MCHENRY COUNTY COLLEGE
DISTRICT NUMBER 528
CRYSTAL LAKE, ILLINOIS

SINGLE AUDIT REPORT

For the Year Ended
June 30, 2013
| 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 | 3-4 |
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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

Board of Trustees
McHenry County College
Community College District Number 528
Crystal Lake, Illinois

We have audited, in accordance with 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
government activities, business-type activities, the aggregate discretely presented component
unit, each major fund, and the aggregate remaining fund information of McHenry County
College District 528 as of and for the year ended June 30, 2013, and the related notes to the
financial statements, which collectively comprise McHenry County College District 528’s basic
financial statements, and have issued our report dated September 30, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered McHenry
County College District 528’s internal control over financial reporting (internal control) to
determine the 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 McHenry County College District 528’s internal control.
Accordingly, we do not express an opinion on the effectiveness of the Organization’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 a combination of deficiencies, in internal control, such that there is a reasonable
possibility that a material misstatement of the entity’s financial statements will not be prevented,
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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether McHenry County College District 528’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*.

We noted certain matters that we reported to management of McHenry County College - Community College District 528, in a separate letter dated September 30, 2013.

**McHenry County College District 528’s Response to Findings**

McHenry County College District 528’s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. McHenry County College District 528’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 organization’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 organization’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Naperville, Illinois
September 30, 2013

[Signature]
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

Board of Trustees
McHenry County College
Community College District Number 528
Crystal Lake, Illinois

Report on Compliance for Each Major Federal Program

We have audited McHenry County College District 528’s compliance with the types of compliance requirements described on the (OMB Circular A-133 Compliance Supplement) that could have a direct and material effect on each of McHenry County College District 528’s major federal programs for the year ended June 30, 2013. McHenry County College District 528’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of McHenry County College District 528’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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 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 McHenry County College District 528’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that 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 of McHenry County College District 528’s compliance.
Basis for Qualified Opinion on the Student Financial Aid Cluster

As described in the accompanying schedule of findings and questioned costs, McHenry County College District 528 did not comply with requirements regarding Student Financial Aid Cluster as described in finding number 2013-01 for Special Tests and Provisions. Compliance with such requirements is necessary, in our opinion, for McHenry County College District 528 to comply with the requirements applicable to that program.

Qualified Opinion on the Student Financial Aid Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, McHenry County College District 528 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Student Financial Aid Cluster for the year ended June 30, 2013.

Management of McHenry County College District 528 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 McHenry County College District 528’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 McHenry County College District 528’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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2013-01 to be a material weakness.

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.

Other Matters

The results of our audit procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2013-02 and 2013-03. Our opinion on each major federal program is not modified with respect to these matters.
McHenry County College District 528’s response to the findings identified in our audit is
described in the accompanying schedule of findings and questioned costs. McHenry County
College District 528’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.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other
purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of McHenry County College District 528 as of and for
the year ended June 30, 2013, and have issued our report thereon dated September 30, 2013,
which contained an unmodified opinion on those financial statements. Our audit was conducted
for the purpose of forming an opinion on the financial statements as a whole. The accompanying
schedule of expenditures of federal awards is presented for purposes of additional analysis as
required by OMB Circular A-133 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 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 schedule of
expenditures of federal awards is fairly stated in all material respects in relation to the financial
statements as a whole.

Naperville, Illinois
September 30, 2013
<table>
<thead>
<tr>
<th>Major Programs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>U.S. Department of Education:</strong></td>
</tr>
<tr>
<td>Student Financial Aid Cluster</td>
</tr>
<tr>
<td>PELL Grant 84.063 P063P122987</td>
</tr>
<tr>
<td>PELL Grant - Administrative Expense 84.063 P063Q99287</td>
</tr>
<tr>
<td>SEOG Grant 84.007 P097A121215</td>
</tr>
<tr>
<td>College Work Study 84.003 P033A121215</td>
</tr>
<tr>
<td>Federal Direct Student Loans - 2012 Award 84.288 P268K122987</td>
</tr>
<tr>
<td>Federal Direct Student Loans - 2013 Award 84.288 P268K123287</td>
</tr>
<tr>
<td><strong>Total U.S. Department of Education (major)</strong></td>
</tr>
<tr>
<td><strong>Total Major Programs</strong></td>
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</tbody>
</table>

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<thead>
<tr>
<th>Nonmajor Programs</th>
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</thead>
<tbody>
<tr>
<td><strong>U.S. Department of Education:</strong></td>
</tr>
<tr>
<td>Passed through Illinois Community College Board</td>
</tr>
<tr>
<td>Perkins IV Postsecondary Basic 84.048 CTE 52813</td>
</tr>
<tr>
<td>CTE Local Programs of Study Implementation 84.048 CTE 13 POS528</td>
</tr>
<tr>
<td>CTE Innovation Grant 84.048 CTE 12 528</td>
</tr>
<tr>
<td>Federal Adult Education 84.002A TPS 52801</td>
</tr>
<tr>
<td>English Literacy/Civics Program 84.002A TPS 52801</td>
</tr>
<tr>
<td><strong>Curriculum Alignment to support Core State Standards Implementation</strong> 84.367A 13CA528</td>
</tr>
<tr>
<td>Passed through Illinois Community College Board</td>
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<tr>
<td><strong>Total U.S. Department of Education (nonmajor)</strong></td>
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<tr>
<th>U.S. Department of Labor</th>
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<tbody>
<tr>
<td>Passed through the Department of Job Training</td>
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<tr>
<td>TAA Grant 17.282 TC-2379S-12-60-A-17</td>
</tr>
<tr>
<td>F.A.S.T. Grant II 17.261 EA-21364-11-60-A-17</td>
</tr>
<tr>
<td><strong>Total U.S. Department of Labor</strong></td>
</tr>
</tbody>
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<tr>
<th>U.S. Department of Health and Human Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passed through the County of Will and the Workforce Investment Board of Will County</td>
</tr>
<tr>
<td>Health Professional Opportunity Grant 93.093 06-1</td>
</tr>
<tr>
<td>Health Professional Opportunity Grant 93.093 06-2</td>
</tr>
<tr>
<td><strong>Total U.S. Department of Health and Human Services</strong></td>
</tr>
</tbody>
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<th>U.S. Department of Veterans Affairs</th>
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</thead>
<tbody>
<tr>
<td>Post-9/11 GI Bill 84.028</td>
</tr>
<tr>
<td><strong>Total U.S. Department of Veterans Affairs</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Small Business Administration</th>
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<tbody>
<tr>
<td>Passed through the Illinois Department of Commerce and Economic Opportunity</td>
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<tr>
<td>ISBDC Small Business Jobs Act Grant 59.031 11-881171</td>
</tr>
<tr>
<td>Small Business Development Center 59.037 12-561171</td>
</tr>
<tr>
<td><strong>Total Small Business Administration</strong></td>
</tr>
</tbody>
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<tr>
<th>U.S. Department of Justice</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bullet Proof Vest Program 16.607 2011SUBX11055980</td>
</tr>
<tr>
<td><strong>Total U.S. Department of Justice</strong></td>
</tr>
</tbody>
</table>

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<tr>
<th>Institute of Museum and Library Services</th>
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</thead>
<tbody>
<tr>
<td>Laura Bush 21st Century Librarian Program Grant 45.313 RE-56-0083-13</td>
</tr>
<tr>
<td><strong>Total Institute of Museum and Library Services</strong></td>
</tr>
<tr>
<td><strong>Total Nonmajor Programs</strong></td>
</tr>
</tbody>
</table>

**TOTAL EXPENDITURES OF FEDERAL AWARDS**

$10,557,982
Note A - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards has been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB). It is a summary of the activity of McHenry County College District 528's federal awards program prepared on the accrual basis of accounting. Accordingly, expenditures are recognized when the liability has been incurred and revenues are recognized when the qualifying expense has been incurred.

Note B - Federal Loan Program

For the year ended June 30, 2013, McHenry County College District 528 acted as a pass-through agency for Direct Federal Stafford Loans (subsidized and unsubsidized) to students in the amount of $2,836,158.

Note C - Other Information

McHenry County College District 528 did not receive any federal insurance or federal non-cash assistance and did not provide any amounts to sub-recipients.
Section I - Summary of Auditor's Results

**Financial Statements**

Type of auditor's report issued:  

| unmodified |

Internal control over financial reporting:
- Material weakness(es) identified?  
  - Yes  
  - No

- Significant deficiency(ies) identified?
  - Yes  
  - No

- Noncompliance material to financial statements noted?
  - Yes  
  - No

**Federal Awards**

Internal Control over major programs:
- Material weakness(es) identified?
  - Yes  
  - No

- Significant deficiency(ies) identified?
  - Yes  
  - No

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

| Modified opinion on Student Financial Aid Program Cluster |

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)?

| Yes  | No |

Identification of major programs:

- CFDA Number(s)  
  - 84.007, 84.033, 84.063, 84.268  

- Name of Federal Program or Cluster  
  - Student Financial Aid Program Cluster

Dollar threshold used to distinguish between Type A and Type B programs:  

| $ 300,000 |

Auditee qualified as low-risk auditee?

| Yes  | No |

- Yes  
- No
Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

2013-01 - Late Return Of Title IV Financial Aid - Student Financial Aid Cluster - CFDA#s 84.007, 84.033, 84.063, 84.268 - Grant Period - Year Ended June 30, 2013

Condition: During our Return of Title IV Fund testing we noted that the College did not calculate or return Title IV Student Financial Aid for students who ceased attendance in a timely manner. The Return of Title IV Calculations for the Fall 2012 term were not completed until December 19, 2012 and in our sample of twelve Fall Students eleven of these Returns were done after the 45 day maximum time requirement. For the Spring 2013 term we selected thirteen student files and five of these Returns of Title IV were deemed late as these returns were not completed until March 19, 2013. We consider the untimely calculation and Return of Title IV Student Financial Aid to be a material weakness relating to the Special Tests and Provisions Compliance Requirement.

Criteria: According to 34 CFR 668.22 the College is responsible to correctly determine the amount of Title IV earned by the College and the remaining portion is to be timely returned to the U.S. Department of Education.

Effect: McHenry County College District 528 did not calculate or return unearned Title IV Financial Aid to the U.S. Department of Education within 45 days of when students were determined to cease their attendance at the College.

Cause: The Student Financial Aid director did not assume the responsibility to communicate with other departments within the College to timely identify students who ceased attendance and prepare the necessary Return of Title IV financial aid. The Student Financial Aid director is no longer with the College.

Recommendation: We recommend the future Student Financial Aid Director and others within the financial aid department assign specific responsibilities to identify students who cease attendance in order to timely calculate and prepare the Return of Title IV financial aid.

Corrective Action Plan: For the Spring 2013 semester, the Financial Aid office under the direction of the Coordinator of Financial Aid instituted a procedure to complete Return to Title IV funds in a timely fashion. The new procedure is as follows.
Section III - Federal Award Findings and Questioned Costs (Continued)

2013-01 - Late Return Of Title Iv Financial Aid - Student Financial Aid Cluster - CFDA#s 84.007, 84.033, 84.063, 84.268 - Grant Period - Year Ended June 30, 2013
(Continued)

Corrective Action Plan: (Continued)

1. On a weekly basis, the Coordinator of Financial Aid runs the Return to Title IV funds report that our IT department developed. This report tells us which federal student aid students have dropped to zero credit hours enrolled.

2. The student account is reviewed to ensure that they had not had a previous post-withdrawal refund. The calculation is completed in the financial aid software (Colleague) Return of Title IV Funds Federal Worksheet Data Form.

3. During the Fall 2013 semester, Colleague was set up so that an email is sent to this student immediately when the calculation is complete.

2013-02 - FISAP Reporting Error - Student Financial Aid Cluster - CFDA#s 84.007, 84.033, 84.063, 84.268 - Grant Period - Year Ended June 30, 2013

Condition: During our reporting compliance testing of the Student Financial Aid Cluster we determined that McHenry County College, District Number 528 reported incorrect statistical information on Part VI of their Fiscal Operations Report and Application to Participate (FISAP). The College reported on line 12 the number of Federal Work Study recipients and funds to be (3) and $11,196, respectively. We examined support for this line to and determined that the correct amounts should have been (4) recipients and $10,880.

Criteria: The Code of Federal Regulation 34 CFR 673.3(b) states “The application for the Federal Perkins Loan, FWS, and FSEOG programs must be on a form approved by the Secretary and must contain the information needed by the Secretary to determine the institution’s allocation or reallocation of funds under sections 462, 442, and 413D of the HEA, respectively.” We are required to test the most recently submitted FISAP report which would be the June 30, 2012 report that was due October 1, 2012.

Effect: McHenry County College District 528 reported incorrect amounts on their FISAP. Since the FISAP is also used by the College to apply for campus based funding the following year we encourage the College to take all necessary steps to report accurate statistical information.
Section III - Federal Award Findings and Questioned Costs (Continued)

2013-02 - FISAP Reporting Error - Student Financial Aid Cluster - CFDA#s 84.007, 84.033, 84.063, 84.268 - Grant Period - Year Ended June 30, 2013 (Continued)

Cause: There was not a review of the amounts input by the Financial Aid Director did for the FISAP for the Year Ended June 30, 2012.

Recommendation: We recommend a second person in the Financial Aid Department review the completed FISAP report before submission to the U.S. Department of Education to reduce the likelihood of errors in the completion of this form.

Corrective Action Plan: On June 19, 2013 the Financial Aid Director at the College made the necessary corrections to the report and received a “FISAP Change Request Confirmation” to verify submission of the change requested by the College.

2013-03 - Lack Of Reading Tutor - Student Financial Aid Cluster - CFDA#s 84.007, 84.033, 84.063, 84.268 - Grant Period - Year Ended June 30, 2013

Condition: During our earmarking compliance testing of the Student Financial Aid Cluster we determined that McHenry County College, District Number 528 did not have a reading tutor as part of the students participating in the Federal Work Study program during the fiscal year ending June 30, 2013. We consider the lack of at least one reading tutor to be an instance of noncompliance with respect to the Matching, Level of Effort and Earmarking Compliance Requirement.

Criteria: According to 34 CFR 675.18 (g) (3) the College is required to ensure that 7% of total federal work study wages are for community service with at least one federal work study student employed as a reading tutor for children in a reading tutoring project or performing family literacy activities in a family literacy project.

Effect: McHenry County College District 528 did not have at least one reading tutor among the students participating in the Federal Work Study Program.

Cause: The Financial Aid Director did not communicate with management of the College that they were unable to find or place at least one student as a reading tutor.

Recommendation: We recommend the Financial Aid Department actively recruit at least one reading tutor to satisfy the earmarking compliance requirement of the Federal Work Study Program under the Student Financial Aid Cluster
Section III - Federal Award Findings and Questioned Costs (Continued)

2013-03 - Lack Of Reading Tutor - Student Financial Aid Cluster - CFDA#s 84.007, 84.033, 84.063, 84.268 - Grant Period - Year Ended June 30, 2013 (Continued)

Corrective Action Plan: Beginning the Fall 2013 semester, the Director of Financial Aid will work with the Financial Aid, Work-Study, and Outreach Specialist to insure that at least one federal work-study student is employed in a family literacy activity. The Specialist will notify the Director on a monthly basis of the number of federal work-study students who are working in Community Service work and Family Literacy activities. In Fall 2013, there is currently one student who is working in a Family Literacy program.

Section IV - Prior Year Audit Findings

12-01 Bank Reconciliations Fiscal Year Ended June 30, 2012

Condition: During our audit it was noted that bank reconciliations were not prepared in a timely manner (i.e., monthly) during fiscal 2012, although this was partially related to issues with the system implementation around January of 2012, especially for the College’s main operating account, which compromises the overall internal controls of the College. In addition, we noted a material reconciling item included in the bank reconciliation at June 30, 2012 that was not a reconciling item as the cash had been received by the College. We consider the untimely preparation of bank reconciliations to be a material weakness in internal control over financial reporting.

Criteria: Bank reconciliations should be performed for every cash checking account in order to prepare accurate monthly financial statements. In addition since cash is the most susceptible asset to misappropriation bank reconciliations are important in helping prevent or detect errors and irregularities.

Effect: By not performing timely bank reconciliations, unreconciled differences between the bank reconciliation and general ledger balance existed in its main operating account throughout fiscal year 2012 and at June 30, 2012.

Cause: The preparation and review of bank reconciliations did not occur during the fiscal year.

Recommendation: We recommend that the College implement procedures to insure that all bank and investment accounts of the College are reconciled monthly and that any unreconciled variances are investigated and remedied in a timely manner. In addition, we recommend that reconciliations be reviewed and approved monthly by someone other than the preparer. We also recommend that the College implement procedures to ensure that checks are not duplicated.
Section IV - Prior Year Audit Findings (Continued)

12-01 Bank Reconciliations Fiscal Year Ended June 30, 2012 (Continued)

Corrective Action Plan

The College agrees with the recommendation. The College has already established and implemented procedures for someone other than the preparer of the bank reconciliations to review and approve the bank reconciliations. This process, for the most part, was followed later in the year as we gained control over the ERP migration. The College will continue to make all efforts to prepare bank reconciliations on a timely basis so that interim financial statements can be prepared in accordance with Generally Accepted Accounting Principles (GAAP). Any variances identified in the reconciliation process will be promptly and timely investigated.

2013 Update

This finding was not repeated for the Year Ended June 30, 2013.

12-02 Preparation of Financial Statements - Fiscal Year Ended June 30, 2012

Condition: During the audit, we recommended material adjustments, including accrual entries to various accounts and subfunds, to present financial statements in accordance with the generally accepted accounting principles, due to turnover in key positions at the College. In addition, during our testing of receivable and payable accounts, we identified that the College was unable to initially provide account reconciliations and supporting schedules for most balances. We consider the inability of the College to prepare financial statements in accordance with generally accepted accounting principles (GAAP) and the Illinois Community College Board (ICCB) Fiscal Management Manual (FMM), to be a material weakness in internal control over financial reporting.

Criteria: The College is required to maintain a system of controls over the preparation of financial statements in accordance with GAAP, ICCB, and FMM, which includes having adequately trained personnel with the knowledge and expertise to prepare and/or thoroughly review GAAP-based financial statements and ICCB Compliance based schedules to ensure that they are free of material misstatements and include all disclosures as required by the Governmental Accounting Standards Board and ICCB.
Section IV - Prior Year Audit Findings (Continued)

12-02 Preparation of Financial Statements - Fiscal Year Ended June 30, 2012 (Continued)

Effect: Due to the fact monthly reconciliations of key financial statement accounts were not performed material audit adjustments were required to be made by the College.

Cause: The College did not allocate sufficient, qualified resources to manage its accounting and ERP systems.

Recommendation: We recommend that the College allocate sufficient, competent resources to manage its accounting and ERP systems to ensure that all transactions are accounted for in accordance with GAAP and that all necessary financial presentations and note disclosures are included as required by GAAP and the ICCB FMM. We also recommend that the College reconcile and prepare supporting schedules for all balance sheet accounts on a monthly basis during the close process.

Corrective Action Plan

The College agrees with the recommendation. In addition to a vacancy in a key management position the College was also migrating to the new Datatel ERP system. This migration created disruption within the Accounting Office due to handling dual ERP systems and the conversion of information from the old ERP system (nxview) into Datatel. However, with most of the major modules now nearly complete, the Accounting Office can once again dedicate resources to focusing on analyzing and reconciling general ledger accounts on a regular basis. We have recently worked with the IT staff to develop several reporting routines that will facilitate the production of supporting schedules. These schedules will then be reconciled back to the general ledger. Additionally, the staffing levels within the Accounting Office is being analyzed to ensure there are adequate resources in which to timely complete and provide coverage for all essential accounting functions. The goal is to have all balance sheet accounts reconciled timely in accordance with GAAP and the Illinois Community College Board (ICCB) Fiscal Management Manual (FMM).

2013 Update

This finding was not repeated for the Year Ended June 30, 2013