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COMMUNITY COLLEGE DISTRICT NO. 508  
DECEMBER 7, 2023

# CITY COLLEGES OF CHICAGO

Presentation of the June 30, 2023 audit

RSM US LLP

**December 2023**

# 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, Partner
- 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, 2023
Examination of ICCB Schedule of Enrollment	November 30, 2023
Illinois Community College Board (ICCB) Grant - Financial and Compliance Audits	November 30, 2023
Youth Connections Charter School In Relation To Opinion	November 30, 2023
Single Audit Report	November 30, 2023
City College of Chicago Foundation Financial Report	November 30, 2023

# 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 4, 2023
  - 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, 2023 financial statements

# Significant Items Discussed with Management

- Implementation of GASB 96, *Subscription-Based Information Technology Arrangements*
  - Recorded a subscription-based asset and liability of approximately \$3.5m for arrangements in which City Colleges has the noncancelable right to use certain 3<sup>rd</sup> party vendor information technology software.
  - No significant impact on the statement of revenues, expenses, and changes in net position

# 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)
- Subscription asset and liability (GASB 96)

# Other Required Communications

Area	Comments
<b>Adoption of, or Changes in, Accounting Policies</b>	Governmental Accounting Standards Board Statement No. 96, <i>Subscription-Based Information Technology Arrangements</i> . The implementation of this standard did not have a significant impact on City College's financial statements.
<b>Audit Adjustments</b>	Audit adjustments, other than those that are clearly immaterial, proposed by RSM and recorded by City Colleges are included within the letter.
<b>Passed Adjustments</b>	We identified two uncorrected misstatements: <ul style="list-style-type: none"><li>• \$646k to record the projected error for prior year contract expenses recorded in the current fiscal year</li><li>• \$302k net impact for error in GASB 87 calculation</li></ul>



# Other Required Communications (continued)

Area	Comments
<b>Preferability of Accounting Policies and Practices</b>	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.
<b>Alternative Treatments Discussed With Management</b>	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.
<b>Disagreements With Management</b>	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.
<b>Consultations With Other Accountants</b>	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
<b>Significant Issues Discussed With Management</b>	No significant issues arising from the audit were discussed with or were the subject of correspondence with management.

# Other Required Communications (continued)

Area	Comments
<b>Significant Difficulties Encountered in Performing the Audit</b>	We did not encounter any significant difficulties in dealing with management during the audit.
<b>Significant Written Communication Between Management and Our Firm</b>	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 2023
- Single audit
  - Approximately \$117.4m in federal funding
  - Major programs tested
    - Student Financial Assistance Cluster (SFA) (\$55.8m)
    - Education Stabilization Fund (ESF) (\$47.8m)
  - 8 reportable findings in FY 2023 (up from 3 reportable findings in FY 2022)
    - Mainly because only ESF has been tested for the last 2 years, SFA has not been tested since 2021

# Single Audit Findings

- **2023-001: Enrollment Reporting (SFA – repeat finding)**
  - For 4 out of 60 students tested (7%) who withdrew from City Colleges, the students' withdrawal date reported to the National Student Loan System (NSLDS) for campus level and program level did not match the institution's records.
- **2023-002: Short-Term Program Completion and Placement Rates (SFA – repeat finding)**
  - The College did not achieve the required 70% completion rate for a short-term program at Wilbur Wright College that had 7 enrolled students. The College cannot demonstrate compliance with the gainful employment placement rate calculation for a short-term program.

# Single Audit Findings (continued)

- **2023-003: Common Origination and Disbursement (COD) Reporting (SFA – new finding)**
  - For 10 out of 40 students tested (25%), the College did not report certain disbursements of financial aid to COD within the required 15 days from the date of disbursement. In all instances, the disbursements were reported 1 day late.
- **2023-004: Cash Management – Excess Cash (SFA – new finding)**
  - Both Kennedy King and Truman College had incidences of excess cash during fiscal year 2023 where amounts were not returned to the Department of Education within a seven-day period. All excess cash was cleared out by the end of the fiscal year.

# Single Audit Findings (continued)

- **2023-005: Internal Control over Compliance (SFA – new finding)**
  - City Colleges did not have sufficient documentation that internal controls were in place and operating effectively relative to certain aspects of the Fiscal Operations Report and Application to Participate (FISAP)
- **2023-006: Gramm-Leach Bliley Act – Student Information Security (SFA – new finding)**
  - City Colleges did not have a documented policy to address a required safeguard for 1 of the 8 elements under the Gramm-Leach Bliley Act (GLBA). Specifically, City Colleges did not conduct a periodic inventory of data, noting where it's collected, stored or transmitted.


# Single Audit Findings (continued)

- **2023-007: Higher Education Emergency Relief Fund Annual Reporting (ESF - partial repeat finding)**
  - City Colleges did not accurately report certain information required in the calendar year 2022 annual report for institutional expenses for Olive Harvey and Malcom X due to amounts that were double-counted.
- **2023-008: Fraudulent Enrollment (SFA – new finding)**
  - City Colleges did not timely report information regarding potential fraudulent student enrollments to the Department of Education’s OIG. City Colleges identified a total of 23 students where the Enrollment and Admissions Departments discovered submission of fraudulent documents to verify residency. City Colleges performed a thorough investigation of student enrollment and verified that no aid was disbursed for these identified fraudulent enrollments.
- City Colleges has provided RSM with corrective action plans for findings 2023-001 through 2023-008.

# In Conclusion

- Smooth audit process overall
  - Worked closely with management
- Financial report completed timely
- Single audit and ICCB certification of credit hours completed timely
- Thanks to everyone for their hard work!





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