

**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, 2019, and the related notes to the financial statements, which collectively comprise City Colleges' basic financial statements, and have issued our report thereon dated October 17, 2019.

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.

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.

RSM US LLP

Chicago, Illinois
October 17, 2019

Report On Compliance For The Major Federal Program; Report On Internal Control Over Compliance; And Report On Schedule Of Expenditures Of Federal Awards 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 the 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 City Colleges' major federal program for the year ended June 30, 2019. City Colleges' major federal program is 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 City Colleges' major federal program 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 on the major federal program. However, our audit does not provide a legal determination of City Colleges' compliance.

Opinion on the 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 the major federal program for the year ended June 30, 2019.

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 2019-001, 2019-002, 2019-003, 2019-004, 2019-005, 2019-006 and 2019-007. Our opinion on the 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 the responses.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2019-001, that we consider to be a significant deficiency. In addition, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned cost as item 2019-003.

City Colleges' responses to internal control over compliance 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 and, accordingly, we express no opinion on the responses.

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of City Colleges as of and for the year ended June 30, 2019, and have issued our report thereon dated October 17, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

RSM US LLP

Chicago, Illinois
October 17, 2019

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2019**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity's Identifying Number	Federal Project Grantor's Number	Total Expenditures	Pass - Through To Subrecipients
U.S. Department of Education -					
Student Financial Assistance Cluster:					
Federal Pell Grant Program	84.063			\$ 60,649,110	-
Total Federal Pell Grant				<u>60,649,110</u>	<u>-</u>
Federal Work-Study Program	84.033			\$ 1,189,765	-
Total Federal Work-Study Program				<u>1,189,765</u>	<u>-</u>
Federal Supplemental Educational Opportunity Grants Program	84.007			\$ 1,809,114	-
Total Federal Supplemental Educational Opportunity Grants				<u>1,809,114</u>	<u>-</u>
Federal Direct Student Loans	84.268			\$ 5,946,181	-
Total Federal Direct Student Loans				<u>5,946,181</u>	<u>-</u>
Total Student Financial Assistance Cluster:				<u>69,594,170</u>	<u>-</u>
TRIO Cluster:					
TRIO- Student Support Services					
Student Support Services Program	84.042A		P042A151046-17	28,100	-
Student Support Services Program	84.042A		P042A151046-18	202,873	-
Student Support Services Program	84.042A		P042A150138-17	25,578	-
Student Support Services Program	<u>84.042A</u>		P042A150138-18	171,983	-
Subtotal	84.042A			<u>428,534</u>	<u>-</u>
TRIO - Talent Search Program:					
Talent Search Grant	84.044A		PO44A160557-17	46,491	-
Talent Search Grant	<u>84.044A</u>		PO44A160557-18	300,983	-
Subtotal	84.044A			<u>347,474</u>	<u>-</u>
TRIO - Educational Opportunity Centers					
Educational Opportunity Centers Program	84.066A		PO66A160284-17	24,677	-
Educational Opportunity Centers Program	<u>84.066A</u>		PO66A160284-18	219,829	-
Subtotal	84.066A			<u>244,506</u>	<u>-</u>
Total TRIO Cluster				<u>1,020,514</u>	<u>-</u>

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2019**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity's Identifying Number	Federal Project Grantor's Number	Total Expenditures	Pass - Through To Subrecipients
Adult Education - Basic Grants to States					
Passed through the Illinois Community College Board					
Adult Education Grant - Basic	84.002A	F5080019	F5080118	1,403,295	-
Adult Education Grant - Civic	<u>84.002A</u>	F5080019	F5080118	225,000	-
Total 84.002A				<u>1,628,295</u>	<u>-</u>
Higher Education Institutional Aid					
Wright Start: Increasing Hispanic Student Success in the First Year of College					
	<u>84.031S</u>		P031S120098-16	19,820	-
Subtotal 84.031S				<u>19,820</u>	<u>-</u>
Higher Education Institutional Aid					
Truman College Critical Reading and Science Centers					
	84.031S		P031S150026-17	84,211	-
Truman College Critical Reading and Science Centers					
	<u>84.031S</u>		P031S150026-18	431,836	-
Subtotal 84.031S				<u>516,047</u>	<u>-</u>
Total 84.031S				<u>535,867</u>	<u>-</u>
Career and Technical Education - Basic Grants to States					
Passed through the Illinois Community College Board					
Perkins III Grant	84.048	CTE50818		1,336	-
Perkins III Grant	84.048	CTE50819		2,318,559	-
Subtotal 84.048				<u>2,319,895</u>	<u>-</u>
Career and Technical Education					
Passed through the Illinois Community College Board					
Perkins Leadership Improvement Grant	84.048	CTE-IG-50818		24,231	-
Perkins Leadership Grant	<u>84.048</u>	LEAD50819		8,076	-
Subtotal 84.048				<u>32,307</u>	<u>-</u>
Career and Technical Education					
Implementation Communities					
Pathway to Results Year 2	<u>84.048</u>		PTR2-50819	13,707	-
Total 84.048				<u>2,365,909</u>	<u>-</u>
Strengthening Minority-Serving Institutions					
Olive Harvey College					
	84.382A		P382A150033-17	63,862	-
Olive Harvey College					
	<u>84.382A</u>		P382A150033-18	298,714	-
Subtotal 84.382A				<u>362,576</u>	<u>-</u>
Strengthening Minority-Serving Institutions					
Pipeline to Careers in Healthcare					
	84.382A		P382A150024-17	104,446	-
Pipeline to Careers in Healthcare					
	<u>84.382A</u>		P382A150024-18	316,571	-
Subtotal 84.382A				<u>421,017</u>	<u>-</u>
Total 84.382A				<u>783,593</u>	<u>-</u>
Total Expenditures - U.S. Department of Education				<u>75,928,348</u>	<u>-</u>

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2019**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity's Identifying Number	Federal Project Grantor's Number	Total Expenditures	Pass - Through To Subrecipients
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	33362-3		229,241	-
Head Start Program	93.600	33362-4		338,725	-
Head Start Support Services Program	93.600	33576-3		105,096	-
Head Start Support Services Program	93.600	33576-4		122,229	-
Early Head Start Support Services - Child Care Partnership	93.600	37613-3		584	-
Early Head Start Support Services - Child Care Partnership	93.600	37613-4		94,718	-
Early Head Start Support Services	93.600	52755-2		7,009	-
Early Head Start Support Services	93.600	52755-3		12,620	-
Subtotal	93.600			<u>910,222</u>	<u>-</u>
Child Care					
Passed through the City of Chicago Department of Family and Support Services:					
Child Care Services Program	93.596	81654		4,519	-
Total	93.596			<u>4,519</u>	<u>-</u>
Oral Health					
Passed through Illinois Department of Public Health:					
Oral Health Workforce Grant	93.236	83489101F		11,045	-
Total	93.236			<u>11,045</u>	<u>-</u>
Total Expenditures - U.S. Department of Health and Human Services				<u>925,786</u>	<u>-</u>
U.S. Department of Agriculture -					
Passed through the Illinois State Board of Education					
Child and Adult Care Food Program	10.558	15016508051		29,456	-
Child and Adult Care Food Program	<u>10.558</u>	15016508051		141,352	-
Subtotal	10.558			<u>170,808</u>	<u>-</u>
Total Expenditures - U.S. Department of Agriculture				<u>170,808</u>	<u>-</u>
U.S. Department of Labor -					
Apprenticeship Expansion Grant					
Passed through Illinois Department of Commerce and					
Economic Opportunity	17.285	17-112086		18,845	-
Total Expenditures - U.S. Department of Labor				<u>18,845</u>	<u>-</u>

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2019**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity's Identifying Number	Federal Project Grantor's Number	Total Expenditures	Pass - Through To Subrecipients
National Science Foundation -					
Research and Development Cluster					
Education and Human Resources					
Intergovernmental Personnel Act (IGPA)	47.076		DUE-1224488	175,688	-
Education and Human Resources					
Exploring the Impact of Cultural Wealth and Scholarships					
S-STEM Scholars Program	17.527		DUE-1833435	13,365	-
Education and Human Resources					
Building Capacity: Building Bridges into Engineering and					
Computer Science	18.524		DUE-1832553	69,484	-
Total Expenditures - National Science Foundation				258,537	-
U.S. Department of Transportation					
Federal Highway Administration					
Highway Planning and Construction					
Passed through the Illinois Department of Transportation					
Highway Construction Careers Training Program	20.205		S-HCCTP-509	317,934	-
Federal Highway Administration					
Dwight D. Eisenhower Transportation Fellowship Program	20.215		693JJ31945178	15,000	-
Total Expenditures - U.S. Department of Transportation				332,934	-
Other Federal Agencies					
National Endowment for the Humanities					
NEH Humanities Grant	45.162		AC-258931-18	35,961	-
Total Expenditures - Other Federal Agencies				35,961	-
Total All Programs				\$ 77,671,219	\$ -

See Notes to the Schedule of Expenditures of Federal Awards.

City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2019

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, 2019.

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 Colleges' 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, 2019, is primarily based on a federally negotiated higher education rate agreement of 50.5%. Because City Colleges negotiated an indirect cost rate it cannot elect to use the 10% de minimus rate.

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2019**

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, 2019, are summarized as follows:

Guaranteed Loan Programs:	
Subsidized	\$ 2,986,248
Unsubsidized	2,919,410
Parent Plus	<u>40,523</u>
Total Federal Student Loan Programs	<u>\$ 5,946,181</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, 2019.

Note 4. Other Noncash Assistance

City Colleges did not receive federal noncash assistance during the fiscal year ended June 30, 2019.

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, 2019.

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2019**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*

Section II. FINANCIAL STATEMENT FINDINGS

There were no financial statement findings required to be reported in accordance with *Government Auditing Standards*.

Section III. FEDERAL AWARD FINDINGS

Finding 2019-001 – Short Term Programs at Postsecondary Vocational Institutions (Internal Control Significant Deficiency and Compliance Finding)

Repeat Finding: No

Federal Program Title – U.S. Department of Education
Federal Direct Student Loans: 84.268
Federal Award Year 2018-2019

Condition

City Colleges did not track placement information and document its calculation for placement rates for each student enrolled in a short-term program at a post-secondary vocational institution.

Criteria

For the Direct Loan Program, short-term eligible programs at a postsecondary vocational institution must 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 City Colleges 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.

Questioned Costs

There were no questioned costs with respect to this finding.

Cause

The financial aid office does not have an effective system in place to ensure all campuses are tracking completion and placement rates.

Effect

Noncompliance with federal regulations could result in program ineligibility and the loss of future federal financial aid.

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2019**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*

Section III. FEDERAL AWARD FINDINGS (CONTINUED)

Recommendation

We recommend City Colleges refine their policies and procedures to ensure that completion and placement rates are being tracked and placement rates are calculated for each award year.

Views of responsible officials

We agree with this finding. See corrective action plan.

Finding 2019-002 – Return of Title IV Funds – Post-withdrawal Disbursements (Compliance Finding)

Repeat Finding: No

Federal Program Title – U.S. Department of Education
Federal Pell Grant Program: 84.063
Federal Award Year 2018-2019

Condition

For three out of sixty students tested, City Colleges did not complete a post-withdrawal disbursement to the student within 45 days from the student’s withdrawal date of determination.

Criteria

34 CFR Section 668.22 requires City Colleges to disburse any post-withdrawal grants funds which were not credited to the student’s account any later than 45 days after City Colleges determines the student withdrew.

Questioned Costs

There were no questioned costs with respect to this finding. Refunds were paid to the three students in question.

Cause

This was due to an oversight at the campus level. The Return to Title IV (R2T4) is sent out on a weekly occurrence from the district office to the campus to complete. A number of variables may have caused the oversight, most notably staffing changes at the campus level played a role in the responsible party leaving City Colleges and new employees being trained to complete the function.

Prevalence

Infrequent. Three out of sixty students selected for testing.

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2019**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*

Section III. FEDERAL AWARD FINDINGS (CONTINUED)

Effect

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

Recommendation

To ensure all post-withdrawal disbursements are in compliance with the 45 day requirement, we recommend City Colleges refine their policies and procedures to track post-withdrawal disbursements.

Views of responsible officials

We agree with this finding. See corrective action plan.

Finding 2019-003 – Return of Title IV Funds – Enrollment Reporting (Compliance Finding and Control Finding Deficiency)

Repeat Finding: Yes

Federal Program Title – U.S. Department of Education
Federal Pell Grant Program: 84.063
Federal Award Year 2018-2019

Condition

Four out of sixty students selected for testing withdrew from City Colleges for which status changes were not reported to the National Student Loan Data System (NSLDS)

Criteria

CFR section 685.309 and 690.83(b)(2) requires City Colleges to notify the 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.

Questioned Costs

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

Cause

This was due to an oversight at the campus level. Students who withdraw before the transcript date (last day for a qualified refund) do not appear on the enrollment file, which requires the student financial aid personnel to manually review and upload students to the National Clearing House.

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2019**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*

Section III. FEDERAL AWARD FINDINGS (CONTINUED)

Prevalence

Infrequent. Four out of sixty students selected for testing.

Effect

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

Recommendation

We recommend City Colleges modify its information technology systems so that it will promptly notify the financial aid office of any student status changes. An automated system of monitoring procedures will ensure City Colleges is reporting any status changes to the lender in a timely manner.

Views of responsible officials

We agree with this finding. See corrective action plan.

**Finding 2019-004 – Return of Title IV Funds – Reporting Disbursements to COD
(Compliance Finding)**

Repeat Finding: No

Federal Program Title – U.S. Department of Education
Federal Pell Grant Program: 84.063
Federal Award Year 2018-2019

Condition

For two out of sixty students tested, City Colleges reported the student's post-withdrawal disbursement to the Common Origination and Disbursement (COD) system in excess of the 15 day requirement as described below.

Criteria

CFR section 688.164(a) requires City Colleges to submit Title IV Funds disbursement records to the Common Origination Database (COD) system, no later than 15 days after making the disbursement or becoming aware of the need to adjust a previously reported disbursement.

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2019**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*

Section III. FEDERAL AWARD FINDINGS (CONTINUED)

Questioned Costs

There were no questioned costs with respect to this finding.

Cause

This was due to an oversight at the campus level. The Return to Title IV (R2T4) is sent out on a weekly occurrence from the district office to the campus to complete. A number of variables may have caused the oversight, most notably staffing changes at the campus level played a role in the responsible party leaving City Colleges and new employees being trained to complete the function.

Prevalence

Infrequent. Two out of sixty students selected for testing.

Effect

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

Recommendation

We recommend City Colleges refine their policies and procedures so City Colleges is able to ensure all post withdrawals are being tracked and reported to COD within required timeframes.

Views of responsible officials

We agree with this finding. See corrective action plan.

Finding 2019-005 – Return of Title IV Funds – Return of Funds (Compliance Finding)

Repeat Finding: No

Federal Program Title – U.S. Department of Education

Federal Pell Grant Program: 84.063

Federal Award Year: 2018 – 2019

Condition

For one out of sixty students tested, City Colleges did not return federal funds to the Department of Education within 45 days from the student's withdrawal date of determination.

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2019**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*

Section III. FEDERAL AWARD FINDINGS (CONTINUED)

Criteria

34 CFR Section 668.22(j)(1) requires City Colleges to return the amount of Title IV funds for which City Colleges is responsible as soon as possible but no later than 45 days after the date City Colleges determined the student withdrew.

Questioned Costs

There were no questioned costs with respect to this finding. The funds were returned to the Department of Education.

Cause

This was due to an oversight at the campus level. Each week, the Return to Title IV (R2T4) is sent out by the district office for each campus to complete. A number of variables may have caused the oversight, most notably staffing changes at the campus level played a role in the responsible party leaving City Colleges and new employees being trained to complete the function.

Prevalence

Infrequent. One out of sixty students testing selections.

Effect

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

Recommendation

We recommend City Colleges refine their policies and procedures to ensure Title IV funds are being returned to the Department of Education within the 45 day timeframe.

Views of responsible officials

We agree with this finding. See corrective action plan.

Finding 2019-006 – Direct Loan Quality Assurance System (Compliance Finding)

Repeat Finding: No

Federal Program Title – U.S. Department of Education
Federal Direct Student Loans: 84.268
Federal Award Year 2018-2019

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2019**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*

Section III. FEDERAL AWARD FINDINGS (CONTINUED)

Condition

In 2019, federal guidelines required that City Colleges implement a quality assurance system over its Direct Loan program. City Colleges operates in a decentralized manner and has numerous process and control memos in place documenting controls and procedures over their direct loan quality assurance system. However, these process and control memos may vary by campus. City Colleges does not have a single, comprehensive document that comprises the direct loan quality assurance system therefore City Colleges is not fully in compliance with this requirement.

Criteria

34 CFR Section 685.300(b) (9) require schools to implement and document a quality assurance process to ensure that City Colleges is complying with program requirements and meeting program objectives.

Questioned Costs

There were no questioned costs with respect to this finding.

Cause

City Colleges operates in a decentralized manner and has numerous process and control memos in place over their direct loan quality assurance system. However, the memos may vary by campus.

Effect

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

Recommendation

We recommend City Colleges refine their policies and procedures to ensure that a centralized Direct Loan Quality Assurance System is in place and properly documented.

Views of responsible officials

We agree with this finding. See corrective action plan.

Finding 2019-007 – Exit Counseling (Compliance Finding)

Repeat Finding: No

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2019**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*

Section III. FEDERAL AWARD FINDINGS (CONTINUED)

Federal Program Title – U.S. Department of Education
Federal Direct Student Loans: 84.268
Federal Award Year 2018-2019

Condition

For four out of twenty students tested, exit counseling or mailing of exit counseling materials did not occur within the 30 day timeframe. Two of the students did not receive exit counseling or mailing of exit counseling materials in a timely manner.

Criteria

34 CFR Section 682.604(g) requires that if a student Stafford loan borrower graduates or withdraws without notifying the school, the school must confirm that the student has completed the online exit counseling or mail exit counseling material to the borrower at his or her last known address. The material must be mailed within 30 days of the school learning that the borrower has withdrawn or failed to participate in an exit counseling session.

Questioned Costs

There were no questioned costs with respect to this finding.

Cause

The students who were not notified of exit counseling was due to oversight by employees who are to monitor City Colleges' automated system. All students who are expected to graduate will be updated within the information system at the start of their last anticipated semester. The expected graduation date triggers the letter to be automatically generated and sent out to the students. If a student changes their program, the graduation date may be delayed or advanced. For these students to receive an exit counseling notification, a manual entry into the system is required. Additionally, students who withdraw from all of their classes are not normally sent exit counseling as they may re-enroll during the mini sessions, which consist of 12-week and 8-week courses within the same semester. This again requires a manual report to be generated of students who withdrew from all of their classes and did not re-enroll in subsequent term.

Prevalence

Four out of twenty students who were selected for testing.

Effect

Students may not have received proper loan counseling which may lead to a higher default rate and loss of future federal financial aid funding.

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2019**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*

Section III. FEDERAL AWARD FINDINGS (CONTINUED)

Recommendation

We recommend City Colleges refine their policies and procedures to ensure that exit counseling materials are sent to students within the required timeframe for graduating students. Additionally, the check for completion of exit counseling should be performed, or materials sent each time a withdrawal calculation is completed or when City Colleges becomes aware of a student withdrawal.

Views of responsible officials

We agree with this finding. See corrective action plan.

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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2019**

Identifying Number: 2018-001 Eligibility

Audit Finding: The College was unable to provide verification documents for one student whose Institutional Student Information Record (ISIR) was selected for verification testing. 34 CFR Section 668.57 states that if an applicant is selected to verify any of the specified criteria, the College must obtain specified documentation based on the verification flag type on the Institutional Student Information Record (ISIR).

Status: Corrected. In the previous fiscal year, City Colleges returned the funds for the student in which verification documents could not be provided. To assist with the verification compliance requirements in future years, City Colleges of Chicago implemented third party verification vendor ProEducation Solutions in Spring 2019 to handle all federal verifications. Students complete their verification process online and upload all required documents to ensure digital file collection. Student Finance and Institutional Effectiveness is conducting a quantitative and qualitative analysis to ensure that ProEducation Solutions is meeting the needs of all stakeholders. In fiscal year 2019, no findings related to verification we identified.

Corrective Action Taken: City Colleges of Chicago has completed an RFP process to identify a vendor with a product/service that will allow students to complete CCC financial aid forms electronically and to scan and attach required documentation to an electronic form. We are in the process of implementing the contract and are on target to have all 2019-2020 financial aid documents stored electronically on the vendor's secure server. Financial aid staff will have 24-7 access to our stored documents and will be able to print copies on demand when needed.

Identifying Number: 2018-002 Use of Federal Work Study Funds

Audit Finding: During review of the Federal Work Study (FWS) program, we noted that at one of the seven campuses, the College did not employ a student in a reading tutor or family literacy project. 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:

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2019 *(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.

Status: Corrected

The Financial Aid Director at Olive-Harvey College has hired a reading tutor within the Child Care Center at Olive-Harvey College in the Spring 2019 as well as Fall 2019. An additional community based organization named Kufi Club of Chicago has been approved for the 2019-2020 Award Year in which reading and math tutors can work. A FWS community based organization named Assembly of Faith Outreach Center has completed the Federal Work Study Off-Campus Agreement along with supporting documentation that is currently with the legal team for review.

Corrective Action Taken: The Financial Aid Director at Olive-Harvey College has worked with the Child Care Center at their campus to place a FWS student as a reading tutor there. Additionally, the Director has scheduled meeting with two community based organizations to discuss the possibility of placing additional reading and math tutors. Meetings are currently scheduled with Phalanx Family and Chicago Youth Center.

Identifying Number: 2018-003 Enrollment Reporting

Audit Finding: Three students out of forty tested withdrew from City Colleges for which status changes were not properly reported to the National Student Loan Data System (NSLDS). 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.

Status: The Office of Student Financials is reviewing centralization of the enrollment function under Student Financials district office for closer oversight. A separate report will be ran at the time the National Student Clearinghouse (NSC) files are sent to identify students who withdrew between the beginning of a term and the transcript date of that term. Those students will continue to be manually updated in real time through NSC to reflect the correct enrollment status and effective date.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2019 *(continued)*

Corrective Action Taken: Uncorrected, Repeat in fiscal year 2019. See finding 2019-002.

Timing issues are the primary cause of not fully meeting enrollment reporting requirements. A student may enroll in a class, attend one day, and then drop the class prior to the date that an enrollment reporting file is created. Students who drop classes prior to our transcript date do not appear to have attended at all and the student is omitted from the enrollment file.

We acknowledge the need to verify requirements to report enrollment and the processes to enable CCC to do so. Our information technology staff are reviewing specific requirements and how National Student Clearinghouse utilizes data to determine the best course of action to bring CCC into full compliance. While conducting analysis, a separate report will be run at the time NSC files are sent to identify students who withdrew between the beginning of a term and the transcript date of that term. Those will be manually updated in NSC to reflect the current enrollment status and effective date.

Identifying Number: 2018-004 Reporting

Audit Finding: City Colleges did not submit quarterly performance reports to the Illinois Community College Board (ICCB) in a timely manner for the Perkins Leadership Grant. This grant requires quarterly performance submissions to the Illinois Community College Board (ICCB).

Status: Corrected

Corrective Action Taken: The Apprenticeship and Workforce Solutions team at Harold Washington College has developed a revised system for submission of the quarterly financial and performance reports to the Illinois Community College Board (ICCB). The Coordinator-Grant Program will provide the Executive Director with a draft of both the quarterly financial and performance reports three weeks in advance of the required submission date. The Executive Director will review the reports no less than one week prior to the required submission date. Updates and revisions will be made by the Coordinator-Grant Program and resubmitted to the Executive Director for final review and sign off no later than three business days before submission. Using this revised system, the quarterly financial and performance submissions will be made timely to ICCB and Career and Technical Education Grants.

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CORRECTIVE ACTION PLANS

Finding 2019-001 – Short Term Programs at Postsecondary Vocational

The College did not track placement information and document its calculation for placement rates for each student enrolled in a short-term program at a post-secondary vocational institution. For the Direct Loan Program, short-term eligible programs at a postsecondary vocational institution must 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.

Corrective Action Taken or Planned

Historically, a survey went out to student completers to retrieve gainful employment data from district office. The survey and its articulation of the data stalled due to restructuring of departments and staff at the district office. CCC will re-implement the gainful employment survey to students who have completed short-term programs over the past year.

For fiscal year 2020, CCC will early implement the rescission of the Gainful Employment (GE) Rule. Institutions that early implement the rescission of the GE rule will not be required to report GE data for the 2018-2019 award year to NSLDS, which will be due October 1, 2019. Additionally, those institutions that early implement will not be required to comply with the current requirements in 34 CFR 668.412 (d) and (e) that require institutions to include the disclosure template, or a link thereto, in their GE program promotional materials and directly distribute the disclosure template to prospective students, which will be required starting on July 1, 2020. Institutions that early implement will no longer be required to post the GE Disclosure Template and may remove the template and any other GE disclosures that are required under 34 CFR 668.412 from their web pages. Finally, an institution that early implements will not be required to comply with the certification requirements for GE programs under 34 CFR 668.414. <https://ifap.ed.gov/eannouncements/062819GEAnnounce122EarlyImplofRescissionGERule.html>

Contact person: Melvin Allen – Associate Vice Chancellor of Enrollment Management
Anticipated completion date: 06/30/2020.

CORRECTIVE ACTION PLANS *(Continued)*

Finding 2019-002 – Return of Title IV Funds – Post-withdrawal Disbursements – For three out of sixty students tested, the College did not complete a post-withdrawal disbursement to the student within 45 days from the student’s withdrawal date of determination. 34 CFR Section 668.22 requires the College to disburse any post-withdrawal grants funds which were not credited to the student’s account no later than 45 days after the College determines the student withdrew.

Corrective Action Taken or Planned

The Office of Student Financials will provide college wide procedural update to be outlined in fiscal year 2020 Financial Aid Manual. The office will provide a best practice training from the National Association of Student Financial Aid Administrators (NASFAA) Return to Title IV (R2T4) training course at the all district financial aid meeting. Additionally, the office of Student Financial Aid will collaborate with Information Technology and the Office of Institutional Effectiveness to create an automated notification process and alert system for campus operations to ensure timely processing.

Contact person: Melvin Allen – Associate Vice Chancellor of Enrollment Management
Anticipated completion date: 03/01/2020.

Finding 2019-003 – Return of Title IV Funds – Enrollment Reporting - Four out of sixty students tested withdrew from City Colleges for which status changes were not properly reported to the National Student Loan Data System (NSLDS). CFR section 685.309 and 690.83(b)(2) requires City Colleges to notify the 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.

Corrective Action Taken or Planned

Timing issues are the primary cause of not fully meeting the department enrollment requirements. The enrollment reporting functions are housed in the college’s registrar office and separate from financial aid. An enrollment file is generated at the district level and uploaded. However, students who withdraw before the transcript (last date of qualified refund) do not appear on the enrollment file and a manual process takes place to upload students to the National Student Clearinghouse.

CORRECTIVE ACTION PLANS *(Continued)*

Our information technology staff are still reviewing specific requirements and how National Student Clearinghouse utilizes data to determine the best course of action to bring CCC into full compliance. The Office of Student Financials is reviewing centralization of the enrollment function under financial aid district office team for closer oversight. A separate report will be run at the time NSC files are sent to identify students who withdrew between the beginning of a term and the transcript date of that term. Those students will continue to be manually updated in real time through NSC to reflect the correct enrollment status and effective date.

Contact person: Melvin Allen – Associate Vice Chancellor of Enrollment Management
Anticipated completion date: 07/01/2020 (Interim process is currently in place).

Finding 2019-004 – Return of Title IV Funds – Reporting Disbursements to COD - For two out of sixty students tested, the College did not report the student’s post-withdrawal disbursement to the Common Origination and Disbursement (COD) system within 15 days after making the disbursement to the student. CFR section 688.164(a) requires the College to submit Title IV Funds disbursement records to the Common Origination Database (COD) system, no later than 15 days after making the disbursement or becoming aware of the need to adjust a previously reported disbursement.

Corrective Action Taken or Planned

The Office of Student Financials will provide college wide procedural update to be outlined in the fiscal year 2020 Financial Aid Manual. The office will provide a best practice training from the National Association of Student Financial Aid Administrators (NASFAA) Return to Title IV (R2T4) training course at the district financial aid meeting. Additionally, the office of Student Financial Aid will collaborate with Information Technology and the Office of Institutional Effectiveness to create an automated notification process and alert system for campus operations to ensure timely processing.

Contact person: Melvin Allen – Associate Vice Chancellor of Enrollment Management
Anticipated completion date: 03/01/2020.

Finding 2019-005 – Return of Title IV Funds – Return of Funds - For one out of sixty students tested, the College did not return federal funds to the Department of Education within 45 days from the student’s withdrawal date of determination. 34 CFR Section 668.22(j)(1) requires the College to return the amount of Title IV funds for which the College is responsible as soon as possible but no later than 45 days after the date the College determined the student withdrew.

CORRECTIVE ACTION PLANS *(Continued)*

Corrective Action Taken or Planned

The Office of Student Financials will provide college wide procedural update to be outlined in fiscal year 2020 Financial Aid Manual. The office will provide a best practice training from the National Association of Student Financial Aid Administrators (NASFAA) Return to Title IV (R2T4) training course at the district financial aid meeting. Additionally, student financials will collaborate with Information Technology and the Office of Institutional Effectiveness to create an automated notification process and alert system for campus operations to ensure timely processing.

Contact person: Melvin Allen – Associate Vice Chancellor of Enrollment Management
Anticipated completion date: 03/01/2020.

Finding 2019-006 – Direct Loan Quality Assurance System – In 2019, federal guidelines required that City Colleges implement a quality assurance system over its Direct Loan program. City Colleges operates in a decentralized manner and has numerous process and control memos in place documenting controls and procedures over their direct loan quality assurance system. However, these process and control memos may vary by campus. City Colleges does not have a single, comprehensive document that comprises the direct loan quality assurance system therefore City Colleges is not fully in compliance with this requirement.

34 CFR Section 685.300(b) (9) require schools to implement and document a quality assurance process to ensure that City Colleges is complying with program requirements and meeting program objectives.

Corrective Action Taken or Planned

The Office of Student Financials currently executes the functions of the Direct Loan Quality Assurance by:

- Reporting loan records, disbursements, and adjustments to disbursements correctly to the Common Origination and Disbursement (COD) System,
- Disbursing and returning loan funds in accordance with regulatory requirements,
- Disbursing the correct loan amount to the correct student,
- Completing monthly reconciliation and Program Year Closeout.

CORRECTIVE ACTION PLANS *(Continued)*

While all functions were executed, a documented process was not in place because there is no updated financial aid manual for the colleges. The last active manual was for the 2015-2016 school year. The Office of Student Financial Aid is in process of creating a revised financial aid manual for fiscal year 2020. The new manual will document the Direct Loan Quality Assurance process. In addition, the financial aid manual will be reviewed on a semi-annual basis to ensure appropriate changes and updates are included annually.

Contact person: Melvin Allen – Associate Vice Chancellor of Enrollment Management
Anticipated completion date: 06/30/2020.

Finding 2019-007 – Exit Counseling - For four out of twenty students tested, exit counseling or mailing of exit counseling materials did not occur within the 30 day timeframe. 34 CFR Section 682.604(g) requires that if a student Stafford loan borrower graduates or withdraws without notifying the school, the school must confirm that the student has completed the online exit counseling or mail exit counseling material to the borrower at his or her last known address. The material must be mailed within 30 days of the school learning that the borrower has withdrawn or failed to participate in an exit counseling session.

Corrective Action Taken or Planned

The students who were not notified of exit counseling was due to an oversight within the automated system. All records of those students expected to graduate will update within the system at the start of their last anticipated semester. The expected graduation date triggers the letter to be auto generated and sent out to students. If a student changes their program, the graduation date may be delayed or advanced. This will require a manual entry into the system to trigger the exit counseling notification. Additionally, students who withdraw from all of their classes who are not normally sent to exit counseling may re-enroll during the mini sessions, which are 12-week and 8-week courses within the same semester. This again requires a manual report to be generated of students who withdrew from all of their classes and did not re-enroll in subsequent terms.

The Office of Student Financials will generate real time report of all students who withdraw from all classes weekly. Those students will be added to an automated report of anticipated graduates to receive exit-counseling notifications. Student Financials will work with Information Technology and Institutional Effectiveness to add non-graduates who withdraw from all classes to the automated process. Student Financials will utilize the PeopleSoft communication module to ensure timely notifications.

Contact person: Melvin Allen – Associate Vice Chancellor of Enrollment Management
Anticipated completion date: 06/30/2020.

Please contact us if you would like additional copies of the Comprehensive Annual Financial Report for the year ended June 30, 2019: <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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