

32528

RECEIVED AND PLACED ON FILE – BOARD OF TRUSTEES
COMMUNITY COLLEGE DISTRICT NO. 508
DECEMBER 11, 2014

2015
PROPOSED QUARTERLY MEETING SCHEDULE
FINANCE & ADMINISTRATIVE SERVICES
COMMITTEE



2015

Proposed Finance & Administrative Services Committee Schedule

Quarter Ending 9/30/2014

November 17, 2014

Internal Audit (IA)

- IA Report Summaries
- IA Audit Follow-ups

Administrative Services

- FY2014 District-Wide M/WBE Participation

Finance

- Annual Audit
- Long Range Financial Plan Update
- Minimum Wage Impact
- Financial Aid Overview

Standing Finance Review Items

- Financial Update
- Review of Inspector General Reports
- Upcoming Events

Quarter Ending 12/31/2014

Late January

Internal Audit (IA)

- IA Report Summaries
- IA Audit Follow-ups

Administrative Services

- Sustainability Accomplishments

Finance

- Accounts Payable & Online Travel and Expense
- PFM Investment Performance Review
- Quarterly Cash Flow Review
- Key Performance Indicator Update

Standing Finance Review Items

- Financial Update
- Review of External Audits
- Review of Inspector General Reports
- Upcoming Events

Quarter Ending 3/31/2015

Late April

Internal Audit (IA)

- IA Report Summaries
- IA Audit Follow-ups

Administrative Services

- FY2015 Capital Projects Update

Finance

- Review of External Auditor
- 2016 Budget Overview
- Campus Solutions - Finance Application

Standing Finance Review Items

- Financial Update
- Review of External Audits
- Review of Inspector General Reports
- Upcoming Events

2015

Finance & Administrative Services Committee Schedule Cont'd

Quarter Ending 6/30/2015

Late July

Internal Audit (IA)

- IA Report Summaries
- IA Audit Follow-ups
- CCC Risk Assessment – FY 2016 Update and Audit Plan

Administrative Services

- Procurement Expense Reporting and Key
- Performance Indicators Review

Finance

- Grant Accounting System

Standing Finance Review Items

- Financial Update
- Review of External Audits
- Review of Inspector General Reports
- Upcoming Events

Quarter Ending 9/30/2015

Mid November

Internal Audit (IA)

- IA Report Summaries
- IA Audit Follow-ups

Administrative Services

- Capital Projects Prioritization Process

Finance

- Annual Audit
- Long Range Financial Plan Update

Standing Finance Review Items

- Financial Update
- Review of External Audits
- Review of Inspector General Reports
- Upcoming Events

Quarter Ending 12/31/2015

Late January

Internal Audit (IA)

- IA Report Summaries
- IA Audit Follow-ups

Administrative Services

- Auxiliary Services Update

Finance

- Investment Performance Review
- Quarterly Cash Flow Review

Standing Finance Review Items

- Financial Update
- Review of External Audits
- Review of Inspector General Reports
- Upcoming Events

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COMMUNITY COLLEGE DISTRICT NO. 508
DECEMBER 11, 2014

City Colleges of Chicago

Presentation of the June 30, 2014 Audit
November 17, 2014



Assurance • Tax • Consulting

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Today's Agenda

I. Audit Process

- Audit Engagement Team
- Scope of Services, Timeline and Status

II. Required Communications

- Auditor Responsibility
- Significant or One-time Nonrecurring Transactions
- Management's Judgment and Accounting Estimates
- Other Required Communications

III. Internal Audit

IV. Information Technology Review

V. Internal Control Matters

VI. A-133 Reporting

Audit Engagement Team

- Joe Evans, Partner
- Tara Leja, Senior Manager
- David Robydek, Jr., Manager
- Bryan Hallene, Senior In-Charge
- Michelle Horaney, Concurring Review Partner
- Subcontractors
 - MBE: Prado & Renteria (25%)
 - WBE: Benford Brown and Associates, LLC (7%)
- City Colleges' internal audit staff

Scope of Services, Timeline and Status

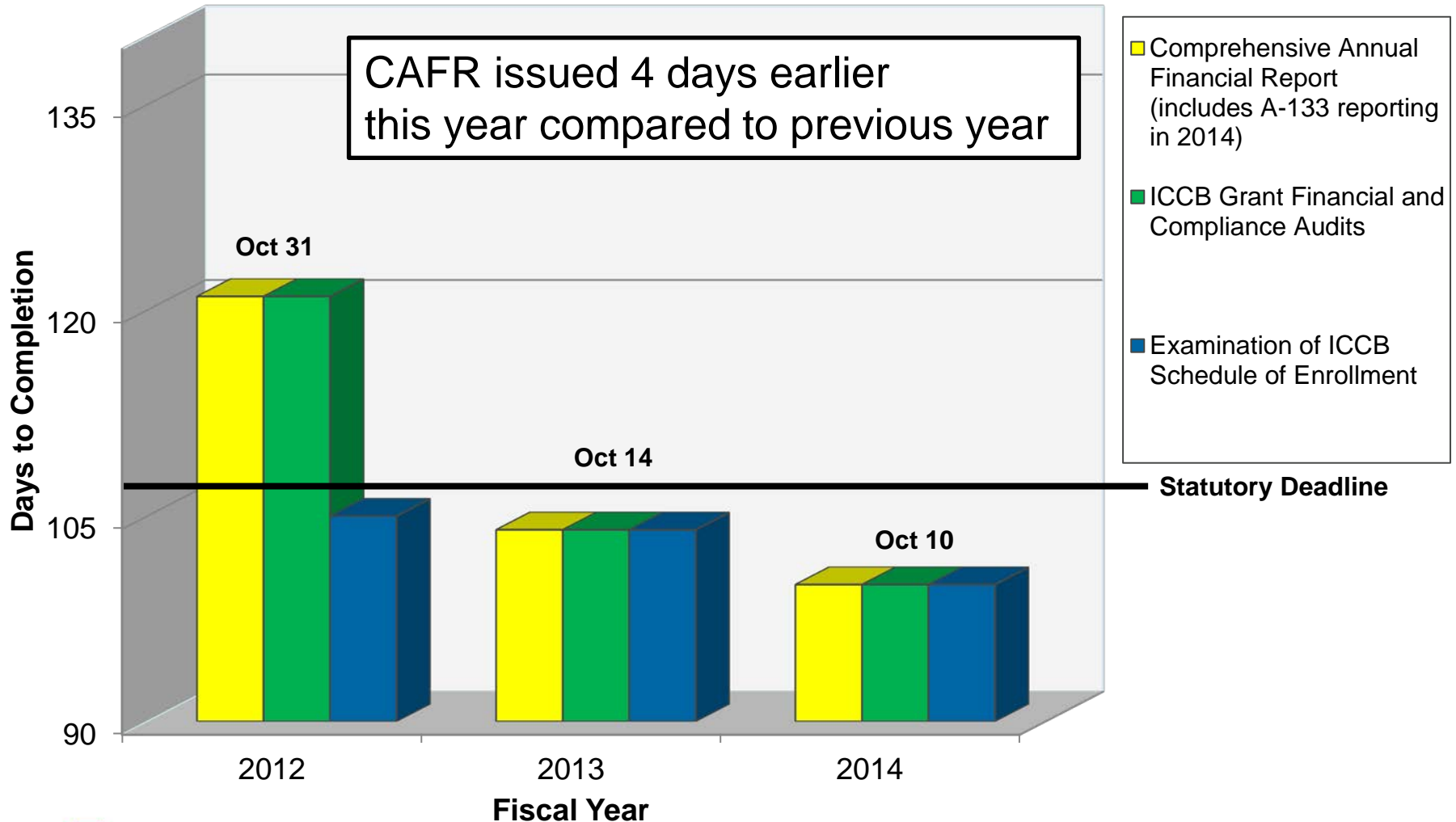
Scope of Services and Completion Dates

Area	Completion Dates
Comprehensive Annual Financial Report (CAFR)	October 10, 2014
Examination of ICCB Schedule of Enrollment (part of CAFR)	October 10, 2014
Four Illinois Community College Board (ICCB) Grant Financial and Compliance Audits	October 10, 2014
Treasury Agreed-Upon Procedures	October 10, 2014
Five Program Specific Grant Audits	October 10, 2014*
Youth Connections Charter School In Relation To Opinion	October 17, 2014
WYCC TV 20: Financial Statements Corporation for Public Broadcasting (CPB) Online Certification Illinois Arts Council (IAC) Certification	October 10, 2014 November 14, 2014** January 31, 2015**
OMB Circular A-133 Single Audit Report	October 10, 2014
Single Audit Reporting Package (Data Collection Form Submission)	November 4, 2014

* One of the five Program Specific Grant Audits was completed on October 17, 2014

** Pending CPB and IAC system availability

Timeliness of Reporting



Auditor's Responsibility

- Our responsibilities under auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States, have been described to you in our arrangement letter dated June 20, 2014
 - To express an opinion on financial statements prepared by management,
 - To obtain evidence about amounts and disclosures in the financial statements,
 - To plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

- We have issued an unmodified opinion on City Colleges' June 30, 2014 financial statements

Significant or One-Time Nonstandard Transactions

- Following is a description of the significant or one-time nonstandard transactions that occurred during the fiscal year ended June 30, 2014:
 - Issuance of \$250 million in general obligation bonds
 - District's first debt issuance in over a decade
 - Offering statement and bond rating
 - Additional covenant compliance and reporting disclosures now required
 - Significant capital construction ongoing at fiscal year-end at several campuses - \$103 million in construction in progress at June 30, 2014
 - Capitalization of \$8 million of bond interest into capital assets
 - Reduction of \$9.6 million SURS liability by \$3.9 million payment in fiscal year 2014, then another \$540,000 subsequent to June 30, 2014

Management's Judgments and Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. You may wish to monitor throughout the year the process used by management to compute and record the following accounting estimates reflected in City Colleges' financial statements:

- Property tax allowance
- Allowance for uncollectible student tuition
- Accrued property tax refunds
- Accumulated depreciation and related depreciation expense
- Actuarially determined liabilities
 - Other postretirement benefit obligations (OPEB)
 - Sick pay liability
 - Workers' compensation
 - Medical costs incurred but not reported (IBNR)
- Fair value of investment securities

Other Communications Required by Generally Accepted Auditing Standards

Area	Comments
Adoption of, or Changes in, Accounting Policies	The District did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period.
Audit Adjustments	There were no audit adjustments made to the original trial balance presented to us to begin our audit.
Passed Adjustments	There were no passed adjustments that resulted from the audit process.
Preferability of Accounting Policies and Practices	Under GAAP, in certain circumstances, management may elect among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.
Alternative Treatments Discussed With Management	We noted no alternative treatments within GAAP for accounting policies and practices related to material items that were discussed with management during the current period.

Other Communications Required by Generally Accepted Auditing Standards, cont.

Area	Comments
Disagreements With Management	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.
Consultations With Other Accountants	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
Significant Issues Discussed With Management	No significant issues arising from the audit were discussed with or were the subject of correspondence with management.
Significant Difficulties Encountered in Performing the Audit	We did not encounter any significant difficulties in dealing with management during the audit.
Material Written Communications Between Management and Our Firm	<ul style="list-style-type: none">▪ Management representation letter▪ Letter communicating control deficiencies identified during our audit.

Internal Audit

- Great working relationship with Internal Audit
 - Internal audit staff provided over 300 hours of assistance to McGladrey
 - Assistance provided in following areas
 - Tests of controls
 - State grant testing, including ICCB grants
 - Federal grant testing
 - Campus visits

Information Technology Review

- Deeper dive by McGladrey IT specialists into new and upgraded City Colleges systems
- The following suggestions for improvement verbally communicated to Vice Chancellor, Information Technology and Chief Information Officer:
 - Approved information security policy
 - Users sharing one account in CCCWorks during the year (corrected subsequent to year end)
 - Controls around review of administrative activity logs within certain systems
 - Timely removal of access for terminated employees
 - Maintaining and approving quarterly access review documentation
 - Password policy (length of and changes to passwords)

Evaluation of Severity of Deficiencies

Likelihood	Probable	CD	SD	MW
	Possible	CD	SD	MW
	Remote	CD	CD	CD
		Inconsequential	More than inconsequential less than material	Material
				Magnitude

CD – Control Deficiency
 SD – Significant Deficiency
 MW – Material Weakness

Prior Year Significant Deficiencies Resolved

- Capital Assets – City Colleges implemented the PeopleSoft Asset Management module which allows for better tracking and automatic calculation of depreciation.
- SURS Liability – The District implemented a process to ensure proper rates are used in computing amounts for eligible employees.

Current Year Financial Statement Deficiencies

- No significant deficiencies or material weaknesses were reported in FY2014.

- Control Deficiencies:
 - Budgeting Process for Payroll Transactions
 - Purchase orders Issued After Date of Invoices
 - Record Retention Policy
 - Chargeback Credit Hours
 - Incorrect Use of Depository Bank Accounts
 - Procurement – Vendor Master List

- Management has a plan to resolve all control deficiencies.

A-133 Findings

- Federal Perkins Loan Program Requirements – District is currently negotiating with the Department of Education regarding liquidation.
- Cost of Attendance – During system conversion, certain students' cost of attendance were inaccurately calculated.
- Adult Education Time and Effort documentation – Final costs charged to the programs did not align with the time and effort documentation.
- Management has plans to bring each of these matters to proper resolution.

In Conclusion

- Smooth audit process overall
 - Worked closely with management and internal audit
 - No material weaknesses
 - No audit adjustments
- Reports filed timely
- Thanks to everyone for their hard work!

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McGladrey LLP

One South Wacker Drive
Suite 800
Chicago, Illinois 60606
312.384.6000

www.mcgladrey.com



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November 17, 2014

- **Management Responses to FY14 Audit Findings**
- **Management Comments on FY14 Audit Results**
- **FY15 Financial Update**

FY14 Financial Audit and Management Responses to Audit Findings

Management Responses to Audit Findings

Findings	Detail	Management Response	Responsible Party Due Date
PURCHASE ORDERS ISSUED AFTER INVOICES	Departments made commitments to vendors without properly approved purchase orders (PO). The auditor noted no instances of invoices paid prior to PO being opened.	The Office of Procurement will develop process to report to CCC leadership non-compliance with procurement process. Procurement will provide training to departments on procurement process and procedures.	Chris Kopp, Chief Procurement Officer Compliance Report to Management- January 15, 2015
PROCUREMENT VENDOR LIST	District vendor master list had duplicate vendors accounts and inactive vendors.	The Office of Procurement will eliminate duplicate vendors, archive unused vendors and complete annual vendor database maintenance.	Chris Kopp, Chief Procurement Office Compliance Report to Management- Database clean-up completed on October 30, 2014. Annual database maintenance to be complete by June.
BUDGETING PROCESS FOR PAYROLL TRANSACTIONS	During the audit it was noted that a significant amount of transactions are posted into suspense accounts until it can be determined where the expenditure is officially budgeted. The emphasis has been to pay employees timely and subsequently clear up suspense issues.	Finance at district and the colleges have already worked to reduce suspense and emphasize confirming availability of appropriate budget lines. Finance will request the implementation of PeopleSoft commitment accounting software to improve the process.	J.R. Dempsey, AVC Finance Compliance Report to Management- March 15, 2015.

Management Responses to Audit Findings Cont'd

Findings	Detail	Management Response	Responsible Party Due Date
CHARGEBACK CREDIT HOURS	Errors were made in the "schedule of enrollment data" and chargeback hours were incorrectly excluded.	Procedure will be developed by Academic Affairs for the preparation of enrollment data and chargeback hours reported will be reconciled to out of district colleges' invoices to ensure proper payment to those districts.	Vernese Edghill-Walden, Chief Academic Officer Compliance Report to Management- Monthly reconciliation by January 31, 2015. Final report by June 30, 2015.
RECORD RETENTION POLICY	District may be incurring excess record retention costs by retaining outdated records. Districtwide record retention policy is not implemented consistently throughout all campuses.	Office of Administrative and Procurement Services along with Office of General Counsel are developing processes to comply with the State Records Commission and Local Records Act of Illinois.	Shawn Burnett-Whitaker, Deputy General Counsel Compliance Report to Management- Submission to State Commission June 30, 2015.
INCORRECT DEPOSITORY ACCOUNT	Agency funds(student organizations) were deposited to the incorrect bank account.	District Office will provide training to campus staff and work with ED to resolve outstanding discrepancies by Dec 31.	Bruce Gename, Associate Controller Compliance Report to Management- January 31, 2015

A-133 Audit Findings - Report-Federal Awards

Findings	Detail	Management Response	Responsible Party Due Date
Federal Perkins Loan Program	In 1980's, District did not properly administer its Perkins Loan program. District hasn't received any new Perkins loans in 15 years. District did not maintain a Perkins Loan program fund in a separate interest-bearing bank account nor did it maintain documentation to support that it complied with Department of Education (DOE) requirements regarding collection of loans.	District engaged audit firm to perform a Perkins Liquidation Audit which was submitted to the DOE in July 2014. We are awaiting a response from DOE so we can proceed with liquidation process.	Cynthia Grunden, AVC Finance Compliance Report to Management- Estimated timeframe for final response from DOE-June 30, 2015
Cost of Attendance	During system conversion, certain students' cost of attendance were inaccurately calculated.	Error was referred to vendor and the issue was resolved prior to audit completion.	Cynthia Grunden, AVC Finance Compliance Report to Management- October 31, 2014.
Adult Education Time and Effort	8 Time and Effort certifications didn't match payroll amount charged to the grant.	Finance will develop a reconciliation process to ensure that payroll charges accurately reflect the time and effort as certified by the employee.	J.R. Dempsey, AVC Finance Compliance Report to Management- January 31, 2015.

FY14 Audit Review

- Overall financial performance was solid
 - Cash generated from operations for FY14 resulted in a transfer to the Capital fund of \$29M
 - The Five Year Capital Improvement Plan sources calls for \$60M in contribution from operations from FY14 to FY18
 - The \$29M contribution in the first year of the plan tracks with the established target
 - Capital expenditures, excluding construction work-in-progress transfers totaled \$93M, compared to the FY14 budget of \$143M
 - The capital expenditure cash flow budget is conservative, purchase timing differences are expected to balance out over time
 - Major capital projects are currently projected to be completed on-time and on-budget
- Major items noted in the prior year audit (FY13) were resolved
- No significant deficiencies or material weaknesses were reported for FY14
- There were six (6) financial statement and three (3) A-133 audit findings
 - Management has a defined plan to resolve all the audit findings identified
 - Monthly review meetings have been established to ensure regular monitoring and adherence to the management responses

FY15 Financial Update

FY15 Financial Update

- After four months of operation we are on track to meet our year-end balanced budget
 - Lower than projected enrollment is being offset by lower than budgeted salary expense
 - Capital expenditures through October 30, 2014 of \$32M are tracking with the capital budget

Long Range Financial Plan (LRFP)

- The CCC Five Year Financial Plan was published in July 2014 along with our FY15 budget; highlights of the plan include
 - Balanced budgets
 - District-wide capital investment of \$545.6M
 - A plan to finance the capital program
- Four months into the fiscal year we are in the process of updating our FY16-FY20 forecast
 - We are reviewing our assumptions in the context of recent events, including but not limited to enrollment, economic outlook, and staffing trends
 - We will work with the Civic Federation to refine our LRFP over the next quarter
 - The Board of Directors will receive a copy of the draft in advance of the next meeting for review and comment

Minimum Wage Impact

- On September 3rd, Mayor Emanuel issued Executive Order 2014-1, mandating that contractors doing business with the City of Chicago pay no less than the “City Contractor Base Wage” of \$13 per hour on contracts advertised on or after October 1, 2014
- Possible ramifications for CCC of adopting such a contractor policy
 - CCC has current agreements with eight contractors that pay employees less than \$13 per hour
 - When contracts are rebid upon expiration, these contractors or their replacements will charge CCC higher cost
 - Were the policy to be drafted and effective before the contract expiration dates, the expected additional cost for expiring contracts are:
 - FY14 \$200,000
 - FY15 \$100,000
 - FY16 – FY18 \$20,000
- While the Executive Order applies to contractors, not employees, it may impact future contract negotiations
 - If these requirements were applied to employees the immediate cost would be \$150,000 annually, plus an additional \$450,000 in FY16 and FY17
- FY15 Budget Implications
 - As the above change was not contemplated in the FY15 budget, no funding source has been identified to cover additional cost incurred as a result of a policy adoption in the current fiscal year

Q & A

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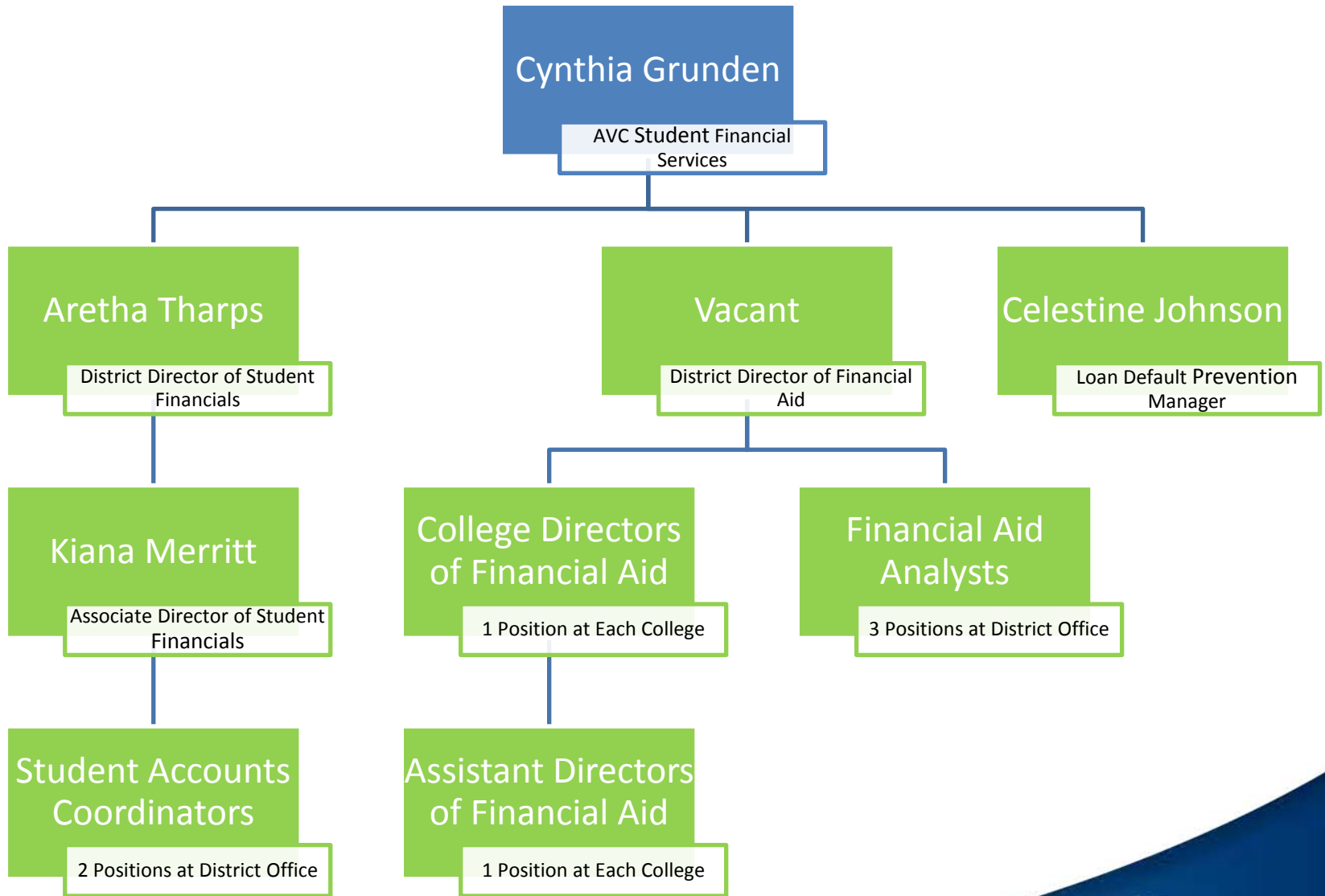
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November 17, 2014

Financial Aid Overview

Student Financial Services



Key Responsibilities

- Financial Aid
 - Administer state and federal financial aid programs, including: counseling students; determining student eligibility; packaging financial aid; reconciling student accounts; and administering the Federal Work Study program.
- Students Accounts
 - Manage student accounts, including: disbursing and refunding state and federal financial aid; processing other forms of payment on student accounts; managing unapplied credits and returned checks; processing the annual write-off; and sending accounts to collections.
- Veteran Benefits
 - Manage state and federal veteran benefits, including: counseling veterans on the available veteran educational benefits; certifying veteran eligibility in federal and state systems; and connecting veterans with the Veteran Services Specialist at the college.

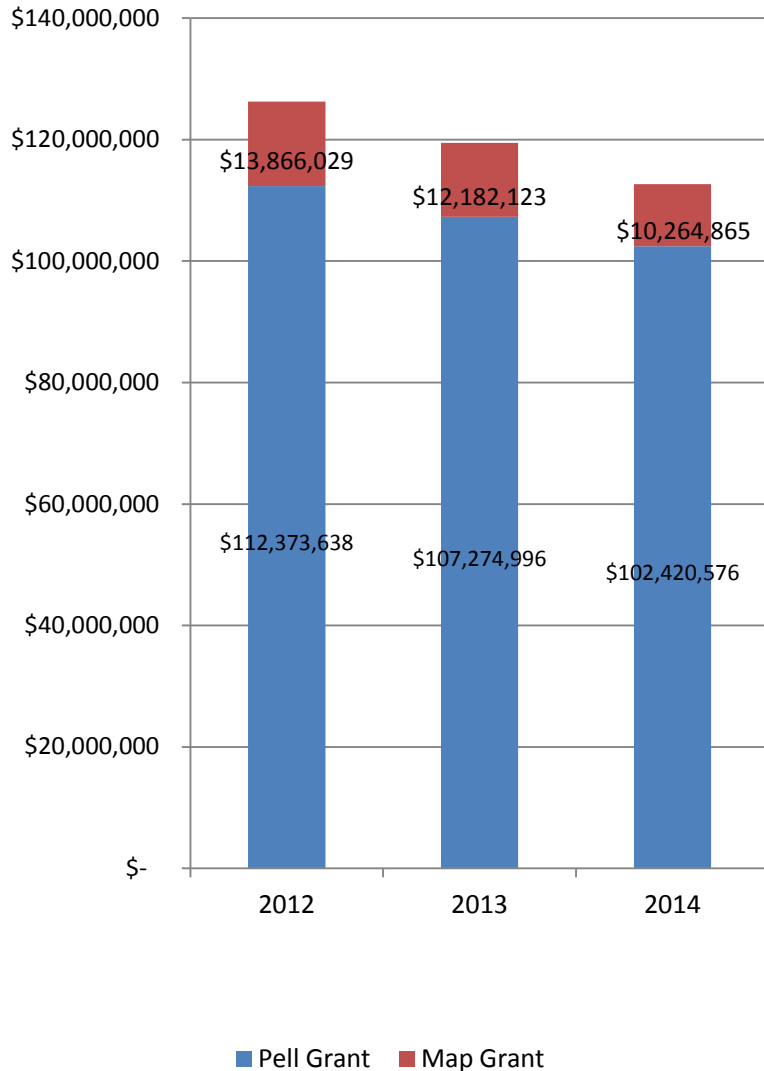
The Financial Aid Process

- A student must complete the Free Application for Federal Student Aid (FAFSA), and include the federal school code of the CCC college where he/she is planning to seek a degree or certificate.
 - CCC receives approximately 85,000 FAFSAs each year.
 - Each of the seven colleges has its own school code.
- Depending on the Department of Education's review of the FAFSA, the student may need to submit additional documents to the Financial Aid Office.
 - Verification of financial and household information, proof of citizenship or permanent residency, proof of high school graduation, etc.
 - Approximately 50% of financial aid applicants need to submit additional documents, and approximately 40% of CCC's financial aid applicants are selected for verification of financial and household information.
- Once all documents have been submitted to the Financial Aid Office, the student receives a Financial Aid Award Letter.

Significant Grant Programs

- Federal Pell Grant
 - Federally-funded grant for very low income students, which can be used to pay tuition and fees, transportation, housing, and books and supplies.
 - Generally, an unmarried independent student must have an income of \$16,000 or below to receive any amount of Pell Grant. A dependent student generally must have a family income of less than \$40,000, depending on family size.
 - \$5,730 annual maximum award in the 2014/15 academic year.
- Monetary Award Program Grant (MAP)
 - State-funded grant for low income Illinois residents, which can be used to cover tuition and fees.
 - The formula for the MAP Grant program is slightly more generous than the Pell Grant program. However, most MAP Grant recipients are also Pell Grant recipients.
 - Funding is first-come, first-served, and grant amounts are partially dependent on the tuition and fees charged by the college.
 - \$1,818 annual maximum award (at CCC) in the 2014/15 academic year.

Financial Aid Volume: 3-Year Trend - Grants



Recent Legislative Changes Limit Federal Financial Aid Eligibility

Effective with the 2011/12 academic year, course repeats became limited to one graded repeat of a previously passed course (D or better). CCC students lose approximately \$200,000 in Pell Grant annually due to this change.

Effective with the 2012/13 academic year, Pell Grant became limited to the equivalent of 6 years of full-time enrollment.

- The calculation was retroactive, so many students were surprised to lose eligibility.
- In the 2013/14 academic year, we estimate that CCC students lost approximately \$247,000 due to this change.

Changes to the Expected Family Contribution Formula have resulted in less Pell Grant funding for many students.

- This is more difficult to quantify because EFC formulas are highly complex.
- The family income standard for an “automatic zero EFC” increased significantly, and the formula continues to change.

Earlier MAP Grant Suspense Dates

Each year, the MAP Grant Suspense Date (FAFSA deadline) has been earlier, leading to an annual reduction in MAP Grant recipients and MAP Grant disbursements at CCC. If the deadline were moved to July 1st, an estimated 15,000 additional CCC students would benefit from the program.

Academic Year	MAP Suspense Date
2009/10	May 9, 2009
2010/11	April 14, 2010
2011/12	March 26, 2011
2012/13	March 20, 2012
2013/14	March 2, 2013
2014/15	February 27, 2014

To encourage students to meet the earlier deadlines, we have performed several annual activities:

- Partnered with Ladder Up to provide FAFSA workshops for CPS and CCC students
- Provided a full-month of financial aid and financial literacy activities
- Sent emails to students to encourage them to complete the FAFSA

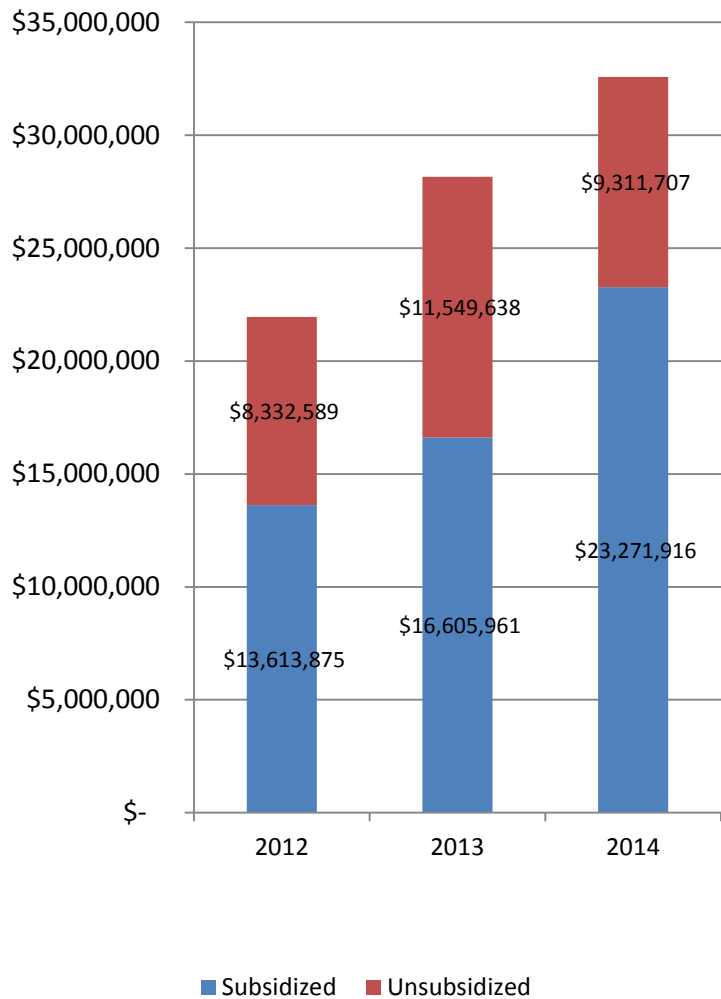
Federal Direct Student Loans

- The student is responsible for repayment and may receive a subsidized and/or unsubsidized loan, depending on individual eligibility.
 - No credit check is required.
 - Subsidized loans are based on financial need and do not accrue interest while the student is enrolled at least half-time.
 - Unsubsidized loans are not based on financial need and interest accrues upon disbursement.
 - Repayment begins the earlier of: 1) 6 mos after graduation or 2) 6 mos after the student drops below half-time enrollment.

Class Level	Dependent Limits*	Independent Limits
Freshman (1 st year)	\$5,500 (no more than \$3,500 subsidized)	\$9,500 (no more than \$3,500 subsidized)
Sophomore (2 nd year – 30 hours or more)	\$6,500 (no more than \$4,500 subsidized)	\$10,500 (no more than \$4,500 subsidized)

**A student is considered “dependent” unless he/she is 24 or older, married, a veteran or active duty military, supporting dependents more than 50%, unaccompanied and homeless, in a guardianship through age 18, or was a ward of the court through age 13.*

Financial Aid Volume: 3-Year Trend - Loans



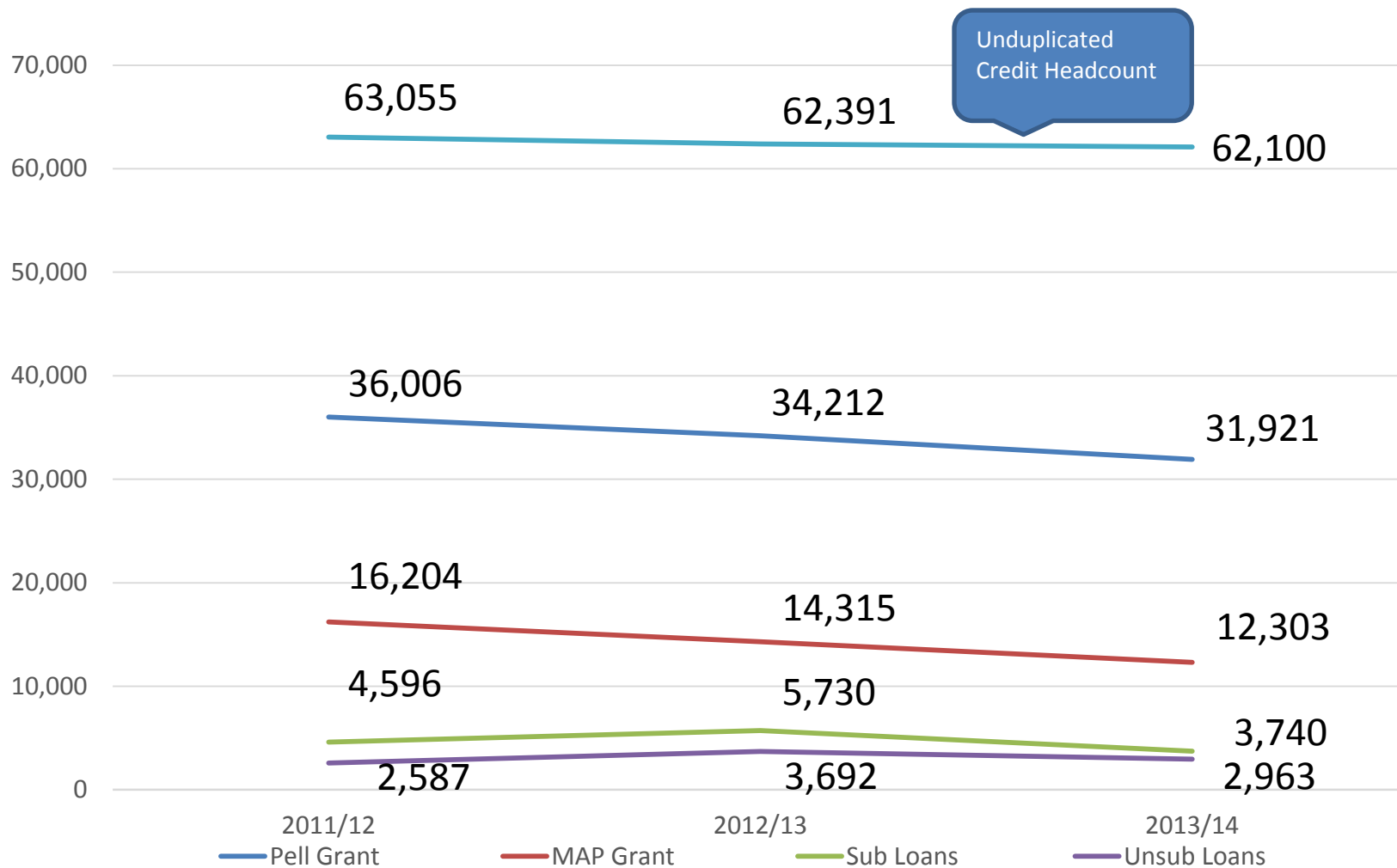
CCC's Loan Awarding Policy:

- Eligible students are auto-awarded subsidized loans. However, they are not auto-awarded subsidized loans if they are on academic probation or warning *and/or* they have outstanding educational loan debt of \$15,000 or more.
- Students are never auto-awarded unsubsidized loans and must complete a request form in the Financial Aid Office to borrow.
- Colleges are permitted to deny student loan applications on a case-by-case basis, and the student must be notified of the reasons for a loan denial in writing.
- If a student consistently does not make academic progress or has an exceptionally high loan debt, the FA Offices may request that a student submit his/her midterm grades before a loan is approved.

Legislative Change: Effective with the 13/14 academic year, students can only receive a subsidized loan for up to 150% of the length of their program.

- It is too early to quantify how this will impact CCC students.
- Students will be permitted to borrow the same amount overall, but the borrowing will be more expensive.

Financial Aid Recipients by Program and Academic Year



Gainful Employment

- The term “gainful employment” refers to federal regulations that require colleges to demonstrate that their programs prepare students for jobs in their field of study.
- Currently, the only gainful employment regulation in effect requires that community colleges provide consumer information on program costs, on-time completion rates, and median loan debt for financial aid eligible certificate programs.
 - For-profit schools must also provide such information for degree programs.
- Effective July 1, 2015, a program will be required to meet certain performance metrics or the college risks a loss of federal financial aid funding.
 - Colleges will still be required to publish consumer information.

New Gainful Employment Performance Metrics

(Announced 10/30/14)

Program Status	Criteria for Program Status
Pass	Programs whose graduates have annual loan payments less than 8% of total earnings <u>OR</u> less than 20% of discretionary earnings.
Zone	Programs whose graduates have annual loan payments between 8% and 12% of total earnings <u>OR</u> between 20% and 30% of discretionary earnings.
Fail	Programs whose graduates have annual loan payments greater than 12% of total earnings <u>AND</u> greater than 30% of discretionary earnings.
Ineligible	Programs that fail in 2 out of any 3 consecutive years <u>OR</u> are in the zone for 4 consecutive years.

What is a Cohort Loan Default Rate?

- The percentage of borrowers who enter repayment and default within the current federal fiscal year or the next two fiscal years.
- The rate is calculated for schools having 30 or more borrowers entering repayment in a federal fiscal year (10/1/XX - 9/30/XX).
- Starting in 2014, sanctions will be imposed on schools with default rates of $\geq 30\%$ for three consecutive years, or 40% for one year.
 - Sanctions can include loss of participation in federal financial aid programs.

3-Year Cohort Default Rates

	2009	2010	2011	2012 (est)
DAC	16.1%	7.5%	5.4%	8.7%
HWC	21.6%	18.4%	16.6%	11.7%
KKC	20.1%	14.6%	16.9%	21.6%
MXC	29.1%*	8.3%	18.5%	10.7%
OHC**	0%	0%	0%	17.1%
TRC**	0%	0%	0%	19.4%
WRC**	0%	100%*	37.5%*	16.4%
National Average for 2-3 Year Public Colleges	18.3%	20.9%	20.6%	Not Available

CCC is not at risk for sanctions as the only colleges exceeding the default threshold do not have the minimum required 30 borrowers in the cohort.

* Cohort has less than 30 borrowers and the college is not subject to penalties.

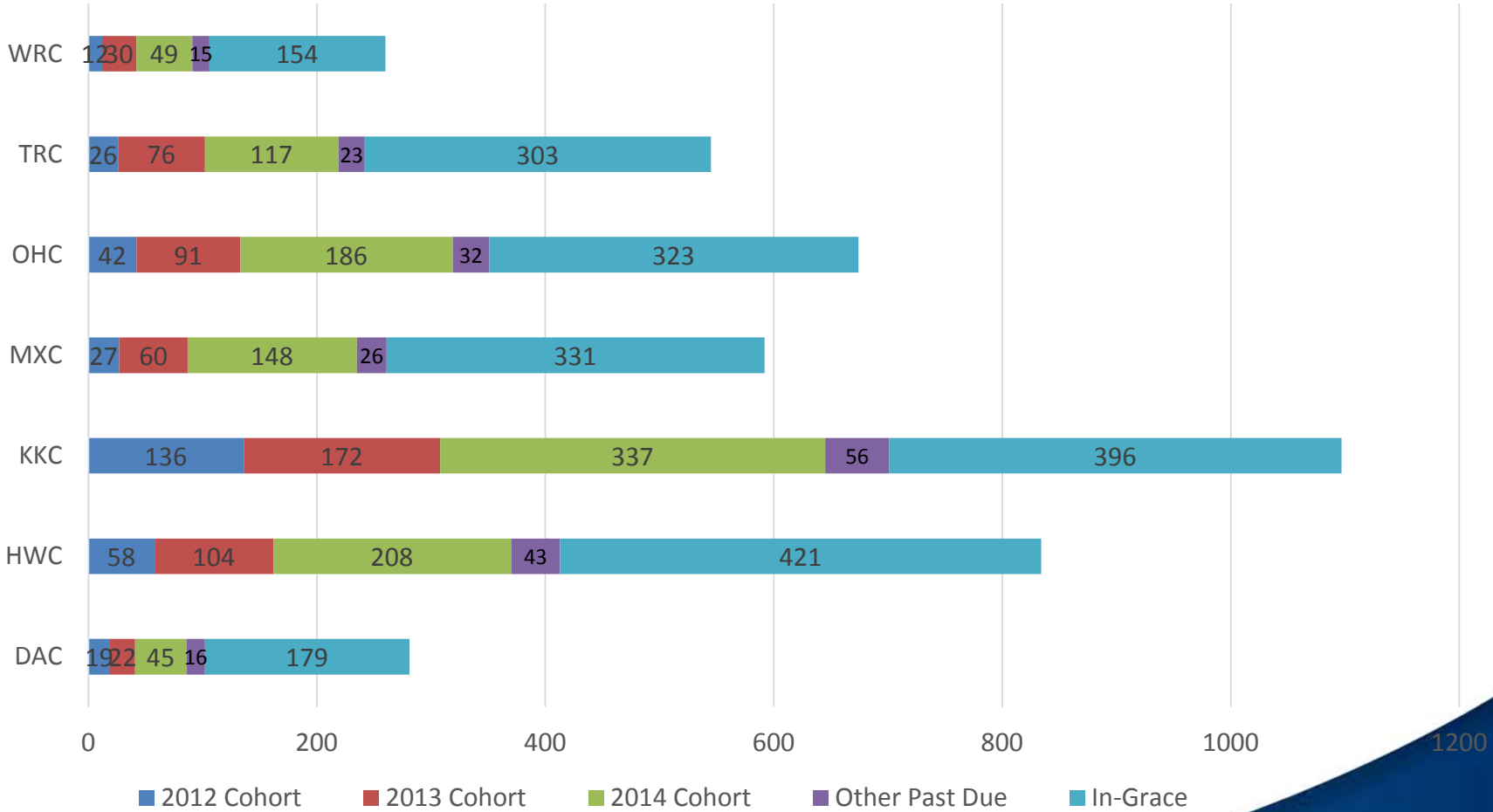
** Entered the federal loan program in 10/11 AY, and therefore have a limited number or no students in repayment in the base year.

Loan Default Prevention Efforts

- CCC has partnered with American Student Assistance (ASA) to:
 - Call students who are past due on their student loans to connect them with their loan servicers.
 - Provide comprehensive financial literacy information to all CCC students through the SALT program.
- Our expectation is that ASA's calling campaigns to CCC borrowers will result in reduced cohort default rates.
- SALT is an electronic money coach that incents students and alumni to be financially savvy. It features financial management tools, student-friendly articles on financial topics, and self-paced courses that can be used independently by the student or in a classroom setting.
 - Since CCC's launch of SALT in early September 2014, **4,874** CCC students have activated SALT accounts.

ASA's Outreach to CCC Borrowers

(October 2014 activity)



Recent Accomplishments

- Performed well in on-site, U.S. Department of Education Federal Program Reviews at Daley College and Harold Washington College in August 2014.
 - The colleges have not received their audit determination letters yet. However, the auditors complimented both colleges on their minimal findings and strong administrative capability.
- In collaboration with Workforce Development, expanded Federal Work Study Opportunities to local non-profit organizations.
 - 1 student is working at Advocate.
 - 7 students are working at Chicago Public Library branches.
 - We will be expanding this initiative further in the coming months.
- Launched default management services and SALT financial literacy education with ASA.
- Finalized and submitted the independently administered audit that is required as the first step in the Perkins Loan liquidation process.
 - We are currently awaiting a response from the U.S. Department of Education to finalize the steps in the liquidation process.

Q & A

APPENDIX

Key Responsibilities – Financial Aid

District Office

- Provide support for PeopleSoft and Regent functions for the Financial Aid Offices, including running processes and initiating student communications from the system;
- Perform monthly reconciliations of state and federal programs;
- Oversee the development of policies and procedures for the administration of Title IV programs;
- Resolve escalated student account issues;
- Assist with system testing of new OIT systems and functionalities;
- Assist the colleges with preparing for and responding to federal, state, and internal audits;
- Redeploy to college Financial Aid Offices during peak times to assist;
- Facilitate district-wide default management efforts;
- Support Academic Affairs, Reinvention, Student Services, Enrollment Management, Marketing, OIT, and other District departments in understanding how policy decisions impact FA

College Financial Aid Offices

- Educate students about financial aid opportunities and how to access them;
- Package students' financial aid using delivered (semi-automated) processes so that students can continue the registration process;
- Trouble-shoot student account issues;
- Manually award Federal Student Loans to students who are not auto-awarded by the system;
- Process on-the-spot verifications as students submit their documents;
- Manage scholarship applications and the selection process (over \$734,000 in the last two years);
- Manage the campus Federal Work Study program;
- Perform in-person Loan Entrance Counseling and Exit Counseling to high-risk borrowers;
- Provide financial aid presentations to the college community and external partners

Key Responsibilities – Student Accounts

District Office

- Oversee student accounts for the District, including payment plans, collections, posting of payments, and write-offs;
- Manage the disbursement (Title IV) and refunding process (all payments) for the District;
- Provide support for PeopleSoft functions for students accounts on a daily basis, including running processes;
- Resolve escalated student account issues;
- Review and resolve unapplied credits;
- Monitor unclaimed Title IV payments and return them within mandated timeframes;
- Assist with system testing of new OIT systems and functionalities;
- Redeploy to colleges during peak times to assist

College Business Offices

- Educate students about payment options for tuition and fees;
- Perform cashiering of student payments;
- Trouble-shoot student account issues;
- Establish payment plans with students for delinquent balances;
- Bill third-parties who have agreed to pay for students' tuition and fees;
- Apply Foundation scholarships to student accounts;
- Process state-mandated and CCC specific waivers

Key Responsibilities – Veteran Benefits

District Office

- Resolve escalated student account issues;
- Support Academic Affairs, Reinvention, Student Services, Enrollment Management, Marketing, OIT, and other District departments in understanding how policy decisions impact Veteran benefits;
- Oversee the development of policies and procedures for the administration of state and federal veteran benefits;
- Assist the colleges with preparing for and responding to federal, state, and internal audits

VA Certifying Officials (in the FA Offices)

- Educate veterans about the state and federal veteran educational benefits available to them;
- Certify Veterans for federal benefits in the federal VA Once system;
- Certify Veterans for state benefits through the CCC interface and in the state system;
- Coordinate the Veteran Work Study program at the college;
- Connect Veterans with the Veteran Services Specialists (Student Services) so that they may take advantage of social and academic services available to Veterans



**CITY COLLEGES®
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Internal Audit Department
Education that Works

32528

RECEIVED AND PLACED ON FILE – BOARD OF TRUSTEES
COMMUNITY COLLEGE DISTRICT NO. 508
DECEMBER 11, 2014

November 17, 2014

Committee on Finance & Administrative Services Meeting – Internal Audit Updates

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Support to External Auditors

- IA assisted McGladrey with the yearly financial statement audit and the Single Audit for FY 2014.
- IA provided from late June until mid-September close to 300 hours of assistance, which translates to around \$34,500 in savings for the District.
- IA assistance covered the following areas:
 - As part of financial statement audit, IA performed testing of expenditures and payroll for certain state grants
 - For the Single Audit, IA performed compliance testing for the following grants: Head Start; Adult Education; and Trade Adjustment Assistance grants
 - Campus visits
 - Fixed asset testing
 - Process walk-throughs

Internal Audit Report Summaries

- Internal Audit has completed the following audit activities since the last meeting of the Executive Audit Committee in June 2014:
 - Student Financial Aid Verification Files Review
 - Veterans Affairs Education Benefits Review
 - Employee Expense Reimbursements Review
 - Cost of Living Allowance (COLA) Retroactive Pay for Non-Bargained-For (NBF) Employees Recalculation Analysis
 - Arbitration Back Pay for Local 1600 Union Employees Recalculation Analysis
 - Malcolm X College Business Office Review
 - Child Care Centers Review
- Internal Audit did not identify any material weaknesses in the controls surrounding the processes covered in the above audit activities.
- However, Internal Audit identified findings and other observations that represent opportunities for process improvement. These findings and process improvement opportunities, and the corresponding Internal Audit recommendations, have been communicated to the stakeholders concerned. Internal Audit has obtained from the process owners their responses, and will follow up with them on the action steps they have indicated to address the findings and process improvement opportunities.

Internal Audit Report Summaries (continued)

Student Financial Aid Verification Files Review

Origin: ▪ Part of the IA Audit Plan

Timeline: ▪ Initiated: June 2014
 ▪ Duration: 4 weeks
 ▪ Completion: July 2014

Findings / Process Improvement Opportunities

- 1 of the 203 files reviewed had required verification information from the student's tax forms that did not agree to information per the Institutional Student Information Record (ISIR)
- 3 of the 203 files reviewed had Supplemental Nutrition Assistance Program (SNAP) benefit information per the verification form that did not agree to information per the ISIR
- 1 of the 203 files reviewed had the household size and number of students in college per the verification worksheet information that did not agree to information per the ISIR
- 1 of the 203 files reviewed was not appropriately recorded
- 1 of the 203 files reviewed did not appear complete

Management Responses:

- Issues will be discussed with the Director of Financial Aid at the colleges and request that they alter their review processes to be more diligent in looking for errors noted.
- Management will request that all of the Directors of Financial Aid further reinforce the issues noted with their teams.
- Management will discuss issues noted at the next Financial Aid Directors' meeting, and reiterate the consistent use of the Student Verification Checklist, which is already in place for use District-wide, and the re-review of 100% of all files selected for verification.

Veterans Affairs Education Benefits Review

▪ Referred by the Associate Vice Chancellor – Student Financial Services

▪ Initiated: June 2014
 ▪ Duration: 8 weeks
 ▪ Completion: August 2014

- Veteran student files lacked key documents
- Deficiencies were noted in the monitoring and reporting of enrollment changes
- Deficiencies were noted in the monitoring and reporting of changes in students' enrolment status, academic progress and graduation
- Inconsistencies were noted in the colleges' certification processes

- Management will work with the Veteran Certifying Officials and Veteran Services Specialists to create a checklist of all items that should be contained in the file of a student who is utilizing federal veteran educational benefits.
- Management will develop procedures for enrollment changes as part of an overall project to develop policies and procedures for veteran certifications.
- Management will develop procedures for the reporting of suspension and graduation as part of an overall project to develop policies and procedures for veteran certifications .
- Management will develop written policies and procedures for the sections of the U.S. Department of Veterans Affairs School Certifying Officials Handbook that requires contextualization.

Internal Audit Report Summaries (continued)

Employee Expense Reimbursements Review

Origin: ▪ Part of the IA Audit Plan

Timeline: ▪ Initiated: July 2014
▪ Duration: 8 weeks
▪ Completion: September 2014

Findings / Process Improvement Opportunities

- 43 of the 420 individual tests performed had instances of non-compliance with CCC policies and procedures related to employee expense reimbursements
- Duplicate payment made to an employee for an insurance claim

Management Responses:

- Detailed training on the PeopleSoft Travel & Expense module has occurred in August and September which included train the trainer. In addition, PeopleSoft online User Productivity Kits (tutorials) have been developed and communicated to all. Training materials have all been disseminated to all and are available on the employee portal under Finance/ Account Payable and the Travel & Expense Reimbursement web pages. Also, the travel policy is on the CCC website under policies and will be updated periodically .
- The PeopleSoft Travel & Expense module has additional controls that will require justification if requests for travel authorizations are submitted less than 30 days prior to travel. In addition, the system will electronically route the request for approvals and all documentation is attached, thus expediting the authorization process to limit late submissions.
- To help prevent the occurrence of duplicate payments going forward, all reimbursements will occur through travel and expense module and will require prior authorization and will be routed electronically for approvals. In addition, AP will request a weekly report of potential duplicate reimbursement requests from the Travel & Expense module; therefore, they can be detected before they are passed to A/P for payment

COLA Retroactive Pay for NBF Employees Recalculation Analysis

▪ Referred by the Chief Operating Officer

▪ Initiated: August 2014
▪ Duration: 3 weeks
▪ Completion: August 2014

- There are no documented processes in place to address special payroll events. There are no documented protocols that govern the initiation, processing, approval (by the responsible members of management), and execution of special payroll events.
- HRIS does not use the retroactive pay function that is available in PeopleSoft HR. HRIS uses Excel spreadsheets to calculate retroactive pay which allows for an increased risk of potential calculation mistakes.
- HRIS is working with payroll and OIT to establish project governance guidelines. Project governance helps make sure that a project is executed according to the standards of the organization performing the project. Governance keeps all project activities above board and ethical, and also creates accountability. HRIS is developing the documentation that will be needed for any project that updates any HR system.
- The retro process in PeopleSoft HR is a process that has not been used by many organizations because of some of the issues associated with the calculation and loading of the retros. However, there is a delivered retro process in CCCWorks that payroll uses for retroactive changes. Payroll would just need to establish a process in place to run retros from CCCWorks because it is currently being ran as needed. By February 2015 all full-time and part-time employees will be in CCCWorks. HRIS recommends having retros generated from CCCWorks since it is system of record for time and attendance.

Internal Audit Report Summaries (continued)

Arbitration Back Pay for Local 1600 Union Employees Recalculation Analysis

Origin: Referred by the Chief Operating Officer

Timeline:

- Initiated: September 2014
- Duration: 3 weeks
- Completion: September 2014

**Findings / Process
Improvement
Opportunities**

- There are no documented processes in place to address special payroll events such as making retroactive payments for employees or groups of employees under specific mandates. There are no documented protocols that govern the initiation, processing, approval (by the responsible members of management), and execution of special payroll events.
- HRIS does not use the retroactive pay function that is available in PeopleSoft HR. HRIS uses Excel spreadsheets to calculate back pay which allows for an increased risk of potential calculation mistakes

**Management
Responses:**

- HRIS is working with payroll and OIT to establish project governance guidelines. Project governance helps make sure that a project is executed according to the standards of the organization performing the project. Governance keeps all project activities above board and ethical, and also creates accountability. HRIS is developing the documentation that will be needed for any project that updates any HR system.
- The retro process in PeopleSoft HR is a process that has not been used by many organizations because of some of the issues associated with the calculation and loading of the retros. However there is a delivered retro process in CCCWorks that payroll uses for retroactive changes. Payroll would just need to establish a process in place to run retros from CCCWorks because it is currently being ran as needed. By February 2015 all full-time and part-time employees will be in CCCWorks. HRIS recommends having retros generated from CCCWorks since it is system of record for time and attendance

Malcolm X College Business Office Review

Part of the IA Audit Plan

- Initiated: September 2014
- Duration: 6 weeks
- Completion: October 2014
- 4 of the 11 Daily Cash Receipts reports reviewed had instances of non-compliance with CCC policies and procedures related to processing of cash receipts
- 8 of the 60 expenditures reviewed had instances of non-compliance with CCC policies and procedures related to processing of vendor payments
- 10 of the 18 procurements reviewed had instances of non-compliance with the CCC policies and procedures related to informal competitive bidding requirements
- 5 of the 7 facilities rentals reviewed lacked certain requirements for executing facilities rental contracts
- Inadequate controls for processing facility rental revenues
- During the review of MXC BO's manual, IA noted that the following current practices are not aligned with procedures presented in the manual:
 - Facilities rental cash collections
 - Purchase Orders processing
- DCR process and standards will be reviewed; a random sample of DCRs will be reviewed quarterly to ensure compliance.
- A refresher training will be held for A/P staff; metrics will be developed to ensure transactions complete properly.
- Executive Director to meet with District Director - Business & Procurement Services and District Accounts Payable Manager to review and clarify competitive bidding process.
- Executive Director and Business Manager will meet with MXC Director - Auxiliary Services to review billing and payment procedures for facility rentals. With the implementation of School Dude, new processes are being defined to ensure timely billing and collection and eliminate future discrepancies.
- The system conversion to PeopleSoft Campus Solutions will bring about significant improvements to the business office's cash handling procedures. In the interim, the business office's policy and procedure manual will be updated to reflect current practices for cash collections. The policy and procedure manual will also be updated to reflect current practices for purchase order processing.

Internal Audit Report Summaries (continued)

Child Care Centers Review

Origin: ■ **Part of the IA Audit Plan**

Timeline: ■ Initiated: August 2014
■ Duration: 8 weeks
■ Completion: October 2014

Findings / Process Improvement Opportunities

- Instances of non-compliance with Department of Children and Family Services (DCFS) licensing standards for child care centers
- Deficient process to monitor and collect child care fees
- Instances of non-compliance with CCC policy regarding date-stamping of vendor invoices
- Instances of non-compliance with policies and procedures pertaining to accident and/or injury reporting
- Deficient process to ensure documented operational protocols are being followed
- Documentation and incorporation of the Child Care Centers quarterly inspections, performed by the CCC Office of Risk Management, into the Risk Management Plan
- Review of the current Parent Handbook to help ensure that all required language and policies are included
- Child Care Centers should institute of stronger controls over training and acknowledgment of pertinent policies and procedures for practicum students

Management Responses:

- Update and consolidate departmental policies and procedures
- Provide In-service training for all staff on policies and procedures
- Strengthen the internal file review and internal monitoring processes
- Perform monitoring site visits to cover compliance with licensing standards, personnel records checklists; create a Quality Control position to help ensure that on-going monitoring occurs throughout the year
- Work with Finance on reporting of revenues and receivables
- Adhere to date-stamping requirement for invoices
- Update client-facing documentation such as the Parent Handbook and the Enrolment Packet
- Ensure that staff, volunteers and practicum students receive all the required information and that there is signed documentation attesting that they have received all the required Policies and Procedures

Status of IA Audit Follow-ups

Name of Audit/Review	Report Number	Report Date	Total # of Findings	# of Open Findings as of 06/05/14 Audit Committee Meeting	# of Open Findings as of 11/17/14 Finance & Admin Services Committee Meeting *
Fiscal Year 2014					
Washburne Culinary Institute Operations Review	2014-402	02/12/2014	4	4	3
MBE/WBE Compliance Review	2014-403	05/01/2014	5	5	1
Health Benefits Payments Review	2014-404	05/21/2014	2	2	1
Business Office Review – Olive Harvey	2014-405	03/18/2014	1	1	0
Business Office Review – Daley	2014-406	04/07/2014	5	5	1
Business Office Review – Harold Washington	2014-407	04/30/2014	5	5	1
Washburne Café Cash Management Review	2014-403-1	05/14/2014	2	2	0

Note: * For the open findings, IA noted during the audit follow-ups that the process owners have taken the action steps that they committed under their management responses to the findings. The findings are marked open as the pertinent action steps are still underway or in progress. IA will continue to follow up with management on the completion of the action steps that they have committed.

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COMMUNITY COLLEGE DISTRICT NO. 508
DECEMBER 11, 2014

Minority and Women's Business Enterprise (M/WBE) Plan Update

Office of Administrative and Procurement Services

November 17, 2014



The District's Board of Trustees adopted a Minority & Women Business Enterprise (M/WBE) Participation Plan in 1993

- The purpose of the M/WBE Plan is to...
 - Ensure that Minority Businesses and Women Businesses shall have the maximum feasible opportunities to participate on City Colleges contracts
 - Remedy the effects of historical discrimination while minimizing impact on Non-MBE and Non-WBE businesses
- Plan includes goals for participation of certified MBE and WBE firms in CCC business
- Proposed utilization of such firms is considered as part of the evaluation criteria for contract awards

The District's M/WBE Participation Goals are...

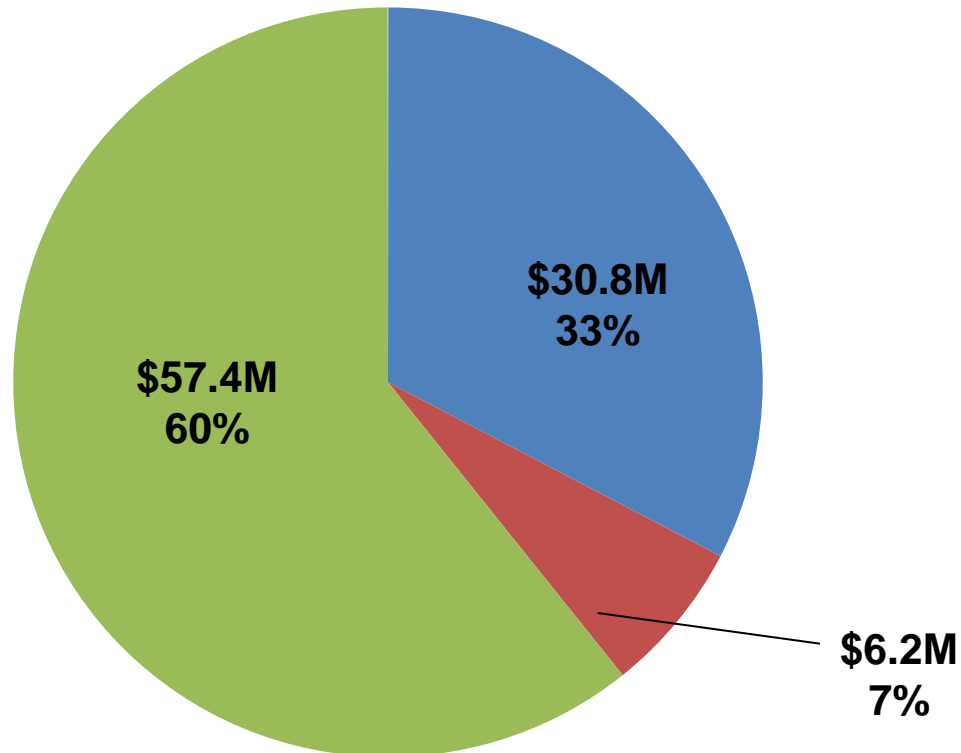
MBE: 25%

WBE: 7%

- Prime vendors on contracts over \$25,000 are expected to meet these goals through a subcontracting plan (purchases \$2,500-\$25,000 require at least one M/WBE quote)
- Only certified firms count towards goals (CCC does not certify but accepts certification from a variety of organizations)
- Dollar amounts are credited to either MBE or WBE, not both (even if the vendor is certified as both)

In FY2014, the District exceeded its MBE goal and met the WBE goal

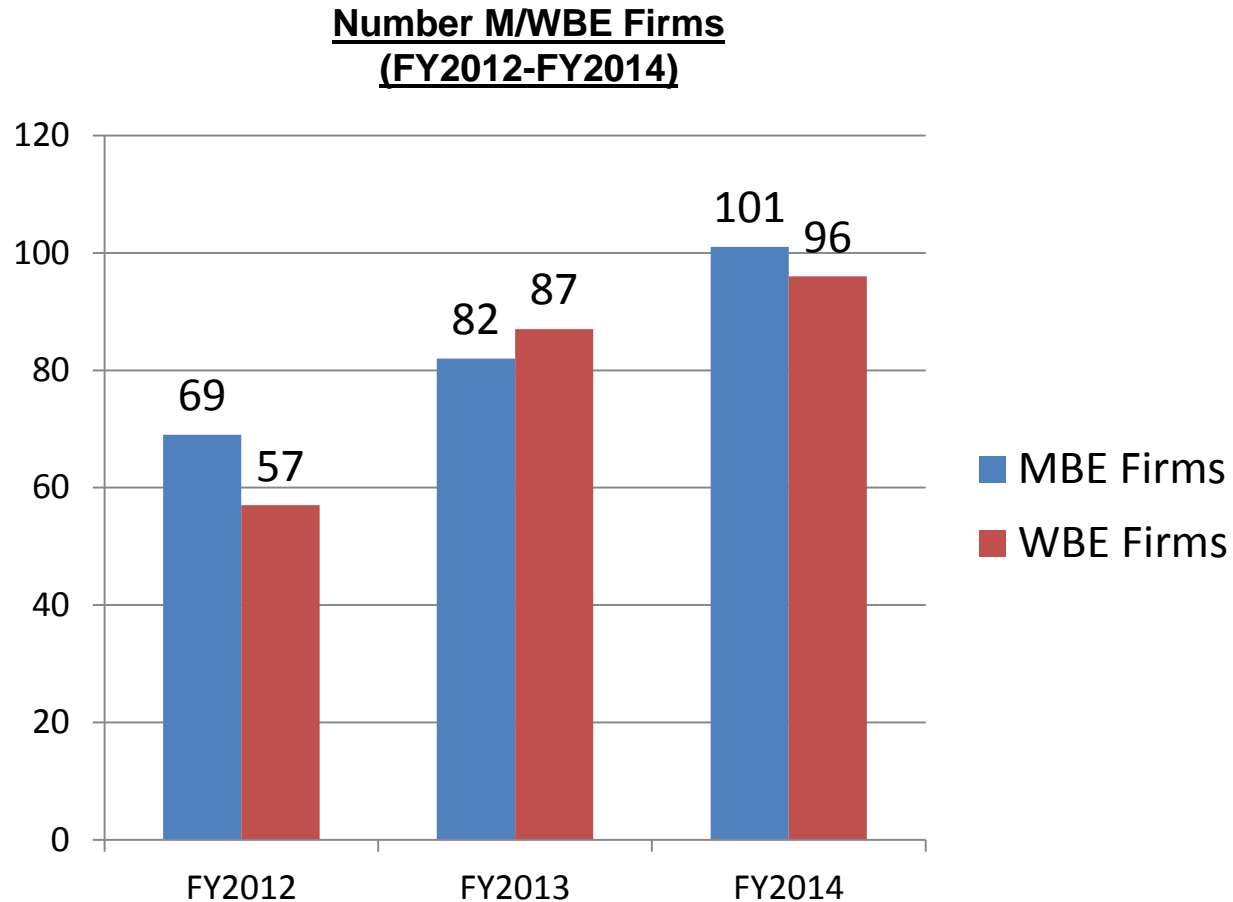
Percent of Total Contract Dollars Awarded to M/WBE Firms
(FY2014)



■ MBE Firms ■ WBE Firms ■ Non-M/WBE Firms

*Note: Eligible spending excludes CCC expenditures through consortiums; subscriptions; chargebacks; payments to other city, state or federal agencies; legal services; bookstore (when financial aid voucher reimbursements); work study payments; utility and internet services; rent; and grant subcontracts. Dollar amounts reported include verified payments to M/WBE subcontractors.

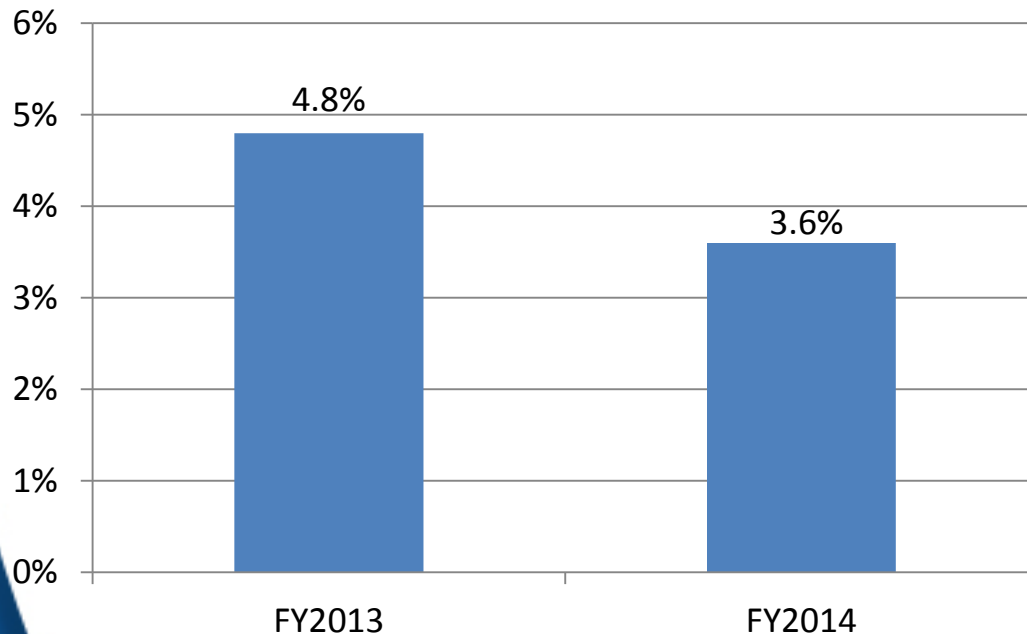
The District has also increased the number of M/WBE firms with which it does business



Note: Number of firms includes subcontractors with verified payments received from CCC prime vendors as part of an M/WBE subcontracting plan

The District scrutinizes M/WBE waiver requests closely and is making progress at reducing waiver frequency

Percent of Board-Awarded Dollars Waived
(FY2013 – FY2014)



- Typical waiver situations include: scope does provide subcontracting opportunities, purchase made through sister agency agreement with different goals, inter-governmental agreements
- Pose clarifying questions to vendors to ensure the waiver request is truly appropriate
- Expect vendors to make a good faith effort to identify potential M/WBE opportunities in light of follow-up questions
- Re-bid where necessary
- Example large waivers granted in FY2014: Telecom & Internet services, UPASS, Bureau of Fleet Management (Fuel), various software licenses, advertising services

Continuing to strengthen outreach, as well as compliance policy and processes are the focus for FY15 and forward

- Targeted outreach to and strategy development with advocacy organizations, including the Women's Business Development Center and Chicago United
- Revising the M/WBE Participation Plan (last revised in 2007, anticipate Board presentation of revisions in early 2015)
- Increase emphasis on early and proactive corrective planning for prime vendors not meeting District goals