



STATE OF ILLINOIS OFFICE OF THE AUDITOR GENERAL

Frank J. Mautino, Auditor General

REPORT DIGEST

PERFORMANCE AUDIT

**Release Date:
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Audit performed in
accordance with
House Resolution No. 55

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EXECUTIVE SUMMARY

College of DuPage

On May 14, 2015, the Illinois House of Representatives adopted House Resolution No. 55 directing the Auditor General to conduct a performance audit of the College of DuPage. Overall, the audit found that the Board of Trustees could improve its oversight and the College could improve its operations in several areas. The audit contains a total of 19 recommendations to the Board and the College.

- The College could not provide documentation to show that the Board was evaluating the President's performance annually, as is required by Board policy and the President's employment agreement.
- The College could not provide documentation to show that the Board was receiving quarterly investment reports or that the College was annually reviewing its investments as required by Board policy.
- The need for budget transfers was not always clearly documented and there was not always proper and timely approval of budget transfers by officials.
- Procurements did not always comply with established requirements:
 - Requisitions lacked approval prior to the purchase;
 - We could not determine if bids were opened by a member or employee of the Board as required by the Illinois Public Community College Act; and
 - Files did not always contain the final signed contract or agreement.
- Between 2007 and 2013, the College of DuPage issued a total of \$366.46 million in bonds (\$321.84 million for construction and \$44.62 million for refunding bonds).
- Oversight of construction activities could be improved by:
 - Establishing a facilities/construction committee and requiring status reports at regular meetings;
 - Obtaining Illinois Community College Board (ICCB) approval of construction projects prior to the award of contracts and construction of projects as is required by ICCB's administrative rules (23 Ill. Adm. Code 1501.602(b));
 - Documenting competitive procurement exemptions for construction projects;
 - Establishing a written policy for the types of work classified as professional services;
 - Establishing a prequalification system for potential bidders; and
 - Approving and signing contracts prior to beginning work.
- For the peer group, the College of DuPage President had the highest total compensation for all four years reviewed, ranging from \$466,477 in FY2011 to \$495,092 in FY2014.
- The College of DuPage Board of Trustees awarded the outgoing President a lump sum severance payment of \$762,868 in January 2015. Only 3 of 16 presidents at the other community colleges we reviewed received a lump sum payment upon separation, ranging from \$380,245 (Moraine Valley) to \$103,269 (Morton College).

AUDIT SUMMARY AND RESULTS

On May 14, 2015, the Illinois House of Representatives adopted House Resolution No. 55 directing the Auditor General to conduct a performance audit of the College of DuPage by entering into a memorandum of understanding with the College of DuPage that sets forth the scope of the audit. A memorandum of understanding was signed by the College on July 1, 2015 and an entrance conference to commence the audit was held July 28, 2015.

Opened on September 25, 1967, the College of DuPage is located in Community College District 502, which encompasses the majority of DuPage County, as well as portions of Cook and Will Counties. The College is governed by a locally elected seven-member board.

Overall, the audit found that the Board of Trustees could improve its oversight and the College could improve its operations in several areas. This audit contains a total of 19 recommendations to the Board and the College. (pages 1-11)

REVENUES AND EXPENDITURES

House Resolution No. 55 asked the Auditor General to review the College of DuPage's sources of revenues and expenditures, by broad category, during Fiscal Years 2011 through 2014. Total revenues for the College increased from \$241.6 million in FY2011 to \$267.9 million in FY2014, or 11 percent. Non-operating revenues, from sources such as property taxes and the State and federal government, accounted for \$196.8 million or 73 percent of total revenues for FY2014. Operating revenues, such as tuition and fees, accounted for less than one-third of total revenues for the College (\$71.1 million or 27%) for FY2014.

Total expenditures for the College of DuPage for the period FY2011 to FY2014 increased from \$195.5 million to \$231.4 million, or 18 percent. Operating expenses, which are the largest category of expenses, have increased from \$189.1 million in FY2011 to \$221.5 million in FY2014.

For the four-year period FY2011-FY2014, the College had total net income of more than \$153 million. Net income (the excess of revenues over expenses) ranged from a high of \$46.2 million in FY2011 to a low of \$31.8 million in FY2013. Board Policy 10-40 states that the College will strive to maintain an on-going unrestricted fund balance in the combined General, Working Cash and Auxiliary Funds in an amount equivalent to 50 percent of the College's total annual revenues in the General Fund (comprised of the Education Fund and the Operations and Maintenance Fund). As of the end of FY2014, the College had achieved a fund balance ratio of 46.6 percent. (pages 12-19)

TRUSTEE FIDUCIARY RESPONSIBILITIES

House Resolution No. 55 asked the Auditor General to review whether, during Fiscal Years 2011 through 2014, the Board met its fiduciary responsibilities. The Board of Trustees could improve its fiduciary oversight of the College's operations in several areas. We reviewed the College of DuPage Board of Trustees' fiduciary responsibilities including those for:

Total revenues for the College increased from \$241.6 million in FY2011 to \$267.9 million in FY2014, or 11 percent.

Total expenditures for the College of DuPage for the period FY2011 to FY2014 increased from \$195.5 million to \$231.4 million respectively, or 18 percent.

annually evaluating the College President; annually reviewing the financial performance of the College and causing an audit to be made; adopting the annual financial plan of the College; adopting a comprehensive Strategic Long Range Plan; and reviewing the President's annual report on the outcomes of the College.

The College could not provide documentation to show that the Board was evaluating the President's performance annually, as is required by Board policy.

- The policy manual of the College of DuPage Board of Trustees did not include guidance regarding individual trustee fiduciary responsibilities. As of June 30, 2014, the Board's policies also did not require standing committees. Defining the fiduciary responsibilities of Board members and establishing standing committees for certain areas may be beneficial for the Board of Trustees in improving its oversight of the College of DuPage.
- The College could not provide documentation to show that the Board was evaluating the President's performance annually, as is required by Board policy and the President's employment agreement. The College could not provide copies of completed written appraisals of the President's performance. Also, although written closed session Board minutes were reviewed, the minutes were not always specific enough to determine if the President's performance was discussed.
- We did see evidence that the Board of Trustees was: annually reviewing the financial performance of the College and causing an audit to be made; adopting the annual financial plan of the College; adopting a comprehensive Strategic Long Range Plan; and reviewing the President's annual report on the outcomes of the College. (pages 23-29)

The audit also reviewed whether the Board was meeting its fiduciary responsibilities and ensuring compliance with the Illinois Public Community College Act and Board policies, including those related to the investment of College funds, procurements and contracts, and budget transfers.

INVESTMENTS

House Resolution No. 55 asked the Auditor General to review whether the Board was meeting its fiduciary responsibilities and ensuring compliance with the Illinois Public Community College Act and Board policies, including those related to the investment of College funds.

The College's administrative procedures required the College's investments to be reviewed periodically by the Treasurer's Advisory Committee to address issues of investment mix and return. However, this Committee did not meet between January 18, 2013 and November 7, 2014 (nearly two years).

Although the Board was receiving monthly investment reports for the period FY2011 through FY2014, those reports did not always show a breakout of investments by the type of investment and did not show the percentage of each type of investment allowable by policy.

- The College could not provide documentation to show that the Board was receiving quarterly investment reports required by Board policy, including investments in the portfolio by type,

The College could not provide documentation to show that the College was annually reviewing its investments as is required by Board policy.

issuer, interest rate, maturity, book value, income earned, current market value as of the report date, and comparison to any applicable benchmarks.

- The College could not provide documentation to show that the College was annually reviewing its investments as is required by Board policy. (pages 32-39)

BUDGET TRANSFERS

House Resolution No. 55 asked the Auditor General to review whether the Board was meeting its fiduciary responsibilities and ensuring compliance with the Illinois Public Community College Act and Board policies, including those related to budget transfers. According to information provided by College officials, during the four-year period FY2011-FY2014 there were 3,562 budget transfers involving 34,842 individual transactions for a total of more than \$460 million. Our review of these budget transfers found that some transactions that were listed as transfers were not budget transfers in a traditional sense but were changes in the accounting system.

Our review of 20 budget transfers found that the need for budget transfer was not always clearly documented and there was not always proper and timely approval by officials.

- The Board was only required to approve one budget transfer (budget amendment) during the four-year period we reviewed.
- Our review of 20 budget transfers found that the need for the transfer was not always clearly documented and there was not always proper and timely approval by officials.
- The Board should consider taking a more active role in the budget transfer approval process by revising its policies to limit the President’s and/or Controller’s authority to approve large transfers. (pages 40-43)

PROCUREMENTS AND CONTRACTS

House Resolution No. 55 asked the Auditor General to review whether the Board was meeting its fiduciary responsibilities and ensuring compliance with the Illinois Public Community College Act and Board policies, including those related to procurements and contracts. The audit reviewed a sample of 40 procurements over \$25,000 for compliance with the Illinois Public Community College Act, Board policies, and administrative procedures. One of the 40 procurements we selected was not applicable to competitive procurement requirements because it was part of another agreement. Our review found that procurements did not always comply with established requirements.

Procurements did not always comply with established requirements.

- Requisitions lacked approval prior to the purchase. For the 36 requisitions provided, there was no evidence of approval from the Vice President of Administrative Affairs per Administrative Procedure 10-60. The College could not provide requisitions for four procurements tested.
 - In 5 of 36 cases (14%) the requisition was created **after** an invoice for payment had been received.
- For 22 of 39 (56%) procurements, the purchase was not competitively bid.

- For 12 of 17 (71%) procurements that were bid, we could not determine if the bids were opened by a member or employee of the Board as required by law.
- For 6 of 17 (35%) procurements that were competitively procured, we could not determine if the bids were opened publicly.
- For 2 of the 32 (6%) procurements reviewed that required Board approval, the College could not provide documentation of Board approval of the contract or expenditure.
- Files did not always contain the final signed contract or agreement. For 9 of 30 procurements that required a contract (30%), the College could not provide a signed contract or written agreement. (pages 43-51)

GENERAL OBLIGATION BONDS

House Resolution No. 55 asked the Auditor General to review the amount, purpose, and uses of General Obligation Bonds issued by the College of DuPage in 2007, 2009, 2011, and 2013. In 2003, the College of DuPage began a major construction initiative. In November 2002, voters in the district approved a referendum to issue \$183 million in bonds for construction at the College. In November 2010, voters approved another referendum to issue \$168 million in additional bonds to continue construction for the College. Between 2007 and 2013, the College of DuPage issued a total of \$366.46 million in bonds. Of the \$366.46 million, \$321.84 million (88%) were issued for construction or renovation of college facilities and grounds, including alternate bonds (for construction) issued in 2009. The remaining \$44.62 million in bonds were issued for refunding other bonds that had been issued previously.

The College could not provide documentation of a Request for Proposal (RFP) being issued for the financial advisory services for the 2013 bond issuance. We also could not find approval of an RFP or a contract for services in the Board minutes for financial advisory services for the 2013 bond issuance that might have explained why the services were not competitively procured. (pages 53-62)

CONSTRUCTION ACTIVITIES

House Resolution No. 55 asked the Auditor General to determine whether the Board was meeting its fiduciary responsibilities and ensuring compliance with the Illinois Public Community College Act and Board policies, including those related to construction activities. Construction project expenditures provided by the College for the period FY2003-FY2015 totaled \$531.5 million. We reviewed 12 building projects totaling \$403.7 million for the period FY2003-FY2015 to determine if the projects were contained in the College's Facilities Master Plan, received Board approval, and whether the architect/engineer and construction manager were competitively procured.

The audit concluded that the College of DuPage and its Board of Trustees could improve its oversight of construction activities by:

- Establishing a facilities/construction committee;
- Requiring status reports at regular meetings;

Between 2007 and 2013, the College of DuPage issued a total of \$366.46 million in bonds.

Construction project expenditures provided by the College for the period FY2003-FY2015 totaled \$531.5 million.

- Obtaining Illinois Community College Board (ICCB) approval of construction projects prior to the award of contracts and construction of projects as is required by ICCB’s administrative rules (23 Ill. Adm. Code 1501.602(b));
- Documenting competitive procurement exemptions for construction projects;
- Establishing a written policy for the types of work classified as professional services;
- Establishing a prequalification system for potential bidders;
- Documenting the bidding process and ensuring a Board member or Board employee opens bids publicly; and
- Approving and signing contracts prior to beginning work. (pages 63-79)

PRESIDENT’S COMPENSATION AND SEVERANCE

House Resolution No. 55 asked the Office of the Auditor General to determine whether the compensation and severance packages provided to the President of the College of DuPage are comparable to compensation and severance packages provided to Presidents of other Illinois community colleges, and whether changes to the College President’s compensation package are properly approved.

We reviewed the original contract and each addendum and amendment to determine if the Board of Trustees had a quorum, posted the agenda 48 hours prior to each meeting, voted on actions, and that the actions were preceded by a public recital of the nature of the matter being considered as is required by the Open Meetings Act (5 ILCS 120/). With the exception of the Third Addendum to the President’s contract, the amendments and addendums to the contract met these criteria.

On July 24, 2015, the Illinois Attorney General’s Office issued a determination letter which concluded that the Board had violated the Open Meetings Act (5 ILCS 120/2(e)).

On July 24, 2015, the Illinois Attorney General’s Office issued a determination letter regarding whether the College of DuPage Board of Trustees had violated the Open Meetings Act at its July 12, 2011 special meeting in approving the Third Addendum to the President’s employment agreement extending his employment to June 30, 2016. The Attorney General’s letter concluded that the Board had violated the Open Meetings Act (5 ILCS 120/2(e)) by failing to provide a sufficient public recital of the nature of the action and other information necessary to inform the public of the business being conducted before approving a contract extension for the College President. The letter also directed the Board of Trustees to comply with the Open Meetings Act public recital requirement in the future.

On May 5, 2016, an order was signed by a circuit judge affirming that the Board violated the Open Meetings Act.

On March 17, 2016, the DuPage County State’s Attorney filed a complaint with the circuit court of the Eighteenth Judicial Circuit alleging that the Board of Trustees of the College of DuPage violated the Open Meetings Act during a closed meeting on March 6, 2014. The complaint alleges that the Board of Trustees violated the Open Meetings Act by taking final action in the March 6, 2014 closed meeting and authorizing the Chairman of the Board of Trustees to extend the administrator’s (President’s) contract. On May 2, 2016, the Board of Trustees voted 4-3 to approve a motion admitting the Board violated the Open Meetings Act when it acted in the March 6, 2014

closed session. On May 5, 2016, an order was signed by a circuit judge affirming that the Board violated the Open Meetings Act.

For the peer group, as defined by the Illinois Community College Board (ICCB), the College of DuPage President had the highest total compensation for all four years reviewed, ranging from \$466,477 in FY2011 to \$495,092 in FY2014.

For the peer group, as defined by the Illinois Community College Board (ICCB), the College of DuPage President had the highest total compensation for all four years reviewed, ranging from \$466,477 in FY2011 to \$495,092 in FY2014. Compensation for other Presidents in the peer group during the four year period ranged from a high of \$445,345 (Moraine Valley FY2012) to a low of \$214,906 (Triton College FY2011).

The College of DuPage Board of Trustees awarded the outgoing President a lump sum severance payment of \$762,868 in January 2015. We collected information for 16 other community colleges from which a President had separated. Only 3 of 16 presidents at the other community colleges we reviewed received a lump sum payment upon separation, ranging from \$380,245 (Moraine Valley) to \$103,269 (Morton College).

Public Act 99-482, effective September 22, 2015, amended the Illinois Public Community College Act by adding a section limiting employment agreements for presidents of Illinois community colleges to no more than four years. The Act also requires that a contract may not include any automatic rollover clauses and all renewals or extensions of contracts must be made during an open meeting of the board. The Act also requires that severance packages under the contract not exceed one year's salary and applicable benefits. However, the Act does not define what should be included as applicable benefits. (pages 81-96)

Public Act 99-482, effective September 22, 2015, amended the Illinois Public Community College Act by adding a section limiting employment agreements for presidents of Illinois community colleges to no more than four years.

FOUNDATION TRANSACTIONS

House Resolution No. 55 asked the Auditor General to determine, based on records obtained from the College of DuPage, the amount and purposes of all transactions occurring in Fiscal Years 2009 and 2010 between the College of DuPage and the College of DuPage Foundation and whether those transactions followed all applicable laws, policies, and procedures. The College implemented a new accounting system in FY2011. Consequently, obtaining detailed information regarding transactions between the Foundation and the College for FY2009 and FY2010 was problematic.

According to the records provided by the College of DuPage:

- Support from the Foundation increased from over \$270,000 during FY2009 to almost \$1 million for FY2010. This was due primarily to an increase in program support (academic and athletic support) by the Foundation, including \$473,273 for facilities construction.
- For payments from the College to the Foundation, funds were relatively the same each year, only increasing from \$73,340 in FY2009 to \$75,548 in FY2010.

We reviewed a sample of 20 transactions between the College and the Foundation for the period FY2009-FY2010. We reviewed 10 transactions in which funds were sent from the College to the Foundation and 10 transactions in which funds were sent from the Foundation to the College.

Because of the age of these transactions and because a different accounting system was used by the College during the time period specified in House Resolution No. 55, the College of DuPage Department of Financial Affairs officials had to manually compile records from the prior accounting system to identify these transactions. The manual review involved searching through reports and general ledger activities to find transactions that involved the College and the Foundation. The College of DuPage was not always able to provide documentation of transactions between the College and the Foundation for the period FY2009-FY2010. The College's records retention policy only requires cash receipts to be retained for two years. (pages 97-101)

RECOMMENDATIONS

The audit report contains 19 recommendations. The Board of Trustees and the College agreed with all 19 recommendations. Appendix E to the audit report contains the responses from the College of DuPage.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

FJM:MSP

AUDITORS ASSIGNED: This performance audit was conducted by the staff of the Office of the Auditor General.

