



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

CHICAGO STATE UNIVERSITY

Single Audit and State Compliance Examination
 For the Year Ended June 30, 2014

Release Date: March 18, 2015

FINDINGS THIS AUDIT: 20	New	Repeat	Total	AGING SCHEDULE OF REPEATED FINDINGS			
				Repeated Since	Category 1	Category 2	Category 3
Category 1:	1	0	1	2013		14-11, 14-13	
Category 2:	11	8	19	2011		14-2	
Category 3:	<u>0</u>	<u>0</u>	<u>0</u>	2010		14-5, 14-6, 14-7	
TOTAL	12	8	20	2009		14-15, 14-18	
FINDINGS LAST AUDIT: 16							

INTRODUCTION

This digest covers our Single Audit and Compliance Examination of Chicago State University (the “University”) for the year ended June 30, 2014. A separate Financial Audit as of and for the year ending June 30, 2014, was previously released on January 29, 2015. In total, this report contains 20 findings, three of which were reported in the Financial Audit.

SYNOPSIS

- **(14-04)** The University’s controls over several Federal compliance requirements related to its Textbook & Learning Materials Program did not function as designed.
- **(14-05)** The University improperly calculated and remitted the incorrect amount of Title IV Funds to the Department of Education for students who withdrew from classes.
- **(14-13)** The University did not fully comply with requirements applicable to its property and equipment.
- **(14-16)** The University had inadequate controls in place to ensure criminal background investigations were conducted prior to employment for those employees hired for security sensitive positions.
- **(14-19)** The University lacked sufficient controls to ensure compliance with University policies in the hiring of certain new employees.

Category 1: Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with laws and regulations (material noncompliance).
Category 2: Findings that are **significant deficiencies** in internal control and **noncompliance** with laws and regulations.
Category 3: Findings that have **no internal control issues but are in noncompliance** with laws and regulations.

{Financial data is summarized on next page.}

CHICAGO STATE UNIVERSITY
SINGLE AUDIT AND COMPLIANCE EXAMINATION
For the Year Ended June 30, 2014

INCOME FUND REVENUES AND EXPENDITURES	2014	2013*
Income Fund Revenues		
Tuition Revenue.....	\$ 36,543,817	\$ 41,057,114
Laboratory Fee.....	233,990	238,317
Late Registration Fee.....	40,900	66,400
NSF Check Fee.....	740	1,440
Deferred Payment Fee.....	55,600	53,907
Graduation Fee - Undergraduate.....	38,975	37,135
Graduation Fee - Graduate.....	10,310	17,600
Transcript Fee.....	68,195	71,708
Application Fee.....	115,987	102,989
Interest Income.....	7,300	11,562
Miscellaneous Other Income.....	11,544	12,608
Total Income Fund Revenues.....	\$ 37,127,358	\$ 41,670,780
Income Fund Expenditures		
Personal Services.....	\$ 24,062,275	\$ 23,718,572
SURS Retirement.....	29,150	18,128
Social Security.....	1,021,694	1,045,925
Contractual Services.....	10,069,361	10,913,019
Travel.....	541,040	475,345
Commodities.....	1,765,623	2,380,403
Equipment and Library Books.....	1,097,599	3,985,388
Telecommunications.....	561,525	742,175
Operation of Automotive Equipment.....	59,700	63,059
Permanent Improvements.....	698,674	1,367,715
Awards, Grants, and Matching Funds.....	509,969	2,017,618
Tuition and Fee Waivers.....	1,763,751	2,668,421
Other Expenditures.....	386	214
Total Income Fund Expenditures.....	\$ 42,180,747	\$ 49,395,982
* Certain amounts for FY 2013 were reclassified to conform to the current year presentation		
SUPPLEMENTARY INFORMATION (UNAUDITED)	2014	2013
Employment Statistics		
Faculty and staff.....	876	914
Students.....	275	234
Total Employees.....	1,151	1,148
Enrollment Statistics		
Head Count:		
Undergraduate.....	4,015	4,367
Graduate.....	1,282	1,454
Total Head Count.....	5,297	5,821
Total Cost Per Full-Time Equivalent.....	\$ 7,900	\$ 7,928
Credit Hours:		
Undergraduate.....	99,081	108,056
Graduate.....	28,401	30,440
Total Credit Hours.....	127,482	138,496
PRESIDENT		
During Audit Period and Current: Dr. Wayne Watson		

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

**INADEQUATE CONTROLS OVER COMPLIANCE
APPLICABLE TO THE TEXTBOOKS & LEARNING
MATERIALS PROGRAM**

Need to improve internal controls

The University's controls over the compliance requirements of allowable costs, and cost principles, procurement, reporting, cash management, and special contract terms and provisions related to its Textbook & Learning Materials Program did not function as designed.

During our testing of the U.S. AID Program, some of the things we noted are as follows:

Documentation lacking

- The University could not provide documentation of the advance approvals required by U.S. AID prior to the printing of teacher guides during fiscal year 2014.

Incorrect indirect cost rate used by the University resulted in an overcharge of \$191,768

- The University used an incorrect indirect cost rate for calculating indirect costs for the award. The University increased the indirect cost rate from 8% to 15% and could not provide documentation that the indirect cost rate for the award had been increased. This resulted in an overcharge to indirect costs of \$191,768 which the University corrected upon bringing this to their attention.

No evidence to support competitive procurement

- The University did not comply with the requirements requiring open and free competition in selecting vendors. The University identified 3 covered transactions. We tested all 3 and noted the University could not provide evidence that one of the contracts had been competitively procured or was specifically allowed by the award agreement. (Finding 4, pages 26-27).

We recommended the University improve its procedures to ensure they comply with the requirements applicable to their Federally funded programs.

University agrees with auditors

University officials agreed with the recommendation and stated the information will be reviewed quarterly by the grants office to ensure compliance.

RETURN OF TITLE IV FUNDS

Improper calculations resulted in refunds due totaling \$5,133

The University did not properly calculate and remit the correct amount of Title IV Funds to the U.S. Department of Education (ED) for students who withdrew from classes.

Our testing of 60 students who withdrew from classes indicated that seven refund calculations were incorrect because the University did not use the proper withdrawal date as prescribed by the regulations. These seven calculations involved students that did not provide official notification of their withdrawal to the University and the University could not provide documentation of student's attendance at an academically-related event. The improper calculations resulted in additional refunds owed to ED totaling \$5,133. (Finding 5, pages 28-29) **This finding was first reported in 2010.**

University agrees with auditors

We recommended the University implement adequate internal controls to ensure that all Title IV refund calculations are made in accordance with ED's regulations.

University officials agreed with the recommendation and stated the Office of Student Financial Aid will use the semester mid-point as the withdrawal date to calculate the unofficial withdrawal. (*For the previous University response, see Digest Footnote #1.*)

184 items of missing equipment totaling \$276,584

NEED TO IMPROVE CONTROLS OVER PROPERTY AND EQUIPMENT

The University did not fully comply with requirements applicable to its property and equipment.

We reviewed the University's property inventory certification as of March 31, 2014 that was submitted to the Department of Central Management Services (DCMS). The inventory certification to DCMS reported 184 items (\$276,584) of equipment that could not be located by the University. These assets were acquired by the University during the current year as well as past fiscal years. Included in the equipment that was reported as "unlocated" were approximately 104 computers, servers, CPU's or other electronic storage devices.

One computer contained confidential information

In addition, we noted 14 additional computers (totaling \$14,688) that were formally reported as stolen from the University. The University completed a detailed assessment of all stolen and missing computer items and determined that one item contained confidential information. The required notification was sent to the individuals whose personal information was breached; however, the University failed to file its report with the General Assembly as required by the Personal Information Protection Act.

In performing our tests of 105 University equipment items, we noted one item (carpet extractor) with a cost of \$1,995 could not be located by the University. It was reported as lost after the auditors requested to see it. (Finding 13, pages 43-44)

We recommended the University strengthen its internal controls over the accountability of equipment. Further, the University should file the required data breach reports with the General Assembly.

University agrees with auditors

University officials agreed with the recommendation and stated the University's Property Control Department will provide additional training to its fiscal officers to reinforce the process governing asset movement.

NONCOMPLIANCE WITH CAMPUS SECURITY ENHANCEMENT ACT OF 2008

The University did not have adequate controls in place to ensure that required criminal background investigations were conducted prior to employment for those employees hired for security sensitive positions.

The Campus Security Enhancement Act of 2008 (Act) (110 ILCS 12/5) states that "Each public institution of higher education shall, through written policy and procedures, identify security-sensitive positions and make provision for the completion of criminal background investigations prior to employing individuals in those positions".

We obtained a listing of 378 security-sensitive positions identified by the University and selected 25 individuals for testing. We noted the following:

- Four employees were hired prior to the completion of criminal background investigations. These background investigations were completed between 1 day and 5.5 years after the hiring of the employee.
- Fifteen employees that were hired for security-sensitive positions had no evidence that the criminal background investigations were ever obtained. (Finding 16, page 48)

For 15 of 25 employees tested there was no evidence of a criminal background investigation

We recommended the University comply with the requirements of the Campus Security Enhancement Act of 2008 and obtain criminal background investigations prior to hiring employees for security-sensitive positions.

University agrees with the auditors

University officials agreed with the recommendation and stated the Office of Human Resources has developed a policy that identifies security-sensitive positions and have a plan to obtain background checks of those who did not previously have one on file.

NEED TO IMPROVE CONTROLS OVER THE HIRING OF NEW EMPLOYEES

The University did not have sufficient controls in place to ensure compliance with University policies applicable to the hiring of certain new employees.

We selected a sample of 10 employees that were hired during fiscal year 2013 and 2014 and noted the following:

No documentation that employment history was verified

- The University could not provide any documentation that the University had verified the employment history of any of the applicants.
- For five of the new hires, the University could not provide evidence that it had verified the education credentials that were contained on the job applicant's resume or application.
- One of the hired employees did not meet the minimum education requirements that were posted in the job opening description. The University did not provide any evidence from the time of hire to explain why the minimum education requirements were not an actual prerequisite. (Finding 19, pages 53-54)

No evidence for 5 new hires that education credentials were verified

We recommended the University improve its procedures to ensure compliance with University policies. Further, the University should fully document its hiring decisions, especially as it relates to minimum eligibility requirements for posted positions.

University agrees with the auditors

University officials agreed with the recommendation and stated the Office of Human Resources has developed a plan to verify minimum qualifications of candidates recommended for hire.

OTHER FINDINGS

The remaining findings are reportedly being given attention by University officials. We will review progress toward implementation of our recommendations in our next audit.

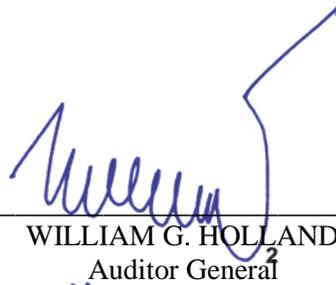
AUDITOR'S OPINION

The financial audit report was previously released. The auditors stated the financial statements of the Chicago State University as of and for the year ended June 30, 2014, are fairly stated in all material respects.

The auditors also conducted a Single Audit of the University as required by OMB Circular A-133. 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 each of the University's major federal programs for the year ended June 30, 2014 except for the U.S. Aid Foreign Assistance for Programs Overseas (CFDA #98.001) in which they qualified the opinion.

ACCOUNTANT'S OPINION

The accountants conducted a compliance examination of the University for the year ended June 30, 2014, as required by the Illinois State Auditing Act. The auditors stated the University complied, in all material respects, with the requirements described in the report.



WILLIAM G. HOLLAND
Auditor General

WGH:TLK

SPECIAL ASSISTANT AUDITORS

Borschnack Pelletier & Co. were our special assistant auditors.

DIGEST FOOTNOTES

#1 – RETURN OF TITLE IV FUNDS

2013 - The University accepts the Auditor's recommendation. The withdrawal process has now been automated with the use of an online, student-initiated process. The calculation of the return of Title IV Funds is now based on the initial date in which the student initiated his/her withdrawal from the class. In addition, the University has implemented a monthly monitoring process to ensure that all refunds are returned to the Department of Education within the 45 day period required by the regulation.