



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

CHICAGO STATE UNIVERSITY

**Financial Audit
 For the Year Ended June 30, 2015**

Release Date: December 17, 2015

FINDINGS THIS AUDIT: 1	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	0	0	2011		15-1	
Category 2:	0	1	1				
Category 3:	0	0	0				
TOTAL	0	1	1				
FINDINGS LAST AUDIT: 3							

INTRODUCTION

This digest covers the Chicago State University’s financial audit as of and for the year ended June 30, 2015. The Chicago State University’s compliance examination (including the Single Audit) covering the year ended June 30, 2015 will be issued at a later date.

SYNOPSIS

- (15-1) The University failed to properly account for accrued compensated absences.

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 information is summarized on the reverse page.}

CHICAGO STATE UNIVERSITY
FINANCIAL AUDIT
For the Year Ended June 30, 2015

FINANCIAL OPERATIONS	2015	2014
Operating Revenues		
Student tuition and fees, net.....	\$ 27,832,036	\$ 24,091,689
Federal grants and contracts.....	6,807,501	10,649,241
State and local grants and contracts.....	2,506,513	2,600,095
Nongovernmental grants and contracts.....	85,590	7,433
Auxiliary enterprises.....	11,677,750	10,599,857
Other operating revenues.....	3,986	2,421
Total Operating Revenues.....	<u>48,913,376</u>	<u>47,950,736</u>
Operating Expenses		
Instruction.....	32,560,710	39,152,593
Research.....	2,325,552	1,950,884
Public service.....	936,499	1,497,384
Academic support.....	9,255,643	10,581,254
Student services.....	7,594,711	7,572,746
Institutional support.....	11,925,039	13,492,998
Operations and maintenance of plant.....	10,962,559	11,919,117
Depreciation.....	6,263,385	6,456,366
Scholarship and fellowship.....	10,875,344	13,076,323
Auxiliary enterprises.....	10,375,155	11,582,937
On behalf State fringe benefits.....	43,701,632	38,593,745
Total Operating Expenses.....	<u>146,776,229</u>	<u>155,876,347</u>
Operating (Loss).....	<u>(97,862,853)</u>	<u>(107,925,611)</u>
Nonoperating Revenues (Expenses)		
State appropriations.....	38,008,893	42,108,205
State fringe benefits.....	43,701,632	38,593,745
Federal and State nonoperating grants.....	17,061,376	18,797,153
Investment income.....	28,680	49,491
Interest on capital assets - related debt.....	(703,549)	(755,195)
Other, net.....	14,877,119	3,025,128
Increase (Decrease) in Net Position.....	<u>15,111,298</u>	<u>(6,107,084)</u>
Net position, beginning of year (as previously reported).....	146,063,867	152,170,951
Cumulative effect of a change in accounting principle.....	372,126	-
Net position, beginning of year (as restated).....	146,435,993	152,170,951
Net position, end of year.....	<u>\$ 161,547,291</u>	<u>\$ 146,063,867</u>

STATEMENT OF NET POSITION	2015	2014
Cash and Cash Equivalents.....	\$ 24,010,792	\$ 14,905,759
Balance in State Appropriation and Accounts Receivable.....	11,359,296	15,383,429
Capital Assets, net.....	158,917,345	149,110,491
Other Assets.....	2,149,584	1,683,023
Total Assets.....	<u>196,437,017</u>	<u>181,082,702</u>
Deferred Outflows of Resources - Pension Contributions.....	318,777	-
Current Liabilities.....	18,127,242	16,540,670
Bonds Payable.....	12,000,000	13,180,000
Other Noncurrent Liabilities.....	5,081,261	5,298,165
Total Liabilities.....	<u>35,208,503</u>	<u>35,018,835</u>
Net Position.....	<u>\$ 161,547,291</u>	<u>\$ 146,063,867</u>

PRESIDENT
During Audit Period and Current: Dr. Wayne Watson

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

Inaccurate accounting

**INACCURATE ACCOUNTING OF ACCRUED
COMPENSATED ABSENCES**

The University did not properly account for accrued compensated absences.

During our testing of accrued compensated absences, we noted the following:

An employee was accruing leave time despite not being eligible

- We selected a sample of 5 employees from employment categories that do not vest accrued leave and noted that 1 of the employees selected was included on the accrued compensated absences schedule. We reviewed the employee's contract and verified the employee was not eligible for vested accrued leave. We brought this information to the attention of the University and asked them to go through their records and remove all individuals that were not allowed to accrue absences. The University reviewed their records and indicated that there were no other individuals required to be removed. The noted employee's accrued leave (\$15,216) was removed from the listing prior to the preparation of the financial statements.

\$15,216 needed to be removed from the listing

4 of 19 employees had beginning accrued leave time that did not agree with the prior year ending balance

- We also tested a sample of 19 employees to determine if the University was properly accounting for leave time earned and used during the year. We noted four employees in our sample that had beginning accrued leave time that did not agree to the prior year schedule prepared by the University. The differences in beginning balances ranged from accruals that were 44.25 hours under to accruals that were 70.21 hours over previously reported amounts. We also noted one employee that was shorted 8 hours of accrued leave during the fiscal year. The total projected misstatement based on our sample was \$61,595 of additional expense that was run through the current year Statement of Revenues, Expenses and Changes in Net Position.

Total projected misstatement was \$61,595

Inaccurate sick leave payouts to 3 employees totaled \$6,256 over the allowed amount

- We tested 6 of 12 employees that received sick leave payouts during the fiscal year. Of the 6 employees tested, we noted that three of them received a payout for 100% of their sick time (\$6,256 over the allowed amount). The projected error in payments made was \$7,531. (Finding 1, pages 51-52) **This finding was first reported in 2011.**

We recommended the University improve its processes to account for accrued leave to ensure records and reporting are accurate and that employees are paid appropriately. We

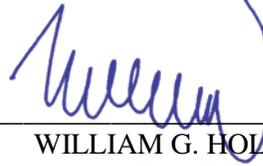
further recommended the University recoup the inaccurate sick leave payouts.

University agrees with the auditors

University officials agreed with our finding and stated they will improve their process between the Office of Human Resources and Finance/Administration to ensure that the appropriate accrued leave is captured in the general ledger and they will continue their practice to recoup any overpayments. *(For the previous University response, see Digest Footnote #1.)*

AUDITOR'S OPINION

Our auditors state the financial statements of the Chicago State University as of and for the year ended June 30, 2015 are fairly presented in all material respects.



WILLIAM G. HOLLAND
Auditor General

WGH:TLK

SPECIAL ASSISTANT AUDITORS

Our Special Assistant Auditors for this audit were Borschnack Pelletier & Co.

DIGEST FOOTNOTES

#1 - Inaccurate Accounting of Accrued Compensated Absences – Previous University Response - The University accepts the Auditors' recommendation. All employees from the Human Resources and Accounting functions that are integral to this process will receive training to expand their knowledge of the entire process. The Accounting function will also collaborate with Human Resources and the Information Technology Department to develop reporting that details all employee information required for this calculation. This reporting will also be validated throughout the fiscal year for integrity. Human Resources will continue efforts to reinforce the timeliness and accuracy of employee time inputs into its automated Web Time Entry system.