



KNOX COLLEGE

INDEPENDENT AUDITOR'S REPORTS
PURSUANT TO THE UNIFORM GUIDANCE

For the Year Ended June 30, 2018



SIKICH.COM

KNOX COLLEGE
TABLE OF CONTENTS

	<u>Page(s)</u>
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on a Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1-2
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 the Uniform Guidance.....	3-5
Schedule of Expenditures of Federal Awards.....	6
Notes to Schedule of Expenditures of Federal Awards	7-8
Schedule of Findings and Questioned Costs.....	9-12
Corrective Action Plan for Current Year Findings	13

3201 W. White Oaks Dr., Suite 102
Springfield, IL 62704
217.793.3363

SIKICH.COM

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*

To the Board of Trustees
Knox College
Galesburg, Illinois

We have audited, in accordance with the 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 Knox College (College), which comprise the Statement of Financial Position as of June 30, 2018, and the related Statements of Activities, and Cash Flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 25, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College'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 the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College'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, or 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 the College'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*.

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 College'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 College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sikich LLP

Springfield, Illinois
October 25, 2018

3201 W. White Oaks Dr., Suite 102
Springfield, IL 62704
217.793.3363

SIKICH.COM

Independent Auditor’s Report on Compliance For Each Major Program; Report on Internal Control Over Compliance; And Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

The Board of Trustees
Knox College
Galesburg, Illinois

Report on Compliance for Each Major Federal Program

We have audited Knox College’s (College) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College’s major federal programs for the year ended June 30, 2018. Knox College’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of Knox College’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 the audit requirements of Title 2 U.S *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the College’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 the College’s compliance.

Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2018-001. Our opinion on each major federal program is not modified with respect to these matters.

Knox College's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the College 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 the College'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 the Uniform Guidance, 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 College'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. *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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weakness or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance

We have audited the financial statements of the College as of and for the year ended June 30, 2018, and have issued our report thereon dated October 25, 2018 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 the Uniform Guidance and is not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information 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.

Purpose of this Report

This 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Sikich LLP

Springfield, Illinois
October 25, 2018

KNOX COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2018

Federal Grantor/Pass Through Grantor/Program or Cluster Title	CFDA Number	Federal Expenditures
MAJOR PROGRAMS		
U.S. Department of Education:		
Student financial aid cluster:		
Federal Supplemental Educational Opportunity Grant program	84.007	\$ 192,551
Federal Work-Study program	84.033	163,722
Federal Perkins Loan program	84.038	3,517,197
Federal Pell Grant program	84.063	2,000,908
Federal Direct Loan	84.268	7,477,747
Total student financial aid cluster		<u>13,352,125</u>
Total Major Programs		<u>13,352,125</u>
NONMAJOR PROGRAMS		
National Endowment for the Arts		
Promotion of the Arts_Grants to Organizations and Individuals	45.024	10,000
Promotion of the Humanities_Division of Preservation and Access	45.149	2,172
Total National Endowment for the Arts		<u>12,172</u>
National Science Foundation:		
Research and Development Cluster:		
Computer and Information Science and Engineering Passed through Pennsylvania State University identifying number 5035-KC-NSF-9207	47.070	81,320
Biological Sciences	47.074	191,480
Education and Human Resources	47.076	196,399
Total research and development cluster		<u>469,199</u>
U.S. Department of Education:		
TRIO cluster		
Student Support Services program	84.042	280,713
McNair Post-Baccalaureate Achievement	84.217	267,831
Total TRIO cluster		<u>548,544</u>
U.S. Department of Veteran Affairs		
Chapter 33 - Post 9/11 GI Bill	64.028	79,008
Total U.S. Department of Veteran Affairs		<u>79,008</u>
Total Nonmajor Programs		<u>1,108,923</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u><u>\$ 14,461,048</u></u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

KNOX COLLEGE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2018

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Knox College and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 2 - LOANS OUTSTANDING

The amount presented for the Federal Perkins Loans represents total loans outstanding at June 30, 2018, for which the U.S. Department of Education imposes continuing compliance requirements. Such amounts have been recorded net of an allowance of \$175,866 in the College's financial statements. Federal Perkins Loans advanced during the 2017 - 2018 award year amounted to \$453,700.

The College originates but does not provide funding for Federal Direct Student Loans (FDSLs). The amount presented represents the value of new FDSLs awarded by the U.S. Department of Education during the year as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Awarded</u>
Federal Direct Stafford Loans	84.268	\$ 3,217,683
Federal Direct Unsubsidized Stafford Loans	84.268	2,253,245
Federal Direct PLUS and Grad PLUS Loans	84.268	2,006,819
TOTAL FEDERAL DIRECT STUDENT LOANS		<u><u>\$ 7,477,747</u></u>

NOTE 3 - AMOUNTS REQUIRED FOR MATCHING

To comply with program requirements, amounts required to be expended from nonfederal sources have been excluded from reported expenditures. For June 30, 2018, the College's portion of expenditures was as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided for Matching</u>
Federal Work Study Program	84.033	\$ 395,281
Supplemental Educational Opportunity Grant Program	84.007	64,184
TOTAL		<u><u>\$ 459,465</u></u>

KNOX COLLEGE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

NOTE 4 - OTHER INFORMATION

Knox College did not receive any federal insurance or federal noncash assistance and did not provide any amounts to sub-recipients.

NOTE 5 - DE MINIMIS RATE

The College did not elect to use the de minimis rate of 10 percent for the year ended June 30, 2018.

KNOX COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2018

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 X no
- Significant deficiency(ies) identified? yes X none reported
- Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X none reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.16(a)?

 X yes no

Identification of major federal programs:

CFDA Number

Name of Federal Program

Student Financial Aid Cluster:

84.033
84.007

Federal Work-Study Program
Federal Supplemental Educational Opportunity Grant Program
Federal Pell Grant Program
Federal Perkins Loan Program
Federal Direct Loan Program

84.063
84.038
84.268

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

\$ 750,000

Auditee qualified as low-risk auditee?

 X yes no

KNOX COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended June 30, 2018

Section II - Financial Statement Findings

None

KNOX COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended June 30, 2018

Section III - Federal Award Findings and Questioned Costs

2018-001 – Student Financial Aid Cluster – CFDA No. 84.007, 84.033, 84.038, 84.063, and 84.268, Year Ended June 30, 2018

Criteria: 34 CFR 685.203 states that an undergraduate student who has completed one year may borrow \$4,500 in subsidized loans, and an undergraduate student who has completed two or more years may borrow \$5,500 in subsidized loans.

Condition: During our testing of forty individuals, we noted that three students (7.5%) were not awarded the proper amount of federal direct loans. We consider these to be instances of non-compliance relating to the Eligibility compliance requirement finding. Statistical sampling was not used in making sample selections.

Questioned Costs: N/A

Cause and Effect: Two students had their class level change during the year, resulting in an increased amount of aid eligibility. Another student was originally awarded an incorrect amount of loans. When the College corrected this, they added the new amount as unsubsidized instead of subsidized.

Recommendation: We recommend the College evaluate policies and procedures to ensure students receive the proper amount of Title IV aid.

Views of Responsible Official: Management agrees with this Single Audit Finding and their response is included in the Corrective Action Plan.

KNOX COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended June 30, 2018

Section IV - Prior Year Financial Statement and Federal Award Findings

<u>Prior Finding</u>	<u>Condition</u>	<u>Status</u>
----------------------	------------------	---------------

None		
------	--	--

CORRECTIVE ACTION PLAN FOR CURRENT YEAR FINDINGS

For the Year Ended June 30, 2018



2018-001 – Student Financial Aid Cluster – CFDA No. 84.007, 84.033, 84.038, 84.063, and 84.063, Year Ended June 30, 2018

Condition: During our testing of forty individuals, we noted that three students (7.5%) were not awarded the proper amount of federal direct loans. We consider these to be instances of non-compliance relating to the Eligibility compliance requirement finding. Statistical sampling was not used in making sample selections.

Corrective Action Plan: Each borrower's loans have been properly adjusted within the Common Origination and Disbursement system. Each borrower has been notified of the error.

The Office of Financial Aid has reviewed existing Federal Direct Loan procedures which identified areas of improvement during time of packaging and disbursement.

Each student's cumulative earned credit hours will be reviewed at the time of packaging to ensure the proper loan level is being packaged for the student.

Loan reports will be reviewed each term during official enrollment to ensure students are receiving the proper loan level compared to the cumulative number of earned credits. If the borrower was awarded a higher level loan than eligible, Financial Aid will reduce the loan and notify the student. If the borrower's loan eligibility increased, the borrower will be notified. If the borrower's loan eligibility increased after the first disbursement, the borrower will be notified of the ability to borrow additional loan dollars.

The policies and procedures for packaging loans has been updated to include this corrective action. Training will be conducted with all financial aid staff regarding the awarding requirements for Federal Direct Loans.

Responsible Person for Corrective Action Plan: Leigh Brinson, Director of Financial Aid

Implementation Date for Corrective Action Plan: July 1, 2018