Pursuant to provisions of the Illinois Public Community College Act, as amended of the State of Illinois, County of Cook, a Finance and Administrative Services Committee meeting of the Board of Trustees of Community College District No. 508 was held on August 27, 2015 at 11:00 a.m., District Office, 226 W. Jackson Boulevard, Room 300, Chicago, Illinois 60606.

**ATTENDEES**

**TRUSTEES**
Clarisol Duque, Committee Chair  
Charles Middleton

**ASSISTANT BOARD SECRETARY**
Candace Montgomery

**CHIEF ADVISOR TO THE BOARD**
Tracey B. Fleming

**CHANCELLOR**
Cheryl L. Hyman

**GENERAL COUNSEL**
Eugene Munin

**INSPECTOR GENERAL**
John Gasiorowski

**OFFICERS OF THE DISTRICT**
Joyce Carson – Vice Chancellor, Finance and CFO  
Jim Frankenbach – Chief Operating Officer  
Craig Lynch – Chief of Staff and Enterprise Services  
Jerrold Martin – Vice Chancellor, Information Technology  
Diane Minor – Vice Chancellor, Administrative and Procurement Services  
Laurent Pernot – Executive Vice Chancellor
OTHER ATTENDEES

David Anthony  CCC - District Office
Roberto Concepcion  CCC - District Office
Daryl Okrzesik  CCC - District Office
Angel Quinones  CCC - District Office
Vicky Cheng  Crowe Horwath
Mike Del Guidice  Crowe Horwath

I. CALL TO ORDER

Committee Chair Duque called the August 27, 2015 Finance and Administrative Services Committee meeting to order at 11:06 a.m.

II. ROLL CALL

The Assistant Board Secretary called roll:

Clarisol Duque  Present
Isaac Goldman  Absent
Karen Kent  Absent
Charles Middleton  Present

III. COMMITTEE CHAIR REMARKS

Committee Chair Duque welcomed Chair Middleton noting that she was very excited to have him join the Board as she has had the opportunity to see his work as a college president.

IV. CHANCELLOR REMARKS

Chancellor Hyman provided an overview of the agenda.

She noted, for the record, that since reinvention, the District has had a balanced budget with no increases in taxes. She also mentioned that the District is in the midst of an ambitious Capital Improvement Plan, including the construction of the new Malcolm X College, which is being managed in-house and is on time and on budget.

V. AGENDA ITEMS

The full presentation of agenda items can be viewed here.

Speakers: Vice Chancellor Joyce Carson, Vice Chancellor Diane Minor, Associate Vice Chancellor/Treasurer Daryl Okrzesik, District Director, Internal Audit Roberto Concepcion and External Auditor Vicky Cheng – Crowe Horwath.
1. **Office of Finance Update**
   
   - **FY2015 Financial Update**
     
     VC Carson stated that the District has a preliminary balanced budget. She noted the need to complete year-end audits and the evaluation of post-retirement benefits. Numbers will be finalized at the end of the year and presented at the next committee meeting.
     
     She stated that the District received $1.3 million below budget from the State of Illinois for the fiscal year, a $13 million reduction since FY2011. She also mentioned that the tuition and fee revenue is down slightly from the prior year-end budget. The District has been able to make up the $9 million shortfall in budgeted enrollment by offsetting it with a decrease in salary expenses by not filling positions as quickly as anticipated.
     
   - **Capital Improvement Plan Status**
     
     VC Carson stated that in 2013 the District put together a comprehensive assessment of capital needs and developed a Capital Improvement Plan in conjunction with the 5-Year Plan. The Capital Improvement Plan totals $550 million at this time through 2018 and is funded through a combination of resources from the Capital Development Board, cash reserves, and continuing operational reserves. The District also issued bonds in 2013 for $250 million. VC Carson stated that capital expenditures for the year total $186 million. The new Malcolm X College expenditures account for $130 million to date. As the Chancellor previously mentioned, this project is on time and budget. VC Carson noted challenges with the Olive-Harvey Transportation, Distribution and Logistics Center, principally funded by the Capital Development Board, which has been halted due to the Illinois budget stalemate. Project resumption is pending State budget resolution. Chief Operating Officer (COO) Jim Frankenbach noted that the District is exploring options of how to re-start the project that includes the District assuming responsibility and conducting an RFP.
     
     Committee Chair Duque asked what would happen to allocated State funds if the District took over the project. COO Frankenbach stated that the State has an unspent portion of $6 million for the project. The District would assume that cost if it took over the project. Chair Middleton asked if that would be $6 million for one year or over a couple of years. Chancellor Hyman stated that it depends on where the money is extracted. She has asked her staff to look into it more and will provide a better answer in a couple of months.
• **FY2015 Audit Plan**

VC Carson stated that the District is in the midst of the FY2015 audit with McGladrey which began in early June. The audit deliverables include the Comprehensive Annual Fiscal Report (CAFR), the audit and examination of WYCC, Federal compliance, state grant program compliance, examination of enrollment data and investment policy compliance. VC Carson provided an audit overview and timeline. The target for completion is set for October 2015 to coordinate with ICCB’s submission deadline.

Chair Middleton asked if the ICCB deadline was statutory or regulatory. VC Carson stated that it’s regulatory.

• **Grant Accounting Review**

AVC/Treasurer Daryl Okrzesik presented on grant accounting and grant management.

He stated that the District receives three types of grants; federal, state and local grants totaling $25 million. Federal programs include Adult Education, Carl Perkins, Head Start, TRIO among others. State programs include funds mainly in Adult Education grants. Local programs consists of grant awards for the Middle Schools in connection with Youth Connection Charter School and funding for WYCC for the Corporation for Public Broadcasting.

With regard to reimbursement cycles, AVC Okrzesik stated that the District receives awards that are either pre-paid or cost reimbursement with the majority being cost reimbursement. He further explained the reimbursement cycle for the grant programs.

AVC Okrzesik stated that grant monitoring occurs on a monthly basis with the issuance of a monthly report to the college business office, principle investigator and senior management. Reports are also issued quarterly to each college president, giving them a snapshot of how their campus is performing. AVC Okrzesik also noted federal reporting requirements (A-133) and annual fiscal reviews completed by various grantor agencies.

2. **Internal Audit Report**

Director Roberto Concepcion provided a status update of audit activities since the last committee meeting. He reported on the Employee Expense Reimbursement Review, FY2015 Student Financial Aid Verification Review II, Payroll Process Preview I and the Information Technology (IT) General Controls Review. He stated that Internal Audit did not identify any material weaknesses in the controls surrounding the processes covered in the audit activities. He noted that process improvement opportunities have been communicated to the stakeholders/process owners and Internal Audit will follow-up on action steps in response to those findings.
With regard to employee reimbursement, Committee Chair Duque asked about the time required to submit reimbursement. Director Concepcion stated that reimbursement should be submitted 30 days prior to the event in which spending will occur and ten days after the completion of the event with supporting documentation.

Ms. Vicky Cheng of Crowe Horwath presented a summary of their April 2015 audit of the IT General Controls. Ms. Cheng stated that Crowe Horwath conducted a site visit with a focus on policies and procedures, IT organization, user access controls, change management and access to the data center. She noted high and moderate findings related to insufficient documentation during the course of the audit. Chancellor Hyman asked for specific information on the areas with insufficient documentation. Ms. Cheng stated that with change management and user access Crowe Horwath was unable to audit the process due to insufficient documentation. There was further discussion regarding the availability of documentation and Crowe Horwath’s assertion of their inability to receive documentation. Chancellor Hyman noted that she does not agree nor believe that Crowe Horwath was unable to obtain documentation on change management.

Committee Chair Duque asked if Ms. Cheng could review this item prior to the next meeting and report back with specific information on the documentation for the IT applications in question. Ms. Cheng agreed to do so.

Ms. Cheng continued with a review of vendor management issues noting issues with the oversight of vendors and the use of Service Organization Control (SOC) reports. VC Martin stated that the SOC reports are an industry best practice that should be instituted at CCC. With the new security director on board, it’s something that will be done in the future. VC Martin stated that he was concerned about being measured against a best practice that the District did not currently have. However, he fully supports it and the practice will be included in future processes.

With respect to findings related to inappropriate user access, Ms. Cheng stated that issues were identified with annual user access review, terminations and contractor access. Chancellor Hyman asked for clarification on the contractor access. Ms. Cheng stated that she looks for an active process to manage contractors so they are removed from the system in a timely manner. Chancellor Hyman inquired as to what constitutes a timely manner. Ms. Cheng stated that best practice is 5 days; 24 hours for financial systems. VC Martin stated that a major milestone, implemented in June, was to retire Novell and move to Microsoft Active Directory. The single source of records for employees, contractors and students is now PeopleSoft. When individuals are flagged from active to inactive the records update automatically and the accounts are deactivated. Committee Chair Duque asked if this happens immediately. VC Martin stated that it does not occur immediately, however there’s a batch process that runs every hour to update the records. So, the deactivation happens within a few hours.

With logging and monitoring, Ms. Cheng stated that with some applications, logs were not reviewed, for two applications developers had access to the production environment and regarding CCCWeb, there is no process to review content before it’s published to the website.
EVC Pernot and Chancellor Hyman both noted there is in fact a process for review and approval of web content. The communications and marketing team along with vice chancellors approve content before it’s posted to the website. Chancellor Hyman also noted that she approves web content as well. EVC Pernot asked for follow-up and examples of the CCC Web findings. Ms. Cheng stated that she would go back and review for specific examples.

Committee Chair Duque commented on the general concern for the security of the IT systems used throughout the District. She stated that she would appreciate if Ms. Cheng could come back to the committee to report once she has had a chance to compile more documentation.

VC Martin stated that it’s important to note that four of the six items were conducted prior to hiring the security director and the implementation of the Microsoft Active Directory. He stated that if the same audit was to be done again, there would be significantly different results. He mentioned his concern with being measured against best practices vs. internal procedures and compliance.

Chair Middleton asked if there was a routine process for follow-up to the issues presented at the committee. Both VC Martin and Director Concepcion expressed that there is a process in which the stakeholders review and improve the process. That information is shared at the following meeting. Chair Middleton asked if something was significant in terms of material weakness, if the process would be more rapid. Director Concepcion said that was correct.

Director Concepcion continued his presentation by reviewing the status of previous audit follow-ups and the risk assessment update. He highlighted financial aid as an area that remains to be high risk from a compliance stand point. Audit activities have been developed to address this concern. Chancellor Hyman agreed that financial aid is one of those areas where the District has worked hard but more improvement is needed. She asked how often Director Concepcion planned to audit financial aid. Director Concepcion stated that he plans to do two financial aid verification reviews and plans to return to quarterly Title IV reviews.

3. **Overview of Procurement Process**

VC Minor provided an overview of the day-to-day functions of the Office of Administrative and Procurement services, outlined competitive bidding practices, board approved spending thresholds and purchasing consortiums.

VC Minor highlighted the major spending categories; construction, computer hardware/software/supplies and consulting services and architectural services to name a few and compared expenses in FY2014 as compared to FY2015. Construction is cited as the highest expense. VC Minor noted that it has increased considerably from FY2014 to FY2015 due to the construction of the new Malcolm X College.

VC Minor further discussed methods in which the District obtains construction services. She stated that there are three methods that are considered by the Board; (1) Cost-Plus Contracts, (2) Job Order Contracts (JOC) and (3) Competitive Bidding. Chair Middleton asked how often JOC is re-bid. VC Minor stated that contracts were awarded in two-year terms for the
six companies the District is currently using. The contracts were recently extended for an additional two years. They will re-bid for contracts that will commence after the current two-year period has ended. Committee Chair Duque asked how often there is an issue of non-performance. VC Minor stated that the JOC process allows for the identification of non-performance pretty quickly. She stated that contractors are awarded a minimum of $25,000 for work. If they perform poorly they are not awarded additional work. She noted that this has happened in prior solicitations.

VC Minor stated that the JOC program has been a successful method to bring on M/WBE contractors to perform work for CCC. For FY2015 through the third quarter, more than $1 million of the JOC projects were awarded to M/WBE contractors.

Chair Middleton stated that he is very impressed and pleased with the use of M/WBE contractors.

Committee Chair Duque stated that M/WBE numbers are consistently strong and she personally appreciates the work that is being done to make sure those numbers stay steady and grow.

Chancellor Hyman added that she appreciates the time and feedback offered in this committee. She believes it is as important as Academic Affairs. She also noted that this is the first time in five years that she has had a problem with an audit report. She challenged the team to go back to get more clarity about the process. She assured the Board that Crowe Horwath would return and present a more accurate picture of their IT audit at the next committee meeting.

This concluded the review of agenda items.

VI. AJOURNMENT

Committee Chair Duque asked for a motion to adjourn.

<Motion>Trustee Charles Middleton
<Second>Trustee Clarisol Duque  Motion Carried

Meeting Adjourned 12:21 p.m.

Clarisol Duque
Secretary
Board of Trustees

Submitted by - Candace M. Montgomery, Assistant Board Secretary