

Comprehensive Annual Financial Report

For the Years Ended August 31, 2015 and 2014



Alamo Community College District San Antonio, Texas



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COLLEGES

*Northeast Lakeview College • Northwest Vista College
Palo Alto College • San Antonio College • St. Philip's College*

ALAMO COMMUNITY COLLEGE DISTRICT
San Antonio, Texas

Comprehensive Annual Financial Report

For the Years Ended
August 31, 2015 and 2014

Prepared by:

Finance and Fiscal Services Department

Single Audit Section



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COLLEGES



REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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Management and Board of Trustees
Alamo Community College District

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 Alamo Community College District, comprised of San Antonio College, St. Philip's College, Palo Alto College, Northeast Lakeview College and Northwest Vista College (collectively the District), as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 15, 2015.

Our report includes a reference to other auditors who audited the financial statements of Alamo Colleges Foundation, Inc. and the ACCD Public Facility Corporation, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of Alamo Colleges Foundation, Inc. were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Alamo Colleges Foundation, Inc.

Internal control over financial reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting ("internal control") to design 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 internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 District'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 the District's 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 District'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*.

Intended purpose

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



San Antonio, Texas
December 15, 2015



**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON
COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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Alamo Community College District
San Antonio, Texas

Report on compliance for each major federal program

We have audited the compliance of Alamo Community College District, comprised of San Antonio College, St. Philip's College, Palo Alto College, Northeast Lakeview College and Northwest Vista College (collectively the District), with the types of compliance requirements described in the U.S. Office of Management and Budget's *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2015. The District'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 the requirements of laws, regulations, contracts, and grants applicable to the District's federal programs.

Auditor's responsibility

Our responsibility is to express an opinion on compliance for each of the District'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*.

The above-mentioned 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 the District'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 District's compliance.

Basis for qualified opinion on Adult Education – Basic Grants to States

As described in the accompanying schedule of findings and questioned costs, the District did not comply with the requirements regarding CFDA 84.002 Adult Education – Basic Grants to State as described in finding number 2015-001 for Eligibility. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Qualified opinion on Adult Education – Basic Grants to States

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion on Adult Education – Basic Grants to States paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Adult Education – Basic Grants to States program for the year ended August 31, 2015.

Unmodified opinion on each of the other major federal programs

In our opinion, the District 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 other major federal programs identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs for the year ended August 31, 2015.

District’s response to findings

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

Report on internal control over compliance

Management of the District is responsible for designing, implementing, 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 District’s internal control over compliance with the types of compliance requirements that could have a direct and material effect on each major federal program to design audit 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 District’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 a 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 weaknesses or significant deficiencies. However, we identified a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2015-001, that we consider to be a material weakness in the District's internal control over compliance.

The District's response to our findings on internal control over compliance, which is described in the accompanying schedule of findings and questioned costs, was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the District's response.

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.



San Antonio, Texas
December 15, 2015

Alamo Community College District
(Comprised of San Antonio College, St. Philip's College, Palo Alto College,
Northeast Lakeview College, and Northwest Vista College)

Schedule of Findings and Questioned Costs
Year Ended August 31, 2015

Section I – Summary of Auditor's Results

Financial Statements Section

Type of auditor's report issued (unmodified, qualified, adverse or disclaimer):

	Unmodified	
Internal control over financial reporting:		
Material weaknesses identified?	<u> </u> Yes	<u> X </u> No
Significant deficiencies identified?	<u> </u> Yes	<u> X </u> None reported
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No

Federal Awards Section

Internal control over major programs:

Material weaknesses identified?	<u> X </u> Yes	<u> </u> No
Significant deficiencies identified?	<u> </u> Yes	<u> X </u> None reported

Type of auditor's report issued on compliance for major programs (unmodified, qualified, adverse or disclaimer):

Unmodified for all major programs except for Adult Education – Basic Grants to States; which was qualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

 X Yes No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

84.007, 84.033, 84.063, 84.268

Student Financial Assistance Cluster

84.031

Higher Education Institutional Aid

93.093

Affordable Care Act Health Profession Opportunity Grants

84.002

Adult Education – Basic Grants to States

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

\$344,627

Auditee qualified as low-risk auditee?

 X Yes No

Section II – Financial Statement Findings

The results of our procedures disclosed no findings to be reported for the year ended August 31, 2015.

Section III – Federal Award Findings and Questioned Costs

This section identifies the audit findings required to be reported by 2 CFR 200.516(a) (for example: material weaknesses, significant deficiencies and material instances of noncompliance, including questioned costs), as well as any abuse findings involving federal awards that are material to a major program.

Finding 2015-001

<u>Federal program information:</u>	<p><u>Federal awarding agencies:</u> United States Department of Education</p> <p><u>Federal Program:</u> Adult Education – Basic Grants to States, CFDA 84.002</p> <p>Award year: 2014-2015, 2015-2016</p>
<u>Criteria or specific requirement (including statutory, regulatory or other citation):</u>	<p>Activities Allowed or Unallowed/Eligibility</p> <p>Under the July 2015 Compliance Supplement, “Allowable activities are described in the eligible provider’s approved application. Generally, eligible providers must establish or operate one or more programs that provide services or instruction in one or more of the following categories: (1) adult education and literacy services, including workplace literacy services; (2) family literacy services; and (3) English literacy programs. Adults include individuals who are at least 16 years of age, who are not enrolled or required to be enrolled in secondary school under State law; and who lack sufficient mastery of basic educational skills, do not have a secondary school diploma or its recognized equivalent, or are unable to speak, read, or write the English language.”</p> <p>Under the (i) grant agreement with the pass through agency, Education Service Center Region 20 (ECS-20) and (ii) the grant agreement with the pass through entity, Texas Work Force Commission (TWC), “The Grantee shall determine eligibility for each participant prior to participant receiving any services funded through this grant. The Grantee shall document and maintain confidential eligibility documentation files for each participant receiving services funded through this grant. Maintenance of these eligibility files shall conform to the Agency’s policy of Security of Personal Identity Data requirements in Workforce Development (WD) Letters 13-08 and 13-13 including any subsequent issuances. Failure to determine eligibility, document eligibility, or maintain the required files for all enrolled participants may result in disallowed costs and subsequent repayment of grant funds, in accordance with Section 1 of Attachment B of the grant.”</p> <p>Under the grant agreement with the pass through entity, TWC, “The Grantee shall comply with the following requirements:</p> <ul style="list-style-type: none"> 5.2.1 Documentation: keep documentation on file of how each requirement has been met during the grant period and be prepared to provide to the Agency upon request. The Agency will provide a reporting template to the Grantee following grant execution. 5.2.3 Student Satisfaction Evaluation: solicit information from students on their satisfaction with Program activities with a survey provided by the Agency. 5.2.7 Intake, Screening, and Student Documentation: <ul style="list-style-type: none"> 5.2.7.4 screen for students' career interest and employability including employability characteristics related to criminal background and physical requirements; and 5.2.7.5 maintain student files in compliance with WD Letters 13-08 and 13-13 including any subsequent issuances.
<u>Condition:</u>	For forty (40) of the forty (40) students selected for activities allowed or unallowed and eligibility testing, Alamo Colleges did not provide documentation of eligibility or evidence of the required files to be maintained for enrolled participants. Additionally, Grant Thornton was unable to verify that students receiving Federal funds passed through from TWC had been solicited to take the Student Satisfaction Evaluation.
<u>Questioned costs:</u>	\$-0-
<u>Context:</u>	Of the 797 students enrolled in the Adult Education - Basic Grants to States program in fiscal year 2015, Grant Thornton selected forty (40) students for testing. For forty (40) of the forty (40) students selected for activities allowed or unallowed and eligibility testing, Alamo Colleges did not provide documentation of eligibility or evidence of the required files to be maintained for enrolled participants
<u>Effect:</u>	Alamo Colleges is not in compliance with grant or eligibility requirements
<u>Cause</u>	Alamo Colleges did not follow the terms of the grants requiring verification of eligibility, and internal reviews of documentation by management did not appear to have been performed.

Recommendation:

Alamo Colleges should establish procedures and internal controls, including monitoring controls- such as signatory reviews by management of documents within the files, to ensure that records for eligible students are maintained following the terms of the grants.

Views of responsible officials and planned corrective actions:

Alamo Colleges is confident that all participants met the eligibility criteria for this grant; however, acknowledges that the eligibility should have been appropriately documented. During the month of October 2015, Alamo Colleges began a comprehensive review of all procedures and internal control related to eligibility. This review included attending training sessions provided by the Texas Workforce Commission (TWC) and the Education Service Center Region 20 (ESC-20). Immediately following the sessions, Alamo Colleges began retraining key personnel on procedures, documentation, internal control and monitoring. Alamo Colleges expects to successfully implement updated procedures and strengthened internal controls in the next three months to ensure that proper records are kept for eligible students. Alamo Colleges will identify additional resources through possible funding sources available under grants to strengthen compliance activities for non-student financial aid grants.

Implementation date: 2016

Responsible person: Vice Chancellor for Economic and Workforce Development

ALAMO COMMUNITY COLLEGE DISTRICT
Summary Schedule of Prior Year Audit Findings - Federal
Year Ended August 31, 2015

Section III – Federal Award Findings and Questioned Costs

Criteria/Specific Requirement	Finding Number	Status	Management's Response
Special Tests and Provisions – Federal Direct Loan Notification	14-F01 13-F02 12-F05 11-05	Corrected	During fiscal year 2015, more timely and stringent mandatory monitoring procedures and reports were implemented into the automated system to strengthen controls over the notification process. Also, a review of the functionality of the automated notification system after every upgrade is now standard operating procedure.
Higher Education Institutional Aid – Davis Bacon Act	14-F02 13-F03	Corrected	The new software that was acquired needed additional monitoring to assure successful implementation. Management's commitment and thorough follow-up procedures ensured compliance.



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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE
FOR EACH MAJOR STATE PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE STATE OF TEXAS SINGLE AUDIT CIRCULAR**

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Board of Trustees
Alamo Community College District
San Antonio, Texas

Report on compliance for its major state program

We have audited the compliance of Alamo Community College District comprised of San Antonio College, St. Philip's College, Palo Alto College, Northeast Lakeview College and Northwest Vista College (collectively the District), with the types of compliance requirements described in the Texas Governor's Office of Budget and Planning, *Uniform Grant Management Standards*, which includes the *State of Texas Single Audit Circular* that could have a direct and material effect on its major state program for the year ended August 31, 2015. The District's major state program is 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 the requirements of laws, regulations, contracts, and grants applicable to the District's state programs.

Auditor's responsibility

Our responsibility is to express an opinion on compliance for each of the District's major state 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 State of Texas Single Audit Circular*.

The above-mentioned standards and *State of Texas Single Audit Circular* 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 state program occurred. An audit includes examining, on a test basis, evidence about the District'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 its major state program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on its major state program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended August 31, 2015.

Report on internal control over compliance

Management of the District is responsible for designing, implementing, 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 District's internal control over compliance with the types of compliance requirements that could have a direct and material effect on each major state program to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the *State of Texas Single Audit Circular*, 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 District'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 state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a 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 state 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 state 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 weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in the District's internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 the *State of Texas Single Audit Circular*. Accordingly, this report is not suitable for any other purpose.



San Antonio, Texas
December 15, 2015

Alamo Community College District
 (Comprised of San Antonio College, St. Philip's College, Palo Alto College,
 Northeast Lakeview College, and Northwest Vista College)

Schedule of State of Texas Findings and Questioned Costs
Year Ended August 31, 2015

Section I – Summary of Auditor’s Results

Financial Statements Section

Type of auditor’s report issued (unmodified, qualified, adverse or disclaimer):

	Unmodified	
Internal control over financial reporting:		
Material weaknesses identified?	_____ Yes	<input checked="" type="checkbox"/> No
Significant deficiencies identified?	_____ Yes	<input checked="" type="checkbox"/> None reported
Noncompliance material to financial statements noted?	_____ Yes	<input checked="" type="checkbox"/> No

State Awards Section

Internal control over major programs:

Material weakness identified?	_____ Yes	<input checked="" type="checkbox"/> No
Significant deficiencies identified?	_____ Yes	<input checked="" type="checkbox"/> None reported

Type of auditor’s report issued on compliance for major programs (unmodified, qualified, adverse or disclaimer):

	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Part IV of the State of Texas Uniform Grant and Contract Standards Act of 1981?	_____ Yes	<input checked="" type="checkbox"/> No

Identification of major state programs:

<u>Grant Award Number(s)/State Identifying Number</u>	<u>Name of State Program</u>
None available	Texas Equalization Opportunity Grant

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

\$300,000

Auditee qualified as low-risk auditee?

_____ Yes _____ No

Section II – Financial Statement Findings

The results of our procedures disclosed no findings to be reported for the year ended August 31, 2015.

Section III – State of Texas Award Findings and Questioned Costs

The results of our procedures disclosed no findings to be reported for the year ended August 31, 2015.



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