

**College of Lake County
Community College District No. 532**

Reports Required by the Uniform Guidance and
Government Auditing Standards

Year Ended June 30, 2017

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RSM US LLP

**Independent Auditor's 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***

To the Board of Trustees
College of Lake County
Community College District No. 532
Grayslake, Illinois

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 the business-type activities and the discretely presented component unit of the College of Lake County, Community College District No. 532 (the College) as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 4, 2017. The financial statements of the College of Lake County Foundation (Foundation), a discretely presented component unit, were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine 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 the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the College'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as finding 2017-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's 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*.

College's Response to Findings

The College's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 College'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 College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Chicago, Illinois
October 4, 2017



RSM US LLP

**Independent Auditor's 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**

To the Board of Trustees
College of Lake County
Community College District No. 532
Grayslake, Illinois

Report on Compliance for the Major Federal Program

We have audited the College of Lake County, Community College District No. 532's (the College) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the College's major federal programs for the year ended June 30, 2017. The College's 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 the 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 the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) 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 the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe 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 on the College's compliance.

Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and is described in the accompanying Schedule of Findings and Questioned Costs as item 2017-002. Our opinion on the major federal program is not modified with respect to this matter.

The College's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the College 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 the College's 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 the College's internal control over compliance.

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

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

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

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

We have audited the financial statements of the business-type activities and the discretely presented component unit of the College of Lake County, Community College District No. 532 (the College), as of and for the years ended June 30, 2017 and 2016 and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated October 4, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Uniform Guidance, is presented for purposes of additional analysis 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

RSM US LLP

Chicago, Illinois
October 4, 2017

**COLLEGE OF LAKE COUNTY
COMMUNITY COLLEGE DISTRICT NO. 532
GRAYSLAKE, ILLINOIS
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017**

Federal Grantor/Pass-through Grantor/Program or Cluster	Federal CFDA#	Identifying #	Passed on to Subrecipients	Federal Expenditures June 30, 2017
U.S. Department of Education				
Direct Programs				
Student Financial Aid Cluster				
Federal Pell Grant Program	84.063	N/A	\$ -	\$ 9,065,376
Federal Work Study Program	84.033	N/A	-	150,948
Federal Supplemental Educational Opportunity Grants	84.007	N/A	-	314,791
Federal Direct Student Loan Program	84.268	N/A	-	2,914,302
			<u>-</u>	<u>12,445,417</u>
Child Care Access Means Parents in School	84.335A	P335A130028	-	20,677
Child Care Access Means Parents in School	84.335A	P335A130028	-	110,856
			<u>-</u>	<u>131,533</u>
TRIO Cluster				
TRIO Talent Search	84.044S	PO44A110252 - 15	-	81,440
TRIO Talent Search	84.044A	PO044A160065	-	303,417
TRIO Student Support Services	84.042A	PO42A150908 - 15	-	28,107
TRIO Student Support Services	84.042A	PO42A150908 - 16	-	186,999
			<u>-</u>	<u>599,963</u>
Pass-Through Illinois Community College Board				
Adult Education - Basic Grants to State Federal Basic	84.002A	S5320117	-	399,130
Adult Education - Basic Grants to State EL Civic	84.002A	S5320117	-	53,815
			<u>-</u>	<u>452,945</u>
Vocational Education Cluster				
Career and Technical Education Basic Grants to States	84.048	CTE53217	-	370,850
Career and Technical Education Basic Grants to States - Leadership Supplemental		CTE53217	-	16,635
			<u>-</u>	<u>387,485</u>
Total Pass-Through Illinois Community College Board			<u>-</u>	<u>840,430</u>
Total U.S. Department of Education			<u>-</u>	<u>14,017,343</u>
National Science Foundation				
Education and Human Resources - S-STEM (Science, Tech, Engin., and Math)	47.076	DUE-1153801	-	105,765
Education and Human Resources - Advanced Technological Education (Photonics)	47.076	DUE-1205034	-	252,864
Indian Hills Community College				
Education and Human Resources - Planning grant for Midwest Reg'l Photonics Ctr	47.076	DUE-1400561	-	18,217
Social, Behavioral, and Economic Sciences				
Ecology and Political Economy in Bolas, Costa Rica	47.075	BCS-1534599	-	3,038
Education and Human Resources - CollaborATE (Mechatronics)				
College of Lake County	47.076	DUE-1601172	-	76,653
Anne Arundel Community College-Sub-Award-539000-06-06613	47.076	DUE-1601172	-	55,985
Florida State College at Jacksonville-Sub-Award-539000-06-06614	47.076	DUE-1601172	-	984
Total National Science Foundation			<u>-</u>	<u>513,506</u>

(Continued)

**COLLEGE OF LAKE COUNTY
COMMUNITY COLLEGE DISTRICT NO. 532
GRAYSLAKE, ILLINOIS
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2017**

Federal Grantor/Pass-through Grantor/Program or Cluster	Federal CFDA#	Identifying #	Passed on to Subrecipients	Federal Expenditures June 30, 2017
U.S. Small Business Administration				
Pass-Through Illinois Department of Commerce and Economic Opportunity				
Small Business Development International Trade Centers-Federal Portion	59.037	16-561180	\$ -	\$ 107,975
Small Business Development International Trade Centers-Federal Portion	59.037	17-181150	-	65,963
Small Business Development International Trade Centers-State Portion	59.037	16-801150	-	41,250
Small Business Development International Trade Centers-State Portion	59.037	17-801150	-	72,250
Total U.S. Small Business Administration			<u>-</u>	<u>287,438</u>
U.S. Department of State				
Public Diplomacy Programs	19.040	S-CH500-15-GR167	-	4,821
Public Diplomacy Programs	19.040	S-CH500-16-GR0046	-	48,229
Total U.S. Department of State			<u>-</u>	<u>53,050</u>
U.S. Department of Labor				
Workforce Innovation & Opportunity Act Youth Activities	17.259	AA-26777-15-55-A-17	-	1,995
Total U.S. Department of Labor			<u>-</u>	<u>1,995</u>
U.S. Department of Veterans Affairs				
Post 9/11 GI Bill	64.027	N/A	-	483,151
Total U.S. Department of Veterans Affairs			<u>-</u>	<u>483,151</u>
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 15,356,483</u>

See notes to schedule of expenditures of federal awards.

**College of Lake County
Community College District No. 532**

**Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017**

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the College of Lake County, Community College District No. 532 (the College) under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented 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). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the College.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

The College has elected to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance.

Note 4. Categorization of Expenditures

The Schedule reflects federal expenditures for all individual grants, which were active during the period. The categorization of expenditures by program included in the Schedule is based on the Catalog of Federal Domestic Assistance (CFDA). Changes in the categorization of expenditures occur based on revisions to the CFDA, which are issued twice annually. In accordance with the College's policy, the Schedule for the year ended June 30, 2017 reflects CFDA changes issued through June 2017.

Note 5. Federal Student Loan Program

During the fiscal year ended June 30, 2017, the College issued new loans to students under the Federal Direct Student Loan Program (FDLP). The loan program includes subsidized and unsubsidized Stafford Loans and Parent PLUS Loans for undergraduate students. The value of loans issued for the FDLP is based on disbursed amounts. The loan amounts issued during the year are disclosed on the Schedule. The College 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 the College's basic financial statements. Therefore, it is not practicable to determine the balance of loans outstanding to students and former students of the College at June 30, 2017.

**College of Lake County
Community College District No. 532**

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2017**

I. Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified? _____ X Yes ___ No

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified? _____ Yes X No

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

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

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
	Student Financial Assistance Cluster:
84.007	Federal Supplemental Educational Opportunity Grants
84.033	Federal Work-Study Program
84.268	Federal Direct Student Loans
84.063	Federal Pell Grant Program

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? _____ X Yes ___ No

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2017

II. Financial Statement Finding

(A) Internal Control

Finding 2017-001 – Audit Adjustments to Construction in Progress

Criteria/Specific Requirement: The College is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP).

Condition: While the College maintains controls over the processing of transactions, there is not sufficient controls over the GAAP based financial statements. In our review of the District's accounting records, we noted the following:

- An audit adjustment was required to correctly report the retainage payable as of June 30, 2017.
- An audit adjustment was required to adjust construction in progress to actual based on the June 30, 2017 contractor applications.

Context: The College's process for the financial presentation of their construction projects is dependent on effective communication and reporting between both internal and external resources to accumulate the necessary financial components needed for accurate year end project balance reporting. Certain aspects of the reporting are dependent on information from an external third party consultant that assists with the project management of the College's construction projects. Several yearend construction project balances were identified as not properly reported and audit adjustments were identified.

Effect: Management or employees in the normal course of performing their assigned functions may not prevent or detect financial statement misstatements in a timely manner.

Cause: Lack of year-end communication and oversight between parties on year-end construction project reporting.

Recommendation: In preparation of the year-end audit, the College should review the cut-off and completeness of construction in progress reported as of year-end.

Views of responsible officials: The College concurs with the recommendation. The College will request limited access to the Contract Manager's capital program & project management software to view transaction detail and run reports to reconcile the financial data (e.g., CIP, retainage) residing in its ERP system. On a quarterly basis, all parties will meet to discuss any reconciling items or adjustments that are needed to keep both systems in sync. In addition, the College will determine the feasibility of interfacing Contract Manager's software with PeopleSoft to minimize manual entries and streamline financial reporting.

(B) Compliance Findings
No matters reported.

**College of Lake County
Community College District No. 532**

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2017**

III. Findings and Questioned Costs for Federal Awards

(A) Internal Control
No matters reported.

(B) Compliance Findings

**Finding 2017-002
U.S. Department of Education
Student Financial Assistance Programs Cluster
Federal Direct Student Loan Program (CFDA 84.268)**

Federal Award Year: 2016-2017

Finding: The status change for two students was not properly reported to the National Student Loan Database (NSLDS)

Criteria: CFR section 685.309(b)(2) requires the College to notify the lender within 30 days if it discovers that a student who received a loan either did not enroll or ceased to be enrolled on at least a half-time basis.

Condition / Context: The College did not originally report students who received financial aid to the NSLDS who later withdrew prior to the NSLDS status change submission.

Prevalence: Two of forty students tested withdrew from their courses prior to the College's submission to the NSLDS.

Questioned Costs: None

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

Cause: The National Clearinghouse advised the College to not report students who dropped their courses prior to the status change report submission to the Clearinghouse.

Recommendation: The College of Lake County should review the CFR for the proper guidance on reporting and submitting student status changes.

Views of responsible officials: The College uses the National Student Clearinghouse to report enrollment status to NSLDS. The Registrar reviewed the audit finding with the Clearinghouse audit support staff and received direction on how to correct our enrollment reports to be compliant. The specifications were submitted to the ITS department and the enrollment report program was updated on September 1, 2017. The report now captures students who enrolled in classes but withdrew before the first enrollment report is generated for the term, correctly reporting a withdrawn status to NSLDS.

**College of Lake County
Community College District No. 532**

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2017**

Financial Statement Findings

The prior year audit disclosed no financial statement findings.

Findings and Questioned Costs for Federal Awards

The prior year single audit disclosed no federal award findings or questioned costs in the Schedule of Findings and Questioned Costs and no uncorrected or unresolved findings exist from the prior year's Summary of Prior Audit Findings.

**College of Lake County
Community College District No. 532**

**Corrective Action Plan
Year Ended June 30, 2017**

Finding 2017-001 - Audit Adjustments to Construction in Progress

Finding: While the College maintains controls over the processing of transactions, there is not sufficient controls over the GAAP based financial statements. In our review of the District's accounting records, we noted the following:

- An audit adjustment was required to correctly report the retainage payable as of June 30, 2017.
- An audit adjustment was required to adjust construction in progress to actual based on the June 30, 2017 contractor applications.

Corrective Actions Planned: The College will request limited access to the Contract Manager's capital program & project management software to view transaction detail and run reports to reconcile the financial data (e.g., CIP, retainage) residing in its ERP system. On a quarterly basis, all parties will meet to discuss any reconciling items or adjustments that are needed to keep both systems in sync. In addition, the College will determine the feasibility of interfacing Contract Manager's software with PeopleSoft to minimize manual entries and streamline financial reporting.

Contact Person Responsible for Correction Action: Controller

Anticipated Completion Date: June 30, 2018

Finding 2017-002 - Reporting to the National Student Loan Database

Finding: The College did not originally report students who received financial aid to the National Student Loan Database (NSLDS) who later withdrew prior to the NSLDS status change submission.

Corrective Actions Planned: The College uses the National Student Clearinghouse to report enrollment status to NSLDS. The Registrar reviewed the audit finding with the Clearinghouse audit support staff and received direction on how to correct our enrollment reports to be compliant. The specifications were submitted to the ITS department and the enrollment report program was updated on 9/1/2017. The report now captures students who enrolled in classes but withdrew before the first enrollment report is generated for the term, correctly reporting a withdrawn status to NSLDS.

Contact Person Responsible for Correction Action: Registrar

Anticipated Completion Date: September 1, 2017