



**KNOX COLLEGE**

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INDEPENDENT AUDITOR'S REPORTS  
PURSUANT TO THE UNIFORM GUIDANCE

For the Year Ended June 30, 2022



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**KNOX COLLEGE**  
**TABLE OF CONTENTS**

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	<u>Page(s)</u>
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 <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 .....	3-6
Schedule of Expenditures of Federal Awards.....	7
Notes to Schedule of Expenditures of Federal Awards .....	8-9
Schedule of Findings and Questioned Costs.....	10-14
Corrective Action Plan.....	15

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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***

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, 2022, 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 January 31, 2023.

**Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not identified.

## **Report on 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 financial statements. 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  
January 31, 2023

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**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE,  
AND REPORT ON THE 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**

**Opinion on Each Major Federal Program**

We have audited Knox College’s (College) compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

In our opinion, Knox 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, 2022.

**Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards general 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We have required to be independent of the College and to meet our ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the College’s compliance with the compliance requirements referred to above.

## **Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the College's federal programs.

## **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Knox College's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Knox College's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Knox College's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the College's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test an 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 Knox College's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **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 2022-001. Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the audit to perform limited procedures on Knox College's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Knox College's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **Report on 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 weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

## **Report on Schedules Required by Uniform Guidance and Department of Education**

We have audited the financial statements of the College as of and for the year ended June 30, 2022 and have issued our report thereon dated January 31, 2023, 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. 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.

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 basic 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.

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

*Sikich LLP*

Springfield, Illinois  
January 31, 2023



**KNOX COLLEGE**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2022

Federal Grantor/Pass Through Grantor/Program or Cluster Title	ALN	Federal Expenditures
<b>MAJOR PROGRAMS</b>		
U.S. Department of Education:		
Student Financial Aid Cluster:		
Federal Supplemental Educational Opportunity Grants	* 84.007	\$ 173,558
Federal Work-Study Program	* 84.033	253,458
Federal Perkins Loan Program	* 84.038	1,385,667
Federal Pell Grant Program	* 84.063	1,712,500
Federal Direct Student Loans	* 84.268	5,429,576
Total Student Financial Aid Cluster		<u>8,954,759</u>
Education Stabilization Fund		
Higher Education Emergency Relief Fund Student Aid Portion (COVID-19)	* 84.425E	1,745,514
Higher Education Emergency Relief Fund Institutional Portion (COVID-19)	* 84.425F	1,369,315
Total Education Stabilization Fund		<u>3,114,829</u>
National Endowment for the Arts		
Promotion of the Arts Grants to Organizations and Individuals	45.024	10,000
Total National Endowment for the Arts		<u>10,000</u>
National Science Foundation:		
Research and Development Cluster:		
Computer and Information Science and Engineering	47.070	28,326
Social, Behavioral, and Economic Sciences	47.075	1,622
Education and Human Resources		
Passed through University of Buffalo, grant number R1185121	47.076	57,378
Education and Human Resources, grant number 1757402	47.076	15,659
Total Education and Human Resources		<u>73,037</u>
Total Research and Development Cluster		<u>102,985</u>
U.S. Department of Education:		
TRIO cluster		
TRIO Student Support Services	84.042	336,770
TRIO McNair Post-Baccalaureate Achievement	84.217	301,113
Total TRIO cluster		<u>637,883</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<u>\$ 12,820,456</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**KNOX COLLEGE**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

June 30, 2022

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**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 July 1, 2020, for which the U.S. Department of Education imposes continuing compliance requirements. As of June 30, 2021, loans outstanding totaled \$1,385,667. Such amounts have been recorded net of an allowance of \$69,283 in the College's financial statements.

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 ALN</u>	<u>Amount Awarded</u>
Federal Direct Stafford Loans	84.268	\$ 2,414,555
Federal Direct Unsubsidized Stafford Loans	84.268	1,850,223
Federal Direct PLUS and Grad PLUS Loans	84.268	1,164,798
<b>TOTAL FEDERAL DIRECT STUDENT LOANS</b>		<u>\$ 5,429,576</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, 2022, the College's portion of expenditures was as follows:

<u>Program Title</u>	<u>Federal ALN</u>	<u>Amount Provided for Matching</u>
Federal Work Study Program	84.033	\$ 193,245

**KNOX COLLEGE**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

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**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, 2022.

**KNOX COLLEGE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the Year Ended June 30, 2022

**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)?

\_\_\_\_\_ yes      X   no

Identification of major federal programs:

ALN

Name of Federal Program

Student Financial Aid Cluster:

84.007	Federal Supplemental Educational Opportunity Grants
84.033	Federal Work-Study Program
84.038	Federal Perkins Loan Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans
84.425E	Higher Education Emergency Relief Fund Student Aid Portion
84.425F	Higher Education Emergency Relief Fund Institutional Portion

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, 2022

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**Section II - Financial Statement Findings**

A. Internal Control Findings

None Identified

B. Compliance Findings

None Identified

**KNOX COLLEGE**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended June 30, 2022

**Section III - Federal Award Findings and Questioned Costs**

A. Internal Control Findings

None Identified

B. Compliance Findings

2022-001 – Student Financial Aid Cluster – (a) Federal Supplemental Educational Opportunity Grants (b) Federal Work Study Program (c) Federal Perkins Loan Program – Federal Capital Contributions (d) Federal Pell Grant Program (e) Federal Direct Student Loans, Assistance Listing No. (a) 84.007 (b) 84.033 (c) 84.038 (d) 84.063 (e) 84.268 – Year Ended June 30, 2022

*Criteria:* 34 CFR 690.62 states, “The amount of a student’s Pell Grant for an academic year is based upon the payment and disbursement schedules published by the Secretary for each award year.

*Condition:* We tested 40 files, 18 of which were Pell Grant recipients, and 2 students did not receive the full amount of their allowed Pell grants. The students were eligible for \$65,480 but received \$64,930.

*Cause:* For one student, this condition was caused by using the 20-21 Pell Award Chart for a 21-22 Pell Award. For the other student, this condition was caused by using the College’s institutional EFC instead of the student’s EFC noted on their FAFSA.

*Effect:* The result is one student did not receive \$150 of eligible Pell monies and the other student did not receive \$400 of eligible Pell monies.

			Sample(s)	Sample(s)	Population for Each Sample	Population for Each Sample
Sample Description	Related Compliance Requirement	OPEID	Students Receiving Pell (#)	Pell Disbursed (\$)	Students Receiving Pell (#)	Pell Disbursed (\$)
Student File Testing	Eligibility	001704	18	\$ 65,480	347	\$1,712,500

**KNOX COLLEGE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**

For the Year Ended June 30, 2022

2022-001 – Student Financial Aid Cluster – (a) Federal Supplemental Educational Opportunity Grants (b) Federal Work Study Program (c) Federal Perkins Loan Program – Federal Capital Contributions (d) Federal Pell Grant Program (e) Federal Direct Student Loans, Assistance Listing No. (a) 84.007 (b) 84.033 (c) 84.038 (d) 84.063 (e) 84.268 – Year Ended June 30, 2022 (Continued)

			<b>Sample(s)</b>	<b>Sample(s)</b>	<b>Population for Each Sample</b>	<b>Population for Each Sample</b>
<b>Sample Description</b>	<b>Related Compliance Requirement</b>	<b>OPEID</b>	<b>Students Receiving Direct Loan (#)</b>	<b>Direct Loan Disbursed (\$)</b>	<b>Students Receiving Direct Loan (#)</b>	<b>Direct Loan Disbursed (\$)</b>
Student File Testing	Eligibility	001704	39	\$ 276,329	670	\$ 5,429,576

<b>Finding Number, and Related Sample</b>	<b>Related Compliance Audit Requirement</b>	<b>Student Identifier</b>	<b>OPEID</b>	<b>Pell Disbursed (\$)</b>	<b>Pell Under-Payment (\$)</b>	<b>Pell Over-Payment (\$)</b>	<b>Direct Loan Disbursed (\$)</b>	<b>Direct Loan Under-Award (\$)</b>	<b>Direct Loan Over-Award (\$)</b>
2022-001	Eligibility	12	001704	\$ 3,195	150	N/A	\$ 5,500	N/A	N/A
2022-001	Eligibility	38	001704	\$ 4,345	400	N/A	\$ 5,500	N/A	N/A

We consider this condition to be an instance of noncompliance relating to the Eligibility compliance requirement. Statistical sampling was not used in making sample selections.

*Questioned Costs:* \$0

*Cause and Effect:* Without proper review of eligibility of financial aid, students may receive an incorrect amount of Title IV aid. Students should receive the proper amount of aid.

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

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

**KNOX COLLEGE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**

For the Year Ended June 30, 2022

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**Section IV - Prior Year Financial Statement and Federal Award Findings**

None





Knox College  
Corrective Action Plan  
For the Year Ended June 30, 2022

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2022-001 – Student Financial Aid Cluster – (a) Federal Supplemental Educational Opportunity Grants (b) Federal Work Study Program (c) Federal Perkins Loan Program – Federal Capital Contributions (d) Federal Pell Grant Program (e) Federal Direct Student Loans (f) Teacher Education Assistance for College and Higher Education (TEACH), Assistance Listing No. (a) 84.007 (b) 84.033 (c) 84.038 (d) 84.063 (e) 84.268 (f) 84.379 – Year Ended June 30, 2022

Condition: We tested 40 files, 18 of which were Pell Grant recipients, and 2 students did not receive the full amount of their allowed Pell grants. The students were eligible for \$65,480, but received \$64,930. For one student, this condition was caused by using the 20-21 Pell Award Chart for a 21-22 Pell Award. For the other student, this condition was caused by using the College's institutional EFC instead of the student's EFC noted on their FAFSA.

*Management Response:*

We accept this finding and immediately filed a correction with the Federal Pell Grant Program when the discrepancy was discovered during fieldwork. The affected students had no adverse impact with this issue as the incorrect Pell award was initially offset by increased Knox College aid.

*Corrective Action Plan:*

The college will devote additional attention to awarding the Federal Pell Grants. Prior to disbursement, a report of all Title IV recipients will be reviewed with the amount of Federal Pell grant the recipient is receiving. A manual review will occur to ensure that the accurate Federal Pell Grant amount is correct based on the Expected Family Contribution and Cost of Attendance.

*Responsible Person:* Alexander Guroff, CFO

*Implementation Date:* January 23, 2023