



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

CHICAGO STATE UNIVERSITY

Single Audit and State Compliance Examination
 For the Year Ended June 30, 2018

Release Date: March 7, 2019

| FINDINGS THIS AUDIT: 9 | AGING SCHEDULE OF REPEATED FINDINGS | | | | | | |
|-------------------------|-------------------------------------|--------|-------|----------------|------------|------------|------------|
| | New | Repeat | Total | Repeated Since | Category 1 | Category 2 | Category 3 |
| Category 1: | 0 | 0 | 0 | 2017 | | 18-1, 18-9 | |
| Category 2: | 2 | 7 | 9 | 2016 | | 18-3, 18-4 | |
| Category 3: | 0 | 0 | 0 | 2015 | | 18-2, 18-6 | |
| TOTAL | 2 | 7 | 9 | 2009 | | 18-5 | |
| FINDINGS LAST AUDIT: 18 | | | | | | | |

INTRODUCTION

This digest covers our federal Single Audit and Compliance Examination of Chicago State University (University) for the year ended June 30, 2018. A separate Financial Audit as of and for the year ended June 30, 2018, was previously released on January 23, 2019. In total, this report contains 9 findings, one of which was reported in the Financial Audit.

SYNOPSIS

- (18-5) The University had subsidies between accounting entities during the current fiscal year.
- (18-6) The University failed to fully comply with the Fiscal Control and Internal Auditing Act, International Standards for the Professional Practice of Internal Auditing, and State of Illinois Internal Audit Advisory Board Bylaws.

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
COMPLIANCE EXAMINATION AND SINGLE AUDIT
For the Year Ended June 30, 2018

| INCOME FUND REVENUES AND EXPENDITURES | 2018 | 2017 |
|--|----------------------|----------------------|
| Income Fund Revenues | | |
| Tuition Revenue..... | \$ 27,230,345 | \$ 30,604,092 |
| Laboratory Fee..... | 119,765 | 146,782 |
| Late Registration Fee..... | 22,750 | 57,500 |
| NSF Check Fee..... | 335 | 1,215 |
| Deferred Payment Fee..... | 29,950 | 47,100 |
| Graduation Fee - Undergraduate..... | 21,025 | 23,650 |
| Graduation Fee - Graduate..... | 13,950 | 16,480 |
| Transcript Fee..... | 79,629 | 89,313 |
| Application Fee..... | 65,668 | 60,841 |
| Interest Income..... | 344,022 | 65,133 |
| Miscellaneous Other Income..... | 82,489 | 102,216 |
| Total Income Fund Revenues..... | \$ 28,009,928 | \$ 31,214,322 |
| Income Fund Expenditures | | |
| Personal Services..... | \$ 9,452,200 | \$ 660,040 |
| SURS Retirement..... | 92 | - |
| Social Security..... | 2,782,521 | 573,877 |
| Contractual Services..... | 10,071,220 | 6,603,772 |
| Travel..... | 182,136 | 80,385 |
| Commodities..... | 884,609 | 714,433 |
| Equipment and Library Books..... | 995,550 | 365,713 |
| Telecommunications..... | 475,046 | 448,242 |
| Operation of Automotive Equipment..... | 45,642 | 16,716 |
| Permanent Improvements..... | 1,763,662 | 914,051 |
| Awards, Grants, and Matching Funds..... | 179,843 | 150,222 |
| Tuition and Fee Waivers..... | 2,803,762 | 2,616,666 |
| Other Expenditures..... | 242,413 | 736,976 |
| Total Income Fund Expenditures..... | \$ 29,878,696 | \$ 13,881,093 |
| SUPPLEMENTARY INFORMATION (UNAUDITED) | 2018 | 2017 |
| Employment Statistics | | |
| Faculty and staff..... | 662 | 618 |
| Students..... | 166 | 150 |
| Total Employees..... | 828 | 768 |
| Enrollment Statistics | | |
| Head Count: | | |
| Undergraduate..... | 1,839 | 2,076 |
| Graduate..... | 1,005 | 1,174 |
| Total Head Count..... | 2,844 | 3,250 |
| Total Cost Per Full-Time Equivalent..... | \$ 10,568 | \$ 8,090 |
| Credit Hours: | | |
| Undergraduate..... | 46,465 | 51,429 |
| Graduate..... | 23,179 | 26,473 |
| Total Credit Hours..... | 69,644 | 77,902 |
| PRESIDENT | | |
| During Audit Period: Interim President - Dr. Rachel Lindsey, PhD (through 6-30-18) | | |
| Current: President - Ms. Zaldwaynaka Scott, Esq. (Effective 7-1-18) | | |

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

SUBSIDIES BETWEEN ACCOUNTING ENTITIES

The University had subsidies between accounting entities during the current fiscal year.

Student Activities had a negative cash balance of \$5.1 million at June 30, 2018

During our testing of compliance with the *University Guidelines*, we noted the “Student Activities” accounting entity had negative cash balances at the beginning and the end of the fiscal year totaling \$4.0 million and \$5.1 million, respectively.

A negative cash balance is, in effect, an unrecorded interfund payable/receivable, thereby causing a subsidy between funds to occur. The “Student Activities” accounting entity includes mandatory student fees and the expenditure of all student activities approved by the student government such as student newspaper and athletic activities.

University Guidelines do not allow cash advances to exceed one year

The *University Guidelines* (Chapter III, Section D, Part 1) state: “there shall be no subsidies between accounting entities. Subsidies include cash advances and interfund payables/receivables outstanding for more than one year.” (Finding 5, pages 30-32) **This finding has been repeated since 2009.**

We recommended the University review the activities of the accounting entities and ensure fees charged for services are sufficient to cover expenditures and ensure subsidies between accounting entities do not occur.

University agrees with the auditors

University officials agreed with the finding. (*For the previous University response, see Digest Footnote #1.*)

INTERNAL AUDIT

The Chicago State University (University) failed to fully comply with the Fiscal Control and Internal Auditing Act (Act), International Standards for the Professional Practice of Internal Auditing, and State of Illinois Internal Audit Advisory Board Bylaws.

During our review of the University’s Office of the Internal Audit (OIA), we noted the following:

Audits of major systems were not completed during FY17 and FY18

- Audits of the University’s major systems of internal accounting and administrative controls including testing of the obligation, expenditure, receipt and use of public funds of the State and of funds held in trust to determine whether those activities are in

accordance with applicable laws and regulations were not completed during fiscal years 2017 and 2018.

- No internal audit reports were completed and issued during Fiscal Year 2018.
- The University's Internal Audit division did not undergo a peer review since the last external assessment which was issued on June 21, 2011. (Finding 6, pages 33-34) **This finding has been repeated since 2015.**

Internal Audit Peer Review is not current

We recommended the University ensure timely performance of audits over all major systems of internal accounting and administrative controls as required by the Act and promptly arrange an external assessment of its internal audit activity to comply with the Institute of Internal Auditors' Standards.

University agrees with the auditors

University officials agreed with the finding. (*For the previous University response, see Digest Footnote #2.*)

OTHER FINDINGS

The remaining findings are reportedly being given attention by University officials. We will review the University's progress towards the implementation of our recommendations in our next engagement.

AUDITOR'S OPINIONS

The financial audit report was previously released. The auditors stated the financial statements of Chicago State University as of and for the year ended June 30, 2018 are fairly stated in all material respects.

The auditors also conducted a Single Audit of the University as required by the Uniform Guidance. Our auditors stated the University complied, in all material respects, with the types of compliance requirements that could have a direct and material effect on the University's major federal programs for the year ended June 30, 2018.

ACCOUNTANT'S OPINION

The accountants conducted a compliance examination of the University for the year ended June 30, 2018, as required by the Illinois State Auditing Act. The accountants stated the University complied, in all material respects, with the requirements described in the report.

This Single Audit and State Compliance Examination was conducted by E.C. Ortiz & Co., 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:TLK

DIGEST FOOTNOTES

#1 – Subsidies Between Accounting Entities (previous response):

2017: The University agrees with the recommendation. The University continues to take a holistic approach to reducing the deficit. The University continues to engage in activities which emphasize revenue enhancement and operational efficiency.

#2 – Internal Audit (previous response):

2017: The University agrees with the recommendation. Testing of the obligation, expenditure, receipt and use of public funds is in progress and will be completed within 30 days. The University's internal preparation for the peer review is also in progress and has also been scheduled for completion within 30 days. The University identified the professional responsible for conducting the review and requested resources necessary to reimburse travel costs. Minimum CPE requirements were met and exceeded for the 2017 calendar year and a monitoring process has been implemented to assure compliance for the 2018-2019 reporting period.