



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, 2019

Release Date: April 8, 2020

FINDINGS THIS AUDIT: 10	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	0	0	2018		19-9	
Category 2:	4	6	10	2017		19-10	
Category 3:	0	0	0	2016		19-5, 19-6	
TOTAL	4	6	10	2015		19-8	
				2009		19-7	
FINDINGS LAST AUDIT: 9							

**INTRODUCTION**

This digest covers our federal Single Audit and Compliance Examination of Chicago State University (University) for the year ended June 30, 2019. A separate Financial Audit as of and for the year ended June 30, 2019, was previously released on January 30, 2020. In total, this report contains 10 findings, one of which was reported in the Financial Audit.

**SYNOPSIS**

- (19-7) The University had subsidies between accounting entities during the current fiscal year.
- (19-8) The University failed to fully comply with the Fiscal Control and Internal Auditing Act (Act) and International Standards for the Professional Practice of Internal Auditing (internal auditing standards).

**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.

**CHICAGO STATE UNIVERSITY**  
**COMPLIANCE EXAMINATION AND SINGLE AUDIT**  
**For the Year Ended June 30, 2019**

<b>COMPARATIVE SCHEDULE OF INCOME FUND REVENUES AND EXPENDITURES</b>	<b>FY 2019</b>	<b>FY2018</b>
<b>INCOME FUND REVENUES</b>		
Tuition.....	\$ 26,129,819	\$ 27,230,345
Fines and other student charges.....	483,433	353,072
Interest.....	484,073	344,022
Other.....	1,249,833	82,489
Total Revenues.....	<u>28,347,158</u>	<u>28,009,928</u>
<b>INCOME FUND EXPENDITURES</b>		
Personal services.....	9,306,581	9,452,200
Contractual services.....	11,153,353	10,071,220
Travel.....	207,974	182,136
Commodities.....	982,965	884,609
Library books and equipment.....	1,366,267	995,550
Operation of automotive equipment.....	35,991	45,642
Telecommunications.....	495,841	475,046
Awards, grants, and matching funds.....	2,272	179,843
Social Security/Medicare and group insurance.....	1,677,505	2,782,613
Permanent improvements.....	471,941	1,763,662
Tuition and fees waived.....	3,226,868	2,803,762
Other.....	158,363	242,413
Total Expenditures.....	<u>29,085,921</u>	<u>29,878,696</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES.....</b>	<u>\$ (738,763)</u>	<u>\$ (1,868,768)</u>
<b>SUPPLEMENTAL INFORMATION (Unaudited)</b>		
	<b>FY 2019</b>	<b>FY 2018</b>
<b>Employment Statistics</b>		
Faculty and Administrative.....	703	662
Student Employees.....	273	166
Total Employees.....	<u>976</u>	<u>828</u>
<b>Enrollment Statistics</b>		
Fall term enrollment - undergraduate.....	1,790	1,839
Fall term enrollment - graduate.....	911	1,005
Total.....	<u>2,701</u>	<u>2,844</u>
<b>Cost Per Student</b>		
Cost Per Full-Time Equivalent Student.....	\$ 11,375	\$ 10,568
<b>AGENCY DIRECTOR</b>		
During Examination Period: Ms. Zaldwaynaka Scott, Esq.		
Currently: Ms. Zaldwaynaka Scott, Esq.		

## FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

### SUBSIDIES BETWEEN ACCOUNTING ENTITIES

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

During our testing of compliance with the *University Guidelines*, we noted the following:

**Bond Fund and Student Activities had negative cash balances of \$0.7 million and \$7.6 million, respectively, at June 30, 2019**

- The “University Facilities System Revenue Bond Fund” (Bond Fund) accounting entity had a negative cash balance at the end of the fiscal year totaling \$0.7 million.
- The “Student Activities” accounting entity had negative cash balances at the beginning and the end of the fiscal year totaling \$5.1 million and \$7.6 million, respectively.

A negative cash balance is, in effect, an unrecorded interfund payable/receivable, thereby causing a subsidy between funds to occur. The Bond Fund accounting entity operates the Student Union Building and receives revenues from Student Union fees, space rental, user fees, leased bookstore and food service commissions. 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 7, pages 31-33) **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 agreed with the auditors**

University officials agreed with the finding and stated an evaluation of necessary expenditures was being conducted and new protocols were issued to ensure all expenditures are within the operating budget.

### INTERNAL AUDIT

The University failed to fully comply with the Fiscal Control and Internal Auditing Act (Act) and International Standards for the Professional Practice of Internal Auditing (internal auditing standards).

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 FY18 and FY19**

- 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 2018 and 2019.

**Internal Audit Peer Review is not current**

- OIA did not undergo a peer review since the last external assessment issued on June 21, 2011, nor perform internal assessments as of June 30, 2019.
- The design, implementation, and effectiveness of the University's ethics-related objectives, programs, and activities were not evaluated.
- There is no evidence that the internal audit charter has been approved by the University's Board of Trustees (Board). (Finding 8, pages 34-36) **This finding has been repeated since 2015.**

We recommended the University implement controls to ensure completion of audits of major systems of internal accounting and administrative control at least once every two years and documentation of approval of internal plans and charter. We also recommended the University promptly arrange and external assessment of its internal audit activity and evaluate the design, implementation and effectiveness of the University's ethics-related objectives, programs, and activities to comply with the internal auditing standards.

**University agreed with the auditors**

University officials agreed with the findings and stated as of September 2019, a permanent Chief Internal Auditor has been hired, and documented approval has been obtained for an internal audit plan which gives consideration to the recommended categories. University officials also stated an evaluation of the design, implementation, and effectiveness of the University's ethics program is currently underway and the peer review was completed in November 2019. Additionally, University officials stated the Internal Audit Charter is expected to be presented to the Board in March 2020.

**OTHER FINDINGS**

The remaining findings pertain to inadequate control over financial reporting, noncompliance with institutional eligibility requirements, untimely reporting to National Student Loan Data Systems, lack of adherence to controls and noncompliance with Center for STEM Education and Research, lack of adherence to controls and noncompliance

with TRIO cluster, inadequate controls over contractual service expenditures, completion and retention of employment eligibility verification forms and weaknesses over system access. 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, 2019 are fairly stated in all material respects.

The auditors also conducted a Single Audit of the University as required by the Uniform Guidance. The 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, 2019.

### **ACCOUNTANT'S OPINION**

The accountants conducted a compliance examination of the University for the year ended June 30, 2019, 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

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