) was scheduled to begin in October. Management has requested this audit be deferred until December due to ITS' work on this subject and several other high priority projects. Mr. Lucas stated that the audit plan is designed to be flexible for such requests and that he will work on other audits and circle back to the DRP audit toward the end of the year.

Mr. Lucas also noted that he continues to work with management to obtain the statuses of previously issued audit comments. He provided an updated version of the Internal Audit Follow-Up Matrix to the Committee which includes all audit report recommendations for which management's action plan are not yet complete. Mr. Lucas noted that a number of the action plans are long term as they include construction, new software or new equipment, each of which have significant time and expense considerations. The budget constraints in 2016-2017 may further extend the timeline of some action plans.

(5)   February 2016 Meeting Date (Information Item):

     The next meeting of the Audit Committee will be scheduled in February 2017. At that time, the Committee will discuss the 2015-2016 A-133 audit report.

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. The Committee met with both the Internal and Independent Auditors in Executive Session.

TEM/lh
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 the Meridian Group: Mr. Anthony B. Scott

ATTACHMENT A

2015-2106 FISCAL YEAR

GRANT THORNTON PRESENTATION

Our values are

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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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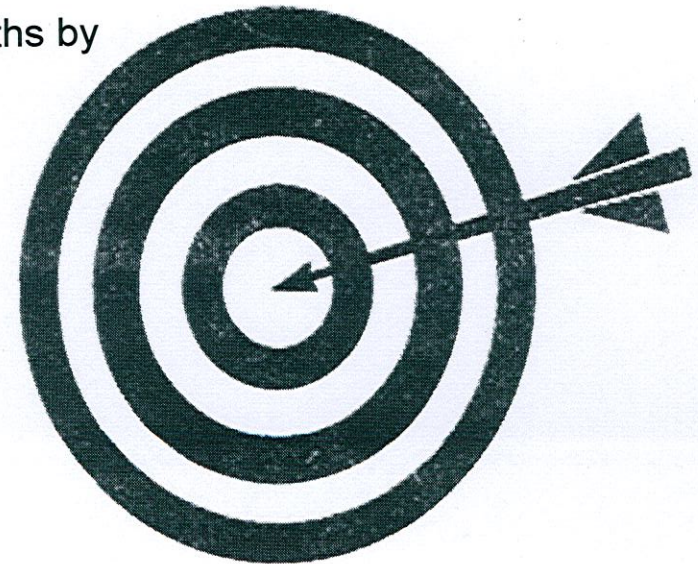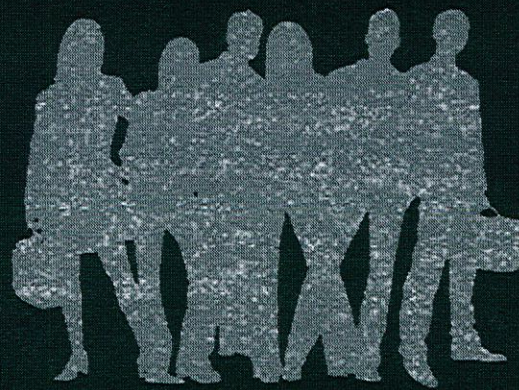
RESPONSIBILITIES

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
- Applying agreed-upon procedures based on criteria as outlined by the Commonwealth of Pennsylvania Department of Education (PDE) in the Statement of Auditing and Accounting Standards for Community Colleges

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

Those charged with governance and management responsibilities

Those charged with governance

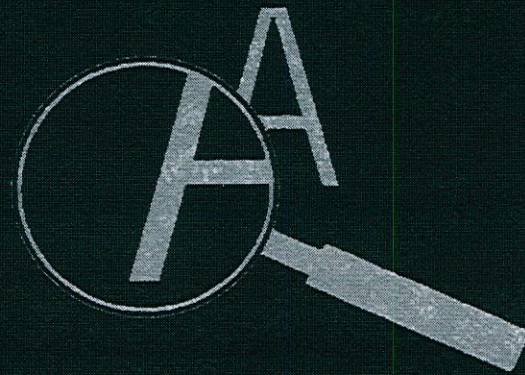Those charged with governance are responsible for:

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

Management

Management is responsible for:

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

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AUDIT SCOPE AND RESULTS

Audit timeline

May/June 2016	Client reacceptance	• 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	• 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	• 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	• 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)	• 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)	• Perform final phase of Single Audit (formerly A-133) compliance testing • Meet with management to discuss results

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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).
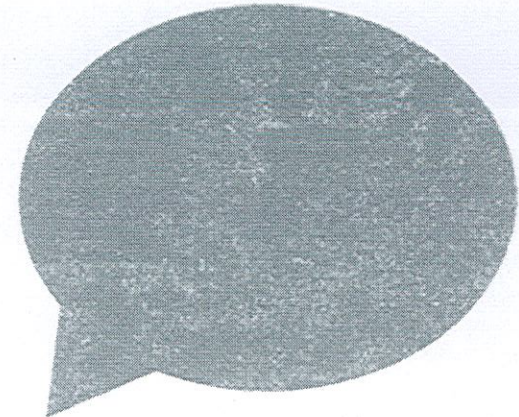
Views of those charged with governance

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
GT Actuarial specialists – Review of the reasonableness of the assumptions underlying the valuations of the OPEB (GASB 45) liabilities and disclosures (as provided to the College by external actuaries at Clarity in Numbers) as well as self-insurance accruals for medical claims (as provided to the College by external actuaries at Alliant Insurance Services)
GT Tax group - Review of UBIT and tax positions

Significant risks and other areas of focus

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

Areas of focus	Planned procedures
Tuition revenue, auxiliary enterprises and related receivables/deferred revenue	• Performed reasonableness test on tuition, student aid and auxiliary revenue amounts. • Performed deferred revenue testing to determine proper cut-off. • Inquired of management about the allowance methodology and, policies governing additional charges or other steps taken (e.g., cannot register, cannot attend commencement) for lack of payment of student account. • Reviewed management's analysis of allowances for doubtful accounts for consistency with methodology and accuracy of inputs as well as reasonableness and overall adequacy.
GASB 68	• Ensured 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	• Confirmed investments with custodians and investment managers. • Tested valuation of publicly traded investments using an independent pricing source. • Tested valuation of investments that are not publicly traded by performing an independent assessment of the valuation methodology and testing roll forward period of alternative investments and obtaining underlying audited financial statements of the respective funds. • Reviewed investments for impairment. • Analytically reviewed investment income for reasonableness by asset class and expected returns.
State and Federal Grants & Contracts	• Reviewed contract documents to obtain understanding of the terms. • Compared revenues and recorded expenses to determine that amounts are being recorded appropriately based upon the terms of the contracts. • Reviewed any deferred amounts for reasonableness. • Agreed any subsequent collections to year-end receivable balances. • Reviewed propriety of financial statement presentation and disclosure.

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Significant risks and other areas of focus, continued

Areas of focus	Planned procedures
State & City appropriations	• Obtained detail of appropriations received from the state for fiscal year. • Confirmed amounts with state, agreeing to revenue recorded in general ledger. • Reviewed receivable, determining calculation is correct based on cash received and amounts outstanding based on confirmation.
Compliance with Uniform Guidance (formerly OMB Circular A-133)	• Review contracts to understand their nature and compliance requirements as applicable. • Identify major program(s) and determine the compliance requirements that are direct and material. • Identify key controls over compliance and will finalize testing those controls prior to issuance of long-form financial statements. • Selected a sample of transactions subject to compliance requirements for testing prior to issuance of long-form financial statements. These will include (at a minimum) the Student Financial Aid Cluster in compliance with Part 5 of the 2016 OMB Compliance Supplement.

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Technology support as part of the audit process

Phase 1	Understand and document business processes material to the audit	Phase 2	Assess IT risks	Phase 3	Identify IT controls that support audit objectives	Phase 4	Test design effectiveness of IT controls
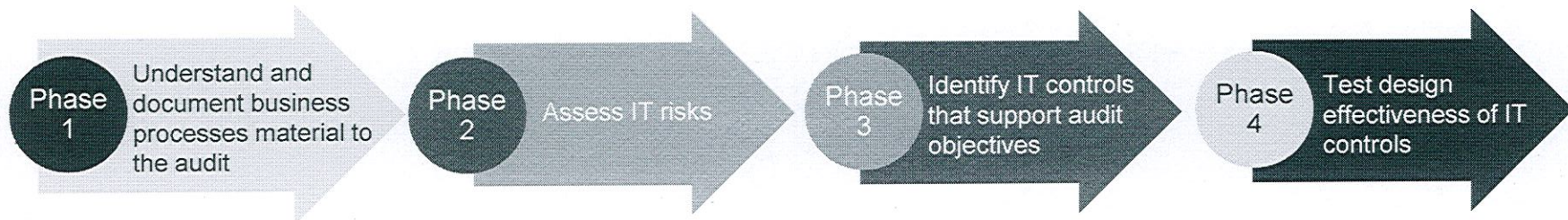
An important component of our audit approach is to understand how IT is used in supporting business operations and producing financial reports. Our technology specialists place particular emphasis on the risks relating to the use of technology and its associated controls, processes and practices. Our 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.

In-Scope Application: Banner

- Banner Financial Aid Module Review

- Administrator Access & Password Testing

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Technology support
Results of procedures performed on Banner

Application	Results
Banner	No internal control findings were identified through performance of our design effectiveness review procedures including those within the areas of segregation of duties, user administration (terminations), and policies and procedures. We did, however, identify several recommendations and best practices for the College's consideration. Please refer to the next slide for a detailed listing.

Technology support – continued

ADDITIONAL RECOMMENDATIONS AND BEST PRACTICES IDENTIFIED:

- We noted that currently the process for grant access to new hires starts with HR putting a user in Banner. There is a process to automatically create an Active Directory account. IT monitors Banner to identify when a new user is being processed. Sometimes there is an email notification, but HR doesn't always populate or add the user in a timely manner. We recommend that HR submit a ticket to IT for all access requests of newly hired users during the new hire process either prior to the start date or on the start date. This will ensure that all access requests are timely, documented and appropriate.

- We noted that currently the process for revoking user access upon terminations is that users are automatically removed from Active Directory, but IT is not always notified to remove users from the Banner application. We recommend that HR be required to notify IT upon user termination to ensure that all application access can be revoked in a timely manner.

- We noted that the Windows network does not lock out user accounts after a set number of failed log on attempts. Logs from Clone Microsystems are used to track failed log on attempts and these reports are reviewed daily by IT Management. We recommend that IT set a lock out mechanism on the Network after 3-5 failed log on attempts to better secure access to the CCP network.

- We noted that the post implementation review for Banner changes consists of the helpdesk working with the end users to ensure that changes promoted were appropriate and that the correct functionality exists specific to the change requested. This review does not validate that all changes promoted were approved changes, but does ensure that the requested changes that were implemented were approved and met the demands of the end user. We recommend that the alternate DBA validate all changes for the week that were promoted to ensure that only approved, necessary changes that have been tracked within the ticketing system are moved to the live Banner environment.

Summary of adjustments ($000s)

Management believes the unrecorded adjustments are immaterial to the financial statements. Unrecorded misstatements could be potentially material to future financial statements. We request that these unrecorded adjustments be corrected.

Description	Assets	Liabilities	Net Assets	Revenue	Expenses	Nonoperating	Change in net assets
				Increase (Decrease) to:			
Recorded adjustments		NONE NOTED					
Unrecorded adjustments							
DR. Accrued Liabilities, Noncurrent	$ -	$ 203,000	-	-	-	-	-
CR. Accrued Liabilities, Current	$ -	$ (203,000)	-	-	-	-	-

To reclassify a portion of the long-term liability for vacation accruals to short-term based on underlying trends of vacation accrual use by employees.

Description	Assets	Liabilities	Net Assets	Revenue	Expenses	Nonoperating	Change in net assets
DR. Deposits, Current	$ 250,000	-	-	-	-	-	-
CR. Deposits, Noncurrent	$ (250,000)	-	-	-	-	-	-

To reclassify security deposit for parking garage property to current vs. non-current asset based on the nature of the agreement.

Net impact	$ -	$ -	$ -	$ -	$ -	$ -	$ -

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Disclosure adjustments

Recorded disclosure adjustments

The following is a description of necessary adjustments to disclosures identified during the audit that were made by the College:

- None noted

Unrecorded disclosure adjustments

The following is a description of possible adjustments to disclosures identified during the audit that were not made by the College:

- None noted

Internal control matters

Our responsibility

- Obtain reasonable assurance about whether the financial statements are free of material misstatement.
- Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control.
- We express no opinion on the effectiveness of internal control.
- Control deficiencies that are of a lesser magnitude than a significant deficiency will be (or were) communicated to management.

Definitions

- A deficiency in internal control ("control deficiency") exists when the design or operation of a control does not allow management or employees — in the normal course of performing their assigned functions — to prevent, or detect and correct, misstatements on a timely basis.
- A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected, on a timely basis.
- A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Other required communications

Disagreements with management

None noted.

Management's consultations with other accountants

None noted of which we are aware.

Other findings or issues

None noted other than those previously included in this presentation. No modifications to the report are deemed necessary and we are not aware of the audited financial statements being included in another document, such as an annual report.

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Other required communications - continued

Significant difficulties encountered during the audit

None noted.

Related parties and related party transactions

We did not identify any of the following matters through the course of our audit procedures:
- Identification of significant related party transactions that have not been appropriately authorized and approved
- Nondisclosure (whether intentional or not) by management of related parties or significant related party transactions
- Disagreement with management regarding the accounting for, and disclosure of, significant related party transactions
- Noncompliance with applicable laws and regulations prohibiting or restricting specific types of transactions
- Difficulties in identifying the party that ultimately controls the entity

Quality of accounting practices and alternative treatments

Accounting policies

Accounting policies are consistent with those of prior year and are outlined in Note A of the financial statements.

Accounting estimates

Significant estimates are described in Note A of the financial statements. These estimates include:

- Allowance for doubtful accounts
- Useful lives of fixed assets
- Valuation of Level 2 investments which are based on NAV per share
- Actuarial estimates for the College's post-retirement benefit plan (OPEB) under GASB 45
- Actuarial estimates for the College's self-insured medical claims liability (IBNR)

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Quality of accounting practices and alternative treatments - continued

Disclosures

Financial statements and the disclosures therein are clear and complete in accordance with GASB pronouncements. The current year financial statements include the requisite disclosures related to fair value of investments in accordance with GASB 72.

Other related matters

The effects of the partial refinancing of the 2008 Series Bonds and issuance of the 2015 Series Bonds are appropriately disclosed in the financial statements.

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Commitment to promote ethical and professional excellence

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

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

The EthicsPoint URL link

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

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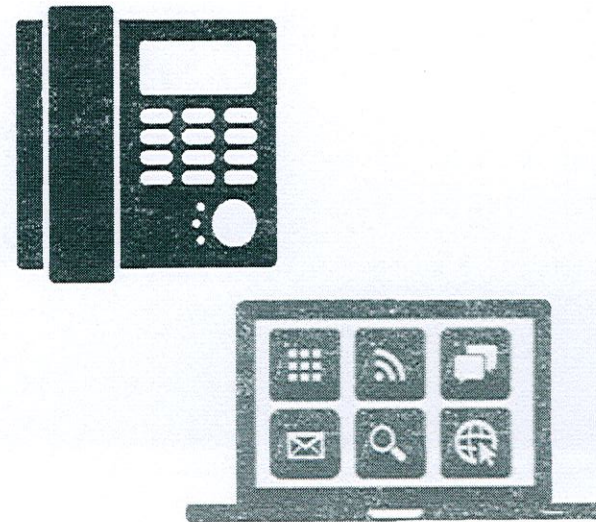
ACCOUNTING UPDATES

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

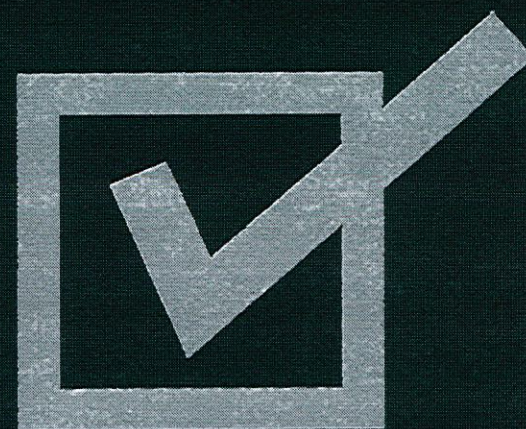| Title	Effective date
GASB 72- Fair Value Measurements and Application	Periods beginning after June 15, 2015
GASB 73- Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 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

• 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:
   ➤ 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.
   • 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.
	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. Pubic institutions are encouraged to review disclosures of large/complex private (FASB) institutions for helpful examples.

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

Summary	Potential impact
• 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.	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.

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

Summary	Potential impact

• Reduces the U.S. GAAP hierarchy for government standards from four to two categories of authoritative GAAP:
 	
   • 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.
	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.

GASB Statement 80, *Blending Requirements for Certain Component Units*

Summary	Potential impact
- 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.	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 or still presented discretely.

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GASB Statement 81, *Irrevocable split-interest agreements*

Summary	Potential impact
• 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.	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.

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GASB projects and pre-agenda research

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

GASB major project – Asset Retirement Obligations

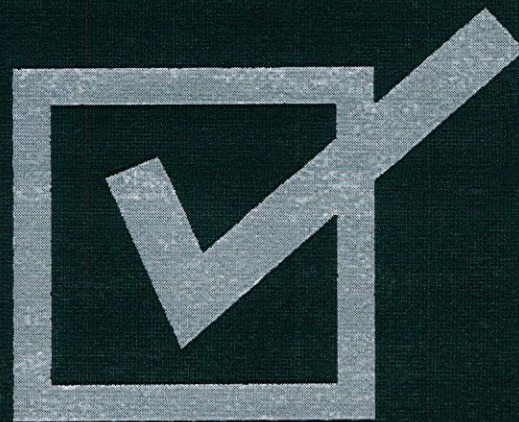| Summary	Potential impact

• 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, *Asset Retirement Obligations*) has been applied by some GASB reporters, but not consistently.
 	
• The Exposure Draft proposes the following:
 	
  ✓ 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.
	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.

GASB major project – Leases

Summary	Potential impact

• 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:
  ✓ 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:
  ✓ 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.
	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.

GASB major project – Financial Reporting Model

Summary	Potential impact

• 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:
  ✓ 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
	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.
	
	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.

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REGULATORY UPDATES

OMB reform of federal policies relating to grants and cooperative agreements

Summary	Potential impact
The Office of Management and Budget (OMB) published *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (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. 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.	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). Guidance related to updated audit requirements will apply to audits of fiscal years beginning on or after Dec. 26, 2014.

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Highlights of changes under Uniform Grant Guidance

Summary

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

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

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Release of the 2016 Compliance Supplement

Summary

The Office of Management and Budget (OMB) released the *2016 2 CFR 200, Appendix XI, Compliance Supplement* (the Supplement) on August 9, 2016, to be used to perform single audits under the Uniform Guidance for audits for fiscal years beginning after June 30, 2015. Significant changes and updates to the Supplement include:

- **All sections**. Clarification of the terms "must" and "should" to better differentiate requirements under the standards versus suggested best practices.
- **Part 3, Introduction**. Added discussion noting that Council on Financial Assistance Reform (COFAR) Frequently Asked Questions (FAQs) published after the 2016 Supplement issued or updated after September 2015 will be available at the COFAR website and should be considered in the single audit work plan and reviews.
- **Part 3, Procurement**. Clarified the two year grace period for compliance with procurement standards in the Uniform Guidance, which extends through the first two fiscal years after the standard was issued. For clients with a June 30 year end, the procurement standards will become part of audit testing for the fiscal year ending June 30, 2018, and therefore must be effective starting July 1, 2017.
- **Part 5, Clusters of Programs**. Compliance requirements changed in SFA cluster to due to regulatory and other changes from the Department of Education.
- **Part 6, Internal Control**. Added back to the supplement In the 2016 update, specifies characteristics of internal controls that should provide reasonable assurance of compliance with Federal statutes, regulations, and terms and conditions of Federal awards. Guidance is not prescriptive, but suggests as a best practice that the system of internal control be in compliance with COSO or the Green Book, and include the five components and principles of internal control: Control Environment, Risk Assessment, Control Activities, Information and Communication, Monitoring.
- **Appendix VII, Effect of Implementation of the Uniform Guidance on Major Program Determination.** Provides guidance on the impact of the new Uniform Guidance regulations on how major programs will be selected for testing in the single audit.

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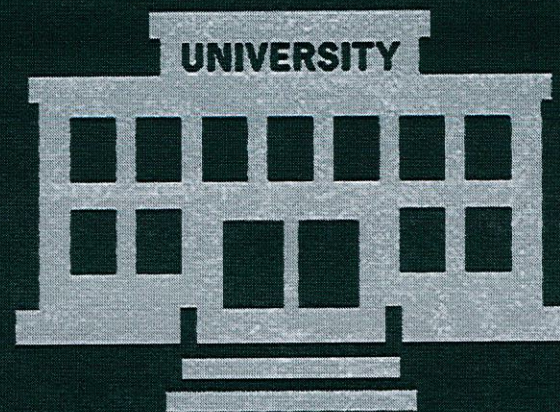
2016 Rating Agency outlook is stable for the next 18 to 24 months

- Moderate revenue growth at or above 3%, with 20 - 30% of colleges challenged to do so
- 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

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2016 Moody's Report on Community Colleges

- Operations at most community colleges is improving as institutions are managing costs better to align with revenue trends – Revenue growth outpaced expense growth in 2015 for the first time since 2011.
- Nearly 90% of all community colleges have experienced enrollment decline since 2011.
- Community colleges with local support maintain an advantage in stabilizing performance – 4.9% operating margin vs negative operating margin.
- Community colleges are modestly growing financial reserves/liquidity – 9% over the past five years
- Only 52% of community colleges have spend more than annual depreciation in 2015. Ratio was 78% in 2011.

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
- 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
- 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.

Institutions are assessing their current business models for long-term viability

Presidents face hard choices to keep their institutions on solid financial footings. Here are some of the tough discussions on campuses:

- examine teaching loads and sabbatical practices
- realign course offerings and open up rigid curriculum
- decrease the dependency on blindly 'boosting enrollment' as a means to stabilize budgets
- rationalize investments in athletics and student amenities
- rely on third parties with real estate and development expertise (P3s) to fund and drive campus development
- move Boards out of operational oversight and into strategic engagement; restructure committees
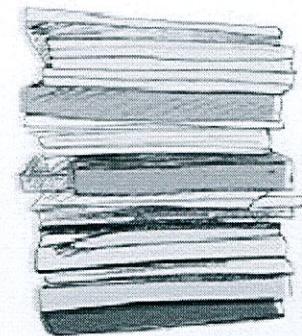
Institutions are building confidence in the long-term financial view by understanding cost structures and business drivers

While many institutions have a false sense of security about their long-term financial prospects based on their ability to have weathered the recession and post recession turmoil, smart institutions are:

- developing systems to evaluate the cost of programs, courses and degrees so that business planning can more realistically measure the financial impacts related to changing demographics, shifts in funding, decreases in 'full pay' students and new fields of study
- engaging faculty to improve financial performance with clearly defined decentralized budget accountability
- educating the campus community on institution-wide financial challenges
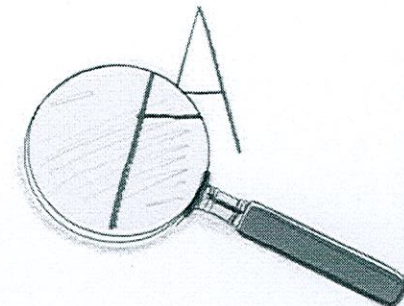
Emerging technology tools to improve academic and operating results

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

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

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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

Enterprise risk management is a necessity to safeguard reputation

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

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

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Boards intensify the focus on being financially sustainable

Actions to strengthen operational performance:

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

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 C

2015-2016 FINAL BUDGET RESULTS

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

	Actual FTEs FY 14-15	Actual Credit Hours FY 14-15	Budgeted FTEs FY 15-16	Budgeted Credit Hours FY 15-16	Actual FTEs FY 15-16	Actual Credit Hours FY 15-16	Credit Hour Variance - Budgeted vs. Actual	% Variance
CREDIT								
Summer 2	1,716	20,591	1,717	20,609	1,730	20,760	151	0.7%
Fall	12,859	158,471	12,976	159,625	12,963	160,200	575	0.4%
Winter	46	546	50	600	47	558	(42)	-7.0%
Spring	12,587	155,231	12,801	157,209	12,056	149,185	(8,024)	-5.1%
Summer 1	2,494	29,926	2,550	30,600	2,216	26,595	(4,005)	-13.1%
Credit Year-to-date Totals - Annual FTEs	**14,851**	**364,765**	**15,047**	**368,643**	**14,506**	**357,298**	**(11,345)**	**-3.1%**
NONCREDIT								
Summer 2	54		95		64			
Fall	501		658		384			
Spring	344		615		345			
Summer 1	115		236		111			
Noncredit Year-to-date Totals - Annual FTEs	**507**		**802**		**452**			

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

	Original Budget	Final at June 30, 2016
REVENUES		
Student Tuition and Fees	$76,691,245	$74,647,882
Commonwealth of Pennsylvania	30,621,805	30,128,342
City of Philadelphia	23,247,363	23,367,407
Other Income	1,728,720	2,296,953
TOTAL REVENUES	**$132,289,133**	**$130,440,584**
EXPENSES *		
Salaries, Net of Lapsed Funds	$75,642,290	$73,703,012
Fringe Benefits	34,124,000	33,150,262
Other Expenses	22,322,843	21,354,784
Student Financial Aid	200,000	72,303
TOTAL EXPENSES	**$132,289,133**	**$128,280,361**
EXCESS REVENUES (EXPENSES)	**($0)**	**$2,160,223**

* Prior to impact of GASB 45 and 68 accruals

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

	Original Budget	Final at June 30, 2016	Comment
OPERATING REVENUES			
State Funding	$30,479,415	$29,963,726	As a result of state budget negotiations, a lessor increase in state funding was received than originally budgeted.
State Lease funding	142,390	164,616	
Total State Revenues	**30,621,805**	**30,128,342**	
Tuition - Credit Students , net of write-offs, discounts and other offsets	60,784,200	58,909,256	Summer and Fall, 2015 semester enrollments slightly exceeded budget but Spring and Summer, 2016 enrollments were below budget. For the year, total credit hours were 3.1% below budget resulting in less than budgeted tuition.
Technology Fee	10,631,700	10,328,094	For the year, total credit hours were 3.1% below budget resulting in less than budgeted technology fees.
Course Fees	3,591,490	3,668,652	
Net Contribution from: Contracted Noncredit Instruction; Other Noncredit Instruction; Adult Community Noncredit Instruction	506,500	453,957	
Student Regulatory Fees	1,177,355	1,287,923	
Total Student Tuition & Fees	**76,691,245**	**74,647,882**	
City Operating Funds	**23,247,363**	**23,367,407**	
Investment Income	500,000	814,970	In addition to interest earnings of $445,000, the College also had a gain on long-term investments in the amount of $370,000.
Vocational Education Funding	200,000	267,588	
Indirect Costs, Administrative Allowances	300,000	368,579	
Parking Proceeds & Miscellaneous Income	728,720	845,816	
Total Other Income	**1,728,720**	**2,296,953**	
TOTAL OPERATING REVENUES	**$132,289,133**	**$130,440,584**	

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

	Original Budget	Final at June 30, 2016	Comment
OPERATING EXPENSES *			
Salaries			
Full-Time Administrative Salaries	17,137,300		
Less: Projected Lapsed Salaries	(900,000)		
Net Full-Time Administrative Salaries	16,237,300	15,470,140	Higher than anticipated number of unfilled administrative positions during the year.
Full-Time Faculty Salaries	29,086,904		
Less: Projected Lapsed Salaries	(150,000)		
Net Full-Time Faculty Salaries	28,936,904	28,359,069	More lasped funds than originally budgeted.
Full-Time Classified Salaries	11,052,934		
Less: Projected Lapsed Salaries	(450,000)		
Net Full-Time Classified Salaries	10,602,934	10,137,068	Higher than anticipated number of unfilled classified and confidential positions during the year.
Subtotal - Full-Time Salaries	**55,777,138**	**53,966,277**	
Part-Time & Overload Credit Salaries	10,985,389	10,975,763	
Summer Credit Instruction	4,064,938	3,954,464	
Noncredit Instructional Salaries	424,310	398,056	
All Other Salaries	3,940,515	4,138,800	
Early Retirement Incentive Payments	450,000	269,652	
Subtotal - Other than Full-Time Salaries	**19,865,152**	**19,736,735**	
Total Salaries	**75,642,290**	**73,703,012**	

	Original Budget	Final at June 30, 2016	Comment
Fringe Benefits			
Medical Program	22,853,700	22,257,501	Actual claims were lower than originally projected.
Retirement Contributions	5,893,500	5,842,259	
FICA	3,108,700	2,976,413	Lower than budgeted salary expenses resulted in a lower than budgeted FICA expense.
Tuition Remission	650,000	555,644	
Group Life Insurance	482,200	466,125	
Unemployment Compensation	200,000	232,954	
Workers' Compensation Insurance	346,700	281,691	Lower than budgeted premiums for workers' compensation insurance.
Unused Vacation	100,000	93,751	
Disability Insurance	304,200	298,785	
Forgivable Education Loan	185,000	145,139	
Total Fringe Benefits	**34,124,000**	**33,150,262**	
Facility Expenses			
Utilities	2,004,341	1,816,251	
Contracted Security	1,700,000	1,720,232	
Contracted Cleaning	1,178,760	1,205,363	
All Other Facility Expenses	2,333,717	2,291,167	
Total Facility Expenses	**7,216,818**	**7,033,013**	

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

	Original Budget	Final at June 30, 2016	Comment
All Other Expenses			
Leased Equipment & Software	5,425,659	4,981,904 +	
Catalogs and Advertising	1,418,856	1,555,482	Additional costs associated with 50th Anniversary Events and Spring 2016 Enrollment advertising
Supplies-Pool	1,395,718	1,315,273	
Contracted Services	1,805,175	1,820,065	
Consulting	538,300	836,331	Additional costs for: Facility Master Plan, Margolis-Healy Security Review, Economic Impact Study, Public-Private Partnership RFP, Hanover Research
Maintenance & Repairs	576,006	436,948	
Postage	315,200	257,348	
Insurance	662,000	622,190	
Legal Fees	322,000	808,543	Additional costs for Burt Hill claim, real estate firm, arbitrations, and negotiations.
Other Expenses	2,647,111	1,687,689	Reflects value of unspent contingency funds and various other budget lines.
Total All Other Expenses	**15,106,025**	**14,321,772**	
Student Scholarships	**200,000**	**72,303**	
TOTAL OPERATING EXPENSES	**$132,289,133**	**$128,280,361**	
Excess Revenues (Expenses)	**($0)**	**$2,160,223**	

* Prior to impact of GASB 45 and 68 accruals
+ Includes the cost of payments made to pay off certain long-term leases.

ATTACHMENT D

INTERNAL AUDIT PLAN STATUS

COMMUNITY COLLEGE OF PHILADELPHIA

Date: September 29, 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:

    o ITS Physical Security (Updated through May 2016)

- Draft internal audit reports have been issued to management for the following audits:

    o TAACCCT Grant
    o Royalty Payments from Publishers (2017 audit)
    o Employee Terminations

- One 2016 audit is in progress – New Employee Process – for which the draft audit report should be issued by October 7.

- The Cabinet members reviewed the 2016-2018 Internal Audit Plan. No changes were made based on their review. The plan is approved and work has begun on several audits. One audit has already been completed at the request of management and has been added to the proposed plan distributed at the June Audit Committee meeting and provided to the Cabinet.

- Follow up on prior audit comments is an ongoing process. A printout of the Internal Audit Follow Up Matrix is being distributed at this Audit Committee meeting.

* * * * * *

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

Functional Area	Risk Rating	Risk Explanation / Reason for Audit	Stage
Financial Audits			
Bursar Billing Procedures	H	New billing procedures	
Timekeeping / Overtime	L	Verify controls for hourly employees' payroll process	
Colonial One Card	H	Determine controls over prepaid card program	
Operational Audits			
New Employee Process	L	Validate controls over processes	4
Termination Process	L	Validate controls over processes	5
Part-Time Faculty Medical Benefits	L	Determine controls and accuracy of only benefit funded entirely by staff	
Business Continuity Plan *	H	Determine management's level of preparation for business interuption	#
Financial Aid	H	Determine compliance with policies, procedures and regulations	
Pell Grants - Appeal Process for Academic Progress	M	Determine compliance with requirements	
Center on Disability	L	Determine compliance with requirements	7
Ethics Hotline	L	Verify chain of notifications and timeliness	7
Veterans' Resource Center	M	Compliance with Veterans' Education Benefits Laws	
Site Visits - GED, ESL	L	Ensure risks are controlled / minimized in remote locations	7
Compliance			
TAACCCT Grant		Determine compliance with grant guidelines	5
10,000 Small Businesses	H	Determine compliance with grant guidelines	7
Family Educational Rights and Privacy Act	L	Compliance with FERPA Regulations	
Family Medical Leave Act	L	Determine compliance with policies, procedures and regulations	

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

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

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	Stage
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				
Royalty Payments from Publishers	N/A	Determine controls and procedures related to textbook selection process and funds received from publishers	2017	5
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	2
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	1
Compliance				
50th Anniversary Scholarship Program	M	Determine compliance with requirements	2017	
Family Educational Rights and Privacy Act	M	Compliance with FERPA regulations	2017	2
State Recruiting Regulations	M	Determine compliance with regulations / restrictions	2017	

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	Stage
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	3 *
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	

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

Community College of Philadelphia
Internal Audit Follow Up Matrix

	Report Date	Area/ Responsible Party	Recommendation	Target Date	Management Response / Follow up
12	8/19/2013	ITS - Mobile Device Inventory Jody Bauer	Internal Audit recommends that ITS management consider the cost/benefit of a device management application and report its findings to the Cabinet for discussion as needed.	11/30/2013 Ongoing	ITS will begin discussions with the President's Cabinet concerning the need for a BYOD policy. Preliminary meeting held – a) Mobile Iron will be loaded onto all current college-owned mobile devices, b) J Bauer will determine the cost and feasibility of implementing Mobile Iron or a similar product for all college employees that have a personal mobile devices, c) a draft BYOD policy will be developed, d) J Bauer will provide a Data Security presentation to the President's Cabinet. Update as of 5/15 - ITS has installed applications on mobile devices under their control - JAMF for Apple laptops and desktops, and SysAid for Apple and Android phones and tablets. These applications require users to use strong passwords on devices, force frequent password changes, and lock the devices after a short period of inactivity. The applications also allow ITS, as the administrator, to lock the devices or wipe their stored data clean in the event the devices are reported lost or stolen. Blackberry devices used by Facilities staff have similar controls as offered by the manufacturer. Controls related to personal devices used for College business or email are still being investigated. ITS has also eliminated the ability of such users to auto-forward their College email to their personal email accounts.
14	10/25/2013	Purchasing Cards Jim Spiewak	A new expense or travel and entertainment policy. The purchasing card policy should also be reviewed and updated as necessary and referenced to the new expense policy.	6/30/2014 8/31/14 8/31/16	A new travel and entertainment policy will be developed and presented to the Cabinet for their review and input by 6/30/14. A new travel policy has been developed, reviewed by the Cabinet, and is currently being reviewed by members of the Board of Trustees. Target date for implementation is June 30, 2016. A gift card policy has been drafted and a final version is expected to be reviewed by management and implemented by the fall semester.
22	10/25/2013	Title IX Samuel Hirsch	Internal Audit recommends departmental procedures be documented to help ensure compliance with Title IX as well as the continuity of such procedures.	06/30/14	Procedures related to processes for sexual harassment and for equity in the sports program will be documented by 6/30/14. Title IX language will be included in the Athletics section of the Student Handbook as well as in the Athletics Handbook. Procedures have been documented. The Student Handbook has been updated with language approved by General Counsel.
25	2/14/2014	SDW Contract Jim Spiewak	Internal Audit recommends that the purchasing policies be updated to provide, at a minimum, guidance for contracts when an RFP is not issued (and when the absence of the RFP process is appropriate), the availability of RFP templates for use, guidance or reference, and the need for review and approval of all contracts by the College's General Counsel.	5/31/2014 8/31/14 12/31/15	The Purchasing Department will update the policies related to purchasing and contracts by May 31, 2014 to provide better guidance to department managers. Such guidance will be enhanced to include the circumstances under which an RFP need not be issued as long as all other guidelines are followed. The requirement for review of all contracts by General Counsel will also be included in these updates.

Community College of Philadelphia
Internal Audit Follow Up Matrix

	Report Date	Area/ Responsible Party	Recommendation	Target Date	Management Response / Follow up
26	2/14/2014	SDW Contract Jim Spiewak	Internal Audit recommends that the Purchasing Department ensure that all contracts required by policy to be approved by the Board, including those for professional services, are presented to the Board for such approval prior to the execution of such contracts. In addition, the policy does not specify whether contract extensions or renewals are required to be approved by the Board.	2/14/2014 8/31/14	Effective immediately, the AVP for Budgets & Financial Services, in conjunction with Purchasing Department, will ensure all contracts required by policy to be approved by the Board are presented for such approval. In addition, the Board will be solicited for their preference of approving renewed contracts which fall in the same financial parameters and the related policies will be updated as necessary. Management is proposing an increase in the contract amount which requires Board approval. The related policy will be finalized as soon as Board input and approval of the new amount is obtained.
36	9/24/2015	Whistleblower Policy / Ethics Hotline Victoria Zellers	Internal Audit recommends various improvements to the insurance requirements for contracts and the ongoing monitoring of such insurance coverage for contractors.	11/15/15	The Whistleblower Policy was added to the www.myccp.edu page under General Administration policies on October 21, 2015. The Whistleblower Policy will be added to bulletin boards in all buildings on all campuses by November 15, 2015.
41	12/8/2015	ADA / Center on Disability Joan Bush	Internal Audit recommends the Center on Disability ensure its policies and procedures are updated to reflect the any changes in the ADA amendments related to individual accommodations.	2/29/2016 TBD	The Director of COD and the Dean of Educational Support Services will revise the COD website to clearly articulate students' rights and responsibilities and the College's rights and responsibilities under Americans with Disabilities Act, as Amended. (ADAAA). Target date for completion is February 29, 2016. COD management has completed a draft of these revisions which is currently being reviewed by the VP of Academic and Student Success. Target date is TBD.
43	12/8/2015	ADA / Center on Disability Joan Bush	Internal Audit recommends the Center on Disability have a set of documented procedures to help their staff ensure the consistency of the process for students requesting accommodations.	2/29/2016 TBD	The Director of COD will research and develop protocols for evaluating student requests for disability-related accommodations based upon current CCP practice and upon best practices. Protocols will be reviewed by the Dean of ESS and the VP of Academic and Student Success. Target date for completion is February 29, 2016. COD management has completed a draft of these procedures which is currently being reviewed by the VP of Academic and Student Success. Target date is TBD.
45	12/8/2015	ADA / Center on Disability Joan Bush	Internal Audit recommends that the Center on Disability follow the advice expected shortly from the Data Breach Committee in regard to personal identifiable information, especially SSNs, obtained in the processes for adjudicating student requests for accommodations.	2/29/2016 TBD	A database designed to manage data on students with disabilities will be reviewed with IT for implementation. No SSN's numbers will be included in the database. Target date for completion is February 29, 2016. In its 2016-2017 budget, COD management has requested a stand-alone database to manage the online information related to accommodations requested by students. Target date is TBD.
47	12/8/2015	ADA / Center on Disability Joan Bush	Internal Audit recommends a formal appeals process to provide a second opinion on accommodation decisions for students.	2/29/2016 TBD	College's appeals process for students is to contact the Director of Diversity and Equity. The Dean of ESS and the Director of COD will outline the steps for students and will review with the Vice President of Academic and Student Success. The appeals process will be posted on the COD website. Target date for completion is February 29, 2016. COD management has completed a draft of an appeals process which is currently being reviewed by the VP of Academic and Student Success. Target date is TBD.
48	12/8/2015	ADA / Center on Disability Joan Bush	Internal Audit recommends that records in the Center on Disability related to denied accommodations be grouped together both as hardcopy and online. In addition, the main Excel database, or a separate tab or file one, should include an electronic record of each denied request.	2/29/2016 TBD	A database designed to manage data on students with disabilities, will be reviewed with IT for implementation. Target date for completion is February 29, 2016. COD management noted that: 1) online records of student accommodation denials are now maintained separately from approved ones; and 2) denial records will also be noted as such in the new database requested in the 2016-2017 budget. Target date is TBD.

Community College of Philadelphia
Internal Audit Follow Up Matrix

	Report Date	Area/ Responsible Party	Recommendation	Target Date	Management Response / Follow up
49	4/21/2016	Library Hold Releases Joan Bush	ITS should have full administrative rights to the Millenium program. Senior management should determine whether such rights are shared with library managers.	12/31/2016 (Update of Progress)	Library management is currently retaining administrative rights to Millenium but is consulting with ITS to help ensure appropriate access for library staff. Administrative rights are expected to be transferred to ITS when a new (requested) library system is obtained.
50	4/21/2016	Library Hold Releases Joan Bush	If library staff retain the ability to release holds for fines and lost books, conciliations of cash collected to released holds must be performed periodically and reviewed by management. Any differences must be investigated and resolved.	12/31/2016 (Update of Progress)	Management has convened a team to review the current processes and controls. Potential changes include transferring certain controls to the Bursar's group which will eliminate the need for reconciliations between Millenium records (fines released) and Banner records (cash collected).
51	4/21/2016	Library Hold Releases Joan Bush	The dollar value of assessed library fines should recorded in Banner, perhaps as Other Accounts Receivable.	12/31/2016 (Update of Progress)	Management is currently reviewing several options for this issue including the most effective method for transferring the data, the collectability of existing fines, and the possibility of an amnesty program for some or all of the fines.
52	4/21/2016	Library Hold Releases Joan Bush	SSNs should be purged from Millenium records if it is confirmed that they serve no purpose for recordkeeping.	12/31/2016 (Update of Progress)	Library management is working with ITS to determine the best method to eliminate SSNs in the Millenium system.
53	4/21/2016	Library Hold Releases Joan Bush	There is limited information transferred from Millenium to Banner. Library management should determine if exact amount of fines can be transferred which will support reconciliations between the systems.	12/31/2016 (Update of Progress)	Management has convened a team to review the current processes and controls. Potential changes include transferring certain controls to the Bursar's group which will eliminate the need for reconciliations between Millenium records (fines released) and Banner records (cash collected).
54	4/21/2016	Library Hold Releases Joan Bush	Management should review the dollar amounts of fines and maximums per book to ensure the amounts correlate to the values of borrowed books.	12/31/2016 (Update of Progress)	Management has convened a team to review the current fines and lost book charges and propose changes as appropriate to help streamline this process.
55	4/21/2016	Library Hold Releases Joan Bush	ESS management should review system access periodically to ensure access rights are appropriate for the various positions in the library.	12/31/2016 (Update of Progress)	Millenium system access has been modified with only a few senior staff having the ability to change any records. All other staff have read-only access. A new (requested) ILS system will support efficient periodic review of staff access to the system with profiles designed with ITS assistance.
56	4/21/2016	Library Hold Releases Joan Bush	There are too many library staff with system access which include functions which could negatively impact the entire system and its database of records.	12/31/2016 (Update of Progress)	Millenium system access has been modified with only a few senior staff having the ability to change any records. All other staff have read-only access. A new (requested) ILS system will support efficient periodic review of staff access to the system with profiles designed with ITS assistance.
57	4/21/2016	Library Hold Releases Joan Bush	There are too many library staff with system access which includes the ability to modify accumulated fines.	12/31/2016 (Update of Progress)	Millenium system access has been modified with only a few senior staff having the ability to change any records. All other staff have read-only access. Management is developing appeal procedures which will govern when fines will be modified, who will approve such changes and how they will be documented.
58	4/21/2016	Library Hold Releases Joan Bush	The process for backing up information for library fines is antiquated and subject to loss of the records.	12/31/2016 (Update of Progress)	Backup tapes of Millennium Tapes are being given to the ITS department every two weeks. Once a month, ITS will store the backups at Iron Mountain. Any new ILS system will provide digital backup records to address this issue.
59	5/25/2016	ITS Physical Security Harry Moore	ITS and Facilities management should take appropriate steps and plans to reduce the risks associated with connectivity rooms left wide open.	06/30/17	ITS management noted that a plan to move the connectivity hardware to a separate room. ITS management states that the project has again been included and approved in the capital budget for the 2016-2017 fiscal year although they do not know when construction will begin.

Community College of Philadelphia
Internal Audit Follow Up Matrix

	Report Date	Area/ Responsible Party	Recommendation	Target Date	Management Response / Follow up
60	5/25/2016	ITS Physical Security Jody Bauer Randy Merced	There are currently two systems in use for these style of door locks – one used exclusively in the CBI building and the second in use in the other buildings. The one is use at the CBI building has serious system issues which have prevented the use of access cards less than two years old. Senior management is aware of this issue and it appears to be a long term fix for which effort has begun.	12/31/2016 (Update of Progress)	ITS and the Safety and Security Departments are currently engaged in a long term project to reprogram electronic door locks so that they will work with the current CBord system. As of August 2016, second and third floor door locks in CBI have been migrated to CBord and licensing is in place on server. Awaiting direction from Safety and Security for plans for other door locks.
61	5/25/2016	ITS Physical Security Randy Merced	In order to strengthen the controls over physical security across the College's campuses, management should consider additional video cameras at locations which will help security monitor rooms housing connectivity equipment as a preventative control. Management should also consider an additional camera outside the Mint tunnel entrance based on the room's use for both connectivity and as a staging area for new equipment.	12/31/2016 (Update of Progress)	Management has just (May 2016) selected a consultant who will be reviewing the current video camera and recording systems across all College locations. Wiring for an additional camera outside the Mint tunnel entrance has been installed although a camera has not yet been installed. Camera inside MG-6 is now functional and an additional camera has been installed in the tunnel outside of the same room. Camera consultant review is in progress.
63	5/25/2016	ITS Physical Security Harry Moore	Management should consider installing additional gaseous systems in rooms which have significant risk of business and classroom interruption based on the type of equipment in the connectivity rooms.	06/30/17	Management has decided to upgrade the fire suppression systems from sprinklers to gaseous systems in three rooms deemed critical due to the nature and value of electronic equipment in those rooms. Specifically, upgrades in rooms B2-39, MG-6A and W1-E1 have been included in the budget for the 2016-2017 fiscal year and, as such, should be completed by June 30, 2017.

Action plans complete per management
To be verified by Internal Audit

Community College of Philadelphia
Internal Audit Follow Up Matrix
Completed Items

	Report Date	Area/ Responsible Party	Recommendation	Target Date	Management Response / Follow up
1	5/9/2013	Remote Site Visit - ACE Judith Gay	Internal Audit recommends that CCP insist that this facility keep children in the designated area awaiting pick up. This segregation of the children from non-custodial adults will help ensure the safety of the children as well as limit the liability of CCP. Alternatively, CCP should identify another facility to hold this class which does not have such risks	09/01/13	Classes at Casa Del Carmen will now begin at 6:30 PM, providing an additional ½ hour for parents to pick up their children before students arrive for the adult education classes. Additionally, the site supervisor at Casa Del Carmen has agreed to further enforce the need for children to remain in the designated area, separate from the entrance designated for adult students, while waiting for parents to arrive for pick up. Verified during 2014 site visits.
2	2010 2013 Follow Up	CAHM Program Marian McGorry	Management has developed draft procedures for the CAHM program and should finalize them as soon as possible. Management may want to solicit other colleges to obtain copies of their procedures to ensure CCP's are as comprehensive.		We sent the CAHM procedures draft to Jill for her review and she gave us positive feedback. The draft was developed by the CAHM faculty and the draft document that Jill reviewed is attached. The CAHM faculty will formalize the copy of the document and distribute to all CAHM faculty and give future faculty the document. Enhanced procedures were finalized in December 2013 and were approved by General Counsel and CAHM faculty for immediate implementation.
3	2010 2013 Follow Up	CAHM Program Marian McGorry	Management should formalize the assignment of security-related procedures for the facilities utilized in the CAHM program within the job description of the responsible party.		Job descriptions for the Instructional Aides have been revised to assign end of shift security duties to the IAs. Chef Andy Marin, CAHM Curriculum Coordinator, has been asked to forward a copy of the document. Job descriptions for Instructional Aides have been finalized and approved by the VP of HR as well as by the appropriate Federation representatives. Duties for the two aides includes responsibilities for securing the CAHM facilities and office when no staff are present.
4	2010 2013 Follow Up	CAHM Program Marian McGorry	All IT equipment should be properly secured in the kitchen areas.		Rich Saxton, Business Administration Department Head, and Chef Andy Marin are working with MMS to secure all of the equipment. Laptops have been secured but are still open and accessible to anyone. The laptop in the metal cabinet has been secured and the key is stored in the office. While the CPU, monitor and video equipment is still not secured within the podium, the overall security of the CAHM facilities has been strengthened to ensure that all food prep, cooking and instructional assets are secured in the rooms. Multiple security cameras surround the CAHM areas and were determined to be working at the time of this follow up.
5	2012	Study Abroad Program Sharon Thompson	Risk and insurance procedures should be formally documented to help ensure the continuity of such processes.	12/20/13	Risk and insurance procedures have been formally documented.
6	2012	Study Abroad Program Sharon Thompson	The emergency management plan related to this program should be updated and reissued.	12/20/13	The emergency management plan has been updated. It was provided to all faculty leading trips during the 2013-2014 academic year.

7	2012	Study Abroad Program Sharon Thompson	Internal Audit recommends that the administrative and risk management teams for the Study Abroad program review the need for criminal background checks with General Counsel and determine CCP's position.		This recommendation was reviewed with the Study Abroad Coordinator and with General Counsel. Requiring background checks for students who travel abroad does not appear to be best practice in the field. We will however continue to incorporate internal checks to ensure that students do not have any disciplinary holds on their records or a significant history of disciplinary issues at the College. This has been written into our guidelines.
8	8/19/2013	ITS - Mobile Device Inventory Jody Bauer	Internal Audit recommends that procedures for mobile devices be enhanced to include procedures and controls related to: (1) perpetual inventory records; (2) periodic reconciliations of device phone numbers to carrier invoices; and (3) periodic physical inventories of devices reconciled to perpetual records.		A procedure manual will be created to define the ITS internal processes to support mobile device inventory, tracking and reporting. Procedures were provided for the inventory and reconciliation processes.
9	8/19/2013	ITS - Mobile Device Inventory Jody Bauer	Action plans should be developed to address differences noted between perpetual inventory records and carrier invoices.	9/30/13 through 12/31/13	Numerous action steps taken or to be taken to addresses differences noted between inventory records and carrier invoices. Reconciliation to June 2014 invoices was provided.
10	8/19/2013	ITS - Mobile Device Inventory Jody Bauer	Inventory records of assigned devices should be reconciled each month to the carrier invoices to ensure only current active devices are being paid for by the College.	11/30/13	As stated above, all carrier bills have been reconciled. All devices unaccounted for have been deactivated. The process is now assigned to the Client Support Area for monthly review as compared to the inventory database. A process which must include Purchasing will be instituted to ensure timely deactivation of devices once reported as lost, stolen or returned.
11	8/19/2013	ITS - Mobile Device Inventory Jody Bauer	Internal Audit recommends that ITS management schedule periodic inventories of the various mobile devices issued to staff and faculty. Such inventories should be sufficiently frequent to ensure lost devices can be recognized as such with appropriate actions taken by ITS and Security.	11/30/13	As stated above, period inventories of all mobile devices has commenced and will continue on a quarterly basis. Device management software is being explored. The new support ticketing system has such a feature as does our current Microsoft Cloud environment. ITS is exploring all approaches and will determine a course of action within the next 30 days.
13	10/25/2013	Purchasing Cards Jim Speiwak	The purchasing card policy should be reviewed and updated as deemed necessary.	4/30/2014 8/31/14	An updated procurement card policy will be available by 4/30/14. P Card policy and procedures were revised effective 12/14.
15	10/25/2013	Purchasing Cards Jim Speiwak	The P Card administrator should obtain a report from the bank on a monthly or quarterly basis to card limits per the verify bank limits agree to College requested amounts.	03/31/14	Management will request quarterly reports from the bank with reviews beginning on or before 3/31/14.
16	10/25/2013	Purchasing Cards Jim Spiewak	The P Card administrator should document procedures for temporary credit limit increases and for verifying that limits were returned to previous levels.	3/31/2014 8/31/14	Management agrees that the P-Card coordinator should request records from the bank on at least a quarterly basis to assure that temporary limit increases have been properly reset by the bank as requested. The first review will occur on or before March 31, 2014. Management will also put in place a process of documenting in the cardholders file any permanent changes to limits immediately. New procedure for documenting P card limit changes has been developed and was effective July 1, 2015.
17	10/25/2013	Purchasing Cards Jim Speiwak	P Card administrator should verify that accounts have been closed for terminated employees using the periodic reports obtained from the bank to verify card limits and reports of terminated employees from HR.	01/31/14	Management will request a report from Human Resources on a monthly basis of all terminated employees. Finance will ensure that any credit cards issued to any of these employees are cancelled. This new practice will commence on January 31, 2014.
18	10/25/2013	Purchasing Cards Jim Spiewak	P Card Logs should be enhanced to allow details of meals and other expenses to be listed on the logs.	4/30/2014 8/31/14	The P Card Log will be redesigned on or before 4/30/14 and training will begin immediately thereafter. The P Card Log was revised and issued to card holders effective 12/14.

	Date	Area / Owner	Recommendation	Due Date	Management Response
19	10/25/2013	Purchasing Cards Jim Spiewak	Finance management should consider formalizing this review, especially in conjunction with a comprehensive policy which will provide a firm basis for any questions raised regarding expenses or related documentation.	6/30/2014 8/31/14	The current control will be enhanced with the update of the P Card policy and the addition of a travel and entertainment policy which will provide standards to be reviewed against. In addition, the training of department supervisors who are the first level of control over such expenditures should also strengthen compliance with the policies. As noted above, the new policy will be in draft form for review by the Cabinet on or before June 30, 2014. Training of supervisors will begin as soon as the policy is finalized. 2015 Update - There is a high volume of monthly transactions over a modest number of P card holders. Consequently, Finance management believes that the primary and secondary responsibilities should continue to reside with the P card holder and his/her supervisor approving the monthly log of expenses. Finance staff in Accounts Payable will continue to spot check logs based on user history and high amounts of monthly log totals and request further details or explanations for items which may not comply with the P card or travel policies.
20	10/25/2013	Purchasing Cards Jim Spiewak	Management should reiterate to P cardholders their responsibilities in regard to the College's PA sales tax exemption in regard to their P Card purchases.	4/30/2014 8/31/14	Cardholders will be provided with tax exempt certificates which they can present to vendors when making purchases at retail establishments. Purchasing staff will explore methods for cardholders to utilize when making online purchases. Training on the PA state tax exemption will begin on or before April 30, 2014. Email was sent to all P card holders on September 10, 2015 offering training to anyone who requests it on the reconciliation and approval processes as well as tax exempt certificates.
21	10/25/2013	Title IX Si Brown	Internal Audit recommends departmental procedures be documented to help ensure compliance with Title IX as well as the continuity of such procedures.	06/30/14	Procedures related to processes for sexual harassment will be documented by 6/30/14. Procedures were received in June 2014.
23	10/25/2013	Title IX Samuel Hirsch	Internal Audit recommends that the basis for coaching salaries, including the salaries / pay grades and related approvals, and the number of assistant coaches is documented to help ensure consistency and reasoning for any variations.	07/31/14	The VP of Student Affairs will ensure that the differences in coaching salaries and number of assistant coaches are documented for each applicable sport beginning with the fall 2014 sports program. He will also meet with Human Resources to determine the appropriate framework and factors to use for coaches' salaries. Salary Guidelines for Coaching Staff were provided on 7/8/14.
24	10/25/2013	Title IX Samuel Hirsch	In regard to the EADA reports, the amounts are retained by the Athletics Director but it would be prudent to note on the reports which amounts are used and combined to determine the reportable amounts.	09/30/14	The VP of Student Affairs will ensure that the Athletics Director includes the steps for completing the EADA report in the documented procedures referenced in the Management Response above. In addition, the Athletics Director will note which amounts were combined and used to determine the amounts which are included in the EADA report beginning with the 2013-2014 reporting period.
27	2/14/2014	SDW Contract Jody Bauer	Internal Audit recommends that any renewals of this contract include specific reference to remaining and/or additional services to be provided. In addition, for long-term services contracts, a percentage-of-completion reporting requirement should be a requirement.	02/14/14	ITS management will ensure that any renewals of this contract include much more specific language in the scope of services including expected timeframes or deadlines for tasks to be completed/delivered. Contract language will also have requirements for stating percentage of completion on periodic reporting required of the contractors. The SDW contract was not renewed for additional services in FY15.
28	2/14/2014	SDW Contract Jody Bauer	Internal Audit recommends that College contracts for professional services include specific reference to remaining and/or additional services to be provided. In addition, for long-term services contracts, a percentage-of-completion reporting requirement should be a requirement.	2/14/2014 8/31/14	ITS management will ensure that any renewals of this contract or any new contract for professional services include much more specific language in the scope of services including expected timeframes or deadlines for tasks to be completed/delivered. Contract language will also have requirements for stating percentage of completion on periodic reporting required of the contractors. The audited contracted was not renewed. No other ITS professional services contracts have been executed through May 2015.
29	2/14/2014	SDW Contract Jody Bauer	Internal Audit recommends that quarterly status reports resume effective with the first quarter of 2014 and continue for the duration of the contract in compliance with the original terms.	03/31/14	ITS management will request quarterly reports from this contractor resume beginning with the 1st quarter of 2014. Quarterly reports were supplied by the contractor for the first and second quarters of 2014 at which time the contract ended.

30	2/14/2014	SDW Contract Jody Bauer	Internal Audit recommends that any renewals of this contract include specific reference to whether status reporting is deemed to be a billable activity or a general business obligation of the consultant beyond the specified scope of work.	03/31/14	ITS management will consult with the Purchasing Department for guidance on the subject of status reporting as a billable task. The resulting decision, anticipated by March 31, 2014, will be used in future RFP templates for professional services including the possible renewal of the contract for this vendor. The SDW contract was not renewed for additional services in FY15.
31	2/14/2014	SDW Contract Jim Spiewak	Internal Audit recommends that any contract for professional services include specific reference to whether status reporting is deemed to be a billable activity or a general business obligation of the consultant beyond the specified scope of work.	3/31/2014 8/31/14 6/30/16	The Purchasing Department will determine guidance on the subject of status reporting as a billable task and the resulting decision, anticipated by March 31, 2014, will be used in future RFP templates for professional services. In June 2016, the Purchasing Manager instructed staff to train RFP users to verify billed amounts to the scope of work to help ensure these agree.
32	2/14/2014	SDW Contract Jody Bauer	Internal Audit recommends that future weekly status reports include times that the consultant began and ended the work day, the names of projects on each task listed, the title of the person with whom meetings were held, and the durations of such meetings.	02/14/14	ITS management has requested from this contractor, and is already receiving, updated weekly reports based on interim suggestions by the Internal Auditor. These updated reports include more detailed time reporting, references to specific projects and full names or titles of any referenced College staff.
33	2/14/2014	SDW Contract Jim Spiewak	Internal Audit recommends various improvements to the insurance requirements for contracts and the ongoing monitoring of such insurance coverage for contractors.	5/31/2014 8/31/14	The Purchasing Department is currently having the College's RFP templates reviewed by outside counsel to ensure they are up-to-date and comprehensive. The "named insured" requirement will be added during this process. In addition, the Purchasing Department will update the current purchasing and contracts policies by May 31, 2014. Guidance was provided by Willis Insurance for prudent amounts of coverage the College should require based on the perceived risk of the subject or work being performed by its vendors.
34	2/14/2014	SDW Contract Jody Bauer	Internal Audit recommends that the weekly work summaries provided to ITS management be submitted to Finance with the request for payment which will ensure sufficient documentation for the disbursement is on file in Finance.	02/14/14	ITS management will begin submitting the weekly summaries of work along with the monthly invoices to Accounts Payable effective immediately. Detailed summaries are being provided as confirmed by Finance.
35	10/28/2014	Payroll Jim Spiewak	Finance management should identify any codes in the system which are not programmed to withhold the correct supplemental pay tax rate and make the necessary changes.	01/31/15	Finance will identify all pay codes which are not currently programmed to the correct supplemental withholding rate and will make the necessary changes to ensure all such rates comply with IRS requirements. Our target date to complete these corrections is January 31, 2015. Internal Audit confirmed that the system changes were made by the target date.
37	9/24/2015	Whistleblower Policy / Ethics Hotline Victoria Zellers	Internal Audit recommends that the primary College administrator, General Counsel, for this hotline / website vendor contact the company to confirm the designated representative for the College.	11/15/15	General Counsel will reach out to the Ethics Point to obtain the current departmental contacts on file, and will confirm the propriety of such contacts with the Cabinet members. Customer service issues with the vendor including confirmation of, and contact with, the current representative assigned to the College will be addressed by November 15, 2015.
38	9/24/2015	Whistleblower Policy / Ethics Hotline Victoria Zellers	Internal Audit recommends that management consider the merits of providing such training during the College's professional development weeks, which are held twice a year.	01/15/16	The Whistleblower policy will be included in the Employee Orientation package starting November 15, 2015. Additionally, the College will conduct training on the Whistleblower policy and the Ethics Hotline as part of "Critical Employment Policies" training during the Professional Development week in January 2016.

39	9/29/2015	10KSB Grant Margaret Bradley	Internal Audit recommends the security over paper documentation be improved. Grant management should comply with the advise of the Data Breach Committee which should be issuing guidance shortly for this subject. Paper documentation that must be retained should be secured in locked file cabinets.	12/31/2015 4/30/16	The 10KSB team: 1) has identified a temporary home for documents that need to be secured; 2) will immediately elevate the request for sufficiently keyed file cabinets to the appropriate Facilities and Purchasing managers; and 3) has sent a complete survey response to the Data Breach Committee describing the types of media, data and documents retained by the grant team. We will await directions from the committee and implement recommendations on a timely basis, presumably by the end of 2015. Management is following up with Facilities on its request for keys or new locks for the file cabinets in their office spaces. All file cabinet keys have been obtained by 10KSB management.
40	12/8/2015	ADA / Center on Disability Simon Brown	Internal Audit recommends the Office of Diversity and Equity ensure its policies and procedures are updated to reflect the any changes in the ADA amendments related to individual accommodations.	01/31/16	We are reviewing the Disability Accommodations Policy # 353 and will ensure the policy reflects any changes in the ADA amendments related to individual accommodations. Policy #353 was updated on November 6, 2015
42	12/8/2015	ADA / Center on Disability Simon Brown	Internal Audit recommends the Diversity and Equity department have a set of documented procedures to help their staff ensure the consistency of the process for employees requesting accommodations.	01/31/16	We are reviewing the Disability Accommodations Policy # 353 and will ensure the policy reflects any changes in the ADA amendments related to individual accommodations. Furthermore, we will also ensure that the updated policy has clear documented procedures for everyone to follow. Policy #353 was updated on November 6, 2015
44	12/8/2015	ADA / Center on Disability Joan Bush	In order to comply with FERPA, Internal Audit recommends that 1) keys for the file cabinets should be provided to the Center on Disability administrative staff immediately; 2) the doors for the entrance into the suite of offices for the Center on Disability be repaired immediately; and 3) access rights for the shared fax and scan folder for Center on Disability documents in the shared drive must be configured to allow on access only by the staff in that group.	01/31/16	In regard to the above recommendations, management has requested that keys be made for the file cabinets (and we expect to have them by January 31, 2016). In addition, the doors for the entrance into the suite of offices for the Center on Disability have been repaired. Lastly, the access rights for the shared fax and scan folder for Center on Disability documents, in the shared drive, have been configured to allow access to only the staff in COD. The entrance doors were repaired before the issuance of the final audit report. Separate scan and fax folders for COD were created before the issuance of the final audit report. Keys for all file cabinets have been obtained.
46	12/8/2015	ADA / Center on Disability Simon Brown	Internal Audit recommends a formal appeals process to provide a second opinion on accommodation decisions for employees.	01/31/16	Diversity and Equity will include the appeals procedures in the update of policy #353. Policy #353 was updated on November 6, 2015 and includes the appeals process.
62	5/25/2016	ITS Physical Security Randy Merced	Internal Audit recommends that, in regard to IT physical security, the database of keys issued should be updated to be able to determine all such persons, including security stations, which have access to these rooms.	8/31/2016 (Update of Progress)	ITS developed a SQL database for the Facilities group to better manage the keys issued to staff. ITS also developed a program to transfer the majority of records from the Access database to the SQL database. The transfer program was able to replace SSNs with J numbers for the majority of staff. Facilities staff are manually entering any remaining records for which a J number could not be obtained by the transfer program. The Access database with SSNs has been deleted from servers for the few staff which had it. Facilities plans to shred the old paper records of keys issued. Internal Audit will obtain a status update before the fall semester. Data from any remaining paper records of issued keys have been entered into the new electronic database and paper records have been destroyed.