

## **REPORT DIGEST**

### **CHICAGO STATE UNIVERSITY FOUNDATION FINANCIAL AND COMPLIANCE AUDIT FOR THE TWO YEARS ENDED JUNE 30, 1995**

#### **SYNOPSIS**

- The Foundation did not maintain sufficient records to allow for a rational allocation of joint costs relating to a contract with the University.
- The Foundation did not maintain adequate documentation to support the disbursement of scholarship funds.
- The Foundation's Board Designated Fund has a \$134,154 deficit which has been increasing.

## **FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS**

### **INSUFFICIENT RECORDS FOR JOINT COST**

The Foundation did not maintain sufficient records to allow for a rational allocation of joint costs relating to a contract with the University.

University employees are used to perform certain Foundation functions. The University initially pays the employees' salaries and is to be reimbursed by the Foundation. Annual estimates were used to determine the amount to be allocated to both employee and office space costs. However, no documents were maintained to support the periodic allocations of employee salaries. Only \$58,756 of a total \$117,512 of reimbursable employee costs were paid to the University. These amounts pertain to only two of the four employees who spent considerable time on Foundation events. (Finding 2, page 8)

Foundation officials agreed with our finding and recommendation. They said a monthly time and effort form will be developed and implemented for all employees to document time spent on Foundation activities.

### **INADEQUATE DOCUMENTATION OF SCHOLARSHIP DISBURSEMENTS**

The Foundation did not maintain adequate documentation to support the disbursement of scholarship funds.

During our review of scholarship files, we noted the following deficiencies:

- In 22 of 40 files, there was no documentation available to determine eligibility.
- In 2 of 40 files, the recipients were ineligible for scholarships based on the established criteria.

Failure to maintain proper documentation could result in scholarship disbursements that violate donor restrictions. (Finding 4, page 10)

Foundation officials agreed with our finding and recommendation. They said the entire process of awarding scholarships and maintaining documentation is being reorganized.

### **INCREASING NEGATIVE FUND BALANCE**

The Foundation's Board Designated Fund has a \$134,154 deficit which has been increasing.

The deficit in the Board Designated Fund balance has increased because the Foundation has not raised sufficient funds to meet its payroll expenditures that are reimbursable to the University. The accounts payable that was established for the ongoing liability has continued to increase. The continued existence of a negative fund balance could raise concerns about the Foundation's ability to meet ongoing operating expenditures. (Finding 7, page 13)

According to Foundation officials, an annual fund raising gala will be instituted along with efforts to identify funds to cover administrative expenses.

### **OTHER FINDINGS**

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

Mr. Srin Rao, Assistant to the Vice President of Administrative Affairs provided the Foundation's responses

### **AUDITORS' OPINION**

Our auditors state that the financial statements of Chicago State University Foundation at June 30, 1995 are fairly presented.

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**WILLIAM G. HOLLAND, Auditor General**

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### **SUMMARY OF AUDIT FINDINGS**

<u>Number of</u>	<u>Current Audit</u>	<u>Prior Audit</u>
Audit Findings	7	5
Repeated audit findings	3	4
Prior recommendations implemented or not repeated	2	10

### **SPECIAL ASSISTANT AUDITORS**

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

**CHICAGO STATE UNIVERSITY FOUNDATION**  
**FINANCIAL AND COMPLIANCE AUDIT**  
**For The Two Years Ended June 30, 1995**

<b>FINANCIAL OPERATIONS (ALL FUNDS)</b>	<b>FY 1995</b>	<b>FY 1994</b>
<b>REVENUE</b>		
Contributions and Pledges.....	\$ 235,842	\$ 197,982
Investment Revenue.....	45,701	56,122
Support from CSU.....	-	-
Other Revenue.....	-	79,496
<b>Total Revenue.....</b>	<b><u>\$ 281,543</u></b>	<b><u>\$ 333,600</u></b>
<b>EXPENDITURES</b>		
Scholarships.....	\$ 50,993	\$ 39,836
Cost of Services from CSU.....	74,119	45,574
Funds Transferred to CSU.....	172,672	152,182
Other Expenditures.....	-	1,487
<b>Total Expenditures.....</b>	<b><u>\$ 297,784</u></b>	<b><u>\$ 239,079</u></b>

<b>SELECTED ACCOUNT BALANCES (ALL FUNDS)</b>	<b>AT JUNE 30, 1995</b>	<b>AT JUNE 30, 1994</b>
Cash and Investments.....	\$ 219,157	\$ 259,704
Fund Balances:		
Unrestricted.....	\$ (113,615)	\$ ( 56,942)
Restricted.....	\$ 294,634	\$ 254,202
Endowment.....	\$ 378,371	\$ 378,371

<b>FOUNDATION OFFICIALS</b>
President: Dr. Dolores Cross
Executive Director: Delores Brooks