

CITY COLLEGES OF CHICAGO

Presentation of the June 30, 2024 audit

RSM US LLP



December 2024

Today's Agenda

I. Audit Process

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

II. Report to the Board of Trustees

- Auditor Responsibility
- Required Communications
- Management's Judgment and Accounting Estimates
- Audit Adjustments and Uncorrected Misstatements

III. Internal Control Matters

IV. Single Audit Findings

Audit Engagement Team

- Kelly Kirkman, Partner
- Ronnie Christopher, Senior Manager
- Meredith Miscinski, Supervisor
- 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 26, 2024
Examination of ICCB Schedule of Enrollment	November 26, 2024
Illinois Community College Board (ICCB) Grant - Financial and Compliance Audits	November 26, 2024
Youth Connections Charter School In Relation To Opinion	November 26, 2024
Single Audit Report	November 26, 2024
City College of Chicago Foundation Financial Report	November 26, 2024

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 20, 2024
 - 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, 2024 financial statements

Required Communications

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.

Adoption of, or Changes in, Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies used by City Colleges. City Colleges did not adopt any new significant accounting policies, nor have there been any changes in existing significant accounting policies 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.

Significant Accounting Policies

We did not identify any significant accounting policies in controversial or emerging areas for where there is lack of authoritative guidance or consensus.

Significant Unusual Transactions

RSM discussed with management the accounting treatment for the agreement between City Colleges, City Colleges of Chicago Foundation, and One Million Degrees.

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)
- Amortization of bond premiums

Required Communications – Audit Adjustments

Description	Effect—Increase (Decrease)				
	Assets	Liabilities	Net Position	Revenue	Expense
Current period misstatements					
To correct activity related to the OMD Pilot Program to record Funds Held for Others	\$ 3,559,252	\$ -	\$ -	\$ (1,250,000)	\$ (4,809,252)
To correct outgoing year-end payment from cash reconciling item to accrual	1,445,051	1,445,051	-	-	-
To correct Office of General Counsel reserve for additional claim outstanding at year-end	-	530,028	-	-	530,028
Statement of revenues, expenses and changes in net position effect				<u>\$ (1,250,000)</u>	<u>\$ (4,279,224)</u>
Statement of net position effect	<u>\$ 5,004,303</u>	<u>\$ 1,975,079</u>	<u>\$ -</u>		

Required Communications – Uncorrected Misstatements

Description	Effect—Increase (Decrease)				
	Assets	Liabilities	Net Position	Revenue	Expense
Opening misstatements					
To reverse prior year factual error for supplies prepaid expense initially recorded as expense	\$ -	\$ -	\$ 51,267	\$ -	\$ 51,267
To reverse prior year projected error for supplies prepaid expense initially recorded as expense	-	-	624,330	-	624,330
To record opening misstatement for prior year Pell adjustments	79,219	(1,157,124)	1,236,343	-	-
Current year misstatements					
To reverse opening misstatement for Pell adjustments corrected during the current year	-	903,450	(903,450)	-	(903,450)
To record factual error for grant receivable not reimbursable at year-end	(337,930)	-	-	(337,930)	-
To record projected error for grant receivable not reimbursable at year-end	(749,965)	-	-	(749,965)	-
				<u>\$ (1,087,895)</u>	<u>\$ (227,853)</u>
Statement of net position effect	<u>\$ (1,008,676)</u>	<u>\$ (253,674)</u>	<u>\$ 1,008,490</u>		

Internal Control and Compliance Observations

- Financial audit
 - 1 deficiency related to the recording of grant revenue and expenses for the agreement with City Colleges of Chicago Foundation and One Million Degrees agreement
- Single audit
 - Approximately \$89.5m in federal funding
 - Major programs tested
 - Student Financial Assistance Cluster (SFA) (\$68.8m)
 - Coronavirus State and Local Fiscal Recovery Funds (\$2.4m)
 - Child Care and Development Block Grant (\$3.3m)
 - 2 reportable findings in FY 2024 (down from 8 reportable findings in FY 2023)

Single Audit Findings

- **2024-002: Enrollment Reporting (SFA – repeat finding)**

During our testing of students who withdrew from City Colleges, we noted:

- For 1 out of 60 students tested, the withdrawal date reported to the NSLDS did not match the student's records, and the program level withdrawal was not reported within 60 days
- For 1 out of 60 students tested, the student's campus level withdrawal date was not reported to NSLDS within 60 days.
- For 2 out of 60 students tested who withdrew from City Colleges were not reported to the NSLDS within 60 days.

Single Audit Findings


- **2024-003: Reporting**

During our testing of quarterly and annual reports required to be submitted, we noted all reports were submitted and contained accurate information, however:

- For 4 of 12 reports tested for the Child Care and Development Block Grant program, City Colleges did not timely submit certain quarterly reports to the grantor. Reports were submitted between 1 to 30 days late.
- For 4 of 15 reports tested for the Coronavirus State and Local Fiscal Recovery Funds program, City Colleges did not timely submit certain quarterly and close-out reports to the grantor. Reports were submitted between 1 to 2 days late.

In Conclusion

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



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