



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, 2018**

Release Date: January 23, 2019

FINDINGS THIS AUDIT: 1	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	0	0	2017		18-1	
Category 2:	0	1	1				
Category 3:	0	0	0				
TOTAL	0	1	1				
FINDINGS LAST AUDIT: 4							

INTRODUCTION

This digest covers the Chicago State University’s Financial Audit as of and for the year ended June 30, 2018. The University’s Compliance Examination (including the Single Audit) covering the year ended June 30, 2018 will be issued in a separate report at a later date.

SYNOPSIS

- (18-1) The University did not exercise adequate internal control over its checks written to others that had not been cashed by the recipients of those checks (stale checks).

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, 2018

FINANCIAL OPERATIONS	2018	2017
Operating Revenues		
Student tuition and fees, net.....	\$ 20,406,694	\$ 22,265,078
Federal grants and contracts.....	6,612,411	6,448,567
State and local grants and contracts.....	1,396,486	4,451,978
Nongovernmental grants and contracts.....	11,560	6,812
Auxiliary enterprises.....	6,944,730	7,901,488
Other operating revenues.....	189,080	4,499
Total Operating Revenues.....	<u>35,560,961</u>	<u>41,078,422</u>
Operating Expenses		
Instruction.....	26,386,651	25,628,589
Research.....	1,239,760	1,147,619
Public service.....	2,874,907	2,192,976
Academic support.....	5,431,013	4,281,785
Student services.....	3,760,175	2,542,950
Institutional support.....	12,172,442	8,905,865
Operations and maintenance of plant.....	10,658,616	11,035,916
Depreciation.....	5,893,877	6,197,787
Scholarship and fellowship.....	7,806,382	6,679,700
Auxiliary enterprises.....	7,000,954	6,514,060
On behalf State fringe benefits.....	37,195,239	48,015,921
Total Operating Expenses.....	<u>120,420,016</u>	<u>123,143,168</u>
Operating (Loss).....	<u>(84,859,055)</u>	<u>(82,064,746)</u>
Nonoperating Revenues (Expenses)		
State appropriations.....	58,427,275	14,343,500
State fringe benefits.....	37,195,239	48,015,921
Federal and State nonoperating grants.....	12,852,274	8,685,037
Investment income.....	402,288	93,982
Interest on capital assets - related debt.....	(517,915)	(582,530)
Other, net.....	(118,851)	(917,417)
Increase (Decrease) in Net Position.....	<u>23,381,255</u>	<u>(12,426,253)</u>
Net position, beginning of year (as previously reported).....	141,930,333	153,332,586
Prior Period Adjustment.....	(16,781,611)	1,024,000
Net position, beginning of year (as restated).....	<u>125,148,722</u>	<u>154,356,586</u>
Net position, end of year.....	<u>\$ 148,529,977</u>	<u>\$ 141,930,333</u>

STATEMENT OF NET POSITION	2018	2017
Cash and Cash Equivalents.....	\$ 34,109,193	\$ 14,653,301
Balance in State Appropriation and Accounts Receivable.....	6,445,727	4,375,386
Capital Assets, net.....	146,185,230	149,088,569
Other Assets.....	1,478,360	1,140,302
Total Assets.....	<u>188,218,510</u>	<u>169,257,558</u>
Deferred Outflows of Resources - Pension Contributions.....	319,161	165,753
Current Liabilities.....	12,929,448	15,122,269
Bonds Payable.....	8,085,000	9,455,000
Other Noncurrent Liabilities.....	10,595,786	2,915,709
Total Liabilities.....	<u>31,610,234</u>	<u>27,492,978</u>
Deferred Inflows For OPEB Expense.....	8,397,460	-
Net Position.....	<u>\$ 148,529,977</u>	<u>\$ 141,930,333</u>

PRESIDENT
During Audit Period: Interim President - Dr. Rachel Lindsey (through 6-30-18)
Current President - Ms. Zalwaynaka Scott (effective 7/1/18)

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**INADEQUATE CONTROL OVER UNCLAIMED
PROPERTY**

The University did not exercise adequate internal control over its checks written to others that had not been cashed by the recipients of those checks (stale checks).

During our audit we noted the following:

- The University did not have adequate controls in place to ensure the value of its aged stale checks, along with a report on the identities of the entities that were sent the stale checks, were timely remitted to the State Treasurer as unclaimed property. At June 30, 2018, we identified stale checks dating back to nine years ago, with a total value of \$255,006 in stale checks greater than three years old payable to vendors and students and \$56,768 in stale checks greater than one year old payable to current and former employees.

Stale checks date back nine years

Through December 31, 2017, the Uniform Disposition of Unclaimed Property Act (765 ILCS 1025/8.1(a)) noted property held by a government shall be presumed abandoned after five years. Further, the Act (765 ILCS 1025/11(a)) required the University to annually report property presumed abandoned as of June 30 to the State Treasurer, along with a report with information about the owner of the property and the history of the transaction, by November 1.

**Law in effect until December 31,
2017**

On and after January 1, 2018, the Revised Uniform Unclaimed Property Act (Act) (765 ILCS 1026/15-201) notes property held by a government shall be presumed abandoned after three years and wages or reimbursements to employees shall be presumed abandoned after one year. Further, this Act (765 ILCS 1026/15-403(a)) requires the University to report property presumed abandoned as of June 30 to the State Treasurer, along with a report with information about the owner of the property and the history of the transaction, by November 1.

Law in effect on January 1, 2018

- The University did not ensure its stale checks were considered and properly handled when it issued new payments to vendors, students, and employees. The University began an analysis of its stale checks during Fiscal Year 2018 that concluded during Fiscal Year 2019 and determined \$133,000 in stale checks should be written off as the University had already settled these stale checks with the vendor, student, or

Proposed audit adjustment of \$133,000 was recorded by the University

employee. The University recognized miscellaneous revenue of \$59,300 in Fiscal Year 2018 and \$73,700 in Fiscal Year 2019 when it wrote off these amounts, as it had previously recognized an expense for these transactions when the amount was repaid during prior periods. As a result of the auditors bringing this issue to the University's attention, a proposed adjustment was recorded by the University in order to correct the final financial statements.

Proposed audit adjustment of \$311,774 was recorded by the University

- Historically, the University has adopted a process where it removes stale checks from its bank reconciliation and records a liability for the amount due on the stale check to the vendor, student, or employee, which totaled \$311,774 at June 30, 2018. As the holder of a stale check has the claim to the cash held by the University represented by the amount of the stale check, the University should not recognize any assets on its financial statements and should account for the stale checks as reconciling items between its cash account and the cash balance in its bank account until either (1) a new check is written to the holder of the stale check or (2) the value of the stale check is remitted as abandoned property to the State Treasurer. As a result of the auditors bringing this issue to the University's attention, a proposed adjustment was recorded by the University in order to correct the final financial statements. (Finding 1, pages 58-60)

We recommended the University:

- continue its evaluation of stale dated checks and properly report these amounts to the State Treasurer when the property is deemed abandoned under the Act;
- review its internal controls over voucher processing to ensure stale checks are considered prior to re-issuing a check to a vendor, student, or employee; and,
- ensure stale checks are not reported as assets or liabilities on its financial statements and are routinely monitored during its bank reconciliation process.

University agrees with the auditors

University officials agreed with the recommendation and stated they have initiated training of their staff to evaluate stale dated checks and report amounts to the State Treasurer in compliance with the Act. Additionally, the University stated they have reviewed their processes regarding stale checks to ensure vendors, students or employees are not receiving double payment.

AUDITOR'S OPINION

The auditors stated the financial statements of the University as of and for the year ended June 30, 2018 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

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