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OFFICE OF THE AUDITOR GENERAL
WILLIAM G. HOLLAND

REPORT DIGEST

5-94-65300-10

**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, 1994**

SYNOPSIS

- The ICCB entered into financial transactions with the newly created Illinois Community College System Foundation without recording any accounting receivables or payables:
 - The Board provided \$3,964 in direct start-up costs and an undetermined amount of personnel and office space costs on behalf of the Foundation.
 - The Foundation paid \$36,000 to fund the ICCB's development of a uniform accounting system for Illinois community colleges.

Neither entity recorded a receivable or payable for these accounting transactions.

The Foundation is not a part of State government. Rather, it is an Illinois non-profit corporation set up exclusively for charitable and educational purposes related to the Illinois community college system. Formalized agreements and records should be kept to account for transactions between ICCB and the Foundation.

- The ICCB's grant agreement with one of its federal subgrantees did not require the submission of a single audit report for the federal funds it received.

{Expenditures and Activity Measures are summarized on the reverse page.}

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RECYCLED PAPER · SOYBEAN INKS

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, 1994

EXPENDITURE STATISTICS	FY 1994	FY 1993	FY 1992
• Total Expenditures (All Funds)	\$259,453,241	\$246,125,204	\$243,425,009
<u>OPERATIONS TOTAL</u>	\$29,307,651	\$26,572,774	\$23,685,524
% of Total Expenditures	11.3%	10.8%	9.7%
Personal Services	\$1,084,329	\$1,052,430	\$1,065,267
% of Operations Expenditures	3.7%	4.0%	4.5%
Average No. of Employees			
Other Payroll Costs (FICA, Retirement)	\$107,894	\$110,595	\$109,762
% of Operations Expenditures	0.4%	0.4%	0.5%
Retirement Costs - Community College Districts	\$27,543,200	\$24,827,400	\$21,918,700
% of Operations Expenditures	94.0%	93.4%	92.5%
Contractual Services	\$220,775	\$227,538	\$218,051
% of Operations Expenditures	0.7%	0.9%	0.9%
EDP	\$243,250	\$242,201	\$251,825
% of Operations Expenditures	0.8%	0.9%	1.1%
All Other Operations Items	\$108,203	\$112,610	\$121,919
% of Operations Expenditures	0.4%	0.4%	0.5%
<u>GRANTS TOTAL</u>	\$230,145,590	\$219,552,430	\$219,739,485
% of Total Expenditures	88.7%	89.2%	90.3%
• Cost of Property and Equipment	\$709,332	\$649,568	\$582,724

AGENCY DIRECTOR(S)
During Audit Period: Mr. Cary Israel Currently: Dr. Geraldine A. Evans

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

FINANCIAL TRANSACTIONS WITH ILLINOIS COMMUNITY COLLEGE SYSTEM FOUNDATION

The Illinois Community College Board (the "ICCB") entered into financial transactions with the newly created Illinois Community College System Foundation (the "Foundation") without recording any accounting receivables or payables.

The Foundation is not a part of State government. Rather, it is an Illinois non-profit corporation, set up exclusively for charitable and educational purposes related to the Illinois community college system.

Below is a summary of the unrecorded financial transactions between the two entities:

- The ICCB incurred direct start-up costs of \$3,964 on behalf of the Foundation from its date of inception, November 1991, through December 1993. In addition, the ICCB provided office space and an undetermined amount of accounting, clerical and other personnel services to the Foundation at no cost.
- The Foundation paid \$36,000 for the development of a uniform accounting system for Illinois community colleges. The Foundation received a \$36,000 contribution specifically for this purpose. State law requires the ICCB to establish uniform financial accounting standards for the community colleges by July 1997.

Since the Foundation has begun to receive private funding, we recommended the ICCB formalize its financial transactions with the Foundation. The ICCB should implement formal policies for recording any expenses incurred on behalf of the Foundation. Also, the Board should arrange a formal contract with the Foundation, allowing for repayment of any subsidies between the two entities. Additionally, the ICCB and the Foundation should keep records to support the expenses which the Foundation pays on the ICCB's behalf. (Finding 1, page 9.)

The ICCB accepted our recommendations and will establish a written agreement which identifies the services that the ICCB will provide to the Foundation and which provides for the proper accounting treatment of any accounting subsidies between the two entities.

FAILURE TO REQUIRE A SINGLE AUDIT REPORT FROM ONE SUBGRANTEE

The ICCB did not require one of its subgrantees to submit an audit report for federal funds it received. The ICCB's agreement with this subgrantee did not require an audit in accordance with the Single Audit Act of 1985.

In fiscal year 1994, the ICCB received a grant from the Illinois Department of Commerce and Community Affairs (DCCA), under the federally-funded Jobs Training Partnership Act.

The ICCB's contract with DCCA contained a clause requiring compliance with the Single Audit Act.

Subsequently, the ICCB entered into a subgrant agreement with one recipient for \$25,000 in JTPA grant funds. The subgrant agreement failed to require a single audit. (Finding 2, page 110.)

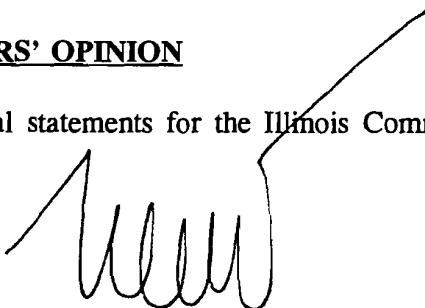
The ICCB accepted our recommendation to obtain and review the audit report for the subgrantee described in this finding. According to management, the single audit clause was inadvertently omitted from this subgrant contract due to a lapse in existing controls.

OTHER FINDINGS

There were no other findings presented in the audit report. We will review the ICCB's progress toward implementation of our recommendations during our next audit. The ICCB's responses to the findings were provided by Mr. Edward Smith, Associate Director for Administrative Services.

AUDITORS' OPINION

In our auditors' opinion, the financial statements for the Illinois Community College Board are fairly presented at June 30, 1994.



WILLIAM G. HOLLAND, Auditor General

WGH:JHL:jr
April 27, 1995

SUMMARY OF AUDIT FINDINGS

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

SPECIAL ASSISTANT AUDITORS

Our special assistant auditors for this engagement were DeRaimo Eisen & Fey.