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COMMUNITY COLLEGE DISTRICT NO. 508
APRIL 4, 2019

April 4, 2019

Finance & Administrative Services Committee Meeting – Internal Audit Updates

Internal Audit Background

Mission

The Internal Audit department is an independent and objective assurance function designed to :

- Assess and measure organizational risk through periodic risk assessments with the goal of defining a risk-based internal audit plan.
- Evaluate the effectiveness of internal controls and business processes designed to help management meet operational, financial, compliance, and strategic objectives.
- Assess compliance with applicable laws, regulations, contracts, grants, and organizational policies and procedures.

IA's work is performed in accordance with the Institute of Internal Auditors standards

Team

Gina Gentile, Director, Internal Audit

Dulce Niedzialkowski, Manager, Internal Audit

Kristine Gutierrez, Senior Internal Auditor

Internal Audit Follow-up Status

Name of Audit/Review	Report Date	Total # of Findings	# of Open Findings
Procurement Practices Review	08/17/2016	2	1
Employee Payroll Transition Advance Review	03/10/2017	2	1
Special Assignment Completions Review	01/12/2018	10	9
Totals		14	11

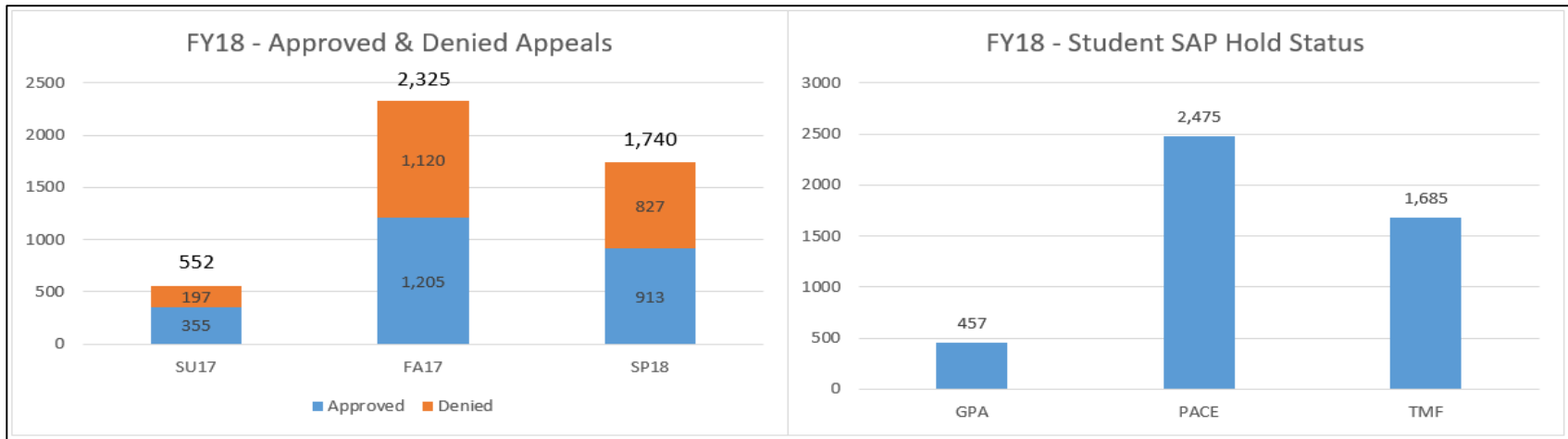
Note:

The findings marked open have pertinent action steps still underway and have not yet been completed.

Satisfactory Academic Progress – Internal Audit Results & Recommendations

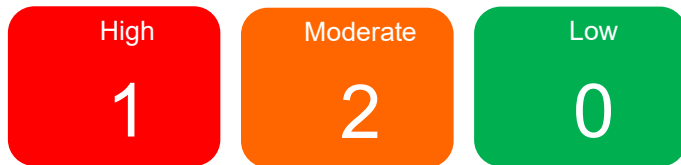
SAP Audit – Background

- Satisfactory Academic Progress (SAP) is a federal regulation requiring colleges and universities participating in Title IV programs to monitor the progress of each student receiving financial aid.
- Progress is determined by the following: GPA (2.0 cumulative), Pace (67%/attempted), Timeframe (150%).
- Students failing to meet one or more of CCC’s federally guided minimum academic standards will incur a hold on their account and they will be ineligible for future financial aid. A student can appeal the hold, however the appeal must contain a mitigating circumstance and valid supporting documentation.
- The campuses currently review the student’s appeal and either approves or denies the request based on CCC’s SAP guidelines. In total 4,617 appeals were submitted throughout FY18.



Detailed Findings & Recommendations

IA noted a total of three (3) findings requiring action by management:



SAP Audit – Findings Highlights

SAP Background

Audit Findings

Inconsistencies in the SAP Hold Appeal Decision Process

Rating: High

Finding	Key Recommendations
<ul style="list-style-type: none"> 21 out of 113 (19%) approved decisions should have been denied for not applying one or more of CCC’s SAP established guidelines. <ul style="list-style-type: none"> ✓ Due to the inconsistencies during the review process, CCC may have disbursed financial aid funds to ineligible students during the semester of Spring 2018. <p><i>Risk: An inconsistent SAP hold decision process increases the risk of providing financial aid to ineligible students and may result in owing funds to the U.S. Department of Education.</i></p>	<ul style="list-style-type: none"> Student Financial Services should provide an annual training workshop for all staff involved in the SAP appeal review process to ensure consistency of decisions across all campuses and to determine if any changes are needed in CCC’s SAP Policy Manual to align with the DOE. Student Financial Services should perform periodic audits to monitor appeal decisions to ensure consistent review process across all campuses.

Lack of Formalized Policies & Procedures

Rating: Moderate

Finding	Key Recommendations
<ul style="list-style-type: none"> • CCC does not have a formal SAP Policies & Procedures Manual, instead SAP guidelines are documented in a PowerPoint format used for training purposes. <ul style="list-style-type: none"> ✓ When comparing SP17 (district review) to SP18 (campus review), it was determined that Olive Harvey’s approval rate increased by 17% while Truman’s denial rate increased by 19%. This could be attributed to the lack of formalized policies & procedures and/or training. <p><i>Risk: Lack of formally approved and documented policy and procedures along with multiple sources of information could lead to procedural inconsistencies, unauthorized transactions, and/or an ineffective control environment.</i></p>	<ul style="list-style-type: none"> • Student Financial Services should create a formal, robust SAP Policies and Procedures Manual that covers the entire SAP appeals review process. • The manual should include more detailed guidance on the type of documentation required, situations and circumstances that are considered a mitigating circumstance, as well as any other areas of the review process that have been misinterpreted across campuses (ex. Timeframe of mitigating circumstance). • The creation of an updated academic plan and new policy should include participation from all campuses and in collaboration with various departments such as Student Financial Services, Academic Affairs, and Advising and Student Success.

No Monitoring and Lack of Formal Academic Improvement Plan

Rating: Moderate

Finding	Key Recommendations
<ul style="list-style-type: none"> • Currently, CCC does not have a formal process to implement or monitor a student’s AIP. After an appeal is approved students receive an automated e-mail reiterating the need for an AIP completion. However, there is no process in place to ensure this is carried out. <ul style="list-style-type: none"> ✓ 6 out of 7 (86%) campuses did not have a documented AIP for students that were not meeting SAP standards. • IA benchmarked CCC’s SAP appeal review process against other community colleges and noted best practices shared amongst the institutions followed a formal implementation of an AIP that was submitted as part of the appeal. <ul style="list-style-type: none"> ✓ 11 out of 12 (92%) colleges required students to submit their AIP with the SAP appeal form. ✓ 10 out of the 11 (91%) colleges required the completion of the AIP with an academic advisor. <p><i>Risk: To qualify for further financial aid, the DOE requires the student to meet the conditions of the AIP if the school exercises the academic plan option. Without a formal AIP process, students may not be provided with sufficient academic counseling to maintain their SAP standards and to ensure continued academic success leading to degree completion.</i></p>	<ul style="list-style-type: none"> • Student Financial Services should review the current AIP and develop an AIP policy which lays out the process and specifies the conditions under which an academic plan can be approved. The creation of an updated academic plan and new policy should include participation from all campuses and in collaboration with various departments such as Student Financial Services, Academic Affairs, and Advising and Student Success. • Key Performance Indicators (KPI) related to student success rates should also be established to monitor improvement of student performance due to AIP implementation and counselor/student interaction.

Risk Assessment Process Results

Risk Assessment Background

Risk Assessment Background

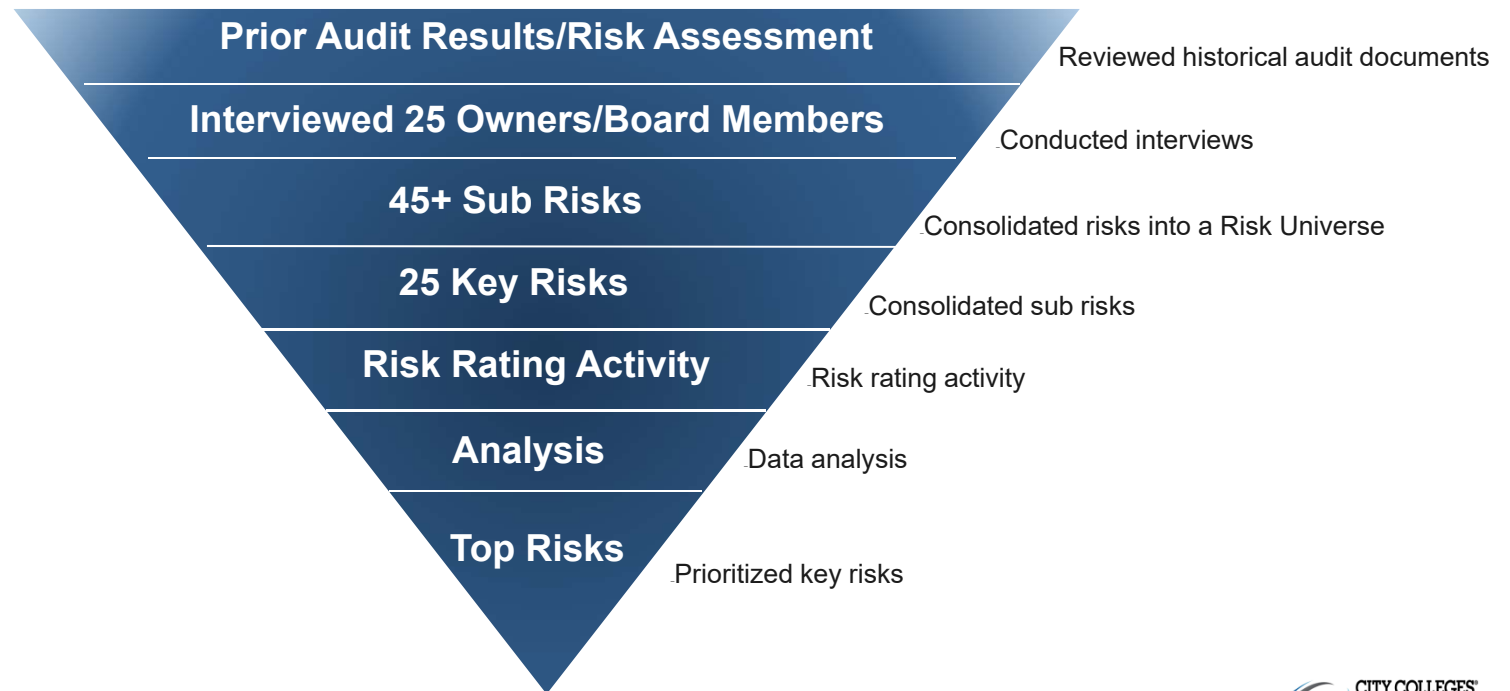
Risk Assessment Results

Next Steps

The primary objectives of the Risk Assessment were:

- Provide management with insight on key risks and opportunities at CCC as part of an overall risk management process.
- Assist Internal Audit in defining a risk-based audit plan for the upcoming audit year

High-level Risk Assessment Process



Risk Universe

Risk Assessment Background

Risk Assessment Results

Next Steps

External

- | | | |
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| <ul style="list-style-type: none"> ▪ Catastrophic Events/Loss ▪ Economic Conditions ▪ Emerging Health Hazards | <ul style="list-style-type: none"> ▪ Media Relations ▪ Political ▪ School Safety and Youth Violence | <ul style="list-style-type: none"> ▪ Social Media ▪ Social Unrest/Civil Disobedience |
|--|--|--|

Internal

Strategic	Operational				Financial
<ul style="list-style-type: none"> ▪ Academic Program Strategy/Changes ▪ Brand and Marketing Communications ▪ Planning ▪ Capital Improvement Program ▪ City Colleges of Chicago Foundation ▪ Real Estate Strategy and Capital Investments ▪ Publicity ▪ Strategic Partnerships and Collaborative Arrangements ▪ Student Health & Safety 	<ul style="list-style-type: none"> ▪ Accessibility ▪ Building and Ground Maintenance ▪ Communication and External Affairs 	<ul style="list-style-type: none"> ▪ Disaster/Crisis Preparedness ▪ Family and Community Involvement ▪ Food Services 	<ul style="list-style-type: none"> ▪ Outsourcing ▪ Policy and Procedures ▪ Position Control ▪ Procurement ▪ Records Retention ▪ Safety and Security 	<ul style="list-style-type: none"> ▪ School & Faculty Admin ▪ Sports Administration ▪ Student Support Services ▪ Student Transfers 	<ul style="list-style-type: none"> ▪ Accounts Payable ▪ Accounts Receivable ▪ Budgeting ▪ Cash Management ▪ Capital Management ▪ Credit Risk ▪ Debt Management ▪ Donations ▪ Expense Management ▪ Financial Reporting ▪ Fixed Asset Inventory ▪ Fundraising ▪ Insurance ▪ Payroll ▪ Pension Funding ▪ Revenue ▪ Treasury
	Academic & Student Support <ul style="list-style-type: none"> ▪ Counseling & Advising ▪ Core Courses ▪ Adult Education ▪ Student Admission/Enroll. ▪ Student Assessment ▪ Student Engagement 	People <ul style="list-style-type: none"> ▪ Code of Conduct ▪ Compensation ▪ Labor Relations ▪ Performance Management ▪ Personal Record Mgmt. ▪ Recruitment & Retention ▪ Training & Development 	Information Technology <ul style="list-style-type: none"> ▪ Application Admin. ▪ Business Continuity ▪ Cyber Security ▪ Data Admin & Integrity ▪ Operations & Support ▪ Organization & Govern. ▪ Segregation of Duties ▪ Vendor Management ▪ IT Planning 	Compliance <ul style="list-style-type: none"> ▪ ADA ▪ Board Reporting ▪ Contract Mgmt ▪ Ethics ▪ FMLA/Work. Comp. ▪ Federal & State Grants ▪ DOE ▪ ICCB ▪ Title IV ▪ SAP 	

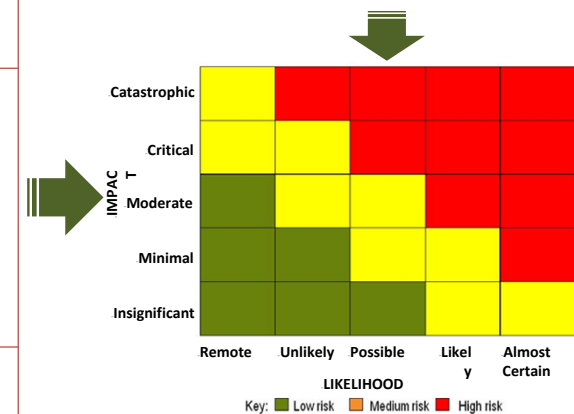
The risks stated within represent inherent risks, or risks that could occur at some point in time based on various internal and external factors and events. The purpose of the organizational-wide risk universe is to assist leadership and management in identifying, categorizing, and addressing risk and opportunities. Not all risks presented are risks that may be occurring at this point in time.



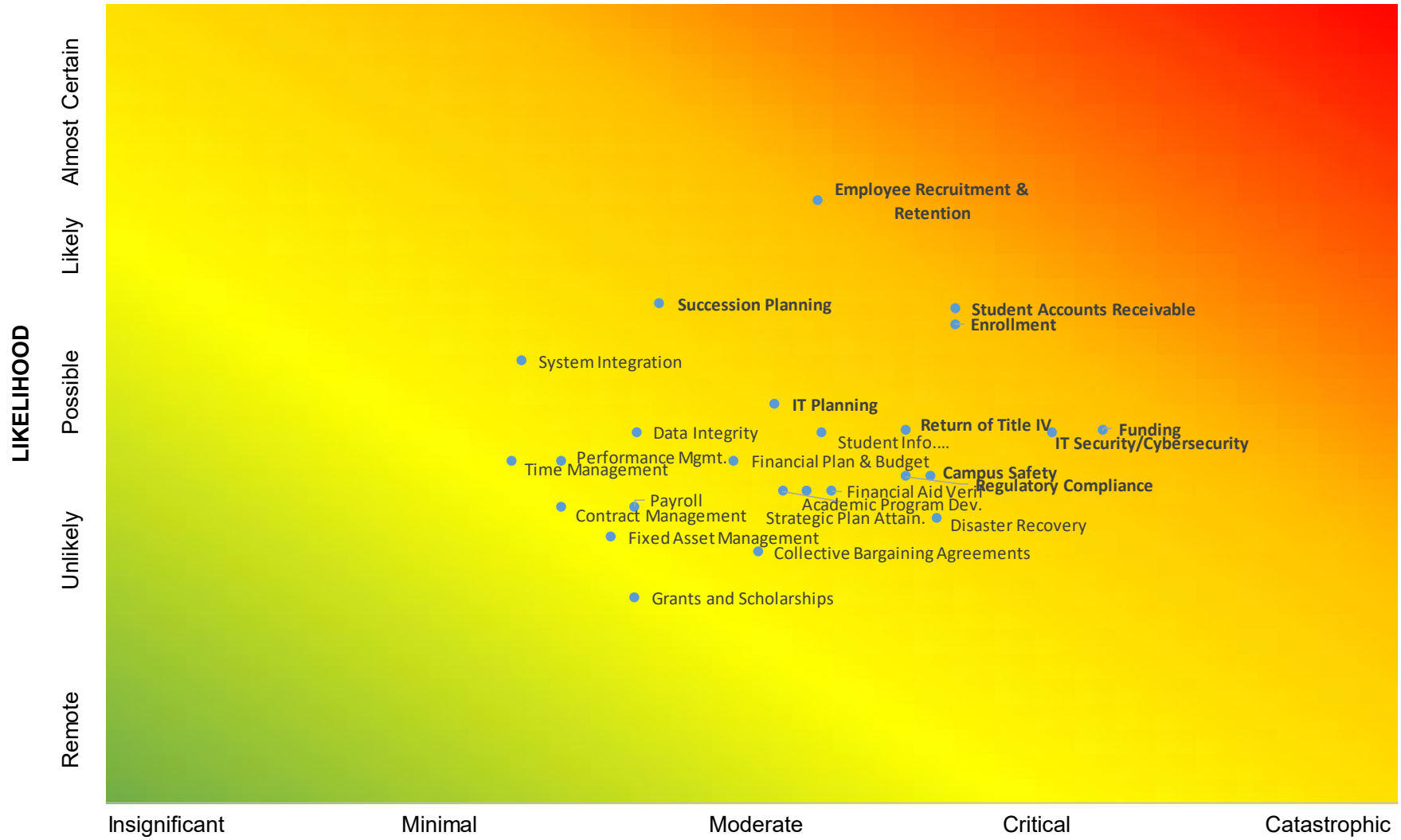
Risk Criteria - Impact & Likelihood

Risk or Threat – Impact on Business Processes		
Level	Description	Risk measures
1	Insignificant	<ul style="list-style-type: none"> Minimal impact on ability to meet strategic goals/execute priority initiatives Little or no impact to reputation or operations Little or no impact on cash flow Little or no impact to school quality performance Not reportable – requires primarily senior and middle management attention
2	Minimal	<ul style="list-style-type: none"> Low impact on ability to meet strategic goals or execute priority initiatives Potential impact to reputation or operations Low impact on short term cash flow Visible educational impact to small number of students Requires senior and middle management attention, executive management is likely aware of the issue
3	Moderate	<ul style="list-style-type: none"> Moderate impact on ability to meet strategic goals or execute priority initiatives Impact in the short to mid-term to reputation or operations Moderate impact to cash flow/debt covenant compliance Visible educational impact to a large number students Requires executive management attention, Board is likely aware of the issue
4	Critical	<ul style="list-style-type: none"> Significant impact on ability to meet strategic goals/execute priority initiatives Major damage to reputation or operations Not able to meet short term cash flow needs/not able to comply with debt covenants Regulators impose fines on the organization Significant educational impact to a large number of students Requires active involvement of executive management and Board in issue remediation
5	Catastrophic	<ul style="list-style-type: none"> Catastrophic impact on ability to meet strategic goals/execute priority initiatives Significant loss of reputation or operations Adverse publicity on a nationwide basis Requires significant investment to recover Imminent cash flow/debt covenant problems Significant enforcement actions and/or fines are brought against the organization Requires immediate and ongoing executive management and Board attention

Risk or Threat – Likelihood of Occurrence		
Level	Description	Risk measures
1	Remote	Event may only occur in exceptional circumstances (<5%)
2	Unlikely	Event could occur at some time (5-25%)
3	Possible	Event will likely occur at some time (25-50%)
4	Likely	Event will probably occur in most circumstances (50-90%)
5	Almost Certain	Event is expected to occur in most circumstances (>90%)

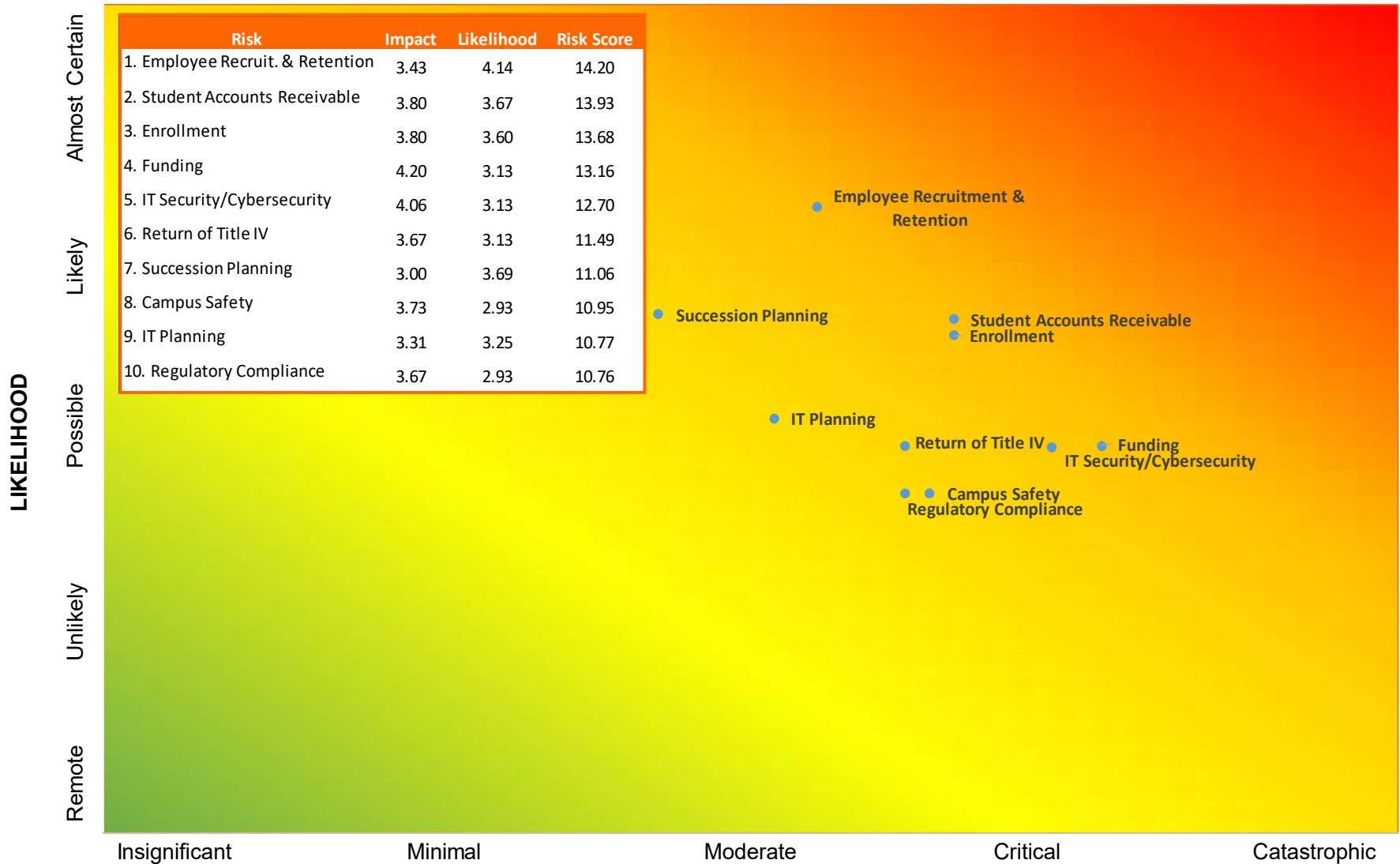


Top 25 Enterprise Risks



IMPACT

Top 10 Enterprise Risks



Internal Audit Plan/Activities

Risk Assessment Background	Risk Assessment Results	Next Steps
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FY 2019	FY 2020
Satisfactory Academic Progress Appeal Process	Campus Review (4)
Risk Assessment	On & Off Boarding Process & Controls
Revamp Campus Audit Program	Accounts Receivable Review
Campus Review (3)	Return of Title IV
External Audit (200 hrs.)	External Audit (200 hrs.)