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COMMUNITY COLLEGE DISTRICT NO. 508

DECEMBER 10, 2020

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CITY COLLEGES OF CHICAGO

Presentation of the June 30, 2020 Audit with
RSM US LLP

December 2020

Today's Agenda

I. Audit Process

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

II. Required Communications

- Auditor Responsibility
- Significant Items Discussed with Management
- Management's Judgment and Accounting Estimates
- Other Required Communications

III. Internal Control Matters

IV. Single Audit Findings

Audit Engagement Team

- Joe Evans, Partner
- Kelly Kirkman, Senior Manager
- Jeff Slade, Manager
- Ronnie Christopher, Senior In-Charge
- Heidi Hobkirk, Engagement Quality Review Partner
- Subcontractors
 - MBE: Prado & Renteria (25%)
 - WBE: Benford Brown and Associates, LLC (7%)

Scope of Services, Timeline and Status

Scope of Services and Completion Dates

Area	Completion Dates
Comprehensive Annual Financial Report (CAFR)	November 30, 2020
Examination of ICCB Schedule of Enrollment	November 30, 2020
Illinois Community College Board (ICCB) Grant Financial and Compliance Audits	November 30, 2020
Two Program Specific Grant Audits	November 30, 2020
Youth Connections Charter School In Relation To Opinion	November 30, 2020
Single Audit Report	TBD
Single Audit Reporting Package (Data Collection Form Submission)	TBD

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 22, 2020
 - 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, 2020 financial statements

Significant Items Discussed with Management

- Impact of COVID-19
 - Remote working environment
 - Significant CARES Act funding
 - Student portion - \$4,143,783
 - Minority Serving Institution student portion - \$1,320,534
 - Institutional portion - \$2,034,712
 - Delays in the issuance of the COVID-19 Addendum to the 2020 OMB Compliance Supplement
 - Single audit will be completed upon issuance of that guidance

Significant Items Discussed with Management (continued)

- City of Chicago Early Learning Workforce Program grant - \$9,670,000
 - City Colleges portion - \$2,600,000
 - \$1,745,000 – to be used for scholarship funds
 - \$88,000 distributed as of June 30, \$1,657,000 deferred
 - \$855,000 – to be used for program costs
 - \$308,000 utilized as of June 30, \$547,000 deferred
 - Illinois Network of Chicago Care Resource and Referral Agencies (INCCRRA) portion - \$7,070,000
 - City Colleges passed entire amount of grant on to INCCRRA in 2020 after eligible costs incurred by INCCRRA

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:

- Student Accounts Receivable Allowance
- Valuation of Investment Securities
- Property tax allowance and Accrued property tax refunds
- Actuarially determined liabilities: other postretirement benefit obligations (OPEB)

Other Required Communications

Area**Comments**

**Adoption of, or Changes in,
Accounting Policies**

In May 2020, the Governmental Accounting Standards Board issued Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance that provides temporary relief in light of the COVID-19 pandemic. As a result of this adoption, the effective dates of various upcoming pronouncements was postponed.

Other Required Communications (continued)

Area

Comments

Audit Adjustments

Audit adjustments, other than those that are clearly immaterial, proposed by RSM and recorded by City Colleges are shown below.

Description	Effect - Increase (Decrease)				
	Assets	Liabilities	Net Position	Revenue	Expense
To remove reduction of cash for FY21 invoices improperly recorded as cash and accounts payable in FY20	\$ 581,193	\$ 581,193	\$ -	\$ -	\$ -
To correct FY20 invoices that were paid in FY21 but recorded as reduction of cash in FY20	419,986	419,986	-	-	-
To reverse receivable that was incorrectly recorded twice in accounts receivable and revenue	(217,863)	-	(217,863)	(217,863)	-
To remove FY21 invoices from expenses that should have been in prepaid expenses at year-end	496,771	-	496,771	-	(496,771)
To reclassify debit balance in direct loan revenue to a receivable at year-end	851,279	-	851,279	851,279	-
To recognize grant revenue earned in FY20 that was included in deferred revenue	-	(308,002)	308,002	308,002	-
To accrue additional FY20 INCCRRA expenditures payable at year-end	-	1,739,617	(1,739,617)	-	1,739,617
To reclass scholarships included in 3rd party clearing to deferred revenue at year-end	445,000	445,000	-	-	-
Statement of activities effect				\$ 941,418	\$ 1,242,846
Statement of net position effect	\$ 2,576,366	\$ 2,877,794	\$ (301,428)		

Other Required Communications (continued)

Area	Comments
Passed Adjustments	We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.
Preferability of Accounting Policies and Practices	Under GAAP, in certain circumstances, management may elect among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.
Alternative Treatments Discussed With Management	We noted no alternative treatments within GAAP for accounting policies and practices related to material items that were discussed with management during the current period.
Disagreements With Management	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.
Consultations With Other Accountants	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
Significant Issues Discussed With Management	No significant issues arising from the audit were discussed with or were the subject of correspondence with management.

Other Required Communications (continued)

Area	Comments
Significant Difficulties Encountered in Performing the Audit	We did not encounter any significant difficulties in dealing with management during the audit.
Significant Written Communication Between Management and Our Firm	A copy of a significant written communication between our firm and the management of City Colleges, the representation letter provided to us by management was attached as Exhibit A to the SAS 114 Report.

Internal Control Observations

- No material weaknesses over financial reporting or major programs were reported in FY 2020
- No significant deficiencies over financial reporting were reported in FY2020

Single Audit Findings

- Summary of prior year audit findings
 - Student Financial Aid
 - 2 corrected findings
 - Reporting of Disbursements to the Department of Education's Common Origination and Disbursement (2019-004)
 - Return of Funds (2019-005)
 - 4 repeated findings
 - Short Term Programs as Postsecondary Vocational Institutions (2019-001)
 - Post-withdrawal Disbursements (2019-002)
 - Enrollment Reporting (2019-003)
 - Direct Loan Quality Assurance System (2019-004)

Single Audit Findings (continued)

- RSM identified the following findings for fiscal year 2020 which were required to be reported in accordance with 2 CFR 200.516(a):
- **2020-001** Return of Title IV Funds - Enrollment Reporting
 - During review of City Colleges' Federal Student Financial Aid program, RSM identified the following:
 - City Colleges did not report status changes to the National Student Loan Data System (NSLDS)
 - Prevalence: 4 out of 60 students selected
 - College: Daley, Harold Washington, Kennedy King, and Truman
 - 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.

Single Audit Findings (continued)

- **2020-002** Return of Title IV Funds - Post-withdrawal disbursements
 - During review of City Colleges' Federal Student Financial Aid program, RSM identified the following:
 - City Colleges did complete a post-withdrawal disbursement within 45 days from the student's withdrawal date of determination
 - Prevalence: 4 out of 60 students selected
 - College: Daley, Harold Washington, and Malcolm X
 - Cause: oversight at the campus level

Single Audit Findings (continued)

- **2020-003** Direct Loan Quality Assurance System
 - During review of City Colleges' Federal Student Financial Aid program, RSM identified the following:
 - City Colleges does not have a formally documented direct loan quality assurance process
 - College: District and College level
 - Cause: City Colleges did not have a manual that formally documents their direct loan quality assurance system in place for the entire fiscal year

Single Audit Findings (continued)

- **2020-004 Eligibility**

- During review of City Colleges' Federal Student Financial Aid program, RSM identified the following:

- City Colleges disbursed a Pell grant subsequent to the student receiving a Pell grant at another institution.
 - Prevalence: 1 out of 60 students selected
 - College: Kennedy King
 - Cause: The student enrolled at City Colleges prior to also enrolling at another college. However, that college disbursed aid prior to City College's disbursement date. The Pell MRR (POP-Dual Enrollment) notification from the Department of Education was not automatically sent to City Colleges.

Single Audit Findings (continued)

- **2020-005** Short Term Programs at Postsecondary Vocational Institutions Awards
 - During review of City Colleges' Federal Student Financial Aid program, RSM identified the following:
 - City Colleges improperly disbursed Pell and SEOG Grants to students enrolled in short-term programs
 - Prevalence: 10 out of 12 students tested
 - College: Wilbur Wright and Truman
 - Cause: This was due to an oversight at the campus level. The campus was not aware that the short-term programs were only Direct Loan eligible until late into the 19-20 year upon receiving the Final Audit Determination FY19 on 8/24/2020 from Department of Education.
 - Questioned costs: \$34,004

Single Audit Findings (continued)


- **2020-006** Short Term Programs at Postsecondary Vocational Institutions Placement Rate
 - During review of City Colleges' Federal Student Financial Aid program, RSM identified the following:
 - The College did not have sufficient documentation to support the placement rate calculation for each student enrolled in a short-term program at a post-secondary vocational institution
 - Prevalence: 9 out of 9 students tested
 - College: Wilbur Wright and Truman
 - Cause: The financial aid office does not have an effective system in place to ensure all campuses are maintaining documentation for completion and placement rates

Single Audit Findings (continued)

- City Colleges has provided RSM with corrective action plans for findings 2020-001 through 2020-006

In Conclusion

- Smooth audit process overall
 - Worked closely with management
- Reports filed timely
- Thanks to everyone for their hard work!



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