

**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 College 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, 2015, and the related notes to the financial statements, which collectively comprise City Colleges' basic financial statements, and have issued our report thereon dated October 14, 2015. Our report was modified to include an emphasis of matter paragraph regarding the adoption of the reporting and disclosure requirements of Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to Measurement Date – An Amendment of GASB Statement No. 68*.

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 opinion 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.

The image shows a handwritten signature in black ink that reads "McGladrey LLP". The signature is written in a cursive, flowing style.

Chicago, Illinois
October 14, 2015



Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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 Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City Colleges' major federal programs for the year ended June 30, 2015. 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 of City Colleges is responsible for compliance with the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 the 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, 2015.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2015-001, 2015-002, and 2015-003. 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 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 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 OMB Circular A-133, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2015-001, 2015-002 and 2015-003 that we consider to be significant deficiencies.

City Colleges' responses to the 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 of compliance 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of City Colleges as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise City Colleges' basic financial statements. We issued our report thereon dated October 14, 2015, which contained an unmodified opinion on those financial statements. Our report was modified to include an emphasis of matter paragraph regarding the adoption of the reporting and disclosure requirements of Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to Measurement Date – An Amendment of GASB Statement No. 68*. 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 OMB Circular A-133 and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

McGladrey LLP

Chicago, Illinois
October 14, 2015

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2015**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Project or Pass-Through Grantor's Number	Total Expenditures
U.S. Department of Education -			
Student Financial Assistance Cluster:			
Federal Pell Grant Program	84.063	P063P111341	\$ 94,302,093
Federal Work-Study Program	84.033	P033A111123	1,609,251
Federal Supplemental Educational Opportunity Grants Program	84.007	P007A111123	2,026,761
Total Student Financial Assistance			<u>97,938,105</u>
Federal Direct Student Loans			
Kennedy King College	84.268	P268K146807	7,193,168
Olive Harvey College	84.268	P268K146999	3,191,050
Harold Washington College	84.268	P268K146870	4,365,317
Truman College	84.268	P268K146996	3,610,780
Malcolm X College	84.268	P268K146907	4,066,538
Wright College	84.268	P268K146997	2,175,169
Daley College	84.268	P268K146878	1,509,455
Total Federal Direct Student Loans			<u>26,111,477</u>
Total Student Financial Assistance Cluster:			<u>124,049,582</u>
TRIO Cluster:			
TRIO- Student Support Services			
Student Support Services Program	84.042A	P042A100449-14	211,089
Student Support Services Program	84.042A	P042A100449-13	34,568
Student Support Services Program	84.042A	P042A100110-14	181,389
Student Support Services Program	84.042A	P042A100110-13	5,394
			<u>432,440</u>
TRIO - Talent Search Program:			
Talent Search Grant	84.044A	P044A110877-14	192,057
Talent Search Grant	84.044A	P044A110877-13	49,441
Talent Search Grant	84.044A	P044A110382-14	151,480
Talent Search Grant	84.044A	P044A110382-13	27,171
			<u>420,149</u>
TRIO - Upward Bound Program:			
Upward Bound Grant	84.047A	P047A121219-14	161,823
Upward Bound Grant	84.047A	P047A121219-13A	98,113
			<u>259,936</u>
TRIO - Educational Opportunity Centers			
Educational Opportunity Centers Program	84.066A	P066A110111-14	170,081
Educational Opportunity Centers Program	84.066A	P066A110111-13	50,230
			<u>220,311</u>
Total TRIO Cluster			<u>1,332,836</u>

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2015**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Project or Pass-Through Grantor's Number	Total Expenditures
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	50800	\$ 1,171,146
Adult Education Grant - Civic	84.002A	50800	146,401
			<u>1,317,547</u>
Adult Education - Basic Grants to States			
Passed through the Illinois Community College Board			
AO/Integrated Career and Academic Prep System (ICAPS) Grant	84.002A	AEL ICAPS 50815	10,000
AO/Integrated Career and Academic Prep System (ICAPS) Grant	84.002A	AEL ICAPS 508D15	10,000
			<u>20,000</u>
Higher Education Institutional Aid			
Strengthening Institutions Programs (SIP)	84.031A	P031A090185-12	19,192
Strengthening Institutions Programs (SIP)	84.031A	P031A090185-13	49,125
			<u>68,317</u>
Higher Education Institutional Aid			
Predominantly Black Institutions Program - Formula Grant	84.031P	P031P110013-14	122,746
Predominantly Black Institutions Program - Formula Grant	84.031P	P031P110013-13	62,371
Predominantly Black Institutions Program - Formula Grant	84.031P	P031P110014-14	215,949
Predominantly Black Institutions Program - Formula Grant	84.031P	P031P110014-13	67,908
Predominantly Black Institutions Program - Formula Grant	84.031P	P031P110015-14	177,255
Predominantly Black Institutions Program - Formula Grant	84.031P	P031P110015-13	48,226
			<u>694,455</u>
Higher Education Institutional Aid			
Wright Start: Increasing Hispanic Student Success in the First Year of College	84.031S	P031S120098-13	91,916
Wright Start: Increasing Hispanic Student Success in the First Year of College	84.031S	P031S120098-14	539,396
			<u>631,312</u>
Career and Technical Education - Basic Grants to States			
Passed through the Illinois Community College Board			
Perkins III Grant	84.048	15CTE508	3,232,999
Career and Technical Education			
CCC Programs of Study (POS) Implementation Grant			
Pathway to Results	84.048	15CTE POSI 508	5,000
Career and Technical Education			
Passed through Illinois Community College Board			
AO/Integrated Career and Academic Prep System (ICAPS) Grant	84.048	CTE ICAPS 50815	10,000
AO/Integrated Career and Academic Prep System (ICAPS) Grant	84.048	CTE ICAPS 508D15	10,000
			<u>20,000</u>
Career and Technical Education			
Passed through Illinois Community College Board			
Dual Credit Enhancement	84.048	15 DCE 508	10,000
Dual Credit Enhancement	84.048	15 DCE 508	10,000
Dual Credit Enhancement	84.048	15 DCE 508-T	10,000
Dual Credit Enhancement	84.048	15 DCE 508-W	10,000
			<u>40,000</u>

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2015**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Project or Pass-Through Grantor's Number	Total Expenditures
U.S. Department of Education - (Continued)			
Minority Science Improvement	84.120A	P120A120077-14	\$ 238,112
Minority Science Improvement	84.120A	P120A120077-13	124,295
			<u>362,407</u>
Strengthening Minority-Serving Institutions			
Project GEMS	84.382A	P382A110034-14	465,981
Project GEMS	84.382A	P382A110034-13	184,587
			<u>650,568</u>
Strengthening Minority-Serving Institutions			
Learning Communities for STEM	84.382A	P382A110046-14	317,690
Learning Communities for STEM	84.382A	P382A110046-13	91,010
			<u>408,700</u>
Race to the Top			
Passed through Illinois Community College Board			
STEM College and Career Readiness	84.413A	14 RTTT508-H	56,000
STEM College and Career Readiness	84.413A	14 RTTT508-O	48,648
STEM College and Career Readiness	84.413A	15 RTTT508-W	17,152
			<u>121,800</u>
			<u>\$ 132,955,523</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	28838-2	\$ 465,627
Head Start Program	93.600	28838-1	402,310
Head Start Support Services Program	93.600	29794-2	194,925
Head Start Support Services Program	93.600	29794-1	171,228
			<u>1,234,090</u>
Child Care			
Passed through the City of Chicago Department of Family and Support Services:			
Child Care Services Program	93.596	28412-2	291,258
Biomedical Research			
Passed through University of Illinois			
UIC Behavioral and Biomedical Sciences Bridges to Baccalaureate Program	93.859	5R26GM107692	1,389
			<u>1,389</u>
			<u>\$ 1,526,737</u>

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2015**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Project or Pass-Through Grantor's Number	Total Expenditures
U.S. Department of Agriculture -			
Passed through the Illinois State Board of Education			
Child and Adult Care Food Program	10.558	15016508051	\$ 109,984
Child and Adult Care Food Program	10.558	15016508051	21,302
			<u>131,286</u>
Higher Education - Institution Challenge Grants Program			
Passed through Chicago State University			
Chicago South Side Urban Agricultural Initiative	10.217	2011-38411-30640	10,292
	10.217	2011-38411-30640	804
			<u>11,096</u>
Total Expenditures - U.S. Department of Agriculture			<u>\$ 142,382</u>
U.S. Department of Labor -			
Green Jobs Innovation Fund Grants			
Passed through Opportunity Advancement Innovation			
Calumet Green Manufacturing Partnership - Tuition Disbursement	17.279	14-051006	\$ 7,288
Trade Adjustment Assistance Community College and Career Training Grants			
Passed through Cincinnati State Technical and Community College			
Health Professionals Pathways Consortium (H2P)	17.282	TC-22486-11-60-A-39	433,582
Passed through William Rainey Harper College			
Illinois Network for Advanced Manufacturing (INAM)	17.245	TC-23795-12-60-A-17	45,780
Total Expenditures - U.S. Department of Labor			<u>\$ 486,650</u>
National Science Foundation -			
Research and Development Cluster			
Education and Human Resources			
Passed through Chicago State University			
Illinois Louis Stokes Alliance for Minority Participation	47.076	HRD-0904024	\$ 6
Illinois Louis Stokes Alliance for Minority Participation	47.076	HRD-0904024	2,478
			<u>2,484</u>
Education and Human Resources			
Passed through Roosevelt University			
RU-HWC Partnership for STEM Education			
Mathematics Talent Expansion Program (USTEP)	47.076	DUE-0757053	18,112
Education and Human Resources			
Passed through Chicago State University			
Urban STEM Talent Expansion Program	47.076	DUE-0856827	29,590

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2015**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Project or Pass-Through Grantor's Number	Total Expenditures
National Science Foundation - (Continued)			
Education and Human Resources			
Passed through University of Massachusetts Boston			
Broadening Advanced Technological Education			
Connections	47.076	DUE-1104145	<u>\$ 305</u>
Education and Human Resources			
STEM Scholars Program	47.076	DUE-1259809	<u>119,513</u>
Total Expenditures - National Science Foundation			<u><u>\$ 170,004</u></u>
Office of Naval Research -			
Midwest Association for Science and Services (Critical Mass)	12.300	N00014-12-1-0738	63,089
		N00014-13-1-0881	<u>325,635</u>
			<u>388,724</u>
Total Expenditures - Research and Development Cluster			<u><u>\$ 558,728</u></u>
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	15 HCCTP 508	<u>\$ 372,268</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>84,811</u>
ARRA/Recovery Act Programs			
U.S. Department of Energy -			
Weatherization Assistance for Low-Income Persons			
Weatherization Assistance Program Training Centers and Programs	81.042	DE-EE0003859	<u>320,612</u>
Total Expenditures - Other Federal Agencies			<u><u>\$ 777,691</u></u>
Total All Programs			<u><u>\$ 136,447,711</u></u>

City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2015

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 Office of Management and Budget (OMB) Circular A-133 audit (the Single Audit).

Fiscal period audited: Single Audit testing procedures were performed for program transactions that occurred during the fiscal year ended June 30, 2015.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 OMB Circular A-21, *Cost Principles for Educational Institutions*. The amounts allocated to grant programs during the fiscal year ended June 30, 2015, are primarily based on a federally negotiated higher education rate agreement.

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2015**

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, 2015, are summarized as follows:

Guaranteed loan programs:	
Subsidized	\$ 19,372,298
Unsubsidized	6,632,011
Parent plus	<u>107,168</u>
Total federal student loan programs	<u><u>\$ 26,111,477</u></u>

There was no federal capital contributions received for the year ended June 30, 2015, under the Federal Perkins Loan Program (Perkins). There were no new Perkins loans issued to students during the year ended June 30, 2015. Total Perkins loan balances outstanding at June 30, 2015, were \$817,673.

Note 4. Other Noncash Assistance

City Colleges did not receive federal noncash assistance during the fiscal year ended June 30, 2015.

Note 5. Findings and Noncompliance

The findings and noncompliance identified in connection with the 2015 Single Audit are disclosed in the schedule of findings and questioned costs.

Note 6. Subrecipients

City Colleges provided \$388,724 in federal awards from the Midwest Association for Science and Services (Critical Mass) program (CFDA # 12.300) to a subrecipient during the fiscal year ended June 30, 2015.

Note 7. Amount of Federal Insurance in Effect During the Year

No federal insurance was received by City Colleges during the year ended June 30, 2015.

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2015**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

Material weaknesses identified?	_____ Yes	_____ <u>X</u> No
Significant deficiencies?	_____ <u>X</u> Yes	_____ 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 510(a) of Circular A-133?

_____ X Yes _____ No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
84.063, 84.033, 84.038, 84.007, 84.268	Student Financial Assistance Cluster
84.002	Adult Education-Basic Grants to States
84.048	Career and Technical Education -Basic Grants to States
84.120	Minority Science Improvement
81.042	Weatherization Assistance Program Training Centers and Programs
20.205	Highway Construction Careers Training Program
12.300, 47.076	Research and Development Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$371,960

Auditee qualified as low-risk auditee?

_____ Yes _____ X No

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2015**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*

II. FINANCIAL STATEMENT FINDINGS

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

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Finding 2015-001: Noncompliance with Federal Perkins Loan Program Requirements

Federal Agency: U.S. Department of Education (ED)

Federal Program Title: Federal Perkins Loan Program

Pass-Through Entity: Not applicable

CFDA Number: 84.038

Award Year: July 1, 2014 through June 30, 2015

Questioned Costs: None

Criteria:

The Department of Education requires the District to maintain a Federal Perkins Loan Program fund (Fund) in a separate interest-bearing bank account or investment account consisting predominately of low-risk, income-producing securities, such as obligations issued or guaranteed by the United States. Interest on Fund proceeds are retained by the institution as part of the Fund. The Department of Education requires that principal repayments and reimbursements for canceled loans are reinvested in the FPL revolving fund (34 CFR §668.163 and §674.8). Additionally, the Department of Education requires institutions to exercise due care and diligence in the collection of loans. For the Federal Perkins Loan Program, such due diligence procedures include, but are not limited to the following:

1. Specific billing procedures to notify borrowers of overdue payments and to demand overdue amounts (34 CFR §674.43).
2. Specific collection procedures to recover amounts from defaulted borrowers who do not respond satisfactorily to demands routinely made as part of the institution's billing procedures, including litigation procedures (34 CFR §674.45).

City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*

Finding 2015-001: Noncompliance with Federal Perkins Loan Program Requirements (Continued)

Condition:

The District did not maintain a Federal Perkins Loan Program fund in a separate interest-bearing bank account.

Additionally, controls were not in place to ensure the District maintained documentation to support that it complied with the due care and diligence requirements of the Department of Education regarding the collection of loans.

Context:

The District has not received any new Federal Perkins Loan capital contributions or made any new Federal Perkins Loans in the past 15 or more years. Total outstanding loan balance as of June 30, 2015 is \$817,673, which includes accrued interest.

The District is engaged with the Department of Education in liquidating its Perkins loan portfolio so that the District can be relieved of its responsibility to comply with the compliance requirements applicable to the Federal Perkins Loan Program. The District has completed and submitted the Independent Perkins Liquidation Audit to the Department of Education.

Cause:

City Colleges of Chicago has not been actively administering its Federal Perkins Loan program since it ended its servicer agreement in 2009. City Colleges did have a segregated account for the program; however, it was closed because no students were paying on their loans at the time of its closure. City Colleges lack of controls for this program is due to the age of the loan accounts and management turnover.

Effect:

The Department of Education will not accept a loan for assignment if proper due diligence has not been performed on the loan and the District will be required to purchase those loans from the Department of Education.

Recommendation:

We recommend the District continue following the Department of Education's liquidation guidance so that the District can be relieved of its responsibility to comply with the compliance requirements applicable to the Federal Perkins Loan Program.

Management Response:

See Corrective Action Plan.

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2015**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*

Finding 2015-002: Noncompliance with Reporting Requirements

Federal Agency: U.S. Department of Transportation

Federal Program Title: Highway Planning and Construction

Pass-Through Entity: Illinois Community College Board

CFDA Number: 20.205

Award Year: July 1, 2014 through June 30, 2015

Questioned Costs: None

Criteria:

As outlined in the terms and conditions included in the agreement dated November 19, 2014, the Illinois Community College Board requires the District to prepare and submit written quarterly progress reports.

Condition:

The District did not prepare or submit the quarterly progress reports during fiscal year 2015.

Context:

Failure to prepare the quarterly progress reports is a result of an error by City Colleges. The District plans to be in compliance with this requirement for years subsequent to fiscal year 2015.

Cause:

Management failed to prepare and submit the quarterly progress reports as the District did not have controls in place to track that the reporting requirements identified in the grant agreement were complied with.

Effect:

Failure to submit the quarterly reports results in noncompliance with the Illinois Community College Board's terms and conditions for the Highway Construction Careers Training Program.

Recommendation:

We recommend that the District improve its internal controls that ensure reporting requirements are identified and monitored throughout each individual grant cycle.

Management Response:

See Corrective Action Plan.

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2015**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*

Finding 2015-003: Allowable Activities and Allowable Costs/Cost Principles

Federal Agency: U.S. Department of Education (ED)

Pass through Entity: Illinois Community College Board

Federal Program Title (CFDA Number): Adult Education - Basic Grants to States (84.002)

Award Year: July 1, 2014 through June 30, 2015

Questioned Costs: \$1,225

Criteria:

Allowable Costs/Cost Principles for local governments are located in OMB Circular A-21. Section J.I0 (b) (c) describes the acceptable methods for distributing salaries. At least annually a statement must be signed by the employee, principal investigator, or responsible official(s) using suitable means of verification that the work was performed, stating that salaries and wages charged to sponsored City agreements as direct charges and to residual, facilities and administrative costs or other categories is reasonable in relation to work performed. For professorial and professional staff, the reports must be prepared each academic term, but no less frequently than every six months. For other employees, unless alternate arrangements are agreed to, the reports will be prepared no less frequently than monthly and will coincide with one or more pay periods.

Condition:

As part of our compliance review over expenditures, we selected a sample of employees charged to the program to ascertain they were allowable per program requirements and appropriately supported in accordance with OMB Circular A-21. For five of the 34 payroll transactions selected for testing, we noted the salary distribution was in excess of the allowable amount of payroll and related benefit allocations as evidenced in the time and effort certifications for the period.

Context:

Total exceptions amounted to \$1,225 of the \$27,984 sampled from the total salaries and benefit allocations that the District was reimbursed for during fiscal year ended June 30, 2015.

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2015**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*

Finding 2015-003: Allowable Activities and Allowable Costs/Cost Principles (continued)

Cause:

Payroll charges processed through the HR/payroll system may not reconcile to time and effort reports completed by staff in each pay period because the chartfield information loaded into the HR system is not altered pay period by pay period throughout the year based on the reported distribution of effort.

Effect:

The lack of timely submission of time and effort can lead to unsupported, inaccurate, or incomplete charges to sponsored awards due to either the passage of time or inappropriate oversight.

Recommendation:

We recommend the District continue to emphasize the importance of time and effort reporting through training and communication and clarify its policy to indicate that completion of the time and effort certification process includes receipt and review by management knowledgeable of the grant requirements.

Management Response:

See Corrective Action Plan.

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2015**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding 2014-001: Noncompliance with Federal Perkins Loan Program

Federal Perkins Loan Program – CFDA 84.038

Federal Agency - U.S. Department of Education

Condition – The District did not maintain a Federal Perkins Loan Program fund in a separate interest-bearing bank account.

Additionally, the District did not maintain documentation to support that it complied with the due care and diligence requirements of the Department of Education regarding the collection of loans.

The District has not received any new Federal Perkins Loan capital contributions or made any new Federal Perkins Loans in the past 15 or more years. Total outstanding loan balance as of June 30, 2015 is \$817,673, which includes accrued interest.

Corrective Action Plan – City Colleges of Chicago is implementing the auditor’s recommendation. CCC is currently in the process of liquidating its Federal Perkins Loan portfolio.

Current Status – See finding 2015-001.

Finding 2014-002: Cost of Attendance

Student Financial Aid Cluster – CFDA 84.007, 84.033, 84.063, 84.268, 84.375

Federal Agency - U.S. Department of Education

Condition - For six out of 60 students selected for testing, the District inaccurately calculated the student’s cost of attendance. In five instances, there was no effect on the award of FSA. In one instance, this resulted in a \$1,334 over-award of FSA.

Corrective Action Plan – City Colleges referred the issue to the vendor early in the 2013 term. In order to mitigate any overpayments that would stem from such an issue, the District performed cost of attendance recalculations for the affected students and corrected any over-awards identified.

Current Status – No exceptions noted in fiscal year 2015.

**City Colleges of Chicago
Community College District No. 508
Schedule of Expenditures of Federal Awards
June 30, 2015**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS *(Continued)*

Finding 2014-003: Allowable Activities and Allowable Costs/Cost Principles

Adult Education – Basic Grants to States – 84.002

Federal Agency – U.S. Department of Education (ED)

Condition – As part of our compliance review over expenditures, we selected a sample of employees charged to the program to ascertain they were allowable per program requirements and appropriately supported in accordance with OMB Circular A-21.

For eight of the 36 payroll transactions selected for testing, we noted the salary distribution was in excess of the allowable amount evidenced in the time and effort certifications for the period.

Corrective Action Plan – The Office of Finance will develop a reconciliation process to ensure that by the end-of-the-year close total annual payroll charges accurately reflect the time and effort as certified by each employee.

Current Status – See Finding 2015-003.

October 14, 2015

McGladrey LLP
1 South Wacker Drive, Suite 800
Chicago, IL 60606

City Colleges of Chicago's Corrective Action Plan for the findings identified in the June 30, 2015 Single Audit is identified below. The findings are titled and numbered consistently with the titles and numbers assigned in the schedule of findings and questioned costs.

Finding 2015-001: Noncompliance with Federal Perkins Loan Program Requirements

Management Response:

City Colleges of Chicago engaged the auditing firm of Clifton Larson Allen to perform an independent Perkins Liquidation Audit. The audit was completed in late June 2014, and was submitted to the U.S. Department of Education on July 17, 2014. We are currently awaiting a response from the U.S. Department of Education so that we may proceed with the liquidation process. Additionally, in response to the U.S. Department of Education's Final Audit Determination letter regarding the 12/13 A133 Perkins Loan-related finding, City Colleges of Chicago revised the 12/13 FISAP so that the reported Perkins Loan data would be in alignment with the data that was validated by Clifton Larson Allen.

Contact person: Robert Bobbins, Associate Vice Chancellor of Student Financial Services

Anticipated completion date: June 30, 2016

Finding 2015-002: Noncompliance with Reporting Requirements

Management Response:

Staff that oversees the HCCTP grant has established internal controls to ensure all reporting requirements are met and will report submissions to the District Office. New coordinator has met with ICCB staff for training on all report requirements.

Contact person: Robert W. Barnett, Dean, Dawson Technical Institute

Anticipated completion date: November 30, 2015

Finding 2015-003: Allowable Activities and Allowable Costs/Cost Principles

Management Response:

Grants awarded to the District to support adult education instruction typically are not received before the beginning of the fiscal year. In some years, they have not been received until months after. To ensure that the District's adult education programs are not delayed, adult education instructors have been set up to be paid from the unrestricted Education Fund until the grants have been awarded formally and set up in the PeopleSoft system.

Once the grants are established in the system, reassigning instructors' payroll from the Education Fund to the grants requires analysis of the enrollment in their classes to ensure that a sufficient number of students are supported by the grant to generate the grant in accordance with ICCB rules.

Instructors' payroll charges are posted to the Education Fund during the time from the beginning of the year until completion of grant setup and enrollment analysis. The instructors certify their time and effort accordingly by signing a form that identifies the term and grant charged.

In FY 2015, once the grants were awarded and set up; the instructors to be assigned to each grant identified; and transfers of their payroll charges from the Education Fund to the appropriate grant completed, revised time and effort certifications were generated. These revised certifications reflected the final posting of instructors' payroll by term and grant. They were distributed to adult education deans and instructors for signatures. Each college retained the original signed certifications and returned copies to the District budget office.

Ninety-four percent of (749 of 795) revised certifications for FY 2015 were signed and returned to the budget office as of September 30, 2015. This is the first year that this recertification process was used by the District, to ensure compliance with relevant regulations.

Because assigning adult education instructors to particular grants at the beginning of the year will continue to be a challenge, the District will continue its efforts to improve the efficiency and timeliness of the process for identifying which instructors will be charged to which grant. The District also will focus on improving the time and effort certification (and, as necessary, recertification) process so that it is completed before the end of the fiscal year.

Contact person: JR Dempsey, Associate Vice Chancellor of Finance

Anticipated completion date: June 30, 2016

Please contact us if you would like additional copies of the Comprehensive Annual Financial Report for the year ended June 30, 2015: <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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