



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, 2019**

Release Date: January 30, 2020

FINDINGS THIS AUDIT: 1	AGING SCHEDULE OF REPEATED FINDINGS																												
	Repeated Since	Category 1	Category 2	Category 3																									
<table border="0"> <tr> <td></td> <td style="text-align: center;"><u>New</u></td> <td style="text-align: center;"><u>Repeat</u></td> <td style="text-align: center;"><u>Total</u></td> <td></td> </tr> <tr> <td>Category 1:</td> <td style="text-align: center;">0</td> <td style="text-align: center;">0</td> <td style="text-align: center;">0</td> <td></td> </tr> <tr> <td>Category 2:</td> <td style="text-align: center;">1</td> <td style="text-align: center;">0</td> <td style="text-align: center;">1</td> <td></td> </tr> <tr> <td>Category 3:</td> <td style="text-align: center;"><u>0</u></td> <td style="text-align: center;"><u>0</u></td> <td style="text-align: center;"><u>0</u></td> <td></td> </tr> <tr> <td>TOTAL</td> <td style="text-align: center;">1</td> <td style="text-align: center;">0</td> <td style="text-align: center;">1</td> <td></td> </tr> </table>		<u>New</u>	<u>Repeat</u>	<u>Total</u>		Category 1:	0	0	0		Category 2:	1	0	1		Category 3:	<u>0</u>	<u>0</u>	<u>0</u>		TOTAL	1	0	1		No Repeat Findings			
	<u>New</u>	<u>Repeat</u>	<u>Total</u>																										
Category 1:	0	0	0																										
Category 2:	1	0	1																										
Category 3:	<u>0</u>	<u>0</u>	<u>0</u>																										
TOTAL	1	0	1																										
FINDINGS LAST AUDIT: 1																													

INTRODUCTION

This digest covers the Chicago State University's Financial Audit as of and for the year ended June 30, 2019. The University's Compliance Examination (including the Single Audit) covering the year ended June 30, 2019 will be issued in a separate report at a later date.

SYNOPSIS

- (19-1) The University did not exercise adequate internal control over its financial reporting.

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, 2019

FINANCIAL OPERATIONS	2019	2018
Operating Revenues		
Student tuition and fees, net.....	\$ 19,513,740	\$ 20,406,694
Federal grants and contracts.....	6,864,139	6,612,411
State and local grants and contracts.....	180,094	1,396,486
Nongovernmental grants and contracts.....	275,919	11,560
Auxiliary enterprises.....	7,050,464	6,944,730
Other operating revenues.....	7,742	189,080
Total Operating Revenues.....	33,892,098	35,560,961
Operating Expenses		
Instruction.....	39,968,488	45,664,193
Research.....	1,598,951	1,660,598
Public service.....	3,341,199	2,896,839
Academic support.....	7,041,555	8,644,834
Student services.....	5,600,057	5,331,187
Institutional support.....	15,391,314	17,076,860
Operations and maintenance of plant.....	15,370,194	15,952,590
Depreciation.....	5,438,200	5,893,877
Scholarship and fellowship.....	5,002,400	7,806,382
Auxiliary enterprises.....	10,624,151	9,492,656
Total Operating Expenses.....	109,376,509	120,420,016
Operating (Loss).....	(75,484,411)	(84,859,055)
Nonoperating Revenues (Expenses)		
State appropriations.....	35,258,300	58,427,275
Special funding situation.....	19,698,040	32,714,239
On-behalf payments.....	7,074,000	4,481,000
Federal and State nonoperating grants.....	9,578,960	12,852,274
Investment income.....	538,013	402,288
Interest on capital assets - related debt.....	(450,769)	(517,915)
Other, net.....	898,142	(118,851)
Increase (Decrease) in Net Position.....	(2,889,725)	23,381,255
Net position, beginning of year (as previously reported).....	148,529,977	125,148,722
Prior Period Adjustment.....	346,913	-
Net position, beginning of year (as restated).....	148,876,890	125,148,722
Net position, end of year.....	\$ 145,987,165	\$ 148,529,977

STATEMENT OF NET POSITION	2019	2018
Cash and Cash Equivalents.....	\$ 30,821,416	\$ 34,109,193
Balance in State Appropriation and Accounts Receivable.....	1,245,427	6,445,727
Capital Assets, net.....	142,633,233	146,185,230
Other Assets.....	6,182,336	1,478,360
Total Assets.....	180,882,412	188,218,510
Deferred Outflows of Resources - Pension Contributions.....	323,727	319,161
Current Liabilities.....	11,770,825	12,929,448
Bonds Payable.....	6,640,000	8,085,000
Other Noncurrent Liabilities.....	8,617,203	10,595,786
Total Liabilities.....	27,028,028	31,610,234
Deferred Inflows For OPEB Expense.....	8,190,946	8,397,460
Net Position.....	\$ 145,987,165	\$ 148,529,977

PRESIDENT

During Audit Period: Ms. Zaldwaynaka Scott

Current President: Ms. Zaldwaynaka Scott

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**INADEQUATE CONTROL OVER FINANCIAL
REPORTING**

The University did not exercise adequate internal control over its financial reporting.

During our audit we noted the following:

Operating revenues and operating expenses overstated each by \$1,506,646. Also accounts payable understated by \$76,801 and unearned revenue overstated by \$76,801

- The University incorrectly recorded funds received for a local grant (Program), totaling \$1,506,646, as operating revenues and operating expenses, resulting in an overstatement of each account by \$1,506,646. Also, a portion of the Program's cash balance as of June 30, 2019, totaling \$76,801, was recorded as unearned revenue instead of deposits held in custody for others, resulting in an understatement of accounts payable and accrued liabilities by \$76,801 and an overstatement of unearned revenue by the same amount. University management corrected these errors in the University's final financial statements.

Incorrectly capitalized equipment totaling \$1,053,011

- The University incorrectly recorded its computer equipment leases totaling \$1,053,011 as capital leases instead of operating leases when unit prices of these equipment items were less than the University's capitalization threshold of \$5,000. As a result, net capital assets and capital leases payable were overstated by \$1,053,011 and \$943,739, respectively, and the University's net position was overstated by \$109,272 as of June 30, 2019. University management corrected this error in the University's final financial statements.

Improper classification of accounts receivable totaling \$204,690 and accounts payable totaling \$295,826

- The University improperly classified various transactions of State, federal and local funds receivable with credit balances totaling \$204,690 against accounts receivable, and various transactions of State, federal and local funds payable with debit balances totaling \$295,826 against accounts payable and accrued liabilities. University management corrected this error in the University's final financial statements.

Improperly classified grants and contracts revenue totaling \$92,420

- The University improperly classified nongovernmental grants and contracts revenue totaling \$92,420 as federal grants and contracts revenue. University management corrected this error in the University's final financial statements. (Finding 1, pages 62-64)

We recommended the University strengthen its controls over financial reporting to allow for the accurate preparation of its financial statements in accordance with GAAP.

University agreed with the auditors

University officials agreed with the recommendation and stated the University departments are working in concert to review and update the classification coding of all grants, to ensure that they are aligned to the proper financial reporting category.

AUDITOR'S OPINION

The auditors stated the financial statements of the University as of and for the year ended June 30, 2019 are fairly stated in all material respects.

The financial audit 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:vrp