



Audit  
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UNITED STATES DEPARTMENT OF EDUCATION  
OFFICE OF INSPECTOR GENERAL

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APR 04 2005

ED-OIG/A05F0011

James D. Rock  
Vice President  
Administrative Affairs  
19351 West Washington Street  
Grayslake, Illinois 60030-1198

Dear Mr. Rock:

This Final Audit Report presents the results of our audit at the College of Lake County Community College District No. 532 (College). The objective of our audit was to determine if the College expended federal Strengthening Institutions (SI) grant funds (P.R. P031Z010001) in accordance with its grant agreement, federal law and regulations, and applicable cost principles for the two years ended September 30, 2004. We expanded our audit to cover the College's management of cash during the full grant period of October 1, 2000, to September 30, 2004. Because there were no findings that require resolution, you are not required to respond to this report.

## BACKGROUND

The College is a community college founded in 1969. It is a member of the North Central Association and receives accreditation from the Higher Learning Commission. As the SI grant's fiscal agent, the College, in cooperation with the Illinois Board of Higher Education and the Illinois Capital Development Board, received and expended \$2,775,000 in SI grant funds for architectural design and construction costs for the University Center of Lake County on the College's Grayslake, Illinois, campus. In addition to the federal SI grant funds, the State of Illinois appropriated \$11 million, the Lake County government earmarked \$3 million, and the College donated \$3 million worth of land for the University Center.

## AUDIT RESULTS

The College generally expended \$2,117,136 of SI grant funds in accordance with its grant agreement, federal law and regulations, and applicable cost principles for the period October 1, 2002, to September 30, 2004<sup>1</sup>.

<sup>1</sup> The College did not expend any SI grant funds during the first year of the grant (October 1, 2000, through September 30, 2001). KPMG audited federal expenditures of \$576,044 as part of the OMB Circular A-133 single audit for the period July 1, 2001, through June 30, 2002.

However, the College maintained federal cash in excess of its immediate needs during the grant period. The excess cash amounts ranged from \$51,351 to \$198,511, and the College maintained the excess cash from 1 to 26 days. Our calculations indicated that the interest costs the federal government incurred on the excess cash was only \$337. A College official informed us that the College implemented an interactive system with its bank in 2004 that should alleviate this problem in the future. Therefore, we are not recommending any further corrective action.

## **OBJECTIVE, SCOPE, AND METHODOLOGY**

The objective of our audit was to determine if the College expended federal SI grant funds in accordance with its grant agreement, federal law and regulations, and applicable cost principles for the two years ending September 30, 2004. We expanded our audit to cover the College's management of cash during the full grant period of October 1, 2000, through September 30, 2004.

To achieve our objective we:

1. Reviewed the OMB Circular A-133 audit reports prepared by an independent public accountant (KPMG) for the years ended June 30, 2002 and 2003, and reviewed audit documentation for the year ended June 30, 2002.
2. Reviewed the College's August 24, 2000, grant application (including budgets), grant award letters, budget changes and approvals, organizational charts, and financial reports for the years ended June 30, 2003 and 2004.
3. Reviewed written policies and procedures and interviewed a College official to obtain an understanding of the processes the College used to provide reasonable assurance of compliance with SI grant requirements and applicable federal law and regulations.
4. Reviewed various records and documents such as bank records, accounting records, and invoices, for transactions that totaled \$2,117,136 and were recorded in the College's grant accounting records for the period October 1, 2002, through September 30, 2004.
5. Interviewed various College officials.

We conducted our work at the College's administrative offices in Grayslake, Illinois, and our office in Chicago, Illinois, during February and March 2005. We discussed the results of our audit with College Officials on March 24, 2005.

## ADMINISTRATIVE MATTERS

In accordance with the Freedom of Information Act (5 U.S.C. §552), reports issued by the Office of Inspector General are available to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act.

We appreciate the cooperation and assistance extended by your staff during the audit. If you have any questions, please contact me at 312-886-6503.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard J. Dowd", with a large, stylized flourish extending to the left.

Richard J. Dowd  
Regional Inspector General  
for Audit