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CITY COLLEGES OF CHICAGO

Presentation of the June 30, 2021 audit

RSM US LLP

December 2021

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

- Kelly Kirkman, Senior Manager
- Joe Evans, Partner
- Ronnie Christopher, Manager
- Rhian Pritchard, Senior In-Charge
- Linda Abernethy, Independent Report 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
Annual Comprehensive Financial Report (ACFR)	November 29, 2021
Examination of ICCB Schedule of Enrollment	Pending certification by ICCB
Illinois Community College Board (ICCB) Grant Financial and Compliance Audits	Complete – issuance pending ICCB certification
Two Program Specific Grant Audits (Youth Scholar Skills and Re-Enrolled Student Project Youth)	November 29, 2021
Youth Connections Charter School In Relation To Opinion	November 29, 2021
Single Audit Report	Pending OMB addenda review
Single Audit Reporting Package (Data Collection Form Submission)	Pending OMB addenda review

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 17, 2021
 - 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, 2021 financial statements

Significant Items Discussed with Management

- Impact of COVID-19
 - Hybrid working environment
 - Significant Emergency Relief Funding
 - HEERF Student Portion - \$20,640,750
 - HEERF Institutional Portion - \$32,322,896
 - Minority Serving Institution Student Portion - \$2,672,272
 - Governor's Emergency Education Relief Fund - \$3,561,749
 - OMB issued compliance supplement in August 2021. However, addenda impacting testing of federal funds will be released. (Update – released December 3, 2021)
 - Single audit will be completed upon our final review of the addenda.

Significant Items Discussed with Management (continued)

- HEERF Institutional Portion highlights (\$32.3M total drawn)
 - Lost revenue claimed in FY 2021 – approx. \$17.5m
 - General Methodology
 - Analyzed tuition and fees for FY 2017 – FY 2020 to calculate average revenue per year by campus
 - Calculated 2021 lost revenue by comparing the above average to 2021 estimated revenue
 - Limited amount claimed to the percentage that was distributed under the student portion
 - Remaining \$14.8.m – expenses associated with coronavirus (i.e. – equipment, payroll, maintenance supplies, computer software, healthcare, indirect costs)

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)
 - Workers' compensation liability
 - IBNR liability
- Defined benefit pension liability (SURS)
- Depreciation of capital assets

Other Required Communications

Area

Comments

Adoption of, or Changes in, Accounting Policies

Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. This Statement established criteria for identifying certain activities of all state and local governments and resulted in a restatement of June 30, 2020 net position of \$1,309,037 to record student activity funds.

Audit Adjustments

Audit adjustments, other than those that are clearly immaterial, proposed by RSM and recorded by City Colleges are included within the letter.

Passed Adjustments

We identified the following uncorrected misstatements that management has concluded are not, individually or in the aggregate, material to the financial statements. We agree with management's conclusion in that regard.

Other Required Communications (continued)

Area

Comments

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 and Compliance Observations

- Financial audit
 - No material weaknesses or significant deficiencies over financial reporting in FY 2021
- Single audit
 - Six reportable findings in FY 2021
 - 2 compliance findings and material weaknesses related to HEERF / GEER
 - 2021-001: HEERF and GEER Lack of Internal Control Documentation
 - 2021-002: HEERF Reporting – Inaccurate and Delayed Reporting
 - 4 compliance findings related to Student Financial Aid (2021-003 through 2021-004)

Single Audit Findings (continued)

- RSM identified the following findings for fiscal year 2021:
2021-001 HEERF and GEER Internal Controls
 - City Colleges did not have sufficient documentation that internal controls were in place and operating effectively. Although City Colleges was able to provide some email correspondence noting approvals, there was no formal documentation of the control process and the emails were not consistent to indicate approvals. Issues relative to the following areas were noted:
 - MSI: City Colleges did not have sufficient supporting evidence that review controls were performed over the awarding of MSI student awards.
 - HEERF Student Portion: For eight out of sixty students, City Colleges determined the students to be eligible for a HEERF award based on established criteria, however, City Colleges did not have sufficient supporting evidence that students were approved to be awarded funding.

Single Audit Findings (continued)

2021-001 HEERF and GEER Internal Controls (continued)

- HEERF Student Reporting: City Colleges did not have sufficient supporting evidence that review controls were performed over student reports prior to submission.
- HEERF Annual Report: City Colleges did not have sufficient supporting evidence that review controls were performed over annual reports prior to submission.
- GEER: City Colleges did not have sufficient supporting evidence that review controls were performed over the awarding of GEER student awards.

Single Audit Findings (continued)

- **2021-002 HEERF Reporting**

- City Colleges did not publicly post certain required reports accurately or on a timely basis. The following instances of noncompliance were identified:

- Required Reports not Submitted

- HEERF I Student Portion: None of the required 7 campus 1st quarter reports for the period of July 1, 2020 through September 30, 2020 were submitted.
 - HEERF I Student Portion: None of the required 7 campus 3rd quarter reports for the period of January 1, 2021 through March 31, 2021 were submitted.
 - HEERF II Student Portion: None of the required 7 campus 4th quarter reports for the period of April 1, 2021 through June 30, 2021 were submitted.
 - HEERF III Student Portion: City Colleges did not submit the required fourth quarter report for the period of April 1, 2021 through June 30, 2021 for Malcolm X.

Single Audit Findings (continued)

- **2021-002 HEERF Reporting (continued)**
 - Inaccurate Reports
 - HEERF I Student Portion: City Colleges posted a report on July 29, 2020 for Malcolm X which did not reconcile to the underlying expense detail as of the date of the report. The difference was \$46,746.
 - HEERF I Student Portion: City Colleges posted a report on August 28, 2020 for Malcolm X which did not reconcile to the underlying detail as of the date of the report. The difference was \$298,000.
 - The Annual Report 2020: City Colleges posted the annual report for Daley College on February 1, 2021 which did not reconcile to the underlying expense detail for total annual expenditures. The total difference was \$426,872.
 - The Annual Report 2020: City Colleges posted the annual report for Kennedy King College on February 4, 2021 which not reconcile to underlying expense detail for total student expenditures due to a figure incorrectly reported for student count. The total difference was \$62,229.

Single Audit Findings (continued)

- **2021-002 HEERF Reporting (continued)**
 - Inaccurate Reports (continued)
 - HEERF I MSI Portion: The first quarter report for the period of July 1, 2020 through September 30, 2020 did not reconcile to underlying expense detail for each of the 7 Campuses. The total difference for all Campuses was \$386,892.
 - HEERF I MSI Portion: The second quarter report for the period of October 1, 2020 through December 31, 2020 did not reconcile to underlying expense detail for each of the 7 Campuses. The total difference for all Campuses was \$89,642.
 - HEERF I MSI Portion: the fourth quarter report for the period of April 1, 2021 through June 30, 2021 did not reconcile to underlying expense detail for the Harold Washington campus. The difference was \$30,144

Single Audit Findings (continued)

- **2021-003 Short Term Programs**
 - During review of City Colleges' Federal Student Financial Aid program, RSM identified the following:
 - For two out of sixteen students tested (12.5%), City Colleges improperly disbursed Pell Grants to students enrolled in short-term programs.
 - Questioned Costs - \$9,518

Single Audit Findings (continued)

- **2021-004 Short-Term Programs Placement Rate**
 - During review of City Colleges' Federal Student Financial Aid program, RSM identified the following:
 - The College can not demonstrate compliance with the gainful employment placement rate calculation of 70% for the short-term program at a post-secondary vocational institution.

Single Audit Findings (continued)

- **2021-005** Return of Title IV Funds – Enrollment Reporting
 - During review of City Colleges’ Federal Student Financial Aid program, RSM identified the following:
 - Four out of sixty students tested (7%) who withdrew from City Colleges for which status changes were not properly reported to the National Student Loan Data System (NSLDS) within the 60 day requirement. The status change reports were between 95 and 256 days late. Additionally, one out of sixty students tested (2%) withdrew from City Colleges for which status changes were never reported to the National Student Loan Data System (NSLDS).

Single Audit Findings (continued)

- **2021-006** Direct Loan Quality Assurance System
 - During the prior year audit, it was determined that City Colleges did not have a formally documented direct loan quality assurance process. During the current fiscal year, City Colleges documented a formal direct loan quality assurance process, however, the process was not documented for the entire fiscal year. The documentation was completed in August 2020.

Single Audit Findings (continued)


- City Colleges has provided RSM with corrective action plans for findings 2021-001 through 2021-006

Single Audit Findings

- Summary of prior year audit findings
 - Student Financial Aid
 - 2 corrected findings
 - Return of Title IV Funds – Post-withdrawal disbursements (2020-002)
 - Eligibility (2020-004)
 - 4 repeated findings
 - Enrollment Reporting (2020-001)
 - Direct Loan Quality Assurance System (2020-003)
 - Short Term Programs – Pell / SEOG disbursements (2020-005)
 - Short Term Programs Placement Rate (2020-006)

In Conclusion

- Smooth audit process overall
 - Worked closely with management
- Financial report completed timely
- Remaining reports to be completed upon issuance of OMB compliance addenda and ICCB certification of credit hours
- Thanks to everyone for their hard work!



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