

BOARD OF ILLINOIS COMMUNITY COLLEGE DISTRICT #523
Audit Committee Meeting
March 22, 2018

CALL TO ORDER

The Audit Committee meeting of the Board of Illinois Community College District #523, held at Kishwaukee College, Malta, Illinois, was called to order at 9:15 am by Audit Committee Chair, Robert Johnson, on Thursday, March 22, 2018, in room C-2175.

Members Present:

Bobbi Burke
Robert Johnson
Kathy Watkins – attended via telephone
Laurie Borowicz

Visitors:

Sikich, LLP
Raymond Krouse
Anthony Cervini

Member(s) Absent:

Geri Hayden – newly appointed

Others present were:

Jill Hansen, Controller
RJ McGarry
Kevin Fuss – Vice President of Administration
Michelle Ohlinger, Executive Assistant to the President
Cindy McCluskey, Executive Director Board Relations & Human Resources
Andrea Wise, Staff Accountant
Cynthia Stonesifer, Director of Financial Aid and Veterans Affairs

BOARD OF TRUSTEES AUDIT
COMMITTEE MEETING
MEMBER ATTENDING
ELECTRONICALLY

Ms. Watkins had notified Board Chair Bob Johnson, and Cindy McCluskey of her wanting to attend the meeting electronically. On a motion by Dr. Borowicz, seconded by Mr. Johnson, and unanimously approved Ms. Watkins was allowed to attend the meeting via telephone. Ms. Watkins will not have voting action on any items during the meeting.

WELCOME/OPENING
COMMENTS

Mr. Johnson welcomed everyone and asked for brief introductions.

APPROVAL OF AUDIT
COMMITTEE MEETING
MINUTES

The minutes of the regular and closed session Board of Trustees Audit Committee meetings from September 2, 2017, were presented for approval. Dr. Burke noted that she was not present at the meeting and we will make that correction.

On a motion by Dr. Borowicz seconded by Mr. Fuss and unanimously carried, the Audit Committee approved the regular and closed session minutes of the Board of Trustees Audit Committee meeting on September 2, 2017.

Review of FY17 Audit
Recommendations

Representatives from Sikich, LLP, reviewed the results of the audit of the financial statements of Kishwaukee College for the year ended June 30, 2017.

Mr. Cervini provided an overview of the correspondence received from Sikich, Auditor's Communication to the Board Of Trustees, Single Audit Report, and the CAFR. Mr. Cervini stated they did not encounter any difficulties in completing the College's audit. There were no disagreements with management during the audit.

Review of FY17 Audit Recommendations

I. Deficiencies

a. Credit Cards

- i. Taxation was an issue and we are communicating to employees that we should not be paying sales tax. We will continue to send out reminders to credit card holders about our tax-exempt status.
- ii. We will remind employees to have itemized receipts for all

- purchases. An audit will be conducted in the Business Office twice a year on all credit card purchases to ensure compliance.
- b. Software Access Controls
 - i. Through some custom permissions, we have moved forward with blocking access to individuals to the colleague screen, for check printing and vendor creation.
 - ii. We have changed access codes. We will investigate what it will take to implement a code repository, or change management process to better track changes. We have a yearly review of access to specific modules by the appropriate individuals.
 - iii. Accounts are disabled immediately upon separation when the IT department is notified. We will continue to work with supervisors and HR so we are notified and able to disable access.
 - c. Purchasing Procedures
 - i. The purchasing coordinator will continue to ensure compliance with the purchasing policy and enforce that quotes are obtained for all purchases in excess of \$1,000.
 - d. Federal Work Student Timesheets
 - i. Human Resources now uses a time card for all student workers that records specific hours of the day that were worked. Timesheets are kept for the students and signed by the supervisor.
 - ii. The Student Worker handbook includes a statement referencing that they cannot work hours that are during class hours. All student workers sign an acknowledgement of the handbook before beginning in their position.

Single Audit Federal Award Findings – There were none. The auditors commended the College on not having any findings in this area.

FY 18 Use of GASB 45/ GASB 75
for OPEB Liability - RETIREE
HEALTH PLAN
OTHER POST RETIREMENT
BENEFITS

RETIREE HEALTH PLAN

The auditors reviewed the net OPEB obligations.

OTHER POST RETIREMENT BENEFITS

The College provides continued medical, prescription drug and dental coverage at the active employee rate to all eligible employees in accordance with the college policies and union contracts. This creates an implicit subsidy of retiree medical, prescription drug and dental coverage.

Dr. Borowicz asked about the liability costs associated with the significant changes to the KCEA and non-bargaining unit employee benefits. The auditors noted that the College did see a decrease in these obligations with this change. In addition, the College provides postemployment health benefits (OPEB) for retired employees through a single-employer defined benefit plan. The benefits, benefit levels, employee contributions and employer contributions are governed by the College and can be amended by the College through its personnel manual and employment contracts. The College's annual OPEB cost (expense) is calculated based on the annual required contribution of the College.

IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

The College contributes to the State of Illinois' Community College Health Insurance Program (CIP).

FY 18 Use of GASB 45/ GASB 75
for OPEB Liability - RETIREE
HEALTH PLAN
OTHER POST RETIREMENT
BENEFITS
(cont'd)

The College did not previously have to report the SURS liability. CIP is structured differently, so we had an estimated liability last year and the auditors have added in the future liability. The auditors took in the FY17 employer portion of payments and compared it to total active member's liability to come up with an allocation percentage. According to GASB 75, we need to move this liability onto the College's financial statements beginning this year.

FY 18 IT Testing

An IT audit has been recommended for this year. The proposed audit objectives and procedures that would be applicable for the auditors in assessing the adequacy of an institution of higher education (IHE)'s IT security program.

Suggested Procedures:

- Verify that the IHE has designated an individual to coordinate the information security program.
- Obtain the IHE risk assessment and verify that it addresses the three required areas noted in 16 CFR 314.4 (b).
- Obtain the documentation created by the IHE that aligns each safeguard with each risk identified from step b above, verifying that the IHE has identified a safeguard for each risk.

This complements the IT penetration testing that we are currently researching. The auditors recommendation is to continue with the penetration testing.

FY 18 Developments

Mr. Cervini stated that from a FY18 development standpoint GASB 75 is the largest piece of anticipated changes.

We will look at last year's transfer from the education fund to the Operations and Maintenance funds. If we need to move those funds for operating purposes, we would need Board approval. That item can be brought forward at a future Board meeting.

Update of FY'17 Audit
Recommendations

The Board reviewed the internal controls over signing authority and Board review of expenditures.

Implementation of new GASB
Pronouncements

Mr. Cervini reviewed the new GASB pronouncements.

FY 18 Audit Schedule

Mr. Krouse reviewed the proposed audit schedule.

Preliminary Fieldwork:

Financial Aid – Week of 5/7
College Financial – Week of 5/21
Foundation – Week of 5/7

Inventory Counting – Thursday, June 29th

Final Fieldwork:

Financial Aid – Weeks of 8/13 and 8/20
College Financial – Weeks of 8/13 and 8/20
Foundation – Week of 8/13

SIKICH Agenda Items

Mr. Cervini stated that GASB 84 is applicable for fiscal year ending 2020. This brings forward anything the College currently reports as an agency fund. This changes that terminology so that agency funds become custodial funds. A formal accounting of this

SIKICH Agenda Items (cont'd)

agency fund will need to be completed. As we become closer to implementation, we will check to make sure the funds are appropriately recorded.

GASB 87 is effective June 30, 2021, it aligns reporting for leases. Based on preliminary conversations the College does not have a significant impact.

GASB has several large scale projects scheduled for the future. There are no significant changes expected. Revenue recognition activity may be reviewed and might impact the College in the future. Sikich will keep us apprised of any anticipated changes.

Other Business

Mr. Johnson appointed Geri Hayden, First National Bank, to the Audit Committee meeting during the Board of Trustees Executive Committee meeting on March 22, 2018. She was unable to attend today's meeting but is now a voting member of the Board of Trustees Audit committee.

Mr. Johnson recommended that Jill Hansen be added to the Board of Trustees Audit Committee meeting. The Board Chair will need to take action at the next Board of Trustees Audit Committee meeting to add Ms. Hansen to the committee.

Adjournment

With no further business coming before the audit committee, Mr. Johnson asked to adjourn the meeting at 9:58 am. On a motion by Dr. Burke, seconded by Dr. Borowicz and on a unanimous vote, the meeting was adjourned.

The next meeting of the audit committee will be scheduled as needed.

Chair, Board of Trustees