



STATE OF ILLINOIS
**OFFICE OF THE
 AUDITOR GENERAL**

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

CHICAGO STATE UNIVERSITY

**Financial Audit
 For the Year Ended June 30, 2020**

Release Date: May 25, 2021

FINDINGS THIS AUDIT: 3	AGING SCHEDULE OF REPEATED FINDINGS			
	Repeated Since	Category 1	Category 2	Category 3
Category 1:				
Category 2:				
Category 3:				
TOTAL				
FINDINGS LAST AUDIT: 1	No Repeat Findings			

INTRODUCTION

This digest covers the Chicago State University’s (University) Financial Audit as of and for the year ended June 30, 2020. The University’s Compliance Examination (including the Single Audit) covering the year ended June 30, 2020 will be issued in a separate report at a later date.

SYNOPSIS

- **(20-3)** The University did not have adequate internal control over reporting its census data and did not have a reconciliation process to provide assurance census data submitted to its pension and other postemployment benefits (OPEB) plans was complete and accurate.
- **(20-2)** The University had weaknesses over change management.

Category 1: Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with State laws and regulations (material noncompliance).
Category 2: Findings that are **significant deficiencies** in internal control and **noncompliance** with State laws and regulations.
Category 3: Findings that have **no internal control issues but are in noncompliance** with State laws and regulations.

{Financial data is summarized on next page.}

CHICAGO STATE UNIVERSITY
FINANCIAL AUDIT
For the Year Ended June 30, 2020

REVENUES, EXPENSES, AND CHANGES IN NET POSITION	2020	2019
Operating Revenues		
Student tuition and fees, net.....	\$ 17,178,673	\$ 19,513,740
Federal grants and contracts.....	5,746,554	6,864,139
State and local grants and contracts.....	284,370	180,094
Nongovernmental grants and contracts.....	274,763	275,919
Auxiliary enterprises.....	6,721,419	7,050,464
Other operating revenues.....	2,266	7,742
Total Operating Revenues.....	<u>30,208,045</u>	<u>33,892,098</u>
Operating Expenses		
Instruction.....	40,959,420	39,968,488
Research.....	1,054,292	1,598,951
Public service.....	2,662,727	3,341,199
Academic support.....	7,421,386	7,041,555
Student services.....	5,537,490	5,600,057
Institutional support.....	16,471,976	15,391,314
Operations and maintenance of plant.....	14,427,390	15,370,194
Depreciation.....	5,132,643	5,438,200
Scholarship and fellowship.....	7,215,500	5,002,400
Auxiliary enterprises.....	9,200,711	10,624,151
Total Operating Expenses.....	<u>110,083,535</u>	<u>109,376,509</u>
Operating (Loss).....	<u>(79,875,490)</u>	<u>(75,484,411)</u>
Nonoperating Revenues (Expenses)		
State appropriations.....	36,926,151	35,258,300
Special funding situation.....	21,591,918	19,698,040
On-behalf payments.....	5,645,000	7,074,000
Federal and State nonoperating grants.....	11,850,708	9,578,960
Investment income.....	321,397	538,013
Interest on capital assets - related debt.....	(375,849)	(450,769)
Other, net.....	903,862	898,142
Increase (Decrease) in Net Position.....	<u>(3,012,303)</u>	<u>(2,889,725)</u>
Net position, beginning of year (as previously reported).....	145,987,165	148,529,977
Prior Period Adjustment.....	649,891	346,913
Net position, beginning of year (as restated).....	<u>146,637,056</u>	<u>148,876,890</u>
Net position, end of year.....	<u>\$ 143,624,753</u>	<u>\$ 145,987,165</u>

STATEMENT OF NET POSITION	2020	2019
Cash and Cash Equivalents.....	\$ 23,481,972	\$ 30,821,416
Balance in State Appropriation	6,200,276	1,245,427
Capital Assets, net.....	140,851,797	142,633,233
Other Assets.....	6,624,394	6,182,336
Total Assets.....	<u>177,158,439</u>	<u>180,882,412</u>
Deferred Outflows of Resources - Pension Contributions.....	523,495	323,727
Current Liabilities.....	12,865,827	11,770,825
Bonds Payable.....	5,115,000	6,640,000
Other Noncurrent Liabilities.....	10,140,199	8,617,203
Total Liabilities.....	<u>28,121,026</u>	<u>27,028,028</u>
Deferred Inflows For OPEB Expense.....	5,936,155	8,190,946
Net Position.....	<u>\$ 143,624,753</u>	<u>\$ 145,987,165</u>

PRESIDENT

During Audit Period: Ms. Zaldwaynaka Scott, Esq.
Currently: Ms. Zaldwaynaka Scott, Esq.

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

INADEQUATE CONTROL OVER CENSUS DATA

The University did not have adequate internal control over reporting its census data and did not have a reconciliation process to provide assurance census data submitted to its pension and other postemployment benefits (OPEB) plans was complete and accurate.

During testing, some of the significant issues we noted included the following:

Initial complete reconciliation of its census data not performed

- The University had not performed an initial complete reconciliation of its census data recorded by the State Universities Retirement System (SURS) and Department of Central Management Services (CMS) to its internal records to establish a base year of complete and accurate census data.

A disability leave of absence reported as a termination

- One of 80 (1%) employees tested had a disability leave of absence reported as a termination by the University to SURS and the employee's eventual return from leave was not reported by the University to SURS.

Two events reported to CMS 305 and 453 days late and one event never reported to CMS

- Three of 80 (4%) employees tested had two events reported to CMS 305 and 453 days after the effective date of the event and one event where the employee's insurance should have terminated due to the employee reaching the maximum leave of absence period in September 2017 which was never reported by the University to CMS.

Seven employees' service credits were off by 1 to 2.75 years.

- We performed an analysis of transactions reported by the University to SURS during the census data accumulation period throughout Fiscal Year 2018, noting the following problems:
 - Six of 120 (5%) employees reported as hired had actually been hired in other fiscal years. SURS determined the total potential impact to each employee's total service credit could be off by 1 to 2.75 years.
 - One of one (100%) employee reported as laid off by the University was untimely reported to SURS by the University. SURS determined the total potential impact to the employee's total service credit could be off by 1 year. (Finding 3, pages 68-73)

We recommended the University implement controls to ensure census data events are timely and accurately reported to SURS and CMS. Further, we recommended the University work with SURS and CMS to develop an annual reconciliation process of its active members' census data from its underlying records to a report from each plan of census data submitted to the plan's actuary.

University officials agreed

University officials agreed with the recommendation and stated the University would work with SURS and CMS to develop a reconciliation process. University officials also stated the University would request necessary employee visa data from SURS and GSU and act accordingly based on information received. Further, they stated internal workflows and procedures would be documented and improved to minimize mistakes and cross-training would be performed to provide improved backup and a system of secondary review.

CHANGE CONTROL WEAKNESSES

The University had weaknesses over change management.

We tested a sample of nine changes made to the University's Enterprise Application Software, noting:

Changes developed without change requests and approvals

- Eight changes (89%) did not have a change request documented.
- Eight changes (89%) did not have evidence of approval prior to the development of the change.
- Seven changes (78%) were developed and deployed to the production environment by the same individual without maintaining adequate segregation of duties.

Changes deployed to production without user testing and approvals

- Seven changes (78%) did not have evidence of user acceptance testing and approval prior to deployment of the changes to the production environment. (Finding 2, pages 66-67)

We recommended the University comply with its Change Management Policy, including the completion of Request for Change forms, approval of changes prior to development, and testing of changes prior to implementation to production. In addition, we recommended adequate segregation of duties be observed to prevent the risk that unauthorized changes are implemented to production.

University officials agreed

University officials agreed with the recommendation and stated the University was working on updating the change control policy, establishing a Change Advisory Board (CAB), creating

a new process to funnel all changes to CAB for assessment, and updating documentation requirements around change requests.

OTHER FINDINGS

The remaining finding pertains to weaknesses over computer security. We will review the University's progress towards the implementation of our recommendations in our next engagement.

AUDITOR'S OPINION

The auditors stated the financial statements of the University as of and for the year ended June 30, 2020, are fairly stated in all material respects.

The financial audit was conducted by Roth & Company, LLP.

SIGNED ORIGINAL ON FILE

JANE CLARK
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

FJM:vrp