THE POWER OF BEING UNDERSTOOD

AUDIT | TAX | CONSULTING
CITY COLLEGES OF CHICAGO

Presentation of the June 30, 2015 Audit with RSM US LLP (formerly McGladrey)

November 10, 2015
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. Internal Control Matters

V. A-133 Reporting
Audit Engagement Team

• Joe Evans, Partner

• Tara Leja, Senior Manager

• David Robydek, 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 and Completion Dates

<table>
<thead>
<tr>
<th>Area</th>
<th>Completion Dates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Examination of ICCB Schedule of Enrollment</td>
<td>October 14, 2015</td>
</tr>
<tr>
<td>Illinois Community College Board (ICCB) Grant Financial and Compliance Audits</td>
<td>October 14, 2015</td>
</tr>
<tr>
<td>Treasury Agreed-Upon Procedures</td>
<td>October 14, 2015</td>
</tr>
<tr>
<td>Three Program Specific Grant Audits</td>
<td>October 14, 2015</td>
</tr>
<tr>
<td>Youth Connections Charter School In Relation To Opinion</td>
<td>November 20, 2015*</td>
</tr>
<tr>
<td><strong>WYCC TV 20:</strong></td>
<td></td>
</tr>
<tr>
<td>Financial Statements</td>
<td>November 20, 2015*</td>
</tr>
<tr>
<td>Corporation for Public Broadcasting (CPB) Online Certification</td>
<td>November 20, 2015**</td>
</tr>
<tr>
<td>Illinois Arts Council (IAC) Certification</td>
<td>January 31, 2016***</td>
</tr>
<tr>
<td><strong>OMB Circular A-133 Single Audit Report</strong></td>
<td>October 14, 2015</td>
</tr>
<tr>
<td>Single Audit Reporting Package (Data Collection Form Submission)</td>
<td>December 31, 2015****</td>
</tr>
</tbody>
</table>

* Issuance is pending receipt of signed management representation letters
** Anticipated completion date
*** Pending IAC application availability
**** Anticipated completion date. Federal Audit Clearinghouse (FAC) has been shut down due to a security incident
Timeliness of Reporting

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Days to Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>Oct 31</td>
</tr>
<tr>
<td>2013</td>
<td>Oct 14</td>
</tr>
<tr>
<td>2014</td>
<td>Oct 10</td>
</tr>
<tr>
<td>2015</td>
<td>Oct 14</td>
</tr>
</tbody>
</table>

- **Comprehensive Annual Financial Report**
- **ICCB Grant Financial and Compliance Audits**
- **Examination of ICCB Schedule of Enrollment**

Statutory Deadline
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 May 15, 2015
  - 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, 2015 financial statements
• The District adopted the following reporting and disclosure requirements:

• Implementation resulted in:
  – Enhanced disclosures for the employee retirement plan (SURS)
  – Reporting of deferred outflows of resources related to pension contributions and a related restatement of beginning net position.

• Our opinion is not modified with respect to this matter.
• Following is a description of the significant or one-time nonstandard transactions that occurred during the fiscal year 2015:

  - In accordance with the impairment guidelines within the GASB codification, the District modified the remaining useful life of the existing Malcolm X campus down to 2 years, which resulted in an additional $19 million of depreciation expense in fiscal year 2015.
  
  - Significant capital construction ongoing at fiscal year-end at several campuses - $270 million in construction in progress at June 30, 2015
  
  - As required by the adoption of new GASB statements, the District restated beginning net position to record $824 thousand of grant-related pension contributions as deferred outflows
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

<table>
<thead>
<tr>
<th>Area</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adoption of, or Changes in, Accounting Policies</td>
<td>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.</td>
</tr>
<tr>
<td>Audit Adjustments</td>
<td>There was one audit adjustment in the amount of $558,000 made to student accounts receivable.</td>
</tr>
<tr>
<td>Passed Adjustments</td>
<td>There were no passed adjustments that resulted from the audit process.</td>
</tr>
<tr>
<td>Preferability of Accounting Policies and Practices</td>
<td>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.</td>
</tr>
<tr>
<td>Alternative Treatments Discussed With Management</td>
<td>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.</td>
</tr>
<tr>
<td>Area</td>
<td>Comments</td>
</tr>
<tr>
<td>------------------------------------------------</td>
<td>------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Disagreements With Management</td>
<td>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.</td>
</tr>
<tr>
<td>Consultations With Other Accountants</td>
<td>We are not aware of any consultations management had with other accountants about accounting or auditing matters.</td>
</tr>
<tr>
<td>Significant Issues Discussed With Management</td>
<td>No significant issues arising from the audit were discussed with or were the subject of correspondence with management.</td>
</tr>
<tr>
<td>Significant Difficulties Encountered in Performing the Audit</td>
<td>We did not encounter any significant difficulties in dealing with management during the audit.</td>
</tr>
</tbody>
</table>
| Material Written Communications Between Management and Our Firm | - Management representation letter  
- Letter communicating control deficiencies identified during our audit. |
• Great working relationship with Internal Audit
  – Internal audit staff provided over 300 hours of assistance to McGladrey
  – Assistance provided in following areas
    • Federal grant testing
    • Campus visits
### Evaluation of Severity of Deficiencies

<table>
<thead>
<tr>
<th>Likelihood</th>
<th>Inconsequential</th>
<th>More than inconsequential</th>
<th>Material</th>
</tr>
</thead>
<tbody>
<tr>
<td>Probable</td>
<td>CD</td>
<td>CD</td>
<td>MW</td>
</tr>
<tr>
<td>Possible</td>
<td>CD</td>
<td>CD</td>
<td>MW</td>
</tr>
<tr>
<td>Remote</td>
<td>CD</td>
<td>CD</td>
<td>CD</td>
</tr>
</tbody>
</table>

**Key**
- CD – Control Deficiency
- SD – Significant Deficiency
- MW – Material Weakness
Current Year Financial Statement Deficiencies

• No significant deficiencies or material weaknesses were reported in FY2015.

• Control Deficiencies:
  – Purchase Orders Issued After Date of Invoices (repeat)
  – Record Retention Policy (repeat)
  – Reconciliation of Student Receivables

• Management has a plan to resolve all control deficiencies.
• Federal Perkins Loan Program Requirements – District is currently negotiating with the Department of Education regarding liquidation.

• Progress Reporting – The district failed to prepare and submit four quarterly progress reports required by ICCB.

• 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

• Reports filed timely

• Thanks to everyone for their hard work!
FINANCE & ADMINISTRATIVE SERVICES COMMITTEE

November 10, 2015

- Management Comments on FY2015 Audit Results
- Management Responses to FY2015 Audit Findings
- FY2016 Financial Update
FY2015 Financial Audit and Management Responses to Audit Findings
FY2015 Audit Review

• Overall financial performance
  – Net operating result \((\$4.9\text{ M})\)
  – Unusual FY2015 items included in net deficit
    – Correction of prior years’ errors \((\$3.8\text{ M})\)
    – Adoption of GASB for pension accounting \((\$0.8\text{ M})\)
    – Litigation reserve \((\$0.3\text{ M})\)
    – Student accounts receivable adjustment \((\$0.6\text{ M})\)
  – Capital expenditures, excluding construction work-in-progress transfers, totaled $217M which included FY2015 budgeted items and FY2013-14 rollover items
    – The Malcolm X capital projects is currently projected to be completed on-time and on-budget
    – Olive-Harvey Transportation Distribution and Logistics Center is delayed due to the State Budget issues
  – Unrestricted fund balance (Education, Operation and Maintenance, Auxiliary/Enterprise, and Working Cash Funds) at 22% of unrestricted expenses
    – Board designated minimum requirement of 3%
  – No significant deficiencies or material weaknesses were reported for FY2015

• Control deficiencies were noted, three (3) fewer findings than prior year
  – Six (3) 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
## Management Responses to Audit Findings

### Financial Statement Review

<table>
<thead>
<tr>
<th>Findings</th>
<th>Detail</th>
<th>Management Response</th>
<th>Responsible Party</th>
<th>Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PURCHASE ORDERS ISSUED AFTER INVOICES</strong>&lt;br&gt;(Repeat)</td>
<td>Departments made commitments to vendors without properly approved purchase orders (PO). The auditor noted no instances of invoices paid prior to PO being opened.</td>
<td>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.</td>
<td>Chris Kopp, Chief Procurement Officer</td>
<td>Compliance Report to Management- March 31, 2016</td>
</tr>
<tr>
<td><strong>RECORD RETENTION POLICY</strong>&lt;br&gt;(Repeat)</td>
<td>District may be incurring excess record retention costs by retaining outdated records. Districtwide record retention policy is not implemented consistently throughout all campuses.</td>
<td>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.</td>
<td>Shawn-Burnett Whitaker, Associate General Counsel; David Anthony, Director of Operations and Compliance, Office of Administrative and Procurement Services</td>
<td>Compliance Report to Management- Submission to State Commission April 30, 2016</td>
</tr>
<tr>
<td><strong>ACCOUNTS RECEIVABLE DETAIL LEDGER RECONCILIATION</strong></td>
<td>At the end of the year, the District’s student receivable balance per the general ledger compared to the Campus Solutions detailed student account balance were out of balance.</td>
<td>Finance commenced with a weekly reconciliation of Campus Solutions detailed student account receivable balance to the GL student balance. Any identified differences will be investigated.</td>
<td>Daryl Okrzesik, Associate Vice Chancellor/Treasurer</td>
<td>Compliance Report to Management-November 30, 2015</td>
</tr>
<tr>
<td>Findings</td>
<td>Detail</td>
<td>Management Response</td>
<td>Responsible Party</td>
<td></td>
</tr>
<tr>
<td>----------------------------------------</td>
<td>------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------</td>
<td>--------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>Federal Perkins Loan Program (Repeat)</td>
<td>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.</td>
<td>City Colleges is aggressively pursuing the DOE to solicit a response to resolve the matter. District engaged audit firm to perform a Perkins Liquidation Audit which was submitted to the DOE in July 2014. We have received no response after repeated inquiries.</td>
<td>Robert Robbins, AVC Finance Compliance Report to Management- Estimated timeframe for final response from DOE-June 30, 2016</td>
<td></td>
</tr>
<tr>
<td>HCCTP quarterly reporting</td>
<td>Due to staff turnover, CCC failed to submit quarterly progress report for the Highway Construction Careers Training Program.</td>
<td>New Coordinator has met with ICCB staff for training and reporting requirements. Staff that oversees grant will ensure all reporting requirements are met and will report submissions to District Office.</td>
<td>Robert Barnett, Dean Dawson Technical Institute Compliance Report to Management- November 30, 2015</td>
<td></td>
</tr>
<tr>
<td>Adult Education Time and Effort (Repeat)</td>
<td>Eight Time and Effort certifications didn’t match payroll amount charged to the grant.</td>
<td>Finance will develop a reconciliation process to ensure that payroll charges accurately reflect the time and effort as certified by the employee.</td>
<td>J.R. Dempsey, AVC Finance Compliance Report to Management- June 30, 2016</td>
<td></td>
</tr>
</tbody>
</table>
PRIOR YEAR CLEARED FINDINGS

<table>
<thead>
<tr>
<th>FY2014 Findings</th>
<th>Responsible Party</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chargeback credits hours</td>
<td>Sarah Lichtenstein, AVC of Career Programs Strategy</td>
</tr>
<tr>
<td>Procurement vendor list duplications</td>
<td>Chris Kopp, Chief Procurement Officer</td>
</tr>
<tr>
<td>Budgeting process for payroll transactions</td>
<td>J.R. Dempsey, AVC Finance</td>
</tr>
<tr>
<td>Incorrect depository account</td>
<td>Bruce Gename, Associate Controller</td>
</tr>
<tr>
<td>Cost of attendance</td>
<td>Robert Robbins, AVC Finance</td>
</tr>
</tbody>
</table>

Five of nine prior year findings were cleared during FY2015.
FY2016 Financial Update
Summary

This document will describe, under various state funding levels, the impact on CCC’s ability to maintain a balanced budget, as well as a list of potential management responses to keep our FY2016 budget balanced.

We are reviewing the FY2016 projected revenues and budgeted expenditures to develop scenarios for maintaining adequate cash reserves and achieving balanced financial results for the fiscal year.

We have baselined a scenario for a 15% reduction in state funding level along with the impact of current student enrollment levels on our revenue forecast and potential options for balancing this shortfall.

CCC’s is currently using $22 million of cash reserves to offset delayed payments from the State of Illinois.

Without a state budget CCC will need to deplete cash reserves to unacceptable levels.

The lack of State Funding impacts not only the Colleges fiscal health, but also our student’s ability to continue their education.

- MAP grants have not been awarded to students due to lack of a State funding
  - Annually, approximately 12,000 CCC students receive an average award of $800, totaling nearly $10 million
- The recent change in income levels for students to receive subsidized child care has made the overall cost of attending college more expensive
FY2016 Financial Update

• After four months of operations....
  – Credit enrollment, the largest driver of tuition revenue, is trending ~8% lower than budget
  • Related revenue is lower than plan by 17% due to
    – lower full-time enrollment, which is only partially offset by higher than budgeted one-course takers
    – the one-time fall semester tuition cap for returning students that registered early and
    – international students being granted the lower in-state tuition rate for the fiscal year
  – Expenses though September 30, 2015 are tracking below budget by $5 million primarily due to lower salary expense
  – Capital expenditures though October 30, 2015 of $35M are tracking with the capital budget
  – Illinois Budget Impasse
    • Cash flow impact
      – Investment maturities tiered to ensure adequate cash flow
    • Net earnings impact
      – The strategy to offset State Budget uncertainty is being implemented
Contingency Plan Approach

Without a State Budget CCC is being forced to reduce cost, which will impair academic progress under Reinvention.

CCCC has lost over $13 million in State funding since 2011.
• Internal savings under Reinvention have helped offset these funding cuts, however savings opportunities are decreasing
• City Colleges cannot continue to perform well against its five year targets in the face of further funding reductions

Due to the continued uncertainty around the State Budget, we are taking actions in an effort to maintain a balanced budget and strong balance sheet. While care will be taken in an effort to minimize the impact to academic outcomes where possible, budget reductions of this magnitude will impact our ability to serve CCC students.
The ongoing review of revenues and expenses has revealed a potential shortfall of $21M for FY2016, prior to any reduction in State funding.

- Property taxes are trending lower than budget through September, with large refunds issued to taxpayers during the quarter
- Enrollment/tuition has softened with the decrease in unemployment in the Chicagoland area

Depending on the size of the State funding reduction, CCC could be faced with a $24M to $82M revenue shortfall in FY2016. We have used a 15% State funding reduction to illustrate a scenario, out of all the potential state cut scenarios, for which we have calculated revenue budget shortfalls and a potential response.

Significant State cuts will impair the colleges ability to serve its students.
State Funding has been reduced by over $13M, 17% since 2011

- FY2016 State budgeted revenues represent 20% of City Colleges’ operating budget.
- The annual funding reductions from the state are the result of the Illinois Community College Board’s funding formula which disproportionately impacts City Colleges.
- To offset continued reductions in state funding, City Colleges implemented a new enrollment incentive pricing plan in July, 2015 to encourage timely completion, address declining revenue, and protect the financial strength of the Colleges.

- Includes Adult Education Funding
FY2016 Tuition revenue is currently forecasted to be $17.6M less than budget

• Enrollment is currently 8% below budget for headcount, with related revenues 13.9% below budget as enrollment of 12+ hrs. is 21% lower than budgeted.
Fall Tuition Revenue Variance Review

- Fall one-course enrollment to date is 21% above budget, 12+ credits 22% below budget.
- The Price variance for international students is due to granting students the out-of-state rate for the fall and spring semester.
## Areas to address potential state budget cuts and revenue shortfall

<table>
<thead>
<tr>
<th>Area</th>
<th>$ in millions</th>
<th>Comments / assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary salvage</td>
<td>$ 15.0</td>
<td>Based on prior year hiring pace.</td>
</tr>
<tr>
<td>Limit material and supplies spending</td>
<td>.8</td>
<td></td>
</tr>
<tr>
<td>Limit travel expense</td>
<td>.5</td>
<td>Will not impact student/SGA events or contractual professional development for faculty</td>
</tr>
<tr>
<td>Delay implementation of market-based compensation adjustment</td>
<td>1.5</td>
<td></td>
</tr>
<tr>
<td>Eliminate the Resources Allocation Fund (RAF)</td>
<td>4.0</td>
<td></td>
</tr>
<tr>
<td>Freeze vacant positions (excluding faculty)</td>
<td>8.2</td>
<td>200 positions, totaling $11.4 million in salary expense</td>
</tr>
<tr>
<td>Total potential savings</td>
<td>$ 30.0</td>
<td></td>
</tr>
</tbody>
</table>

Proposed budget cuts are prioritized to first target discretionary spending with the least impact on students and support services. Proposed areas for expense reductions include materials and supplies, travel, market-based compensation adjustments, and a hiring freeze.

- Immediate spending reductions and a hiring freeze, effective 12/1 could provide over $30M in savings.
Q & A
FY16 Capital Construction Progress
FY2014-2018 Capital Improvement Plan

November 10, 2015
The District’s Capital Plan is developed through a structured assessment and prioritization process.

<table>
<thead>
<tr>
<th>Assessment</th>
<th>Selection and Prioritization</th>
<th>Execution and Monitoring</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Existing capital assets and facilities by CCC engineers and consultants</td>
<td>• Project requests are reviewed by the college and at district level</td>
<td>• Detailed project plans are developed and the procurement process begins</td>
</tr>
<tr>
<td>• Technology infrastructure by CCC IT staff and consultants</td>
<td>• Prioritized based on:</td>
<td>• Active projects are monitored by dedicated project managers who coordinate workflow and report progress to stakeholders</td>
</tr>
<tr>
<td>• Campus security by CCC Security staff and consultants</td>
<td>• Life safety and compliance</td>
<td>• Quarterly, on-campus updates are conducted</td>
</tr>
<tr>
<td>• Academic environment by Reinvention/C2C, Academic Affairs, Administrative Services, Campus Administrators, faculty, etc.</td>
<td>• Accessibility</td>
<td>• Completed projects are reviewed and evaluated for lessons learned and to improve future project execution</td>
</tr>
<tr>
<td></td>
<td>• Strategic Vision</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Maintaining Infrastructure</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Impact on operations and cost savings</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Environmental sustainability</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Leveraging external funding</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Highly prioritized projects are assigned dollars in the budget and given a timeline</td>
<td></td>
</tr>
</tbody>
</table>
The five year Capital Plan allocates resources according to functional need and is reassessed annually to identify savings.

### 5 Year Capital Plan

#### ALL CAMPUSES

<table>
<thead>
<tr>
<th>FUNCTIONAL AREA</th>
<th>FY 2014</th>
<th>FY 2015</th>
<th>FY 2016</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equipment</td>
<td>5,222,000</td>
<td>1,806,000</td>
<td>1,791,000</td>
<td>2,278,000</td>
<td>2,259,000</td>
<td>13,356,000</td>
</tr>
<tr>
<td>Architectural &amp; Structural</td>
<td>30,800,000</td>
<td>13,892,000</td>
<td>7,643,000</td>
<td>5,939,000</td>
<td>8,685,000</td>
<td>66,959,000</td>
</tr>
<tr>
<td>Mechanical, Electrical and Plumbing</td>
<td>24,297,000</td>
<td>10,779,000</td>
<td>6,779,000</td>
<td>7,621,000</td>
<td>7,621,000</td>
<td>57,097,000</td>
</tr>
<tr>
<td>Environmental &amp; Compliance</td>
<td>362,000</td>
<td>-</td>
<td>180,000</td>
<td>63,000</td>
<td>63,000</td>
<td>668,000</td>
</tr>
<tr>
<td>Academic Enhancements</td>
<td>21,493,000</td>
<td>6,946,000</td>
<td>2,500,000</td>
<td>3,500,000</td>
<td>6,338,000</td>
<td>40,777,000</td>
</tr>
<tr>
<td>Information Technology</td>
<td>19,836,000</td>
<td>25,871,000</td>
<td>8,150,000</td>
<td>4,500,000</td>
<td>4,500,000</td>
<td>62,857,000</td>
</tr>
<tr>
<td>Security</td>
<td>10,434,000</td>
<td>4,468,000</td>
<td>-</td>
<td>-</td>
<td>2,135,000</td>
<td>17,037,000</td>
</tr>
<tr>
<td>New Facilities</td>
<td>35,240,000</td>
<td>126,152,000</td>
<td>125,300,000</td>
<td>10,200,000</td>
<td>-</td>
<td>296,892,000</td>
</tr>
<tr>
<td><strong>Original Capital Plan Total</strong></td>
<td>147,684,000</td>
<td>189,914,000</td>
<td>152,343,000</td>
<td>34,101,000</td>
<td>31,601,000</td>
<td>555,643,000</td>
</tr>
</tbody>
</table>

- **Actual Savings**<sup>1</sup> (5,000,000)
- **Budget Reductions**<sup>2</sup> (4,000,000)
- **Anticipated Savings**<sup>3</sup> (5,000,000)
- **Actual Roll-Over**<sup>4</sup> (53,906,000)
- **Anticipated Roll-Over**<sup>5</sup> (26,900,000)

| **Updated Capital Plan Total**         | $ 88,778,000 | $ 154,014,000 | $ 172,756,000 | $ 88,906,000 | $ 36,155,000 | $ 540,609,000 |

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<sup>1</sup> Actual savings were realized in FY2014 as a result of created efficiencies from completed projects and construction savings. Examples of project savings include: exterior lighting at Dawson Tech; gym renovation at Truman; and high mast lighting replacement at Daley.

<sup>2</sup> Budget reductions in FY2015 and FY2016 are in Information Technology spend. Reductions can be attributed to project scoping and phasing refinements.

<sup>3</sup> Anticipated savings will come from design and construction efficiencies as well as economies of scale. C2C strategy reduces overall capital investment requirements by not replicating same programs at multiple locations (e.g. healthcare).

<sup>4</sup> Actual Roll-Over in FY2014 as a result of design efforts and longer term projects.

<sup>5</sup> Anticipated Roll-Over as a result of design efforts and longer term projects.
The Capital Plan allocates resources in FY2016 across all our campuses according to functional needs.
Attention to improving building conditions in prior years allowed FY2016 capital resources to be focused on programmatic initiatives.

FY2016 Capital Plan Spending by Type of Requirement

- New Facilities or Expansions
- Academic Enhancements
- Advanced Technology
- Reinvention Initiatives

- Building Envelope Improvements
- Facility Infrastructure Work
- Campus Space Enhancements

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Spending</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>$130,894</td>
<td>76%</td>
<td>Programmatic</td>
</tr>
<tr>
<td>$41,862</td>
<td>24%</td>
<td>Conditional</td>
</tr>
</tbody>
</table>
The Capital Plan also includes projects that will continue and roll-overflow into FY2017

Fiscal Year 2016 Projects
Total Budget: $172,756,000
Total Encumbrance: $136,410,278
Total Spent: $36,610,211

345 Projects District Wide
(as of 11/15):
- 70 Completed/Closed
- 79 in Construction
- 27 in Design
- 4 on Hold
- 155 in Planning
- 10 in Feasibility

FY 2016 Committed Funds
- FY 15 Budget 100.0%
- Feasibility 1.4%
- Planning 21.0%
- Design 8.5%
- Construction 57.9%
- On Hold 5.8%
- Completed 5.4%
Carefully developed capital projects can create savings in annual operating expenses

<table>
<thead>
<tr>
<th>Campus/Project</th>
<th>Investment</th>
<th>Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daley – Exterior Envelope Rehabilitation</td>
<td>$4,250,000</td>
<td>Estimated Annual Impact: $35,000</td>
</tr>
<tr>
<td>New Malcolm X College – Walkable Green Roof and Storm Water Harvesting</td>
<td>Landscape: $2,771,883 Civil Engineering: $2,146,334</td>
<td>Estimated Annual Impact: $35,000-$40,000</td>
</tr>
<tr>
<td>Olive-Harvey TDL – Storm Water Mgmt. &amp; Energy Recovery Unit</td>
<td>$1,936,000</td>
<td>Estimated Annual Impact: $38,000</td>
</tr>
<tr>
<td>Truman – Curtain Wall Restoration</td>
<td>$6,200,000</td>
<td>Estimated Annual Impact: $45,000</td>
</tr>
<tr>
<td>Wright – Learning Resource Center Roof Upgrade</td>
<td>$5,500,000</td>
<td>Estimated Annual Impact: $30,000</td>
</tr>
<tr>
<td>District-Wide – Electrical Systems Preventative Maintenance</td>
<td>$2,100,000</td>
<td>Estimated Annual Impact: $50,000 - $200,000</td>
</tr>
</tbody>
</table>
As we continue to execute on the FY2016 capital plan, we are also developing the FY2017 plan.

**Quarter #1 Objectives:**
Make progress on District Wide and individual campus planning and major improvement - Larger Dollar Amount – more time consuming and Design intensive efforts

*Campus by Campus Capital Plan Presentations*

Q1 – July through September

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**Quarter #2 Objectives:**
Continue to manage and service Quarters #1 and 2 Projects – Major Equipment Acquisition and installation

*Capital Plan Stakeholder FY2017 Initiation Meetings*

Q2 – October through December

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**Quarter #3 Objectives:**
Continue to manage and service Quarters #1 and 2 Projects – Major Equipment Acquisition and installation

*Capital Plan Stakeholder FY2017 Initiation Meetings*

Q3 – January through March

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**Quarter #4 Objectives:**
Mobilize and Expedite Summer Construction Projects and Begin Preparations for FY16

*Capital Plan FY 2017 Budget Document Production*

Q4 – April through June

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Fiscal Year 2016
PROJECT PLANNING HIGHLIGHTS - FY16

Malcolm X College
- New Malcolm X College & School of Health Sciences

Harry S. Truman College
- Curtain Wall Restoration
- Auditorium Rehabilitation
- Gym. Rehabilitation
- Math Emporium

Harold Washington College
- Ground Floor Circulation Plan
- C2C Space
- Math Emporium

Olive – Harvey College
- New TDL Facility
- Library Renovation
- Security Access Control
- Cafeteria Upgrade
- Math Emporium

Kennedy-King College
- New Green Roof
- Security Access Control
- Black Box Theater
- Faculty Parking Lot Repaving
- New Energy Efficient Rooftop HVAC Systems
- Math Emporium

Richard J. Daley College
- Security Access Control
- Curtain Wall Rehabilitation
- Switchgear Replacement
- Cafeteria Upgrade
- Math Emporium

Wilbur Wright College
- Security Access Control
- Campus Space Plan
- Humboldt Park - Classroom Expansion
- Math Emporium

Wiley Wright College
- Security Access Control
- Campus Space Plan
- Humboldt Park - Classroom Expansion
- Math Emporium

CITY COLLEGES of CHICAGO
Education that Works
November 10, 2015

Committee on Finance & Administrative Services Meeting – Internal Audit Updates
Internal Audit Status Updates

• Internal Audit has completed the following audit activities since the last meeting of the Finance and Administrative Services Committee on August 27th, 2015:
  ➢ Information Technology General Controls (follow up on presentation made on August 27th, 2015)
  ➢ Payroll Process Review II
  ➢ External Penetration Assessment
  ➢ Network Security Assessment
  ➢ Kennedy-King College Business Office Review

• Internal Audit did not identify any material weaknesses in the controls surrounding the processes covered in the above audit activities.

• The findings and process improvement opportunities identified in these audit activities, 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.
### Status of Audit Follow-ups

<table>
<thead>
<tr>
<th>Name of Audit/Review</th>
<th>Report Date</th>
<th>Total # of Findings / Observations presented to Committee</th>
<th># of Open Findings / Observations as of the 08/27/2015 Finance &amp; Admin Services Committee Meeting</th>
<th># of Open Findings / Observations as of the 11/10/2015 Finance &amp; Admin Services Committee Meeting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student Financial Aid Verification Files Review</td>
<td>09/15/2014</td>
<td>5</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Veterans Affairs Education Benefits Review</td>
<td>10/14/2014</td>
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<tr>
<td>Employee Expense Reimbursements Review</td>
<td>10/21/2014</td>
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<td>COLA Retroactive Pay for NBF Employees Recalculation Analysis</td>
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<td>Arbitration Back Pay for Local 1600 Union Employees Recalculation Analysis</td>
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<td>Malcolm X College Business Office Review</td>
<td>10/17/2014</td>
<td>6</td>
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<tr>
<td>Child Care Centers Review</td>
<td>10/23/2014</td>
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<td>Wilbur Wright College Business Office Review</td>
<td>12/16/2014</td>
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<td>R2T4 Review</td>
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<td>Malcolm X College Construction Audit</td>
<td>02/10/2015</td>
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<td>Truman College Business Office Review</td>
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<tr>
<td>Student Financial Aid Verification Review FY 2015 – I</td>
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<td>Employee Expense Reimbursement Review</td>
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<tr>
<td>Student Financial Aid Verification Review FY 2015 – II</td>
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<tr>
<td>Payroll Process Review I</td>
<td>06/12/2015</td>
<td>5</td>
<td>5</td>
<td>2</td>
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<tr>
<td>Information Technology (IT) General Controls Review</td>
<td>06/29/2015</td>
<td>13</td>
<td>10</td>
<td>3</td>
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<tr>
<td><strong>Totals</strong></td>
<td><strong>78</strong></td>
<td><strong>26</strong></td>
<td><strong>9</strong></td>
<td><strong>9</strong></td>
</tr>
</tbody>
</table>

**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.