

**REPORT DIGEST**

**ILLINOIS COMMUNITY COLLEGE BOARD  
FINANCIAL AND COMPLIANCE AUDIT  
(In accordance with the Single Audit Act of 1984  
and OMB Circular A-128)  
For the Two Years Ended June 30, 1992**

## **FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS**

### **EMPLOYER CONTRIBUTIONS FOR SPECIAL POPULATIONS AND ECONOMIC DEVELOPMENT GRANTS**

In May 1992, the Illinois Community College Board advised the community colleges to cease using special populations and economic development grant funds to pay retirement contributions to the State Universities Retirement System (System) for persons whose salaries were paid from these grant funds. This directive was issued pursuant to a legal interpretation received from the Board's legal counsel. In addition, the Board's counsel concluded that the only mechanism for making the required retirement contributions would be through direct State appropriations.

System officials disagreed with the Board's position and asserted that the grant funds should be used to pay retirement contributions for persons whose salaries were paid from special populations and economic development grant funds. The System's position was based on a legal interpretation from the System's legal counsel.

We concluded that the apparent intent of the Illinois Pension Code (40 ILCS 5/15-155; formerly, Ill. Rev. Stat. 1991, ch. 108 1/2, par. 15-155) was to ensure the employer make contributions for all employees who are to receive retirement benefits. The Board's communication directed the colleges to not pay retirement costs from special populations or economic development grants. However, the Board did not pursue further action to ensure that retirement contributions were made on behalf of persons whose salaries were paid from these grant funds.

The Board has stated that the operational response by the community colleges to the Board directive was to no longer identify these employees as being funded through external sources (grant funds), but rather as regular college employees for whom the State has the responsibility to contribute the employer's retirement contribution. It appears that if the contributions were not paid by the colleges from the grant funds, the contributions were obligated for payment from State appropriations for retirement contributions.

We recommended the Board take the necessary action to ensure retirement contributions are appropriately paid for persons whose salaries are paid from special populations and economic development grants. The Board's action should include seeking legislative clarification to the Pension Code or an Attorney General's opinion in order to eliminate any ambiguity in the law. The Board has indicated it will seek legislative clarification or an Attorney General's opinion on this matter.

**OTHER FINDING**

The remaining finding was less significant and dealt with the draw down of federal cash prior to its immediate need for distribution to subgrantees. It has been given appropriate attention by Board management. We will review progress towards implementation of our recommendation in the next audit.

Mr. Cary Israel, Executive Director, provided responses to our findings and recommendations.

**AUDITORS' OPINION**

We have stated that the financial statements of the Board at June 30, 1992 and 1991 were fairly presented.

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WILLIAM G. HOLLAND, Auditor General

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**SUMMARY OF AUDIT FINDINGS**

<u>Number of</u>	<u>This Audit</u>	<u>Prior Audit</u>
Audit Findings	2	1
Repeated Audit Findings	0	1
Prior Recommendations		
Implemented or Not Repeated	1	3

**SPECIAL ASSISTANT AUDITORS**

The audit was performed by the Auditor General's staff.