

LEGISLATIVE AUDIT COMMISSION



Review of
Illinois Community College Board
Two Years Ended June 30, 2012

622 Stratton Office Building
Springfield, Illinois 62706
217/782-7097

REVIEW: 4397
ILLINOIS COMMUNITY COLLEGE BOARD
TWO YEARS ENDED JUNE 30, 2012

FINDINGS/RECOMMENDATIONS - 10

ACCEPTED - 4
IMPLEMENTED - 5
PARTIALLY ACCEPTED - 1

REPEATED RECOMMENDATIONS - 4

PRIOR AUDIT FINDINGS/RECOMMENDATIONS - 6

This review summarizes the auditors' report of the Illinois Community College Board for the two years ended June 30, 2012, filed with the Legislative Audit Commission February 6, 2013. The auditors conducted a compliance examination in accordance with State law and *Government Auditing Standards*.

The Illinois Community College Board (Board) was established in 1965 to create a system of community colleges accessible to every resident of Illinois. Today, the Illinois community college system covers the entire State with 48 community colleges and one multi-community college center in 39 community college districts. The 12-member citizen Board is appointed by the Governor. The Board's powers and duties are defined by the Public Community College Act (110 ILCS 805/2-1 et seq.) The Board's strategic plan includes six pledges as follows:

- Emphasize high quality in all programs, services and operations;
- Deliver affordable learning opportunities to the doorstep of Illinois residents;
- Address workforce development needs with flexible, responsive and progressive programs;
- Offer rigorous courses and programs designed to enable students to transition from one learning environment and level to another;
- Enhance adult education and literacy programs necessary for individuals and families to have high-quality work and life; and
- Provide programs and services to assist students in their educational endeavors.

In 38 community college districts, locally-elected Boards of Trustees set policies that guide colleges in achieving local and statewide goals. The Board of Trustees of the City Colleges of Chicago is appointed by the Mayor of Chicago. In FY12, the colleges served nearly one million residents through credit (716,797) and noncredit courses (233,022). The Colleges awarded 61,538 associate degrees in FY12. Almost 33% of associate degrees were awarded to non-white students in FY12. According to the ICCB, the average annual cost for tuition and fees for the full-time enrollee was \$3,237.90 in FY13.

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Mr. Geoffrey Obrzut served President and CEO of the ICCB during the audit period and since January 2004. Upon his retirement in June 2013, Dr. Karen Hunter Anderson was appointed Executive Director by the Board effective July 1, 2013. Dr. Anderson has been employed by the Board since 1999 and most recently served the ICCB as Vice President for Adult Education and Institutional Support.

The average number of employees was:

	2012	2011	2010
Executive	3	3	4
Academic Affairs & Workforce Development	15	12	12
Adult Education & Institutional Support	18	19	19
System Finances & Office Operations	14	14	14
TOTAL	50	48	49

Expenditures From Appropriations

The General Assembly appropriated a total of \$417,710,000 to the Illinois Community College Board for FY12. Appendix A summarizes the appropriations and expenditures for the period under review. In FY12, the Illinois Community College Board received appropriations from eight funds: the General Revenue Fund; Education Assistance Fund, ICCB Instructional Development & Enhancement Fund, SBE GED Testing Fund, ICCB Contracts & Grants Fund, AFDC Opportunities Fund, ICCB Federal Trust Fund, ICCB Adult Education Fund, Career & Technical Education Fund, and Build Illinois Bond. The vast majority of the monies appropriated to the Illinois Community College Board are grants which are awarded to the various community college districts throughout the state.

Total expenditures were \$404.3 million in FY12, compared to \$404.9 million in FY11. In FY12, equalization grants previously appropriated through GRF were appropriated through the Education Assistance Fund. The increase in spending in the ICCB Federal Trust Fund was due to an increase in administrative expenditures related to IDOT and the Illinois Longitudinal Data System grants for FY12. Lapse period expenditures in FY12 were \$14.9 million or 3.7%. The lapse period expenditures were primarily due to providers that submitted requests for payment late in the fiscal year.

Cash Receipts

Appendix B provides a summary of cash receipts. Cash receipts were \$43.8 million in FY12, compared to \$43 million in FY11.

Property and Equipment

Equipment transactions during the period under review are summarized in Appendix C. The balance increased from \$1,134,807 as of July 1, 2011 to \$1,398,812 as of June 30, 2012. The balance consists primarily of office equipment.

Grants to Colleges

Appendix D is a list of community colleges and the total amount of grants each received in the fiscal year indicated.

Accountants' Findings and Recommendations

Condensed below are the ten findings and recommendations included in the audit report. Four are repeated from prior audits. The following recommendations are classified on the basis of information provided by Dr. Karen Hunter Anderson, Executive Director, via email on July 30, 2013.

Partially Accepted

- 9. Perform appraisals timely for all employees and maintain a system of record keeping ensuring all evaluations are properly maintained. Additionally, timely approve leave requests. (Repeated-2006)**

Finding: The Board did not have adequate controls over its personal services function. Auditors noted the following:

- The Board did not conduct various employee performance appraisals for all five appraisals.
- The Board did not approve employee leave time within a reasonable amount of time after the time was taken. All five employees tested had leave time approved between four and 71 days after the time was taken.

Board personnel stated the evaluations were not completed due to oversight by the employee's supervisors. Board personnel stated they informed all supervisors of the need for timely evaluations after the prior engagement but did not follow up with additional communication past the initial discussion. Board personnel also stated employees always obtain verbal preapproval from their supervisors to take time off, but may not get written approval until they turn in their monthly timesheets.

Response: Partially accepted. Staff will continue to communicate with management on the importance of timely evaluations and develop a process to inform management not in

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Partially Accepted – concluded

compliance with the evaluations.

The Board does not concur on the timely approval of leave requests. All employees receive verbal approval by their supervisors for requested leave and then they are recorded on the Staff Scheduler as being out of the office. Many supervisors are not located in the same city as staff, and others travel, so leave sheets cannot always be signed before leave is taken or immediately after. The staff scheduler documents staff attendance daily and leave forms are signed by supervisors semi-monthly or monthly with the time sheets. The Board does not believe that signing of leave slips monthly or semi-monthly limits their ability to disapprove time.

Auditor Comment: The Board's policy requires vacation time and personal time be approved before the time is taken. The Board could not provide documentation to support leave was preapproved.

Updated Response: Partially accepted and partially implemented. Staff will continue to communicate the importance of timely evaluations with supervisors and follow-up with staff not in compliance with the evaluations.

Accepted or Implemented

- 1. Strengthen controls over the recording and reporting of State property and equipment by reviewing inventory and recordkeeping practices to ensure compliance with statutory and regulatory requirements. Also, ensure all equipment is timely recorded on property records. (Repeated-2008)**

Finding: The Illinois Community College Board (Board) did not exercise adequate control over the recording and reporting of its State property and equipment. Auditors noted the following during testing:

- Equipment additions, totaling \$314,160, were not added to the Board's property control records.
- The Board's property records did not have the correct locations listed for its equipment items. Auditors noted three of 40 items, totaling \$1,953, whose locations were different than those specified on the Board's property records.
- The Board's property records do not contain enough information to determine whether property records were updated timely.
- One of eight quarterly C-15 State property reports was submitted seven days late.

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Board personnel stated the person responsible for equipment retired during the period and the position was vacant causing some of the above issues to go unnoticed. Board personnel also stated the late filing of the C-15 report was due to oversight.

Response: Accepted. The Board will add a new data element to the inventory records to include date inventory was tagged. The Board will work with staff to develop a process to record equipment location changes when staff trade inventory items/equipment, and the Board will reallocate staff resources to ensure reports are submitted timely.

Updated Response: Implemented. Updates to inventory control and recordkeeping have been made.

2. Ensure proper calculations are used in awarding grant amounts for the appropriate college districts. (Repeated-2008)

Finding: The Board misallocated grants to community college districts paid from the Base Operating Grants.

The Board was appropriated \$198,811,000 for both FY 2011 and 2012 for Base Operating Grants. The Board's Base Operating Grant allocation was inaccurate for FY 2011. For FY 2012, the Board elected to hold FY 2012 allocations at the FY 2011 amounts; therefore, the FY 2012 allocations were incorrect for the same amount as the FY 2011 allocations. The Board's Base Operating Grant consists of two components (Square Footage and Credit Hour). Component information is provided by various reports and the respective external audits performed annually at each community college. The Credit Hour component of the grant was calculated incorrectly. Specifically, the Adjusted State Total Unit Cost formula line was incorrect causing the Weighted Cost and Effective Credit Hour rates to be improperly computed. The errors in the formula line caused misallocations to each district resulting in overpayments ranging from \$16 to \$12,615 and underpayments ranging from \$228 to \$6,485. The total dollar appropriation amount distributed for the credit hour grant remained the same.

Response: Implemented. In 2012, the Board and community college system determined this component of the formula is no longer relevant, and it was removed from the formula.

3. Review the adequacy of policies and procedures regarding the submission of audit reports and other required reports. Further, continue to work with each district to ensure required reports are submitted timely. (Repeated-1996)

Finding: The Board failed to enforce compliance with the Rules and Regulations over the timely submission of required informational reports and schedules. Informational reports and schedules are required to be prepared by the districts/colleges and submitted to the Board to provide data necessary to determine funding and to ensure the funds are
Accepted or Implemented - continued

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being properly utilized. A few examples of the informational reports and schedules include spring and fall semester enrollment surveys, square footage and acreage information, faculty and staff salary data, annual financial statements and notice of publication. These reports are due at various times throughout the year. During testing, auditors noted the following:

- Forty-nine of 135 (36%) informational reports due in FY 2011 were submitted to the Board between one and 157 days late. Six reports were not received by the end of fieldwork.
- Fifty-seven of 135 (42%) informational reports due in FY 2012 were submitted to the Board between one and 215 days late. Nine reports were not received by the end of fieldwork.

Board personnel stated they are in the process of reviewing current reporting procedures and submissions and the submission due dates; however, at this point the Board does not have any authority other than continual follow-up with the districts in regards to the late or overdue data submissions.

Response: Accepted. The Board is currently preparing changes to be taken to the Joint Committee on Administrative Rules to eliminate some unnecessary reports and to change the due dates of some reports. The Board will also continue to work with the colleges to remind them of necessary reporting deadlines.

4. Ensure adherence to all reporting requirements of grant agreements and maintain adequate records to determine that all requirements are fulfilled.

Finding: The Board did not comply with the terms of grant agreements. In addition, the Board did not comply with the Illinois Grant Funds Recovery Act as noted during testing by the auditors:

- For four of 10 agreements tested, the agreements did not include language stipulating that the grantee must file quarterly reports. In addition, for all ten agreements tested, the grantee did not file the quarterly reports with the Board.
- For five of 10 agreements tested, the Board did not maintain adequate records to determine whether or not final reports were submitted by the grantee in a timely manner as required by the grant agreement.

Board personnel stated the issues noted above were due to unfamiliarity with reporting requirements and conflicting priorities.

Response: Implemented. The Board has incorporated quarterly and other reporting requirements into all its grant agreements that are subject to 30 ILCS 705.

5. Implement procedures to ensure complete and accurate information is reported to the Comptroller on the accounting reports.

Finding: The Board did not prepare and submit accurate accounting reports (GAAP) to the Office of the Comptroller for FY 2012. During testing, auditors noted the following:

- The Board did not appropriately identify American Recovery and Reinvestment Act (ARRA) funds for one program. In addition, the Board did not appropriately identify the correct Catalog of Federal Domestic Assistance (CFDA) numbers for three programs.
- The Board did not accurately report the amount provided to subrecipients on the Grant Analysis (SCO-563) form for the Adult Education Fund. The Board reported \$19,523,000 was provided to subrecipients; however, the Board's records reflected \$19,819,000 was provided causing an understatement of \$296,000.
- The Board did not accurately report information on the SCO-567 for the Career and Technical Education Fund. The Board reported \$17,752,000 in expenditures; however, the Board's expenditure records reflected \$17,744,000 was expended resulting in an overstatement of \$8,000. The Board also reported \$10,816,000 was provided to subrecipients; however, the Board's records reflected \$17,307,000 was provided resulting in an understatement of \$6,491,000. In addition, the Board reported receipts of \$17,752,000 on the SCO-567; however, the Board's receipt records reflected \$17,738,000 resulting in an overstatement of \$14,000.

The Board stated these issues were due to oversight and unfamiliarity with reporting requirements.

Response: Accepted. The Board will ensure the proper grant identification and expenditure amounts are reflected on the SCO 567 and 568. The Board will update its records to ensure all subrecipient expenditures are reflected on the SCO-563.

6. Document the date the reconciliation is performed and ensure the receipt ledger is accurate and agrees to the State Comptroller's Monthly Status Report on a monthly basis.

Finding: The Board did not date monthly receipt reconciliations to the Comptroller's Monthly Revenue Status Report (SB04) and did not properly maintain its receipt ledger.

During testing, auditors were unable to determine the timeliness of all 24 receipt reconciliations performed for FY11 and FY12 as the documentation provided by the Board did not include the date the reconciliations were prepared. In addition, errors were noted in the Board's FY12 receipt ledger for three of seven funds tested. The errors ranged from (\$28,675) to \$300,937.

Accepted or Implemented - continued

Board personnel stated the monthly reconciliations were not dated and errors in the receipt ledger were made due to staff retiring and the increase in the current staff's workload.

Updated Response: Implemented. The date is noted on the monthly reconciliation and timely reporting has been implemented.

7. Ensure all transactions are appropriately and timely input into expenditure records.

Finding: The Board did not maintain complete and accurate expenditure records. In FY11, two expenditure amounts were not included in the Board's final expenditure records, but were recorded by the State Comptroller's Office. This resulted in a difference of \$258 for discretionary grants expenditures and a difference of \$17,548 for Governor's discretionary appropriation expenditures. In FY12, two expenditure amounts were not included in the Board's expenditure records through September 30, 2012, but were recorded by the Comptroller. This resulted in a difference of \$570 for personal services expenditures. In addition, the Board did not timely update the expenditure records to reflect a \$78 returned voucher. In all instances, the expenditures were made during the lapse period and the Board did not complete reconciliations between their records and the State Comptroller records during this time.

Board personnel stated the expenditures were processed late during the lapse period and were not recorded on Board records due to oversight.

Response: Accepted. The Board was aware the expenditures were not recorded in AIS. The Comptroller's records reflected the correct amounts, and all expenditure reports reflect the Comptroller's records. The Board will ensure all expenditures made late in the lapse period are reflected on AIS in the future.

8. Timely submit all reports as required.

Finding: The Board did not submit its report to the Task Force on Inventorying Employment Restrictions timely. The report was submitted 266 days late.

Board personnel stated it submitted the report late due to oversight.

Updated Response: Implemented. The Board has assigned staff with the responsibility of notifying the Executive Director when legislation is passed that requires action to be taken by the Board. This will ensure timely reporting.

10. Develop and approve an identity protection policy as required in the Identity Protection Act.

Finding: The Board failed to implement the provisions of the Identity Protection Act. Board officials stated they were not aware of the requirement.

Response: Accepted. The Board will review the Identity Protection Act and implement the required policy. The Board will establish a process to determine new legislation that requires action from the Board so that reports are timely.

Emergency Purchases

The Illinois Procurement Code (30 ILCS 500/) states, "It is declared to be the policy of the State that the principles of competitive bidding and economical procurement practices shall be applicable to all purchases and contracts..." The law also recognizes that there will be emergency situations when it will be impossible to conduct bidding. It provides a general exemption when there exists a threat to public health or public safety, or when immediate expenditure is necessary for repairs to State property in order to protect against further loss of or damage to State Property, to prevent or minimize serious disruption in critical State services that affect health, safety, or collection of substantial State revenues, or to ensure the integrity of State records; provided, however that the term of the emergency purchase shall not exceed 90 days. A contract may be extended beyond 90 days if the chief procurement officer determines additional time is necessary and that the contract scope and duration are limited to the emergency. Prior to the execution of the extension, the chief procurement officer must hold a public hearing and provide written justification for all emergency contracts. Members of the public may present testimony.

Notice of all emergency procurement shall be provided to the Procurement Policy Board and published in the online electronic Bulletin no later than 3 business days after the contract is awarded. Notice of intent to extend an emergency contract shall be provided to the Procurement Policy Board and published in the online electronic Bulletin at least 14 days before the public hearing.

A chief procurement officer making such emergency purchases is required to file an affidavit with the Procurement Policy Board and the Auditor General. The affidavit is to set forth the circumstance requiring the emergency purchase. The Legislative Audit Commission receives quarterly reports of all emergency purchases from the Office of the Auditor General. The Legislative Audit Commission is directed to review the purchases and to comment on abuses of the exemption.

During FY11 and FY12, the Board filed no emergency purchase affidavits.

Headquarters Designations

The State Finance Act requires all State agencies to make semiannual headquarters reports to the Legislative Audit Commission. Each State agency is required to file reports of all of its officers and employees for whom official headquarters have been designated at any location other than that at which their official duties require them to spend the largest part of their working time.

The Illinois Community College Board indicated as of July 11, 2012 that there were four employees assigned to locations other than official headquarters.