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COMMUNITY COLLEGE DISTRICT NO. 508
DECEMBER 1, 2022

CITY COLLEGES OF CHICAGO

Presentation of the June 30, 2022 audit

RSM US LLP

December 2022

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
- Ronnie Christopher, Manager
- Meredith Miscinski, Senior In-Charge
- Linda Abernethy, Engagement Quality Reviewer
- 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 30, 2022
Examination of ICCB Schedule of Enrollment	November 30, 2022
Illinois Community College Board (ICCB) Grant Financial and Compliance Audits	November 30, 2022
Two Program Specific Grant Audits (Youth Scholar Skills and Re-Enrolled Student Project Youth)	November 30, 2022
Youth Connections Charter School In Relation To Opinion	November 30, 2022
Single Audit Report	November 30, 2022
City College of Chicago Foundation Financial Report	November 30, 2022

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 June 27, 2022
 - 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, 2022 financial statements

Significant Items Discussed with Management

- Impact of COVID-19
 - Continued hybrid working environment, but more in-person interaction in fiscal year 2022
 - Significant Emergency Relief Funding from HEERF I, HEERF II, and HEERF III
 - Total student grant allocation – approximately \$73 million
 - Total institutional funds allocation – approximately \$100 million
 - Grants are expected to be fully expended in fiscal year 2023

Significant Items Discussed with Management (continued)

- Implementation of GASB 87, *Leases*
 - Requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract
 - No material impact to the Statement of Revenues, Expenses, and Changes in Net Position
 - Statement of Net Position
 - Recognized Lease Receivable and Deferred Inflows of \$14k for leases where City Colleges is lessor
 - Recognized Lease Assets of \$12.2m and Lease Liability for approximately \$8.4m where City Colleges is lessee

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
- Lease asset and Liability (GASB 87)

Other Required Communications

Area	Comments
Adoption of, or Changes in, Accounting Policies	Governmental Accounting Standards Board Statement No. 87, <i>Leases</i> . The implementation of this standard did not have a significant impact on City College's financial statements.
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 one uncorrected misstatement - \$635k to record the projected error for prior year contract expenses recorded in the current fiscal year - that management has concluded is 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 2022
- Single audit
 - 3 reportable findings in FY 2022 (down from 6 reportable findings in FY 2021)
 - 2022-001: HEERF Reporting (Compliance finding and SD)
 - 2022-002: Return of Title IV Funds – Enrollment Reporting (Compliance Finding and SD)
 - 2022-003: Short-Term Program Placement Rate (Compliance Finding)

Single Audit Findings (continued)

- RSM identified the following findings for fiscal year 2022:
2022-001 HEERF Reporting
 - City Colleges did not have sufficient documentation that internal controls were in place and operating effectively relative to the following areas:
 - HEERF Student Reporting: City Colleges did not have sufficient supporting evidence that review controls were performed over the July 1, 2021 – September 30, 2021 quarterly student report prior to submission
 - MSI Reporting: City Colleges did not have sufficient supporting evidence that review controls were performed over the July 1, 2021 – September 30, 2021 quarterly report prior to submission
 - HEERF Student Portion: City College posted a report on July 8, 2022 for Wilbur Wright for the period of April 1, 2022 – June 30, 2022 which did not reconcile to expense detail by \$307,750.

Single Audit Findings (continued)

- **2022-002** Return of Title IV Funds – Enrollment Reporting
 - During review of City Colleges’ Federal Student Financial Aid program, RSM identified the following types of errors in reporting to the National Student Loan Data System (NSLDS):
 - Withdrawal dates did not match institution’s records (2 out of 60)
 - Status changes at campus and program levels not reported within 60 day requirement (3 out of 60)
 - Withdrawal dates never reported (9 out of 60)
 - Change in program levels never reported for students who withdrew (6 out of 60)
 - Status changes in campus and program levels not reported for students who withdrew within 60 day requirement (2 out of 60)
 - Withdrawal status reported to NSLDS for campus and program levels did not match student records (4 out of 60)

Single Audit Findings (continued)

- **2022-003 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)


- City Colleges has provided RSM with corrective action plans for findings 2022-001 through 2022-003

Single Audit Findings

- Summary of prior year audit findings
 - Student Financial Aid
 - 3 corrected findings
 - HEERF – sufficient documentation of internal controls and approvals (2021-001)
 - Improper disbursement of Pell to students in short-term programs (2021-003)
 - Documented quality loan assurance systems (2021-006)
 - 3 repeated findings
 - HEERF reporting (2021-002)
 - Short Term Programs Placement Rate (2021-004)
 - Enrollment reporting (2021-005)

In Conclusion

- Smooth audit process overall
 - Worked closely with management
- Financial report completed timely
- Single audit and ICCB certification of credit hours completed timely
- Meeting with Foundation Board of Directors held on November 16, 2022
- Thanks to everyone for their hard work!



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