

**Single Audit Act Supplementary
Financial and Compliance
Report Section**

**Report On Internal Control Over Financial Reporting and on Compliance and Other Matters Based
on an Audit of Financial Statements Performed In Accordance With *Government Auditing
Standards***

Independent Auditor's Report

To the Board of Trustees
City Colleges of Chicago
Community Colleges District No. 508

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of City Colleges of Chicago, Community College District No. 508 (City Colleges), as of and for the year ended June 30, 2018, and the related notes to the financial statements and have issued our report thereon dated October 15, 2018. Our report includes an emphasis of a matter paragraph relative to the adoption of the reporting and disclosure requirements of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which required a restatement to opening net position. Our opinion is not modified with respect to this matter.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City Colleges' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City Colleges' internal control. Accordingly, we do not express an opinion on the effectiveness of City Colleges' internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City Colleges' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Chicago, Illinois
October 15, 2018

**Report On Compliance For Each Major Federal Program and Report On Internal Control Over
Compliance Required By The Uniform Guidance**

Independent Auditor's Report

To the Board of Trustees
City Colleges of Chicago
Community College District No. 508

Report on Compliance for Each Major Federal Program

We have audited City Colleges of Chicago, Community College District No. 508's (City Colleges) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City Colleges' major federal programs for the year ended June 30, 2018. City Colleges' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City Colleges' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City Colleges' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City Colleges' compliance.

Opinion on Each Major Federal Program

In our opinion, City Colleges complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2018-001, 2018-002, 2018-003, and 2018-004. Our opinion on each major federal program is not modified with respect to these matters.

City Colleges' responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. City Colleges' responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them

Report on Internal Control Over Compliance

Management of City Colleges is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City Colleges' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City Colleges' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses. However, significant deficiencies or material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

RSM US LLP

Chicago, Illinois
October 15, 2018

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2018**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity's Identifying Number	Federal Project Grantor's Number	Total Expenditures	Pass - Through To Subrecipients
U.S. Department of Education -					
Student Financial Assistance Cluster:					
Federal Pell Grant Program	84.063				
Kennedy King College			P063P176807	\$ 6,370,252	\$ -
Olive Harvey College			P063P176999	4,168,693	-
Harold Washington College			P063P176870	15,698,007	-
Truman College			P063P176996	6,205,201	-
Malcolm X College			P063P176907	11,342,686	-
Wright College			P063P176997	11,947,781	-
Daley College			P063P176878	5,038,947	-
Total Federal Pell Grant				<u>60,771,567</u>	<u>-</u>
Federal Work-Study Program	84.033				
Kennedy King College			P033A171193	203,170	-
Olive Harvey College			P033A171249	74,709	-
Harold Washington College			P033A171193	326,199	-
Truman College			P033A171100	267,912	-
Malcolm X College			P033A171212	152,005	-
Wright College			P033A171316	258,122	-
Daley College			P033A171287	64,813	-
Total Federal Work-Study Program				<u>1,346,930</u>	<u>-</u>
Federal Supplemental Educational Opportunity Grants Program	84.007				
Kennedy King College			P007A171193	221,113	-
Olive Harvey College			P007A171249	146,034	-
Harold Washington College			P007A171207	455,018	-
Truman College			P007A171100	230,921	-
Malcolm X College			P007A171212	279,578	-
Wright College			P007A171316	335,732	-
Daley College			P007A171287	210,037	-
Total Federal Supplemental Educational Opportunity Grants				<u>1,878,433</u>	<u>-</u>
Federal Direct Student Loans					
Kennedy King College	84.268		P268K186807	1,310,053	-
Olive Harvey College	84.268		P268K186999	1,004,162	-
Harold Washington College	84.268		P268K186870	1,338,395	-
Truman College	84.268		P268K186996	1,074,978	-
Malcolm X College	84.268		P268K186907	2,092,304	-
Wright College	84.268		P268K186997	672,661	-
Daley College	84.268		P268K186878	182,635	-
Total Federal Direct Student Loans				<u>7,675,188</u>	<u>-</u>
Total Student Financial Assistance Cluster:				<u>71,672,118</u>	<u>-</u>

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2018**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity's Identifying Number	Federal Project Grantor's Number	Total Expenditures	Pass - Through To Subrecipients
TRIO Cluster:					
TRIO - Student Support Services					
Student Support Services Program	84.042A		P042A151046-16	26,057	-
Student Support Services Program	84.042A		P042A151046-17	220,132	-
Student Support Services Program	84.042A		P042A150138-16	15,259	-
Student Support Services Program	84.042A		P042A150138-17	208,320	-
	Subtotal 84.042A			<u>469,768</u>	<u>-</u>
TRIO - Talent Search Program:					
Talent Search Grant	84.044A		PO44A160557	39,912	-
Talent Search Grant	84.044A		PO44A160557-17	311,388	-
	Subtotal 84.044A			<u>351,300</u>	<u>-</u>
TRIO - Educational Opportunity Centers					
Educational Opportunity Centers Program	84.066A		PO66A160284	29,906	-
Educational Opportunity Centers Program	84.066A		PO66A160284-17	212,495	-
	Subtotal 84.066A			<u>242,401</u>	<u>-</u>
Total TRIO Cluster				<u>1,063,469</u>	<u>-</u>
Adult Education - Basic Grants to States					
Passed through the Illinois Community College Board					
Adult Education Grant - Basic	84.002A	F5080118	F5080118	1,592,665	-
	Total 84.002A			<u>1,592,665</u>	<u>-</u>
Higher Education Institutional Aid					
Wright Start: Increasing Hispanic Student Success in the First Year of College	84.031S		P031S120098-16	98,478	-
Wright Start: Increasing Hispanic Student Success in the First Year of College	84.031S		P031S120098-16	233,863	-
	Subtotal 84.031S			<u>332,341</u>	<u>-</u>
Higher Education Institutional Aid					
Truman College Critical Reading and Science Centers	84.031S		P031S150026-16	77,394	-
Truman College Critical Reading and Science Centers	84.031S		P031S150026-17	479,624	-
	Subtotal 84.031S			<u>557,018</u>	<u>-</u>
Total 84.031S				<u>889,359</u>	<u>-</u>
Career and Technical Education - Basic Grants to States					
Passed through the Illinois Community College Board					
Perkins III Grant	84.048	CTE50818	CTE50818	2,482,327	-

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2018**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity's Identifying Number	Federal Project Grantor's Number	Total Expenditures	Pass - Through To Subrecipients
Career and Technical Education					
Passed through the Illinois Community College Board					
Perkins Leadership Improvement Grant	84.048	CTE-IG-50818	CTE-IG-50818	4,663	-
	Total 84.048			<u>2,486,990</u>	<u>-</u>
Strengthening Minority-Serving Institutions					
Olive Harvey College	84.382A		P382A150033-16	117,743	-
Olive Harvey College	84.382A		P382A150033-17	387,271	-
	Subtotal 84.382A			<u>505,014</u>	<u>-</u>
Strengthening Minority-Serving Institutions					
Pipeline to Careers in Healthcare	84.382A		P382A150024-16	143,152	-
Pipeline to Careers in Healthcare	84.382A		P382A150024-17	468,796	-
	Subtotal 84.382A			<u>611,948</u>	<u>-</u>
	Total 84.382A			<u>1,116,962</u>	<u>-</u>
Total Expenditures - U.S. Department of Education				<u>78,821,563</u>	<u>-</u>
U.S. Department of Health and Human Services -					
Head Start					
Passed through the City of Chicago Department of Family and Support Services:					
Head Start Program	93.600	33362-2		277,292	-
Head Start Program	93.600	33362-3		488,459	-
Head Start Support Services Program	93.600	33576-2		129,762	-
Head Start Support Services Program	93.600	33576-3		130,728	-
Early Head Start Support Services - Child Care Partnership	93.600	37613-3		102,614	-
Early Childhood Support Services	93.600	52755-1		16,575	-
Early Head Start Grant	93.600	52755-2		17,867	-
	Total 93.600			<u>1,163,297</u>	<u>-</u>
Child Care					
Passed through the City of Chicago Department of Family and Support Services:					
Child Care Services Program	93.596	28412-5		16,757	-
Oral Health					
Passed through Illinois Department of Public Health:					
Oral Health Workforce Grant	93.236	83489101F		5,478	-
Oral Health Workforce Grant	93.236	83489101F		15,182	-
	Total 93.236			<u>20,660</u>	<u>-</u>
Total Expenditures - U.S. Department of Health and Human Services				<u>1,200,714</u>	<u>-</u>

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2018**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity's Identifying Number	Federal Project Grantor's Number	Total Expenditures	Pass - Through To Subrecipients
U.S. Department of Agriculture -					
Passed through the Illinois State Board of Education					
Child and Adult Care Food Program	10.558	15016508051		17,852	-
Child and Adult Care Food Program	<u>10.558</u>	15016508051		133,763	-
	Total			<u>151,615</u>	-
Total Expenditures - U.S. Department of Agriculture				<u>151,615</u>	-
National Science Foundation -					
Education and Human Resources					
Advanced Technological Education Program			DUE-1550438	6,148	-
Total Expenditures - National Science Foundation				<u>6,148</u>	-
Office of Naval Research -					
Midwest Association for Science and Services (Critical Mass)	12.300		N00014-16-1-3077	279,303	-
Total Expenditures - Research and Development Cluster				<u>279,303</u>	-
Highway Planning and Construction					
Passed through the Illinois Community College Board					
Highway Construction Careers Training Program	20.205		S-HCCTP-508	290,611	-
National Endowment for the Humanities					
NEH Humanities Grant	45.162		AC-258931-18	23,823	-
Passed through University of Illinois Urbana-Champaign					
Passed through Illinois Institute of Technology					
high altitude ballooning	43.008		NNX14AR13A	12,120	-
Total Expenditures - Other Federal Agencies				<u>326,554</u>	-
Total All Programs				<u>\$ 80,785,897</u>	<u>\$ -</u>

See Notes to the Schedule of Expenditures of Federal Awards.

City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2018

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Scope of Entity

City Colleges of Chicago, Community College District No. 508 (City Colleges) is a separate taxing body created under the Illinois Public Community College Act of 1965, with boundaries coterminous with the City of Chicago. City Colleges delivers educational and student services through seven colleges, each of which is separately accredited by the North Central Association. The seven colleges are Richard J. Daley College, Harold Washington College, Kennedy-King College, Malcolm X College, Olive-Harvey College, Harry S. Truman College, and Wilbur Wright College. The Board of Trustees, appointed by the Mayor of the City of Chicago and ratified by the City Council of Chicago, is responsible for establishing the policies and procedures by which City Colleges is governed. The U.S. Department of Education has been designated as the City Colleges' cognizant agency for the audit performed in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Fiscal period audited: Single Audit testing procedures were performed for program transactions that occurred during the fiscal year ended June 30, 2018.

Note 2. Summary of Significant Accounting Policies

Basis of accounting: The accompanying schedule of expenditures of federal awards includes the federal grant activity of City Colleges and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. The amounts presented in this schedule have been reconciled to the City Colleges' basic financial statements.

Cost allocation: City Colleges has a plan for allocation of common and indirect costs related to grant programs in accordance with the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The indirect cost rate used to allocate amounts to grant programs during the fiscal year ended June 30, 2018, is primarily based on a federally negotiated higher education rate agreement of 50.5%. Because the College negotiated an indirect cost rate it cannot elect to use the 10% de minimus rate.

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2018**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS *(Continued)*

Note 3. Student Loan Programs

Loans made under the Federal Direct Student Loan program issued to eligible students of City Colleges during the fiscal year ended June 30, 2018, are summarized as follows:

Guaranteed Loan Programs:	
Subsidized	\$ 4,000,797
Unsubsidized	3,631,565
Parent Plus	42,826
Total Federal Student Loan Programs	<u>\$ 7,675,188</u>

The loan programs include subsidized and unsubsidized Stafford Loans and Parent PLUS Loans. The value of loans issued for the Federal Student Loan Program is based on disbursement amounts. The loan amounts issued during the year are disclosed on the schedule. City Colleges is responsible only for the performance of certain administrative duties with respect to the federally guaranteed student loan programs and, accordingly, balances and transactions relating to these loan programs are not included in City Colleges' basic financial statements. Therefore, it is not practicable to determine the balance of loans outstanding to students and former students of City Colleges at June 30, 2018.

Note 4. Other Noncash Assistance

City Colleges did not receive federal noncash assistance during the fiscal year ended June 30, 2018.

Note 5. Amount of Federal Insurance in Effect During the Year

No federal insurance was received by City Colleges during the year ended June 30, 2018.

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2018**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*

Section II. FINANCIAL STATEMENT FINDINGS

There were no financial statement findings required to be reported in accordance with *Government Auditing Standards*.

Section III. FEDERAL AWARD FINDINGS

There were no internal control significant deficiencies or material weaknesses over the federal awards identified for fiscal year 2018. The compliance findings identified are as follows:

Finding 2018-001 – Eligibility

Repeat Finding: No

Federal Program Title – U.S. Department of Education

Federal Pell Grant Program: 84.063

Federal Work-Study Program 84.033

Federal Supplemental Education Opportunity Grants Program 84.007

Federal Direct Student Loans: 84.268

Federal Award Year 2017-2018

Condition

The College was unable to provide verification documents for one student whose Institutional Student Information Record (ISIR) was selected for verification testing.

Criteria

34 CFR Section 668.57 states that if an applicant is selected to verify any of the specified criteria, the College must obtain specified documentation based on the verification flag type on the Institutional Student Information Record (ISIR).

Questioned Costs

\$1,680

Cause

City Colleges does not retain student verification documents electronically and the College was unable to locate the physical verification documents submitted by the student.

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2018**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*

Section III. FEDERAL AWARD FINDINGS (CONTINUED)

Prevalence

Isolated. One out of forty student testing selections.

Effect

Noncompliance with federal regulations could result in the loss of future federal financial aid funding.

Recommendation

We recommend City Colleges implement procedures to ensure that all verification completion documents are retained subsequent to award disbursement.

Views of responsible officials

We agree with this finding. See corrective action plan.

Finding 2018-002 – Use of Federal Work Study Funds

Repeat Finding: Yes, partial.

Federal Program Title – U.S. Department of Education
Federal Work-Study Program 84.033
Federal Award Year 2017-2018

Condition

During review of the Federal Work Study (FWS) program, we noted that at one of the seven campuses, the College did not employ a student in a reading tutor or family literacy project.

Criteria

34 CFR section 675.18 states that City Colleges must use at least seven percent of the sum of its initial and supplemental FWS allocations for an award year to compensate students employed in community service activities. In meeting this requirement, the College must include at least one of the following:

- a.) The reading tutoring project employs one or more FWS students as reading tutors for children who are preschool age or who are in elementary school, or,
- b.) The family literacy project employs one or more FWS students in family literacy activities.

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2018**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*

Section III. FEDERAL AWARD FINDINGS (CONTINUED)

Questioned Costs

There were no questioned costs with respect to this finding.

Cause

City Colleges' employees did not have adequate training on the requirements for the use of FWS program funds and they could not find students to meet the requirements.

Prevalence

Isolated. This finding was prevalent at one out of seven campuses.

Effect

Noncompliance with federal regulations could result in the loss of future federal financial aid funding.

Recommendation

To meet the requirements of the FWS program, we recommend that City Colleges train employees over FWS program requirements and hire personnel to fill reading tutor positions.

Views of responsible officials

We agree with this finding. See corrective action plan.

Finding 2018-003 – Enrollment Reporting

Repeat Finding: Yes

Federal Program Title – U.S. Department of Education

Federal Pell Grant Program: 84.063

Federal Work-Study Program 84.033

Federal Supplemental Education Opportunity Grants Program 84.007

Federal Direct Student Loans: 84.268

Federal Award Year 2017-2018

Condition

Three students out of forty tested withdrew from City Colleges for which status changes were not properly reported to the National Student Loan Data System (NSLDS).

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2018**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*

Section III. FEDERAL AWARD FINDINGS (CONTINUED)

Criteria

CFR section 685.309(b)(2) requires City Colleges to notify the lender within 30 days if City Colleges discovers that a student who received a loan either did not enroll or was not enrolled on at least a half-time basis. For official student status changes, City Colleges has 60 days to notify the lender if the next scheduled roster date is within 60 days of the date of determination.

Questioned Costs

There were no questioned costs related to testing of enrollment reporting.

Cause

The financial aid office does not have an effective system in place to ensure all official student status changes are reported to the lender in a timely manner.

Prevalence

Isolated. Three out of forty student testing selections.

Effect

Noncompliance with federal regulations could result in the loss of future federal financial aid funding. In addition, not reporting enrollment changes within the required timeframe can impact the specified student's loan deferment and repayment.

Recommendation

We recommend that City Colleges implement procedures to ensure the financial aid office is promptly notified of any student status changes, so the information may be reported to the lender in a timely manner. City Colleges should implement a review process to ensure all status changes are addressed by the financial aid office.

Views of responsible officials

We agree with this finding. See corrective action plan.

Finding 2018-004 – Reporting

Repeat Finding: No

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2018**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*

Section III. FEDERAL AWARD FINDINGS (CONTINUED)

Federal Program Title – U.S. Department of Education, Passed Through the Illinois
Community College Board
Career and Technical Education: 84.048
Federal Award Year: 2017 - 2018

Condition

City Colleges did not submit quarterly performance reports to the Illinois Community College Board (ICCB) in a timely manner.

Criteria

There are two grants associated with the Career and Technical Education: Perkins III Grant and Perkins Leadership Grant. Both grants require quarterly performance submissions to the Illinois Community College Board (ICCB).

Questioned Costs

There were no questioned costs related to testing of enrollment reporting.

Cause

City Colleges does not have an effective system in place to ensure that all performance reports have been submitted prior to published deadlines.

Prevalence

Systemic. The Perkins Leadership Grant was only applicable for two out of the four quarters of fiscal year 2018, City Colleges did not submit either quarterly report prior to the reporting deadline.

Effect

Noncompliance with federal regulations could result in the loss of future federal funding.

Recommendation

To ensure reporting requirements are met, we recommend designing and implementing controls to ensure quarterly reports are reviewed and submitted in a timely manner.

Views of responsible officials

We agree with this finding. See corrective action plan.



RSM US LLP
1 S. Wacker Drive, Suite 800
Chicago Illinois 60606

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS YEAR ENDED JUNE 30, 2018

Identifying Number: 2017-001 Accounts Payable

Audit Finding: City Colleges did not have adequate internal controls and procedures in place during fiscal year 2017 to ensure all unrecorded liabilities had been accounted for at year-end, or that the accounts payable subledger was reconciled to the trial balance.

Status: Corrected

Corrective Action Taken: The Finance department worked with the Office of Information and Technology to develop reports to identify exceptions, non-posting entries, and to reconcile the accounts payable subledger to the general ledger. Additionally, provided additional training to accounts payable staff on year-end posting and closing procedures to ensure transactions were recorded in the correct fiscal year.

Identifying Number: 2017-002 Enrollment Reporting

Audit Finding: During review of the Student Financial Aid Cluster, two students tested withdrew from City Colleges for which status changes were not reported to the National Student Loan Data System.

Status: Uncorrected, Repeat in fiscal year 2018. See finding 2018-003.

Identifying Number: 2017-003 Use of Federal Work Study Funds

Audit Finding: During review of the Federal Work Study Program (FWS), the following was identified:

- a) City Colleges did not employ a student in a reading tutor or family literacy project at five of seven campuses; and
- b) City Colleges did not use at least seven percent of the sum of its initial and supplemental FWS allocations for an award year to compensate students employed in community service activities at one campus.



**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2018 (continued)**

Status: Partially corrected, See finding 2018-002.

Corrective Action Taken: Partial repeat in fiscal year 2018. City Colleges did not employ a student in a reading tutor or family literacy project at one of seven campuses. See finding 2018-002. Off-site arrangements with other community organizations ensured that FWS funds were used for community service in excess of the required seven percent.

Identifying Number: 2017-004 Earmarking Requirement

Audit Finding: During review of the TRIO Student Support Services (SSS) and Talent Search (TS) program, the following was identified:

- a) Only twenty five percent of disabled participants served were also low-income at an SSS program;
- b) The Secretary in the Federal Register invited applications for competition but City Colleges only served fifty-one participants for a TS program; and
- c) Only sixty-three percent of participants in a TS program were low-income and potential first-generation college students.

Status: Corrected

Corrective Action Taken: In relation to the SSS program, City Colleges increased monitoring of participant eligibility. In relation to the TS program, City Colleges discontinued the program.

Identifying Number: 2017-005 Reporting Requirement

Audit Finding: During review of the Talent Search Program, it was noted that City Colleges did not sign the annual performance report that was submitted to the Department of Education.

Status: Corrected

Corrective Action Taken: The TRIO Talent Search Program at Kennedy-King College developed a revised system for submission of the Annual Performance Report to the Department of Education.



RSM US LLP
1 S. Wacker Drive, Suite 800
Chicago Illinois 60606

CORRECTIVE ACTION PLANS

Finding 2018-001 – Eligibility: The College was unable to provide verification documents for one student whose Institutional Student Information Record (ISIR) was selected for verification testing. 34 CFR Section 668.57 states that if an applicant is selected to verify any of the specified criteria, the College must obtain specified documentation based on the verification flag type on the ISIR.

Corrective Action Taken or Planned

City Colleges of Chicago has completed an RFP process to identify a vendor with a product/service that will allow students to complete CCC financial aid forms electronically and to scan and attach required documentation to an electronic form. We are in the process of implementing the contract and are on target to have all 2019-2020 financial aid documents stored electronically on the vendor's secure server. Financial aid staff will have 24-7 access to our stored documents and we will be able to print copies on demand, when needed for audit review.

Contact person: Robert Covey-Robbins
Anticipated completion date: 12/03/2018

Finding 2018-002 – Use of Federal Work Study Funds: During review of the Federal Work Study (FWS) program, we noted that at one of the seven campuses, the College did not employ a student in a reading tutor or family literacy project. 34 CFR section 675.18 states that City Colleges must use at least seven percent of the sum of its initial and supplemental FWS allocations for an award year to compensate students employed in community service activities. In meeting this requirement, the College must include at least one of the following:

- a.) The reading tutoring project employs one or more FWS students as reading tutors for children who are preschool age or who are in elementary school; or
- b.) The family literacy project employs one or more FWS students in family literacy activities.



CORRECTIVE ACTION PLANS *(Continued)*

Corrective Action Taken or Planned

The Financial Aid Director at Olive-Harvey College has worked with the Child Care Center at their campus to place a FWS student as a reading tutor there. Additionally, the Director has scheduled meetings with two community based organizations to discuss the possibility of placing additional reading and math tutors. Meetings are currently scheduled with Phalanx Family Services and Chicago Youth Center.

Contact person: Robert Covey-Robbins

Anticipated completion date: Minimum corrective action has already been met. Additional efforts will continue to ensure that the campus does not rely on just one student to meet the requirement.

Finding 2018-003 – Enrollment Reporting: Three students out of forty tested withdrew from City Colleges for which status changes were not properly reported to the National Student Loan Data System (NSLDS). CFR section 685.309(b)(2) requires City Colleges to notify the lender within 30 days if City Colleges discovers that a student who received a loan either did not enroll or was not enrolled on at least a half-time basis. For official student status changes, City Colleges has 60 days to notify the lender if the next scheduled roster date is within 60 days of the date of determination.

Corrective Action Taken or Planned

Timing issues are the primary cause of not fully meeting enrollment reporting requirements. A student may enroll in a class, attend one day, and then drop the class prior to the date that an enrollment reporting file is created. Students who drop classes prior to our transcript date do not appear to have attended at all and the student is omitted from the enrollment file.

We acknowledge the need to verify requirements to report enrollment and the processes to enable CCC to do so. Our information technology staff are reviewing specific requirements and how National Student Clearinghouse utilizes data to determine the best course of action to bring CCC into full compliance. While conducting analysis, a separate report will be run at the time NSC files are sent to identify students who withdrew between the beginning of a term and the transcript date of that term. Those students will be manually updated in NSC to reflect the correct enrollment status and effective date.



CORRECTIVE ACTION PLANS *(Continued)*

Contact person: Robert Covey-Robbins

Anticipated completion date: 7/01/2019 (Interim process in place immediately)

Finding 2018-004 – Reporting: City Colleges did not submit quarterly performance reports to the Illinois Community College Board (ICCB) in a timely manner for the Perkins Leadership Grant. The Perkins Leadership Grant requires quarterly financial and performance reports and midterm and final report.

Corrective Action Taken or Planned

The Apprenticeship and Workforce Solutions team at Harold Washington College has developed a revised system for submission of the quarterly financial and performance reports to the Illinois Community College Board (ICCB). The Coordinator-Grant Program will provide the Executive Director with a draft of both the quarterly financial and performance reports three weeks in advance of the required submission date. The Executive Director will review the reports no less than one week prior to the required submission date. Updates and revisions will be made by the Coordinator-Grant Program and resubmit to the ED for final review and sign off no later than three business days before submission. Using this revised system, the quarterly financial and performance submissions will be made timely to ICCB for CTE Grants.

Contact person: Paul Thompson III, Executive Director Apprenticeship and Workforce Solutions

Anticipated completion date: 10/1/18

