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OFFICE OF THE AUDITOR GENERAL  
WILLIAM G. HOLLAND

**REPORT DIGEST**

**CHICAGO STATE UNIVERSITY  
FINANCIAL AND COMPLIANCE AUDIT  
FOR THE YEAR ENDED JUNE 30, 1994  
(In accordance with the Single Audit Act of 1984  
and OMB Circular A-133)**

**SYNOPSIS**

- The University's internal control over its collection of library books valued at approximately \$6.1 million was inadequate.
- University bank reconciliations for several general ledger accounts were either not readily available or incorrectly prepared.
- The University disbursed grant and loan funds before obtaining financial aid transcripts from students who previously attended other post-secondary institutions.
- The University continued to provide Title IV financial assistance to students who were not eligible due to failure to meet the requirements of its satisfactory academic progress policy. This condition has existed since fiscal year 1989.

{Expenditures and Activity Measures are summarized on the reverse page.}

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RECYCLED PAPER · SOYBEAN INKS

**CHICAGO STATE UNIVERSITY  
FINANCIAL AND COMPLIANCE AUDIT  
For The Two Years Ended June 30, 1994**

FINANCIAL OPERATIONS (CURRENT FUNDS)	FY 1994	FY 1993
<b>REVENUES</b>		
State Support (Non-Income Fund) . . . . .	\$ 24,110,600	\$ 24,554,900
Student tuition and fees . . . . .	\$ 16,138,321	\$ 15,308,081
Grants, contracts, and gifts . . . . .	\$ 14,343,962	\$ 13,067,563
Auxiliary enterprises . . . . .	\$ 1,155,963	\$ 1,085,685
Other . . . . .	<u>\$ 347,671</u>	<u>\$ 250,647</u>
<b>TOTAL</b> . . . . .	<u>\$ 56,096,517</u>	<u>\$ 54,266,876</u>
<b>EXPENDITURES AND MANDATORY TRANSFERS</b>		
Instruction . . . . .	\$ 22,894,461	\$ 21,046,795
Research . . . . .	\$ 1,019,034	\$ 925,508
Public service . . . . .	\$ 2,319,819	\$ 1,554,378
Academic support . . . . .	\$ 3,054,608	\$ 2,966,902
Student services . . . . .	\$ 3,958,521	\$ 3,685,829
Institutional support . . . . .	\$ 7,819,949	\$ 7,482,180
Operation of plant . . . . .	\$ 5,287,048	\$ 5,512,601
Scholarships and fellowships . . . . .	\$ 9,307,474	\$ 8,967,463
Auxiliary enterprises . . . . .	\$ 1,414,919	\$ 1,440,643
Mandatory transfers . . . . .	<u>\$ 1,205,476</u>	<u>\$ 1,114,229</u>
<b>Total</b> . . . . .	<u>\$ 58,281,309</u>	<u>\$ 54,696,528</u>
SELECTED ACCOUNT BALANCES (ALL FUNDS)	FY 1994	FY 1993
Cash and short-term investments (Current Funds) . . . . .	\$ 23,695,786	\$ 4,939,279
Buildings, land, and equipment . . . . .	\$ 75,602,730	\$ 74,914,275
Accrued compensated absences . . . . .	\$ 7,530,014	\$ 6,628,164
Revenue bonds payable . . . . .	\$ 23,915,000	\$ 1,825,000
Fund balances (deficit) . . . . .		
Unrestricted . . . . .	\$ (5,129,935)	\$ (3,000,291)
Restricted . . . . .	\$ 23,208,940	\$ 2,553,208
Net investment in Plant . . . . .	\$ 51,687,730	\$ 73,155,275
SUPPLEMENTARY INFORMATION	FY 1994	FY 1993
<u>Employment Statistics</u>		
Appropriated funds:		
Faculty/administrative/civil service . . . . .	854	816
Non-appropriated funds:		
Student employees . . . . .	<u>543</u>	<u>512</u>
<b>Total Employees</b> . . . . .	<u><b>1,397</b></u>	<u><b>1,328</b></u>
<u>Selected Activity Measures</u>		
Annual full-time equivalent students - undergraduate . . . . .	7,210	6,567
Annual full-time equivalent students - graduate . . . . .	2,384	2,197
Full-time equivalent cost per student . . . . .	\$ 5,454	\$ 5,786
Classroom Utilization - maximum . . . . .	-	58.6%
<b>**Definition of "classroom" redefined in 1993</b>		
UNIVERSITY PRESIDENT		
During Audit Period: Dr. Dolores Cross		
Currently: Dr. Dolores Cross		

transcripts would be obtained during the initial semester for which awards are granted.

**FINANCIAL AID GRANTED WITH UNSATISFACTORY ACADEMIC PROGRESS**

The University continued to provide financial assistance to students who were not eligible based on its satisfactory academic progress policy. **This finding has been repeated since 1989.**

One out of seventy students tested received Title IV financial assistance even though satisfactory academic progress was not achieved. Title IV funds are provided to financially needy students to help fund their educational cost. The U.S. Department of Education's regulations require students to maintain satisfactory academic progress to participate in Title IV financial aid programs. (Finding 14, page 54)

University officials accepted our finding and stated that a revised satisfactory academic policy was submitted to the U.S. Department of Education Region V on February 15, 1995. (For previous agency responses see Digest Footnote 1.)

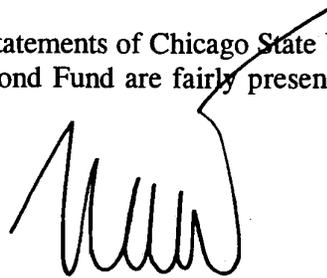
**OTHER FINDINGS**

The remaining findings are less significant and have been given appropriate attention by the University. We will review the University's progress towards the implementation of our recommendations in our next audit.

Mr. Larry Cannon, the University's Vice-President for Administrative Affairs, provided the responses to our recommendations.

**AUDITORS' OPINION**

Our auditors state the June 30, 1994 financial statements of Chicago State University and the University Auxiliary Facilities System Revenue Bond Fund are fairly presented.



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WILLIAM G. HOLLAND, Auditor General

WGH:WLB:ak  
May 16, 1995

## FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

### LIBRARY INVENTORY PROBLEMS

The University's internal control over its collection of library books which is valued at \$6.1 million was inadequate.

During our audit, we noted that a partial physical inventory of library books had been taken by the University. However, a comprehensive listing of all library books does not exist. Although several lists which make up the library collection are available, they do not indicate the cost of each item listed. Without a full comprehensive listing of all the library books, the number and value of items missing or deleted cannot be accurately determined. (Finding 1, page 8)

University officials agreed with our finding and recommendation to correct this problem. They said that a partial inventory was completed in fiscal year 1994. They also said plans were being formulated to finish the remaining library inventory during the summer of 1995.

### INCORRECTLY PREPARED BANK RECONCILIATIONS

University bank reconciliations for several general ledger accounts were either not readily available or were incorrectly prepared.

During our audit, we noted differences between the University's June 30, 1994 unadjusted balances and the audited balances for four general ledger accounts. These differences ranged in amounts between \$41,402 and \$2,335. We also noted that the supervisor did not initial or sign bank reconciliations as evidence of review. (Finding 7, page 14)

University officials agreed with our recommendations to perform monthly reconciliations and to document the review process.

### MISSING FINANCIAL AID TRANSCRIPTS

The University disbursed grant and loan funds before obtaining financial aid transcripts from students who previously attended other post-secondary institutions.

During our federal grant testing, we noted twelve of seventy student financial aid transcripts were obtained after two or more financial aid disbursements were made. Federal requirements for Title IV financial assistance do not allow for the disbursement of grant and loan funds to students unless financial aid transcripts are received. (Finding 13, page 53)

University officials accepted our finding and recommendation. They said the University had formulated a file maintenance and record retention policy. They also said financial aid

## SUMMARY OF AUDIT FINDINGS

<u>Number of</u>	<u>This Audit</u>	<u>Prior Audit</u>
Audit findings	12	14
Repeated findings	6	9
Prior recommendations implemented or not repeated	8	15

## SPECIAL ASSISTANT AUDITORS

Pandolfi, Topolski, Weiss & Co., LTD. were our special assistant auditors for this audit.

## DIGEST FOOTNOTES

### #1: AID GRANTED WITH UNSATISFACTORY ACADEMIC PROGRESS - Previous Agency Responses

- \*1993: "In Fiscal year 1994, a task force was directed to evaluate many financial aid operations, including the University's satisfactory academic progress (SAP) policy for students participating in the Title IV Student Financial Assistance Programs. Beginning with the Fall 94/95 academic year, a revised SAP policy will be implemented. This revised policy consolidated the academic and financial aid standards."
- 1991: "The University agrees. Subsequent to this audit, the data support system now provides the measurement needed to eliminate such errors."
- 1989: "The Satisfactory Progress Program Review is still open. The student was placed on probation in Spring, 1989. She should not have received aid in Summer I, 1989. Therefore, the \$354.90 received from CWS will be repaid. The subsequent policy and practice is in compliance. Currently, the Satisfactory Progress policy is utilized to determined student eligibility for financial aid purposes. Formal, documented appeals are required for any deviations from the policy."

\* After FY 1993, the University began having an annual financial and compliance Single Audit.