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COMMUNITY COLLEGE DISTRICT NO. 508

DECEMBER 7, 2023

Board of Trustees

FY2023 Audit Update

December 7, 2023

CITY COLLEGES[®]
OF CHICAGO



FY2023 Financial Audit Results

Fiscal Year Ended June 30, 2023

Annual Comprehensive Financial Report (ACFR)

- The CCC FY2023 external audit was completed on November 30, 2023
 - The audit is required to be completed by December 15, 2023 per Illinois ICCB
 - CCC has received an unmodified (clean) opinion on City Colleges' June 30, 2023 financial statements
 - There have been no disagreements between RSM and 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
 - Federal Single audit report completed.
 - ICCB special reports and credit hour certification completed.
 - There were eight (8) audit findings related to Federal awards

FY2023 Final Operating Results

Districtwide (\$ in millions)	FY23 Adopted Budget	Actual	Variance
Revenues			
Local Government	\$140.3	\$153.5	\$13.2
PPRT ⁽¹⁾	16.8	45.9	29.1
State Government	53.5	58.9	5.4
Federal Government	2.2	1.9	(0.3)
>> Federal HEERF ⁽²⁾	22.8	13.0	(9.8)
Tuition	72.5	75.1	2.5
Auxiliary/Enterprise	10.7	6.1	(4.5)
Facilities Rental	1.7	1.6	(0.1)
Investment Income	2.0	4.5	2.5
Fundraising	1.5	-	(1.5)
Net Appropriated Assets	1.8	-	(1.8)
Total Revenues	\$325.8	\$360.5	\$34.6
Expenses			
Salaries	\$212.6	\$209.1	(\$3.5)
Benefits	37.2	41.7	4.5
Benefits - OPEB ⁽³⁾	(5.0)	(1.1)	3.9
Contractual Services	17.3	13.0	(4.3)
Materials and Supplies	16.7	14.6	(2.0)
Travel and Conference	1.0	0.7	(0.3)
Fixed Charges (includes Debt Service)	24.3	24.0	(0.3)
Gas and Electricity	7.2	6.9	(0.3)
Other Utilities	1.3	0.8	(0.5)
Scholarships and Waivers	10.5	10.9	0.4
Bad Debt	1.8	0.7	(1.1)
Other Expenses	1.1	0.5	(0.6)
HEERF Student/Program Support	-	7.4	7.4
Net Appropriated Assets	-	20.3	20.3
Total Expenses	\$325.8	\$349.5	\$23.6
Surplus/(Deficit)	\$0.0	\$11.0	\$11.0

⁽¹⁾ Personal Property Replacement Tax

⁽²⁾ Higher Education Emergency Relief Fund

⁽³⁾ Other Post-Employment Retirement Benefits

FY2023 Surplus: \$11.0M \$34.6M Revenue Favorability

- Local Government revenue is \$13.2M favorable to budget due to \$3.6M in TIF favorability and \$9.6M from new property additions & other sources including collection improvements.
- PPRT Revenues are \$29.1M favorable to budget due to enhanced State distributions from tax collections.
- State Revenue was \$5.4M favorable to budget from CTE grant increases.
- Tuition revenue was \$2.5M favorable from enrollment increases.
- \$13.0M HEERF Revenue was driven by originally estimated HEERF Lost Revenue calculations used to offset significant Student Supports & programmatic COVID impact mitigation.
- Enterprise revenues were \$4.5M unfavorable to budget due to \$2.2M lower than expected Childcare Revenues & \$3.3M lower combined Washburne Catering, U-Pass Fees. Revenue shortfalls in Enterprise Funds are also offset by lower Enterprise expenses.

Expense Shortfall of \$3.3M prior to Operating Transfer to Capital Fund

- Personnel costs are \$3.5M favorable to budget due to continued vacancy salvage savings and careful CBA planning and market adjustment increases.
- Benefits overage primarily due to higher healthcare costs
- Contractual Services, Materials & Supplies and Travel & Conference charges are collectively \$6.6M below FY23 budget amounts
- \$20.3M operating transfer to O&M capital fund.

Change in Net Assets

Unrestricted Net Assets improved by **\$15M** to **\$36M** at 6/30/2023, which is above GFOA recommended minimum level of 5% of operating expenses, or \$16M.

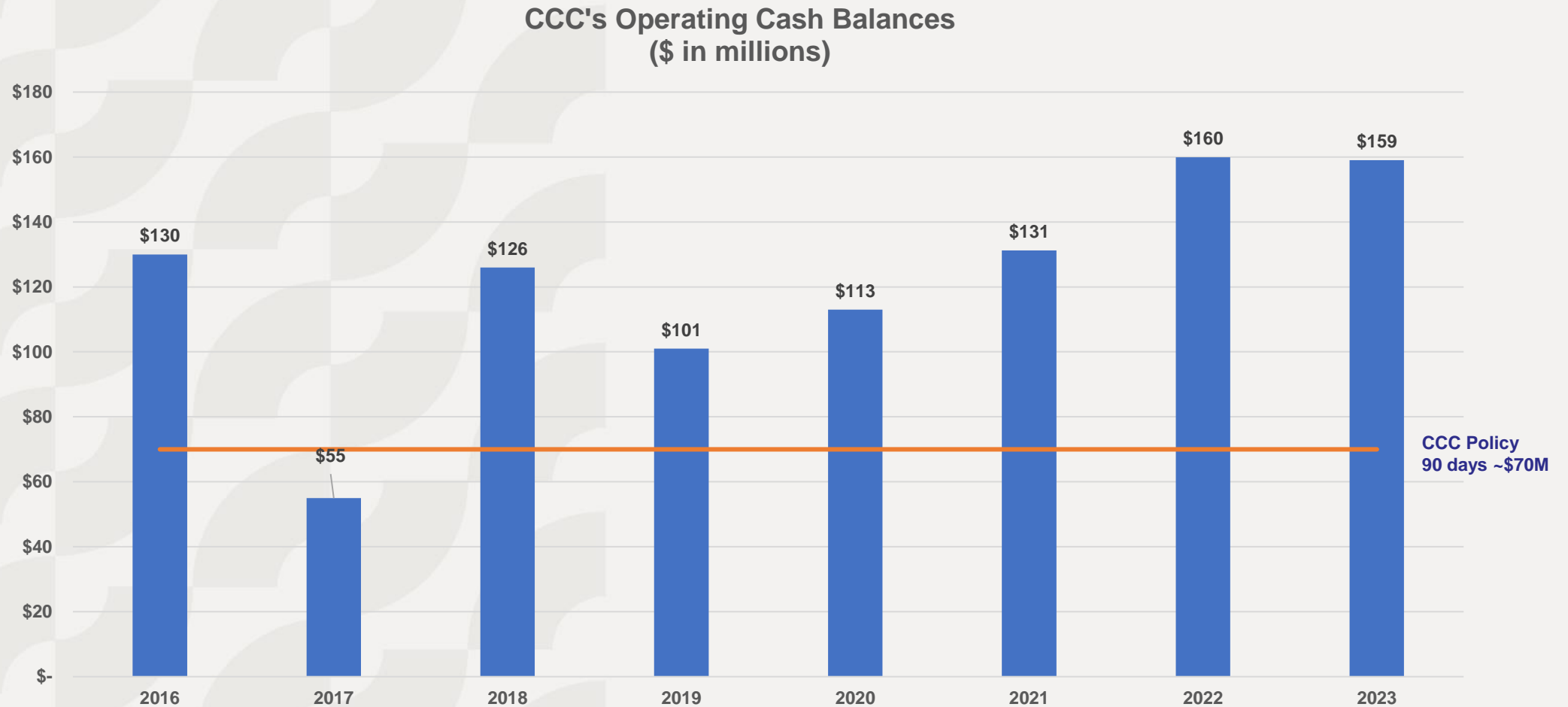
Net Assets (\$ in millions)	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017**
Unrestricted	\$36	\$21	(\$20)	(\$53)	(\$82)	(\$79)	(\$114)
Restricted (Audit, Liability, Protection, Settlement and Agency Fund*)	3	4	4	2	0.4	2	1
Net Investments in Capital Assets	474	489	510	535	622	654	705
Total Net Assets	\$513	\$514	\$494	\$484	\$540	\$577	\$592

*Net position has been restated for Agency funds due to the implementation of GASB# 84 as of June 30, 2020.

** Includes Other Post-employment Benefits (OPEB) restatement of \$76M.

- Net Assets Balance decrease of **\$1M** in FY23 is largely due to the following:
 - Change in **Unrestricted Assets of \$15M**
 - Operating gain of \$31M
 - Other Non-Operating Funds **-\$16M**
 - Change in **Restricted Specific Purpose -\$1M**
 - Change in **Capital Assets -\$15M** due to the following:
 - Depreciation & capital related activity **-\$21M**
 - Debt Principal payments of \$6M

City Colleges Is Focused on Stabilizing its Cash Position



- Since arriving in May 2017, Chancellor Salgado has worked to improve CCC's cash position, including reductions in force of non-student facing, non-bargained for employees, and the sale of CCC's downtown headquarters that closed on September 30, 2019.
- During fiscal years 2021 through 2023, the stimulus funds have helped CCC to preserve its cash reserves.

Capital Plan Expenditures

(\$ in thousands)

College	FY2023 Budget	FY2023 Actual	Notable Items
Information Technology	\$11,795	\$7,415	Infrastructure Upgrades/ Hardware Refresh
Information Security	4,415	4,710	HCM, Access Control, Firewall upgrades
Elevators & Escalators	3,000	1,964	Elevators modernizations & upgrades and legal fees
Campus Security	865	687	Safety equipment &, security upgrades, and repairs
Building Structure & Site Improvements	6,120	3,634	HW façade improvement, DA facade & window shades, and parking lot & site upgrades.
Mechanical Systems	3,778	896	Mechanical & boiler upgrades, compressor replacements
Electrical Systems	465	92	Exterior lighting & conduit replacements and generator replacement
Equipment	350	86	Facility maintenance equipment and vehicles
Academic & Programmatic Enhancements	13,175	1,867	OH TDL Lot Expansion, WR Engineering Research Lab, and TR Biology Lab (AE fees)
Environmental & Compliance	375	67	Water quality testing & enhancements, & abatement
Total	\$44,338	\$21,418	

(\$ in thousands)

Category	FY2024 Budget
Information Technology	\$14,095
Information Security	2,844
Elevators & Escalators	1,200
Campus Security	459
Building Structure & Site Improvements	25,818
Mechanical Systems	5,035
Electrical Systems	420
Equipment	300
Academic & Programmatic Enhancements	4,347
Environmental & Compliance	375
Total	\$54,935

- FY2023 capital budget plan was the second year of a new 5-year plan focused on deferred maintenance and select student facing enhancements that align with CCC's academic goals.
 - Actual FY2023 spend was under budget as many projects were impacted by manpower & supply chain issues as well as controlled spending on "wish list" items .
- FY2024 capital budget of \$54.9M includes deferred maintenance projects, select renovations and any local match requirements for State capital funding 7 resources



FY2024-Q1 Financial Update

FY2024 – Prelim Forecast as of September 30, 2023

Districtwide (\$ in millions)	FY24 Adopted Budget	FY24 Forecast	Variance
Revenues			
Local Government	\$149.0	\$154.6	\$5.6
PPRT ⁽¹⁾	43.6	32.6	(11.0)
State Government	58.8	58.8	0.0
Federal Government	2.6	2.6	0.0
Tuition	78.7	81.1	2.4
Auxiliary/Enterprise	11.8	11.8	0.0
Facilities Rental	1.7	1.7	0.0
Investment Income	2.6	2.6	0.0
Fundraising	1.5	1.5	0.0
Net Appropriated Assets	0.2	0.2	0.0
Total Revenues	\$350.5	\$347.5	(3.0)
Expenses			
Salaries	\$231.5	\$231.5	\$0.0
Benefits	39.2	39.2	0.0
Benefits - OPEB ⁽²⁾	(2.3)	(2.3)	0.0
Contractual Services	17.6	17.6	0.0
Materials and Supplies	18.3	18.3	0.0
Travel and Conference	1.1	1.1	0.0
Fixed Charges (includes Debt Service)	19.6	24.6	5.0
Gas and Electricity	7.4	7.4	0.0
Other Utilities	1.5	1.5	0.0
Scholarships and Waivers	13.1	13.1	0.0
Bad Debt	2.5	2.5	0.0
Other Expenses	1.1	1.1	0.0
Net Appropriated Assets	0.0	0.0	0.0
Total Expenses	\$350.5	\$355.5	\$5.0
Surplus/(Deficit)	\$0.0	(\$8.0)	(\$8.0)

⁽¹⁾ Personal Property Replacement Tax

⁽²⁾ Other Post-Employment Retirement Benefits

FY2024 Preliminary Deficit : (\$8M)

(\$3M) Revenue Shortfall

- Local Government revenue is expected to yield a \$5.6M net surplus, generated from \$2.4M TIF favorability & \$3.4M from new property additions and recent collection trends
- PPRT currently projected to be \$11M unfavorable based on corporate tax projections
- State & Federal Government, Auxiliary/Enterprise, Facilities Rental, Investment and Fundraising Revenues are projected to FY24 budget amounts at this time
- FY24 Tuition Revenue projected to be \$2.4M favorable to budget

\$5M FY2024 Expense Shortfall

- Personnel costs are forecasted to at Budget
- CBA increases addressing inflation & market adjustments were accommodated with careful salary management & vacancy savings
- Fixed Charges Expenses are projected to be \$5M unfavorable to budget due to adjustments in previously anticipated FY24 bond refunding
- Contractual Services, Materials & Supplies, Travel & Conference. Utilities, Scholarships/Waivers, Bad Debt and Other Expense categories are currently projected to be at FY24 budget amounts



CCC Credit Rating Update

CCC Credit Rating Update - Standard & Poor's (S&P) and Fitch

Rating Description	Rating/Outlook	Rating Agency
Highest Grade Credit	AAA+ AAA AAA-	
Very High Grade Credit	AA+ AA AA-	
High Grade Credit	A+/Positive A A-	Fitch (Nov-23)
Good Grade Credit	BBB+/Stable BBB BBB-	S&P (Nov-23)
Speculative Grade Credit	BB+ BB BB-	

- S&P upgraded CCC's rating to **BBB+** with a stable outlook.
- Fitch reaffirmed CCC's **A+** rating and revised the outlook from stable to **positive**.



FY2023 Financial Audit Findings

FY2023 Audit Findings

FY2023 Audit

Financial Statements

No (0) material weaknesses, (0) significant deficiency or (0) control deficiency reported in Financial Audit in FY2023

Federal Awards

Eight (8) A-133 Audit Findings on Report of Federal Awards

FY2022 Audit

Financial Statements

No (0) material weaknesses, (0) significant deficiency or (0) control deficiency reported in Financial Audit in FY2022

Federal Awards

Three (3) A-133 Audit Findings on Report of Federal Awards

Management Responses to Audit Findings

Financial Statement Review

<u>Finding</u>	<u>Detail</u>	<u>Management Response</u>	<u>Responsible Party/ Due Date</u>
<p>Finding 2023-001 Enrollment Reporting (Repeat Finding)</p>	<p>City Colleges is required to notify the National Student Loan Data System (NSLDS) within 30 days of a change in student status or include the change in status in a response to an enrollment reporting roster within 60 days of the student's date of determination of withdrawal.</p> <p>The financial aid office does not have an effective system in place to ensure all official student status changes are reported to the lender accurately.</p> <p>For four out of sixty students tested (7%) who withdrew from City Colleges, the students' withdrawal date reported to the National Student Loan Data System (NSLDS) for campus level and program level did not match the institution's records.</p> <p>There were no questioned costs with respect to this finding.</p>	<p>CCC sends enrollment files of all students to National Student Clearinghouse monthly, who then reports CCC enrollment data to NSLDS. CCC (Records, Financial Aid, Decision Support and OIT) continues to meet bi-weekly to review and update the enrollment reporting logic to ensure the dates for student enrollment actions align at the campus level and the program level.</p>	<p>Laura Clark, Associate Vice Chancellor, Academic Systems Tiffany Morrison, Associate Vice Chancellor – Financial Aid & Scholarship</p> <p>Anticipated completion date: March 31, 2024</p>

Management Responses to Audit Findings

Financial Statement Review

<u>Finding</u>	<u>Detail</u>	<u>Management Response</u>	<u>Responsible Party/ Due Date</u>
<p>Finding 2023-002 Short-Term Program Completion and Placement Rates (Repeat Finding)</p>	<p>For the Direct Loan Program, short-term eligible programs at a postsecondary vocational institution be between 300 - 599 clock hours. They must have been provided for at least one year and must have a substantiated completion and placement rate of at least 70 percent for the most recently completed award year. 34 CFR Section 668.8(f) and (g) requires the college to have documentation supporting its placement rates for each student showing that the student obtained gainful employment in the recognized occupation for which he or she was trained or in a related comparable recognized occupation.</p> <p>The College did not achieve the required 70% completion rate for a short-term program. The College cannot demonstrate compliance with the gainful employment placement rate calculation for a short-term program.</p> <ul style="list-style-type: none"> • Two out of two students who completed the program did not have sufficient support for the placement rate calculation. • Five out of seven students tested did not successfully complete the programs resulting in a completion rate below 70%. <p>The financial aid office did not follow-up on the gainful employment of students.</p> <p>There were no questioned costs with respect to this finding.</p>	<p>The Financial aid Office will work with campus leadership and staff to ensure an accurate reporting process is in place to track gainful employment and completion. Documentation will be required by campus leadership to show communication efforts for students.</p>	<p>Tiffany Morrison, Associate Vice Chancellor – Financial Aid & Scholarship</p> <p>Anticipated completion date: December 31, 2023</p>

Management Responses to Audit Findings

Financial Statement Review

<u>Finding</u>	<u>Detail</u>	<u>Management Response</u>	<u>Responsible Party/ Due Date</u>
<p>Finding 2023-003 – Common Origination and Disbursement (COD) Reporting (New Finding)</p>	<p>For the Direct Loan and Pell Grant Programs, Institutions must report student disbursement data to COD within 15 calendar days after the institution makes a disbursement or becomes aware of the need to make an adjustment to previously reported student disbursement data or expected student disbursement data.</p> <p>For ten out of forty students tested (25%), the College did not report certain disbursements of financial aid to COD within the require fifteen days from the date of disbursement. In all instances, the disbursements were reported one day late. The financial aid office inadvertently miscalculated the reporting date.</p> <p>There were no questioned costs with respect to this finding.</p>	<p>Financial Aid will add additional monitoring controls of COD files to ensure timely reporting.</p>	<p>Tiffany Morrison, Associate Vice Chancellor – Financial Aid & Scholarship</p> <p>Anticipated completion date: December 31, 2023</p>

Management Responses to Audit Findings

Financial Statement Review

<u>Finding</u>	<u>Detail</u>	<u>Management Response</u>	<u>Responsible Party/ Due Date</u>
<p>Finding 2023-004 – Cash Management – Excess Cash (New Finding)</p>	<p>Excess cash to be any amount of title IV, HEA program funds, other than Federal Perkins Loan program funds, that an institution does not disburse to students by the end of the third business day following the date the institution (1) received those funds from the Secretary; or (2) deposited or transferred to its depository account previously disbursed title IV, HEA program funds, such as those resulting from awards adjustments, recoveries, or cancellations. An institution may maintain for up to seven days an amount of excess cash that does not exceed one percent of the total amount of funds the institution drew down in the prior award year. The institution must return immediately to the Secretary any amount of excess cash over the one-percent tolerance and any amount of excess cash remaining in its account after the seven-day tolerance period.</p> <p>The College drew down funds available in the DOE G5 system (grants management system) as opposed to drawing down expected student disbursement amounts.</p> <p>Excess cash is noncompliance with Federal regulation and could result in the loss of future funding.</p> <ul style="list-style-type: none"> • Kennedy King College had excess cash for the Pell Grant Program ranging from \$34,408 to \$175,609 during the period of November 14, 2022 through January 31, 2023. In these situations, the excess cash exceeded one percent of total prior year drawdowns and amounts were not returned within a seven day period. 	<p>District Office Financial Aid will develop and implement better controls and procedures for monitoring the timing of the draw downs and student disbursements as well as controls to monitor the return of excess cash, if any, within the 7-day period. During the middle of a semester, timely reconciliations will be prepared, reviewed and approved prior to the next draw down to ensure the acceptable amount is drawn down and disbursed timely to the students.</p>	<p>Tiffany Morrison, Associate Vice Chancellor – Financial Aid & Scholarship</p> <p>Anticipated completion date: December 31, 2023</p>

Management Responses to Audit Findings

Financial Statement Review

<u>Finding</u>	<u>Detail</u>	<u>Management Response</u>	<u>Responsible Party/ Due Date</u>
<p>Finding 2023-004 – Cash Management – Excess Cash (New Finding Continued)</p>	<ul style="list-style-type: none"> • Kennedy King College had excess cash for the Direct Loan Program ranging from \$1,349 to \$4,318 during the period of November 29, 2022 through December 13, 2022, from \$1,508 to \$3,948 during the period of January 6, 2023 through January 16, 2023 and from \$3,207 to \$5,137 during the period of June 15, 2023 through June 29, 2023. In these situations, the excess cash did not exceed one percent of total prior year drawdowns, however, amounts were not returned within a seven day period. • Truman College had excess cash for the Pell Grant Program ranging from \$164,625 to \$262,034 during the period of November 14, 2022 through January 31, 2023. In these situations, the excess cash exceeded one percent of total prior year drawdowns and amounts were not returned within a seven day period • Truman College had excess cash for the Direct Loan Program ranging from \$2,731 to \$8,669 during the period of January 20, 2023 through February 16, 2023 and from \$752 to \$10,028 during the period of April 28, 2023 through June 29, 2023. In these situations, the excess cash did not exceed one percent of total prior year drawdowns, however, amounts were not returned within a seven day period. <p>Questioned costs would be those in excess of the one percent threshold. Questioned costs for the Kennedy King College Pell Grant Program excess cash ranged from \$486 to \$133,996. Questioned costs for Truman College Grant Program excess cash ranged from \$108,399 to \$205,809.</p>		

Management Responses to Audit Findings

Financial Statement Review

<u>Finding</u>	<u>Detail</u>	<u>Management Response</u>	<u>Responsible Party/ Due Date</u>
Finding 2023-005 – Gramm-Leach Bliley Act – Student Information Security (New Finding)	<p>The Gramm-Leach-Bliley Act requires financial institutions – companies that offer consumers financial products or services like loans, financial or investment advice, or insurance – to explain their information-sharing practices to their customers and to safeguard sensitive data.</p> <p>City Colleges did not have a documented policy to address a required safeguard for one of the eight required elements under the Gramm-Leach Bliley Act (GLBA). Specifically, the City Colleges did not conduct a periodic inventory of data, nothing where it's collected, stored or transmitted.</p> <p>There were no questioned costs with respect to this finding.</p>	<p>CCC will refresh the current data inventory and establish periodic inventory refresh procedures by December 31, 2023.</p>	<p>Zarko Njakara, Chief Information Officer – Interim</p> <p>Expected completion date of December 31, 2023</p>

Management Responses to Audit Findings

Financial Statement Review

<u>Finding</u>	<u>Detail</u>	<u>Management Response</u>	<u>Responsible Party/ Due Date</u>
Finding 2023-006 – Student Financial Assistance Cluster Internal Control over Compliance (New Finding)	<p>City Colleges did not formally document the additional reviews and approvals over the department’s review of the Fiscal Operations Report and Application to Participate (FISAP) .</p> <p>City Colleges did not have sufficient documentation that internal controls were in place and operating effectively relative to the following areas:</p> <ul style="list-style-type: none"> • Allowable Activities: For each of the seven campuses, City Colleges did not have sufficient supporting evidence that review controls were performed over the transfer, carryforward, carryback, and administrative cost calculations in the FISAP for award year July 1, 2021 through June 30, 2022 submitted during fiscal year 2023. • Reporting: For each of the seven campuses, City Colleges did not have sufficient supporting evidence that secondary review controls were performed over FISAP data for award year July 1, 2021 through June 30, 2022 submitted during fiscal year 2023. <p>There were no questioned costs with respect to this finding.</p>	<p>Financial Aid will develop and document a review/approval process that will detail accurate reporting, secondary reviews, and review/approval of the FISAP submissions and completions.</p>	<p>Tiffany Morrison, Associate Vice Chancellor – Financial Aid & Scholarship</p> <p>Anticipated completion date: December 31,2023</p>

Management Responses to Audit Findings

Financial Statement Review

<u>Finding</u>	<u>Detail</u>	<u>Management Response</u>	<u>Responsible Party/ Due Date</u>
Finding 2023-007 – COVID-19 Education Stabilization Fund: Higher Education Emergency Relief Fund (HEERF) Annual Reporting (Partial Repeat)	<p>City Colleges did not have effective internal controls in place to ensure reports were submitted accurately.</p> <p>City Colleges did not accurately report certain information required in the calendar year 2022 annual report. The following instances of noncompliance were identified:</p> <ul style="list-style-type: none"> • HEERF Institutional Portion: City Colleges submitted the annual report for Olive Harvey for the period of January 1, 2022 – December 31, 2022 which did not reconcile to the underlying expense detail as of the date of the report. The difference was \$234,118 which was a result of a figure being double counted in the total. • HEERF Institutional Portion: City Colleges submitted the annual report for Malcolm X for the period of January 1, 2022 – December 31, 2022 which did not reconcile to the underlying expense detail as of the date of the report. The difference was \$5,580,216 which was a result of a figure being double counted in the total. <p>There were no questioned costs with respect to this finding.</p>	<p>Finance will validate and review the OH and MX 2023 annual report for HEERF prior to submission in 2024. Financial Aid will submit the required HEERF Annual Reporting Correction for OH and MX. In addition, will submit the final required 2023 HEERF annual report.</p>	<p>Tanya Sawyer, Project Manager, Finance</p> <p>Tiffany Morrison, Associate Vice Chancellor – Financial Aid & Scholarship</p> <p>Anticipated completion date: March 2024 when the system opens back up.</p>

Management Responses to Audit Findings

Financial Statement Review

<u>Finding</u>	<u>Detail</u>	<u>Management Response</u>	<u>Responsible Party/ Due Date</u>
Finding 2023-008 –Student Financial Assistance Cluster – Fraudulent Enrollment (New Finding)	<p>City Colleges did not timely report information regarding potential fraudulent student enrollments to the Department of Education’s Office of Inspector General (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.</p> <p>City Colleges was not aware that this issue was required to be reported to the Department of Education.</p> <p>There were no questioned costs with respect to this finding.</p>	<p>The College will review and monitor the Department of Education regulations. The Student Financial Aid will continue to train employees on the regulations and will timely report issues as required to the DOE.</p>	<p>Tiffany Morrison, Associate Vice Chancellor – Financial Aid & Scholarship</p> <p>Anticipated completion date: In progress</p>