

**Single Audit Act Supplementary
Financial and Compliance
Report Section**

**Report On Internal Control Over Financial Reporting and on Compliance and Other Matters Based
on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

Independent Auditor's Report

To the Board of Trustees
City Colleges of Chicago
Community Colleges District No. 508

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of City Colleges of Chicago, Community College District No. 508 (City Colleges), as of and for the year ended June 30, 2017, and the related notes to the financial statements and have issued our report thereon dated September 29, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City Colleges' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City Colleges' internal control. Accordingly, we do not express an opinion on the effectiveness of City Colleges' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2017-001, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City Colleges' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

City Colleges' response to the significant deficiency identified in our audit is described in the accompanying corrective action plan. City Colleges' response was not subjected to our auditing procedures and, accordingly, we express no opinion on the response.

RSM US LLP

Chicago, Illinois
September 29, 2017

**Report On Compliance For Each Major Federal Program and Report On Internal Control
Over Compliance Required By The Uniform Guidance**

Independent Auditor's Report

To the Board of Trustees
City Colleges of Chicago
Community College District No. 508

Report on Compliance for Each Major Federal Program

We have audited City Colleges of Chicago, Community College District No. 508's (City Colleges) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City Colleges' major federal programs for the year ended June 30, 2017. City Colleges' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City Colleges' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City Colleges' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City Colleges' compliance.

Opinion on Each Major Federal Program

In our opinion, City Colleges complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2017-002, 2017-003, 2017-004, and 2017-005. Our opinion on each major federal program is not modified with respect to these matters.

City Colleges' responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. City Colleges' responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

Report on Internal Control Over Compliance

Management of City Colleges is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City Colleges' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City Colleges' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

RSM US LLP

Chicago, Illinois
September 29, 2017

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2017**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Project or Pass-Through Grantor's Number	Total Expenditures	Pass - Through To Subrecipients
U.S. Department of Education -				
Student Financial Assistance Cluster:				
Federal Pell Grant Program	84.063	P063P111341	\$ 64,660,361	\$ -
Federal Work-Study Program	84.033	P033A111123	1,321,949	-
Federal Supplemental Educational Opportunity Grants Program	84.007	P007A111123	1,694,295	-
Total Student Financial Assistance			<u>67,676,605</u>	<u>-</u>
Federal Direct Student Loans				
Kennedy King College	84.268	P268K156807	2,173,454	-
Olive Harvey College	84.268	P268K156999	1,174,314	-
Harold Washington College	84.268	P268K156870	1,826,430	-
Truman College	84.268	P268K156996	1,458,813	-
Makolm X College	84.268	P268K156907	2,507,079	-
Wright College	84.268	P268K156997	827,820	-
Daley College	<u>84.268</u>	P268K156878	280,034	-
Total Federal Direct Student Loans			<u>10,247,944</u>	<u>-</u>
Total Student Financial Assistance Cluster:			<u>77,924,549</u>	<u>-</u>
TRIO Cluster:				
TRIO - Student Support Services				
Student Support Services Program	84.042A	P042A151046	27,663	-
Student Support Services Program	84.042A	P042A151046-16	178,653	-
Student Support Services Program	84.042A	P042A150138	27,311	-
Student Support Services Program	<u>84.042A</u>	P042A150138-16	192,177	-
Subtotal 84.042A			<u>425,804</u>	<u>-</u>
TRIO - Talent Search Program:				
Talent Search Grant	84.044A	P044A110877-15	83,722	-
Talent Search Grant	84.044A	PO44A160427	11,726	-
Talent Search Grant	84.044A	P044A110382-15	119,631	-
Talent Search Grant	<u>84.044A</u>	PO44A160557	174,899	-
Subtotal 84.044A			<u>389,978</u>	<u>-</u>
TRIO - Upward Bound Program:				
Upward Bound Grant	84.047A	P047A121219-15	28,098	-
TRIO - Educational Opportunity Centers				
Educational Opportunity Centers Program	84.066A	P066A110111-15	39,742	-
Educational Opportunity Centers Program	<u>84.066A</u>	PO66A160284	190,927	-
Subtotal 84.066A			<u>230,669</u>	<u>-</u>
Total TRIO Cluster			<u>1,074,549</u>	<u>-</u>

Continued

City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2017

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Project or Pass-Through Grantor's Number</u>	<u>Total Expenditures</u>	<u>Pass - Through To Subrecipients</u>
U.S. Department of Education - (Continued)				
Adult Education - Basic Grants to States				
Passed through the Illinois Community College Board				
Adult Education Grant - Basic	84.002A	F5080117	\$ 1,572,500	\$ -
Adult Education Grant - Civic	<u>84.002A</u>	F5080117	<u>204,310</u>	<u>-</u>
Subtotal	84.002A		<u>1,776,810</u>	<u>-</u>
Higher Education Institutional Aid				
Predominantly Black Institutions Program - Formula Grant	84.031P	P031P110013-15	272,540	-
Predominantly Black Institutions Program - Formula Grant	84.031P	P031P110014-15	45,481	-
Predominantly Black Institutions Program - Formula Grant	<u>84.031P</u>	P031P110015-15	<u>200,096</u>	<u>-</u>
Subtotal	84.031P		<u>518,117</u>	<u>-</u>
Higher Education Institutional Aid				
Wright Start: Increasing Hispanic Student Success in the First Year of College	84.031S	P031S120098-15	129,817	-
Wright Start: Increasing Hispanic Student Success in the First Year of College	84.031S	P031S120098-16	610,683	-
			<u>740,500</u>	<u>-</u>
Higher Education Institutional Aid				
Truman College Critical Reading and Science Centers	84.031S	P031S150026	71,742	-
Truman College Critical Reading and Science Centers	<u>84.031S</u>	P031S150026-16	<u>496,644</u>	<u>-</u>
			<u>568,386</u>	<u>-</u>
Subtotal	84.031		<u>1,827,003</u>	
Career and Technical Education - Basic Grants to States				
Passed through the Illinois Community College Board				
Perkins III Grant	84.048	CTE50817	2,798,007	-
Career and Technical Education				
Implementation Communities				
Pathway to Results Year 2	84.048	PTR50816	18,109	-
Career and Technical Education				
Passed through Illinois Community College Board				
Dual Credit Enhancement	84.048	DCE-50817	18,460	-
Career and Technical Education				
Passed through Illinois Community College Board				
Career Pathways Enhancement	<u>84.048</u>	CPE-50817	<u>5,000</u>	<u>-</u>
Subtotal	84.048		<u>2,839,576</u>	

Continued

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2017**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Project or Pass-Through Grantor's Number	Total Expenditures	Pass - Through To Subrecipients
U.S. Department of Education - (Continued)				
Strengthening Minority-Serving Institutions				
Learning Communities for STEM	84.382A	P382A110046-14	\$ 92,340	\$ -
Strengthening Minority-Serving Institutions				
Olive Harvey College	84.382A	P382A150033	238,913	-
Olive Harvey College	84.382A	P382A150033-16	430,364	-
			<u>669,277</u>	<u>-</u>
Strengthening Minority-Serving Institutions				
Pipeline to Careers in Healthcare	84.382A	P382A150024	132,162	-
Pipeline to Careers in Healthcare	<u>84.382A</u>	P382A150024-16	421,337	-
			<u>553,499</u>	<u>-</u>
	Subtotal 84.382A		<u>1,315,116</u>	
Total Expenditures - U.S. Department of Education			<u>86,757,603</u>	<u>-</u>
U.S. Department of Health and Human Services -				
Head Start				
Passed through the City of Chicago Department of Family and Support Services:				
Head Start Program	93.600	33362-1	289,366	-
Head Start Program	93.600	33362-2	557,238	-
Head Start Support Services Program	93.600	33576-1	94,244	-
Head Start Support Services Program	93.600	33576-2	101,720	-
Early Head Start Support Services - Child Care Partnership	93.600	37613-2	216,173	-
Early Childhood Support Services	<u>93.600</u>	52755-1	7,223	-
	Subtotal 93.600		<u>1,265,964</u>	<u>-</u>
Child Care				
Passed through the City of Chicago Department of Family and Support Services:				
Child Care Services Program	93.596	28412-4	51,176	-
Oral Health Workforce Activities				
Passed through Illinois Department of Public Health				
Illinois Oral Health Workforce	93.236	73489109E	8,522	-
Total Expenditures - U.S. Department of Health and Human Services			<u>\$ 1,325,662</u>	<u>\$ -</u>

Continued

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2017**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Project or Pass-Through Grantor's Number	Total Expenditures	Pass - Through To Subrecipients
U.S. Department of Agriculture -				
Passed through the Illinois State Board of Education				
Child and Adult Care Food Program	10.558	15016508051	\$ 25,750	\$ -
Child and Adult Care Food Program	<u>10.558</u>	15016508051	<u>131,776</u>	<u>-</u>
Subtotal	10.558		<u>157,526</u>	<u>-</u>
Total Expenditures - U.S. Department of Agriculture			<u>157,526</u>	<u>-</u>
National Science Foundation -				
Research and Development Cluster				
Education and Human Resources				
Passed through National Center for Science and Civic Engagement				
Science Education for New Civic Engagement and				
Responsibilities (SENCER)	47.076	DUE-1224488	<u>2,100</u>	<u>-</u>
Education and Human Resources				
STEM Scholars Program	47.076	DUE-1259809	<u>215,418</u>	<u>-</u>
Education and Human Resources				
Advanced Technological Education Program	<u>47.076</u>	DUE-1550438	<u>174,512</u>	<u>-</u>
Total Expenditures - National Science Foundation			<u>392,030</u>	<u>-</u>
Research and Development -				
Office of Naval Research -				
Midwest Association for Science and Services (Critical Mass)	12.300	N00014-13-1-0881	301,620.00	301,620.00
Midwest Association for Science and Services (Critical Mass)	<u>12.300</u>	N00014-16-1-3077	<u>119,521</u>	<u>119,521</u>
Total Expenditures - Research and Development Cluster			<u>421,141</u>	<u>421,141</u>
Other Federal Agencies				
U.S. Department of Transportation				
Federal Highway Administration				
Highway Planning and Construction				
Passed through the Illinois Community College Board				
Highway Construction Careers Training Program	20.205	S-HCCTP-508	<u>293,340</u>	<u>-</u>
National Aeronautics and Space Administration				
Passed through University of Illinois Urbana-Champaign				
Passed through Illinois Institute of Technology				
Engaging community college students in STEM through				
high altitude ballooning	43.008	NNX14AR13A	<u>143,021</u>	<u>-</u>
Total Expenditures - Other Federal Agencies			<u>436,361</u>	<u>-</u>
Total All Programs			<u>\$ 89,490,323</u>	<u>\$ 421,141</u>

City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2017

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Scope of Entity

City Colleges of Chicago, Community College District No. 508 (City Colleges) is a separate taxing body created under the Illinois Public Community College Act of 1965, with boundaries coterminous with the City of Chicago. City Colleges delivers educational and student services through seven colleges, each of which is separately accredited by the North Central Association. The seven colleges are Richard J. Daley College, Harold Washington College, Kennedy-King College, Malcolm X College, Olive-Harvey College, Harry S. Truman College, and Wilbur Wright College. The Board of Trustees, appointed by the Mayor of the City of Chicago and ratified by the City Council of Chicago, is responsible for establishing the policies and procedures by which City Colleges is governed. The U.S. Department of Education has been designated as the City Colleges' cognizant agency for the audit performed in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Fiscal period audited: Single Audit testing procedures were performed for program transactions that occurred during the fiscal year ended June 30, 2017.

Note 2. Summary of Significant Accounting Policies

Basis of accounting: The accompanying schedule of expenditures of federal awards includes the federal grant activity of City Colleges and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The amounts presented in this schedule have been reconciled to the City College's basic financial statements.

Cost allocation: City Colleges has a plan for allocation of common and indirect costs related to grant programs in accordance with, the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The indirect cost rate used to allocate amounts to grant programs during the fiscal year ended June 30, 2017, is primarily based on a federally negotiated higher education rate agreement of 50.5%.

City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2017

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS *(Continued)*

Note 3. Student Loan Programs

Loans made under the Federal Direct Student Loan program issued to eligible students of City Colleges during the fiscal year ended June 30, 2017, are summarized as follows:

Guaranteed Loan Programs:	
Subsidized	\$ 5,787,830
Unsubsidized	4,319,526
Parent Plus	<u>140,588</u>
Total Federal Student Loan Programs	<u><u>\$ 10,247,944</u></u>

The loan programs include subsidized and unsubsidized Stafford Loans and Parent PLUS Loans. The value of loans issued for the Federal Student Loan Program is based on disbursement amounts. The loan amounts issued during the year are disclosed on the Schedule. City Colleges is responsible only for the performance of certain administrative duties with respect to the federally guaranteed student loan programs and, accordingly, balances and transactions relating to these loan programs are not included in City Colleges' basic financial statements. Therefore, it is not practicable to determine the balance of loans outstanding to students and former students of City Colleges at June 30, 2017.

Note 4. Other Noncash Assistance

City Colleges did not receive federal noncash assistance during the fiscal year ended June 30, 2017.

Note 5. Amount of Federal Insurance in Effect During the Year

No federal insurance was received by City Colleges during the year ended June 30, 2017.

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2017**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: *Unmodified*

Internal control over financial reporting:

Material weaknesses identified?	<u> </u> Yes	<u> X </u> No
Significant deficiencies identified?	<u> X </u> Yes	<u> </u> None Reported
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No

Federal Awards

Internal control over major programs:

Material weaknesses identified?	<u> </u> Yes	<u> X </u> No
Significant deficiencies?	<u> </u> Yes	<u> X </u> None Reported

Type of auditor's report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? X Yes No

Identification of major programs

<u>CFDA Number</u>	<u>Name of Federal Program</u>
84.063, 84.033, 84.007, 84.268	Student Financial Assistance Cluster
84.042A, 84.044A, 84.047A, 84.066A	TRIO Cluster

Dollar threshold used to distinguish between types A and type B programs: \$2,684,710

Auditee qualified as low-risk auditee? X Yes No

City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*

II. FINANCIAL STATEMENT FINDINGS

Finding 2017-001: Accounts Payable

Criteria

City Colleges' financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under this method, expenditures are generally recorded when a liability is incurred. At the end of the fiscal year, City Colleges' records an accounts payable liability for any goods received or services performed before the end of the year which were subsequently paid after year-end.

Condition and Context

We noted the following issues in accounts payable:

- 1) During subsequent disbursement testing, we found that City Colleges improperly excluded an invoice for approximately \$131,000 relating to fiscal year 2017 benefits that were paid subsequent to year-end. Management posted an adjusting entry of approximately \$131,000 to include this in accounts payable at year-end.
- 2) The accounts payable subledger was higher than the liability on the trial balance. Management determined a system error occurred relating to the posting of payments and invoices to the accounts payable subledger. In these situations, certain invoices were paid and the accounts payable subledger was incorrectly reduced and the related expense accounts were not properly charged. This caused the accounts payable liability on the trial balance to be too low and the related expense accounts understated. Management posted an entry of approximately \$517,000 to increase accounts payable and increase the related expense accounts.
- 3) Management also determined that the accounts payable subledger incorrectly included approximately \$58,000 of invoices which had previously been deleted. Management posted an entry to reduce accounts payable for these items.

The total effect of these adjustments was an increase to accounts payable of approximately \$590,000.

Cause and Effect

City Colleges does not have adequate internal controls and procedures in place to ensure all unrecorded liabilities have been accounted for at year-end, or that the accounts payable subledger is reconciled to the trial balance.

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2017**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)tion*

Recommendation

We recommend City Colleges develop detail reports that reconcile the accounts payable subledger to the general ledger at the end of every month. If any differences exist, they should be investigated and resolved promptly.

Views of responsible officials

We agree with this finding. See corrective action plan.

III. FEDERAL AWARD FINDINGS

There were no internal control significant deficiencies or material weaknesses over the federal awards identified for fiscal year 2017. The compliance findings identified are as follows:

Finding 2017-002: Enrollment Reporting

Federal Program Title – U.S Department of Education
Federal Pell Grant Program: 84.063
Federal Direct Student Loans: 84.268
Federal Award Year 2016-2017

Condition

Two students tested withdrew from City Colleges for which status changes were not recorded to the National Student Loan Data System (NSLDS).

Criteria

CFR section 685 309(b)(2) requires City Colleges to notify the lender within 30 days if City Colleges discovers that a student who received a loan either did not enroll or was not enrolled on at least a half-time basis. For official student status changes, City Colleges has 60 days to notify the lender if the next scheduled roster date is within 60 days of the date of determination.

Questioned Costs

There were no questioned costs related to testing of enrollment reporting.

Cause

The financial aid office does not have an effective system in place to ensure all official student status changes are reported to the lender in a timely manner.

Prevalence

Two out of forty students testing selections.

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2017**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*

Effect:

Noncompliance with federal regulations could result in the loss of future federal financial aid funding. In addition, not reporting enrollment changes within the required timeframe can impact the specified student's loan deferment and repayment.

Recommendation

We recommend that City Colleges implement procedures to ensure the financial aid office is promptly notified of any student status changes, so the information may be reported to the lender in a timely manner. City Colleges should implement a review process to ensure all status changes are addressed by the financial aid office.

Views of responsible officials

We agree with this finding. See corrective action plan.

Finding 2017-003 – Use of Federal Work Study Funds

Federal Program Title – U.S Department of Education
84.033 Federal Work Study
Federal Award Year 2016-2017

Condition

During review of the Federal Work Study (FWS) program, we identified the following:

- a.) At five of the seven campuses, the College did not employ a student in a reading tutor or family literacy project; and,
- b.) City Colleges did not use at least seven percent of the sum of its initial and supplemental FWS allocations for an award year to compensate students employed in community service activities at one campus.

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2017**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*

Criteria

34 CFR section 675.18 states that City Colleges must use at least seven percent of the sum of its initial and supplemental FWS allocations for an award year to compensate students employed in community service activities. In meeting this requirement, the College must include at least one of the following:

- a.) The reading tutoring project employs one or more FWS students as reading tutors for children who are preschool age or who are in elementary school; or,
- b.) The family literacy project employs one or more FWS students in family literacy activities.

Questioned Costs

- a.) There were no questioned costs with respect to part A of this finding.
- b.) There were questioned costs of \$980 with respect to part B of this finding.

Cause

City Colleges' employees did not have adequate training on the requirements for the use of FWS program funds and they could not find students to meet the requirements.

Prevalence

- a.) This finding was prevalent at five out of seven campuses.
- b.) This finding was prevalent at one out of seven campuses

Effect

Noncompliance with federal regulations could result in the loss of future federal financial aid funding.

Recommendation

To meet the requirements of the FWS program, we recommend that City Colleges train employees over FWS program requirements and hire personnel to fill community service and reading tutor positions.

Views of responsible officials

We agree with this finding. See corrective action plan.

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2017**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*

Finding 2017-004 – Earmarking Requirement

Federal Program Title – U.S Department of Education
TRIO Student Support Services Program: 84.042A
TRIO Talent Search Grant: 84.044A
Federal Award Year 2016-2017

Condition

During review of the TRIO Student Support Services (SSS) and Talent Search (TS) programs, we identified the following:

- a.) Only twenty five percent of disabled participants served were also low-income in a SSS program;
- b.) For the TS program, City Colleges only served 51 participants even though the Secretary of Education had identified 500 participants within this federal register.
- c.) Only 63% of participants served in a TS program were low-income and potential first-generation college students.

Criteria

The Code of Federal Regulations requires City Colleges to meet certain earmarking requirements while participating in the Student Support Services (SSS) and Talent Search (TS) TRIO programs. In meeting those requirements, City Colleges must abide by the following:

- a.) For a SSS program, not less than one-third of the individuals with disabilities served must also be low-income individuals (34 CFR sections 646.7 and 646.11);
- b.) For a TS program, City Colleges is to serve at least the number of participants that the Secretary identifies in the Federal Register notice inviting applications for a competition (43 CFR 643.32(b)); and,
- c.) For a TS program, at least two-thirds of the individuals served by a TS project must be low-income individuals who are potential first-generation college students (34 CFR sections 643.11 and 643.7)

Questioned Costs

There were no questioned costs related to the earmarking requirement.

Cause

City Colleges was unable to find participants meeting the requirements noted above.

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2017**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*

Prevalence

- a.) Prevalent for low-income disabled participants in a SSS program.
- b.) Prevalent for the applications for competition in a TS program.
- c.) Prevalent for low-income potential first-generation college students in a TS program.

Effect

Noncompliance with federal regulations could result in the loss of future federal financial aid funding.

Recommendation

We recommend that City Colleges serve additional participants that have met the TRIO cluster programs' earmarking requirements and to train employees on TRIO compliance program requirements.

Views of responsible officials

We agree with this finding. See attached corrective action plan.

Finding 2017-005 – Reporting Requirement

Federal Program Title – U.S. Department of Education
Trio Talent Search Grant Program: 84.044A
Federal Award Year 2015-2016

Condition

During review of the Talent Search Program, we determined City Colleges did not sign the annual performance report that was submitted to the Department of Education.

Criteria

The Code of Federal Regulations requires City Colleges to meet certain reporting requirements while participating in the Talent Search (TS) TRIO programs. In meeting those requirements, City Colleges must submit an annual performance report to the Department of Education for each year of the project period (OMB No. 1840-0826).

Questioned Costs

There were no questioned costs related to the reporting requirement.

Cause

City Colleges does not have an effective system in place to ensure all performance reports have been adequately reviewed and signed prior to submission.

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2017**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*

Prevalence

This finding was prevalent for one out of the six annual performance reports that were tested.

Effect

Noncompliance with federal regulations could result in the loss of future federal financial aid funding.

Recommendation

To ensure reporting requirements are met, we recommend designing and implementing controls that require supervisory review and sign off prior to submission to the Department of Education.

Views of responsible officials

We agree with this finding. See attached corrective action plan.

RSM US LLP
1 S. Wacker Drive, Suite 800
Chicago Illinois 60606

CORRECTIVE ACTION PLANS

Finding 2017-001: Accounts Payable: We noted the following issues in accounts payable:

- 1) During subsequent disbursement testing, we found that City Colleges improperly excluded an invoice for approximately \$131,000 relating to fiscal year 2017 benefits that were paid subsequent to year-end. Management posted an adjusting entry of approximately \$131,000 to include this in accounts payable at year-end.
- 2) The accounts payable subledger was higher than the liability on the trial balance. Management determined a system error occurred relating to the posting of payments and invoices to the accounts payable subledger. In these situations, certain invoices were paid and the accounts payable subledger was incorrectly reduced and the related expense accounts were not properly charged. This caused the accounts payable liability on the trial balance to be too low and the related expense accounts understated. Management posted an entry of approximately \$517,000 to increase accounts payable and increase the related expense accounts.
- 3) Management also determined that the accounts payable subledger incorrectly included approximately \$58,000 of invoices which had previously been deleted. Management posted an entry to reduce accounts payable for these items.

The total effect of these adjustments was an increase to accounts payable of approximately \$590,000.

Corrective Action Taken or Planned

Finance will work with the Office of Information Technology to develop reports to identify exceptions, non-posting entries, and to reconcile the accounts payable subledger to the general ledger. In addition, Finance will retrain the Accounts Payable staff on year end posting and closing procedures to ensure transactions are posted in the correct fiscal year.

Contact person: Controller
Anticipated completion date: November 2017

CORRECTIVE ACTION PLANS *(Continued)*

Finding 2017-002: Enrollment Reporting: During review of the Student Financial Aid Cluster program, we identified the following:

- a.) Two students tested withdrew from City Colleges for which status changes were not recorded to the National Student Loan Data System (NSLDS).
- b.) CFR section 685.309(b)(2) requires City Colleges to notify the lender within 30 days if City Colleges discovers that a student who received a loan either did not enroll or was not enrolled on at least a half-time basis. For official student status changes, City Colleges has 60 days to notify the lender if the next scheduled roster date is within 60 days of the date of determination.

Corrective Action Taken or Planned

Campus Solutions 9 is not currently set up to capture these students and report the enrollment status, but we have requested a modification to ensure that they are captured in the future. Until the modification is implemented, we will modify our R2T4 process to update the enrollment when the student's R2T4 calculation is performed.

Contact Person: Senior Associate Vice Chancellor, Strategy and Academic Governance
Anticipated completion date: Fall 2018

Finding 2017-003: Use of Federal Work Study Funds: During review of the Federal Work Study (FWS) program, we identified the following:

- a.) At five of the seven campuses, the College did not employ a student in a reading tutor or family literacy project; and,
- b.) City Colleges did not use at least seven percent of the sum of its initial and supplemental FWS allocations for an award year to compensate students employed in community service activities at one campus.

34 CFR section 675.18 states that City Colleges must use at least seven percent of the sum of its initial and supplemental FWS allocations for an award year to compensate students employed in community service activities. In meeting this requirement, the College must include at least one of the following:

CORRECTIVE ACTION PLANS *(Continued)*

- a.) The reading tutoring project employs one or more FWS students as reading tutors for children who are preschool age or who are in elementary school; or,
- b.) The family literacy project employs one or more FWS students in family literacy activities.

Corrective Action Taken or Planned

(a and b) Financial Aid Directors and the District Director of Financial Aid for City Colleges of Chicago have made it a priority to ensure more community service positions and at least one reading tutor for each campus. We have recently made off-site agreements for all 7 campuses with: Maps Corps, Boys & Girls Clubs of Chicago, Chicago Historical Society, Chicago Run, and Girls Inc. of Chicago.

Wilbur Wright College is also working on agreements with Onward Neighborhood House and Schurz High School.

The new off-site arrangements with other community organizations will ensure that FWS funds are used for community service in excess of the required 7% and that off-site reading tutor or family literacy positions will be available. Campuses are all also working with their tutoring centers to create reading tutor FWS positions on campus.

Contact Person: Associate Vice Chancellor Student Financials
Anticipated completion date: Completed

Finding 2017-004: Earmarking Requirement: During review of the TRIO Student Support Services (SSS) and Talent Search (TS) programs, we identified the following:

- a.) Only twenty five percent of disabled participants served were also low-income at an SSS program;
- b.) The Secretary in the Federal Register invited applications for competition of 500 but City Colleges only served 51 participants for a TS program; and,
- c.) Only 63% of participants served in a TS program were low-income and potential first-generation college students.

CORRECTIVE ACTION PLANS *(Continued)*

The Code of Federal Regulations requires City Colleges to meet certain earmarking requirements while participating in the Student Support Services (SSS) and Talent Search (TS) TRIO programs. In meeting those requirements, City Colleges must abide by the following:

- a.) For a SSS program, not less than one-third of the individuals with disabilities served must also be low-income individuals (34 CFR sections 646.7 and 646.11);
- b.) For a TS program, City Colleges is to serve at least the number of participants that the Secretary identifies in the Federal Register notice inviting applications for a competition (43 CFR 643.32(b)); and,
- c.) For a TS program, at least two-thirds of the individuals served by a TS project must be low-income individuals who are potential first-generation college students (34 CFR sections 643.11 and 643.7)

Corrective Action Taken or Planned

- a.) In relation to the SSS program, City Colleges will take the following actions in an effort to correct the finding:
 - 1. Closer monitoring of participant eligibility and acceptance into the 160 student limit of the TRIO-SSS program.
 - 2. Monitoring will be recorded through Student Access database system specifically tailored to TRIO programs.
 - 3. Denying services to students who do not meet the necessary 1/3 low-income and disabled threshold.

Contact person: Malcolm X College, Director of TRIO Student Support Services Program

Anticipated completion date: Completed

(b & c) Malcolm X College made the decision to discontinue the Talent Search Program. We communicated our decision to the DOE on February 9, 2017. No corrective action plan is needed.

Contact person: Malcolm X College, Dean of Student Services

Anticipated completion date: Completed

CORRECTIVE ACTION PLANS *(Continued)*

Finding 2017-005: Reporting Requirement: During review of the Talent Search Program, we determined City Colleges did not sign the annual performance report that was submitted to the Department of Education.

Corrective Action Taken or Planned

The TRIO Talent Search program at Kennedy-King College has developed a revised system for submission of the Annual Performance Report (APR) to the Department of Education. The Director of the TRIO program in conjunction with other TRIO staff will complete a comprehensive APR that is to be submitted to the Dean of Student Services at least three weeks prior to the required submission date. The Dean will review the APR within one week and if no further edits/corrections are needed, the Dean will sign the APR and submit to the President of the college for his review. Once the President has reviewed the APR and is satisfied with its contents, the President will sign the APR and return to the Dean of Student Services. With the Dean and President's signature on the APR, the Director of TRIO will also sign the APR and submit to the Department of Education on or before the submission deadline. The Director will not under any circumstances submit the APR without the appropriate signatures from the Dean and the President or their designee.

Contact person: Associate Dean of Student Services
Anticipated completion date: November 25, 2017

Please contact us if you would like additional copies of the Comprehensive Annual Financial Report for the year ended June 30, 2017: <http://www.ccc.edu/departments/Pages/Annual-Finance-and-Budget-Reports/CAFR>.

For further information or to learn about our educational, operational and employment opportunities, please visit the CCC website at <http://www.ccc.edu>.

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