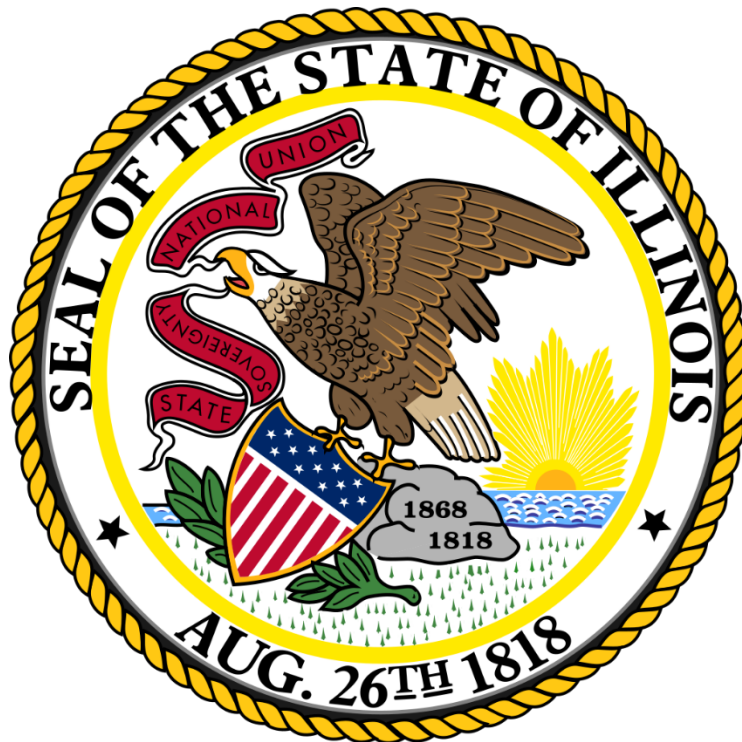


LEGISLATIVE AUDIT COMMISSION



Review of
Chicago State University
Year Ended June 30, 2020

622 Stratton Office Building
Springfield, Illinois 62706
217/782-7097

REVIEW #4518: Chicago State University – FY 20 Financial, Single and Compliance

**REVIEW: 4518
CHICAGO STATE UNIVERSITY
YEAR ENDED JUNE 30, 2020**

FINDINGS/RECOMMENDATIONS – 14

**IMPLEMENTED – 4
PARTIALLY IMPLEMENTED – 10**

REPEATED RECOMMENDATIONS – 3

PRIOR AUDIT FINDINGS/RECOMMENDATIONS – 10

This review summarizes the reports on Chicago State University (CSU) for the year ended June 30, 2020. The financial audit was filed with the Legislative Audit Commission on May 25, 2021, and the single audit and compliance examination was filed on June 2, 2021. The auditors performed the audits in accordance with state law, Government Auditing Standards, the Single Audit Act and applicable federal regulations. The auditors stated that the financial statements were fairly presented.

CSU is governed by the Chicago State University Board of Trustees, which is comprised of seven members appointed by the Governor with the advice and consent of the State Senate. There is also one voting student member elected to a one-year term by the student body.

CSU's mission is to transform students' lives by innovative teaching, research and community partnership through excellence in ethical leadership, cultural enhancement, economic development and justice. CSU works toward six strategic goals as it seeks to fulfill its mission:

- Academic Excellence, Innovation and Student Transformation
- Student Enrollment, Retention and Graduation
- University Culture, Climate and Accountability
- Strengthened Infrastructure
- Cost Efficiencies and Diverse Revenue Streams
- Community Service, Urban Leadership and Economic Engagement

CSU was served by Zaldwaynaka "Z" Scott who became President on July 1, 2018. President Scott served on the CSU's Board from 2009 to 2013. She is an attorney and a former federal prosecutor and university professor as well as Illinois' first Executive Inspector General for the Agencies of the Governor and its public universities.

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General Information

The following is a summary of net assets of CSU:

	FY19	FY20
Current Assets	\$ 35,060,064	\$ 31,074,512
Noncurrent Assets	145,822,348	146,083,927
Total	\$ 180,882,412	\$ 177,158,439

Current assets are expected to be converted to cash within one year, whereas noncurrent assets are considered long-term and the full value would not be recognized for at least a year.

The number of Average Full-time Employees at CSU during FY19 and FY20 were as follows:

	FY19	FY20
Faculty	244	237
Academic Professionals	55	50
Support Staff	375	380
Other	199	209
TOTAL	873	876

The other category includes Federal Work Study students and extra help staff.

Enrollment at CSU for each term for Academic Year 2018-2019 and Academic Year 2019-2020 were as follows:

	2018-19	2019-20
Fall	2,964	3,039
Spring	2,701	2,707
Summer	1,026	1,094

In FY20 the University had a Full-time Equivalent (FTE) enrollment of 4,832 students, compared to 4,777 students in FY19, a 1.2% increase. The University's instructional expense cost per FTE student was \$8,477 in FY20 compared to \$8,367 in FY19, a 1.3% increase.

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The number of Overtime Hours Paid and their values by operational division during FY19 and FY20 were as follows:

Division	FY19		FY20	
	Overtime Hours Paid	Value	Overtime Hours Paid	Value
Office of the President	7,426	\$ 435,355	5,377	\$ 322,549
Office of the Provost	747	\$ 34,074	896	\$ 43,772
Financial Affairs	774	\$ 18,877	484	\$ 16,411
Enrollment	60	\$ 2,593	79	\$ 3,614
Management				
Administrative Services	14,171	\$ 912,413	12,862	\$ 914,474
Total	23,178	\$ 1,403,312	19,698	\$ 1,300,820

Appropriations and Expenditures

The General Assembly appropriated approximately \$36.9 million to CSU in FY20 compared to about \$35.3 million in FY19, representing an increase of almost \$1.7 million, or approximately 4.7%. CSU's expenditure authority in FY20 included \$35 million from the Education Assistance Fund; \$1.6 million from the Chicago State University Education Improvement Fund; and \$307,000 from the General Professions Dedicated Fund.

In FY20, the revenues to the Income Fund, comprised of tuition revenue, laboratory fees, late registration fees, NSF check fees, graduation fees, transcript fees, application fees, interest income and miscellaneous other income. Income Fund expenditures were approximately \$28.8 million in FY20, outpacing Income Fund revenues by \$2.7 million. Income Fund expenditures decreased \$321,340, or 1.1%, from FY19 to FY20.

Total expenditures from appropriations and income fund were \$65.7 million in FY20 and \$64.3 million in FY19, representing a 2.1% increase. CSU spent \$36.9 million in State appropriations and \$28.8 million in Income Fund Revenues in FY20 compared to \$35.3 million in state appropriations and \$29.1 million in Income Fund revenues in FY19.

Revenues, Expenses and Change in Net Position

Operating revenues for CSU and the Chicago State Foundation (CSF or Foundation), or revenue from doing normal mission-related activities, were \$32.5 million in FY20, which was a decrease of \$1.8 million, or 5.4%, compared to FY19. State appropriations, gifts, and investments are defined as non-operating revenues, and totaled \$75.2 million at June 30, 2020 for CSU and the CSF, which was a decrease of \$3.3 million, or 4.6%, from FY19. CSU and the Foundation's combined operating expenses were

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approximately \$112 million in FY20, which was an increase of \$1.9 million, or 1.7% over FY19.

CSU and the Foundation's combined net position at the beginning of FY20 was \$153.4 million, which was a decrease of \$2.1 million, or 1.4%, compared to FY19. At the end of FY20, net position for CSU was \$143.6 million. The net position for the Foundation at the end of FY20 was \$8 million. The total combined net position for NEIU and the Foundation at the end of FY20 was \$151.6 million.

Accounts Receivable

Accounts receivable consisted of the following at June 30, 2020:

Student tuition and fees	\$ 13,847,467
Federal, State and private grants and contracts	2,355,048
Third party and other receivable	<u>831,840</u>
Total gross receivable	17,034,355
Less allowance for doubtful accounts	<u>(11,468,371)</u>
Net accounts receivable	<u>\$ 5,565,984</u>

Cash Flows

CSU's cash or cash equivalents, which are assets that can be converted to cash immediately, were \$22.9 million at the end of FY20. The Foundation's cash or cash equivalents were \$445,979.

Property and Equipment

The beginning balance as of FY20 was \$279.2 million and the ending balance was \$281.9 million. The net increase was due primarily to construction in progress and additions in equipment and library books. The vast majority, 72%, of the balance is in buildings and building improvements.

Foundation Payments to the University

CSU and the Foundation, under the terms of a "Memorandum of Understanding" (MOU) effective May 14, 2019, specified the relationship between the two organizations as required by the University Guidelines adopted on November 30, 1982, and revised on September 10, 1997, by the Legislative Audit Commission. Under the terms of the MOU, the Foundation is provided administrative support services by CSU, such as maintenance, telephone, personnel, and property control. The Foundation does not

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directly pay CSU for these services, which were valued at \$404,205 for the current fiscal year. The Foundation recognized these services as in-kind revenues and expenses on its financial statements.

The Foundation reciprocates by providing fundraising and other services to CSU. These services were valued at \$928,645 for the year ended June 30, 2020. Scholarships or stipends provided by CSF, which benefited CSU, totaled \$575,124 for the year ended June 30, 2020, and is included in the value of total services.

Since the Foundation information is discretely presented, the activities between CSF and CSU are not eliminated on the entity's financial statements. Conversely, the University and its component unit are consolidated on the state's comprehensive annual financial report, the following disclosure is presented.

<u>University</u>	<u>CSF</u>
Operating Expense	Operating Revenue
	\$ 404,205

Accountants' Findings and Recommendations

Condensed below are the 14 findings and recommendations included in the audit report. Of these, 3 are repeated from the previous audit. The following recommendations are classified on the basis of information provided by Chicago State University, via electronic mail received in July 2021.

1. The auditors recommend CSU do the following:

- Establish a user access matrix based on job responsibilities to prevent excessive access rights.
- Ensure access rights are periodically reviewed and appropriate changes are made. As part of the review of access rights, CSU should review and determine whether access rights of separated employees are removed or deactivated.
- Review access rights to ensure only users with job requirements have the ability to search for social security numbers within the systems and match them to University IDs, names, and birthdates.
- Encrypt laptops and workstations that store, process and contain confidential and sensitive information.
- Ensure anti-virus software is running on all servers and operating systems are upgraded to ensure availability of vendor support for issues encountered.

FINDING: *(Weaknesses over Computer Security)*

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CSU did not maintain adequate controls over computer security.

CSU had invested in computer hardware and systems and established several critical, confidential or financially sensitive systems for use in meeting its mission. However, CSU did not have controls to ensure adequate security controls over their computing environment. During testing, auditors noted:

- 3 of 8 (38%) user accounts of CSU's Enterprise Application Software (EAS) tested had excessive access rights allowing them to access other information which was not required based on their job responsibilities.
- 3 of 119 (3%) separated employees continued to have access in the EAS after separation; one of which accessed the system after the separation date. CSU performed an assessment, and no malicious activity was noted.
- Access to confidential information granted was not based on job responsibilities. Auditors noted 126 of 281 (45%) EAS users had the ability to search for social security numbers within the EAS and match them to CSU IDs, names, and birthdates. The job responsibilities of these users did not require access to this information.
- Network user accounts were not periodically reviewed. Auditors noted 75 separated employees continued to have access to the domain, 5,277 users never accessed their accounts, and 1,939 users had not accessed their accounts in over six months.
- Encryption software was not consistently installed on laptops and workstations storing CSU data. Auditors inspected laptops and workstations from departments that store confidential information and noted 4 of 9 (44%) workstations tested did not have encryption software installed.
- Servers and workstations were not secured properly. Auditors sampled 14 of 139 servers, and noted:
 - o six servers (43%) had outdated operating system;
 - o three servers (21%) were not supported; and
 - o ten servers (71%) did not have antivirus software installed.

Additionally, we sampled 25 of 729 workstations, noting:

- o 11 workstations (44%) had outdated operating system; and
- o 14 workstations (56%) did not have antivirus software and endpoint security installed.

CSU management indicated the above issues were due to the CSU's failure to consistently apply a role-based access level. In addition, CSU management indicated the lack of staff and related resources had undermined the manual processes CSU utilized to manage the end user experience.

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Failure to have adequate security controls over computing resources increases the risk of unauthorized access to the computing environment and the risk that confidentiality, integrity, and availability of systems and data will be compromised.

RESPONSE:

CSU agrees with these findings and is taking significant steps to resolve these issues. The following is a summary of steps being taken to resolve these findings:

- CSU is sourcing a new identity access management (IAM) platform that will provide a smoother and more effective onboarding and off-boarding mechanism to ensure the University is effectively managing its user accounts. This platform will also help build and support a new role-based approach to security.
- CSU is conducting a review of all access-based systems and integrating them into the IAM platform. This will ensure users only have access to systems they require.
- CSU is working with a vendor to implement security and encryption around personally identifiable information within the EAS.
- CSU has implemented an endpoint management technology and is in the process of walking the campus to add every endpoint (laptop, desktop, server) into the platform for centralized administration. CSU is encrypting all laptops/mobile devices and at the same time, ensuring the most current University supported anti-virus client is installed on each device.
- CSU is currently reviewing each server in the datacenter and performing a security assessment against each server. CSU intends to modernize, upgrade, or remove all outdated operating systems to implement an appropriate patching on each system.

UPDATED RESPONSE: Recommendation accepted and partially implemented.

Access rights have been periodically reviewed with all departments to ensure separated employees do not have access. CSU has been awarded a grant to fund a new identity access management platform which will further assist in on/offboarding and roles-based access. Laptop/workstation encryption, server anti-virus software, and operating system updates are in progress.

- 2. The auditors recommend CSU comply with its Change Management Policy, including the completion of Request for Change forms, approval of changes prior to development, and testing of changes prior to implementation to production. In addition, adequate segregation of duties should be observed to prevent the risk that unauthorized changes are implemented to production.**

FINDING: (Change Control Weaknesses)

Auditors tested a sample of nine changes made to CSU's Enterprise Application Software, noting:

- Eight changes (89%) did not have a change request documented.

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- Eight changes (89%) did not have evidence of approval prior to the development of the change.
- Seven changes (78%) were developed and deployed to the production environment by the same individual without maintaining adequate segregation of duties.
- Seven changes (78%) did not have evidence of user acceptance testing and approval prior to deployment of the changes to the production environment.

Failure to control changes increases the risk of unauthorized or improper changes to computer systems. Inadequate segregation of duties in the computing environment increases the risk that the confidentiality, integrity, and availability of data will be compromised.

RESPONSE:

CSU agrees with the recommendation and is working on the following:

- Updating the change control policy.
- Establishing a Change Advisory Board (CAB) with appropriate members within the CSU community to ensure adequate oversight of proposed changes.
- Creation of a new process to funnel all change requests to CAB for assessment.
- Updating documentation requirements around change requests.

UPDATED RESPONSE: Recommendation accepted and partially implemented.

Change control policy update is being finalized and consultant-led process implementation is expected to be complete by August 2021.

3. The auditors recommend CSU implement controls to ensure census data events are timely and accurately reported to SURS and CMS.

Further, they recommend CMS work with SURS and CMS to develop an annual reconciliation process of its active members' census data from its underlying records to a report from each plan of census data submitted to the plan's actuary. After completing an initial full reconciliation, CSU may limit the annual reconciliations to focus on the incremental changes to the census data file from the prior actuarial valuation, provided no risks are identified that incomplete or inaccurate reporting of census data may have occurred during prior periods.

Additionally, they recommend CSU work with SURS and CMS to identify and address any unremitted or erroneously remitted employee and, if applicable, employer contributions related to these events.

FINDING: *(Inadequate Internal Controls over Census Data)*

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CSU did not have adequate internal control over reporting its census data and did not have a reconciliation process to provide assurance census data submitted to its pension and other postemployment benefits (OPEB) plans was complete and accurate.

Auditors noted CSU's employees are members of both SURS for their pensions and the State Employees Group Insurance Program sponsored by the State of Illinois, CMS for their OPEB. In addition, auditors noted these plans have characteristics of different types of pension and OPEB plans, including single employer plans and cost-sharing multiple-employer plans.

During testing, auditors noted the following:

- CSU had not performed an initial complete reconciliation of its census data recorded by SURS and CMS to its internal records to establish a base year of complete and accurate census data.
- After establishing a base year, CSU had not developed a process to annually obtain from SURS and CMS the incremental changes recorded by SURS and CMS in their census data records and reconcile these changes back to CSU's internal supporting records.

Auditors performed detail testing and certain data analysis tests and noted the following additional exceptions:

- 1) 1 of 80 (1%) employees tested had a disability leave of absence reported as a termination by CSU to SURS and the employee's eventual return from leave was not reported by CSU to SURS.
- 2) Auditors conducted data matches of (1) individuals pulled from CSU's records whom CSU believed should have been participating in SURS during the census data accumulation period throughout FY18 and (2) CSU's faculty members teaching a class during the census data accumulation period throughout FY18 to SURS' records. As a result of this testing, auditors identified one individual who had been improperly excluded from participating in SURS, which resulted in this person not having any employee contributions collected by CSU and reported to SURS during the census data accumulation period throughout FY18.
- 3) 3 of 80 (4%) employees tested had two events reported to CMS 305 and 453 days after the effective date of the event and one event where the employee's insurance should have terminated due to the employee reaching the maximum leave of absence period in September 2017 which was never reported by CSU to CMS.
- 4) An analysis of transactions reported by CSU to SURS during the census data accumulation period throughout FY18, noting the following problems:

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- 6 of 120 (5%) employees reported as hired had actually been hired in other fiscal years. SURS determined the total potential impact to each employee's total service credit was it could be off by 1 to 2.75 years.
- One of one (100%) employee reported as laid off by CSU was untimely reported to SURS. SURS determined the total potential impact to the employee's total service credit was it could be off by 1 year.

5) As of the end of the census data accumulation year on June 30, 2018, auditors identified two employees where each employee's associated termination or rehire date(s) had been untimely reported to SURS. While these employees were all associated with CSU at June 30, 2018, some or all of these untimely reports may have occurred at other public universities and community colleges across the state. SURS determined these errors resulted in the employees being misclassified between the active, retired, and inactive member categories within SURS. The total potential impact to each former employee's total service credit was it could be off between 0.0 and 1.75 years.

CSU management indicated CSU did not have adequate internal controls or reconciliation structures in place to ensure accuracy of census data between SURS, CMS, and its own supporting records retained at the University.

Failure to ensure complete and accurate census data was reported to SURS and CMS could have resulted in a material misstatement of CSU's financial statements and reduced the overall accuracy of pension/OPEB-related liabilities, deferred inflows and outflows of resources, and expense recorded by the state, the state's agencies, and other public universities and community colleges across the state. In addition, failure to reconcile active members' census data reported to and held by SURS and CMS to CSU's internal records could result in each plan's actuary relying on incomplete or inaccurate census data in the calculation of CSU's pension and OPEB balances, which could result in a material misstatement of these amounts.

RESPONSE:

CSU agrees with the recommendation and will work with SURS and CMS to develop a reconciliation process. CSU will request necessary employee visa data from SURS and Governor State University and act accordingly based on information received. Internal workflows and procedures will be documented and improved to minimize mistakes. Additionally, cross-training will be performed to provide improved backup and a system of secondary review.

UPDATED RESPONSE: Recommendation accepted and 75% implemented. This finding is not expected to repeat.

- 4. The auditors recommend CSU implement controls to ensure proper recording of grant expenditures.**

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FINDING: *(Lack of Adherence to Controls and Noncompliance with Requirements Applicable to the Center for STEM Education and Research)*

Federal Department: U.S. Department of Education
CFDA Number: 84.382
Program Name: The Center for STEM Education & Research at Chicago State University (CSER)
Program Expenditures: \$413,134
Award Number: P382A150041-19
Questioned Cost: None

During the testing of 40 CSER program expenditures (the sample was not intended to be, and was not, a statistically valid sample) totaling \$101,702, auditors noted the following:

- One refund related to a canceled travel expenditure (totaling \$8,032) was incorrectly recoded resulting in an understatement of expenditures reported in the general ledger and Schedule of Expenditures of Federal Awards (SEFA) by \$16,064. CSU management corrected the SEFA for the year ended June 30, 2020 and the adjustment to the general ledger was posted after June 30, 2020.
- Three FY19 expenditures related to goods and services (totaling \$6,116) were included in the total expenditures reported in the general ledger and SEFA for FY20. This resulted in an overstatement of expenditures reported in the general ledger and SEFA by the same amount. CSU management corrected the SEFA for the year ended June 30, 2020; however, the adjustment to the general ledger was passed.

University management indicated these issues were due to oversight.

Failure to properly record grant expenditures may result in federal expenditures being disallowed and could jeopardize future federal funding.

RESPONSE:

CSU agrees with the recommendation and has provided additional training to staff on the review and posting of applicable journal entries. Additionally, established internal control procedures over the year-end accrual process has been reiterated.

UPDATED RESPONSE: Recommendation accepted and 80% implemented.

Additional monitoring will occur over the accrual process during the end of year closing process.

- 5. The auditors recommend CSU implement controls to ensure timely posting of reporting requirements of the grant on the CSU website.**

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FINDING: *(Lack of Adherence to Controls and Noncompliance with Requirements Applicable to the Education Stabilization Fund)*

Federal Department: U.S. Department of Education
CFDA Number: 84.425E
Program Name: Education Stabilization Fund - COVID-19 - HEERF Student Portion
Program Expenditures: \$839,500
Award Number: P425E201661
Questioned Cost: None

CSU did not comply with the reporting requirement applicable to its Education Stabilization Fund - Higher Education Emergency Relief Fund (HEERF) Student Aid Portion.

During the review of the CSU's compliance with the HEERF program, auditors noted CSU failed to post certain information on its website within the required timeframe. Specifically, CSU posted the required information on its website 52 days after the receipt of funds.

CSU management indicated the late posting was due to oversight.

Failure to comply with grant reporting requirements of the HEERF program results in noncompliance with the CARES Act and the Code and could jeopardize future federal funding.

RESPONSE:

CSU agrees with the recommendation and has developed controls to ensure CARES Act reports are posted in a timely manner. The instituted controls have allowed all subsequent reports to be posted timely.

UPDATED RESPONSE: Recommendation accepted and fully implemented.

This finding is not expected to repeat.

6. The auditors recommend CSU ensure proper controls over the preparation and review of the SEFA have been designed and implemented effectively.

FINDING: *(Inadequate Controls Over the Preparation of the Schedule of Expenditures of Federal Awards)*

Federal Department: U.S. Department of Education
CFDA Numbers: 84.268; 84.382
Program Names: Federal Direct Student Loans and The Center for STEM Education & Research at Chicago State University (CSER)
Program Expenditures: \$30,662,231; \$413,134
Award Numbers: P268K201351; P382A150041-19

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Questioned Cost: None

CSU provided its SEFA to the auditors on October 12, 2020. The following errors were noted during review of the SEFA:

- Federal awards expended for Federal Direct Student Loans and CSER grant were understated on the SEFA by \$1,292,960 and \$9,948, respectively.
- Federal awards provided to a subrecipient for the CSER grant, totaling \$52,671, were not included in the SEFA, resulting in an understatement of SEFA expenditures passed through to subrecipients for the same amount.

CSU subsequently corrected the above errors by updating the SEFA as required.

CSU management indicated the financial data reported in the SEFA was generated by multiple units, but only reviewed by a small subset of those units, thus errors were not timely detected during preparation.

RESPONSE:

CSU agrees with the recommendation and will develop and implement an updated internal control procedure for preparing the annual SEFA.

UPDATED RESPONSE: Recommendation accepted and partially implemented.

Internal controls are being enhanced for the FY21 SEFA. This finding is not expected to repeat.

- 7. The auditors recommend CSU establish appropriate procedures to ensure all contracts are completed, approved, and properly executed prior to the commencement of services and total payments to vendors do not exceed contracted amounts. Further, CSU should review procedures to ensure disclosures are obtained prior to the execution of contracts, and contracts are supported by three price quotes when required, posted in the Illinois Procurement Bulletin, and filed with the Office of Comptroller in accordance with the State statutes and guidelines.**

FINDING: *(Inadequate Controls over Contractual Services Expenditures)*

During the review of 25 contracts (totaling \$2,303,507), including purchase orders, executed during the fiscal year ended June 30, 2020, auditors noted the following:

- One contract (totaling \$900,000) was not approved by CSU's Board of Trustees.
- Two exempt purchases (totaling \$260,581) were not published in the Illinois Procurement Bulletin.

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- Five contracts (totaling \$1,096,695) were executed subsequent to the start date of the contracts. The contract execution dates ranged from 37 to 120 days from the commencement of services.
- Seven contracts (totaling \$376,075) were not submitted or submitted timely to the Office of Comptroller. Of the seven contracts, three contracts (totaling \$192,260) were filed 5 to 379 days late and the remaining four contracts (totaling \$183,815) were not filed.
- Two contracts (totaling \$183,178) did not contain disclosure of financial interest statements.
- Two contracts (totaling \$208,755) did not include standard vendor certifications.
- Three contracts (totaling \$174,754) were not supported by three price quotes from vendors on the University's bidders list.
- One contract (totaling \$18,000) was paid \$1,500 more than the amount indicated in the contract.

This finding was first reported during the year ended June 30, 2016. In the subsequent years, the University has been unsuccessful in implementing appropriate procedures.

CSU management indicated, as they did in the prior year, staffing shortages hindered their ability to adequately perform these functions.

RESPONSE:

CSU agrees with the recommendation. Many of the procurement policies and procedures were updated and re-written. In addition, regular training on key topics are being held monthly. A vendor audit will be conducted to reaffirm terms of engagement with all vendors that serve CSU, and to enlist the vendors as partners in the compliance efforts.

UPDATED RESPONSE: Recommendation accepted and partially implemented.

A comprehensive update to policy and procedure guidance was developed and rolled out through a number of general and targeted training sessions. Additional outreach to vendors is planned.

8. The auditors recommend CSU enhance its controls over employee verifications to ensure timely completion and proper retention of I-9 forms.

FINDING: *(Completion and Retention of Employment Eligibility Verification Form)*

During review of 40 employees' (current and terminated during the year) personnel records, auditors noted the following:

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- I-9 forms for four (10%) employees were not found in their personnel files. Of the four employees, one was terminated during the fiscal year, and the remaining three were current employees with hire dates ranging from September 1997 to August 2003. Upon bringing the issue to their notice, the University completed I-9 forms for the three current employees.
- One (3%) employee's I-9 form did not have Section 2 of the I-9 form completed by the University.

This finding was first reported during the fiscal year ended June 30, 2018. In the subsequent years, CSU has been unsuccessful in implementing appropriate procedures to enhance its controls over employee verifications.

CSU management indicated these issues were due to oversight.

Failure to complete and retain I-9 forms within the required timeframe is a violation of federal laws and USCIS requirements and could expose CSU to penalties.

RESPONSE:

CSU agrees with the recommendation. All missing I-9s were identified. Employees with missing I-9s were contacted and a process was created to re-verify the I-9s, including for employees who are working remotely. Procedures for I-9 completion and record management were updated.

UPDATED RESPONSE: Recommendation accepted and 95% implemented.

This finding not expected to repeat.

- 9. The auditors recommend CSU review its process and consider changes necessary to ensure full participation in the Initiative by submitting the required number of courses to the Initiative.**

FINDING: (Noncompliance with the Illinois Articulation Initiative Act)

The Chicago State University (University) did not submit a minimum of one course per major under the Illinois Articulation Initiative (Initiative) for some majors offered by the University.

The Initiative, through its itransfer.org website, exists to ease the transfer of students among the state's associate and baccalaureate degree granting institutions. The Initiative consists of both a General Education Core Curriculum package, where completion of the entire package at one institution is fully accepted by 111 institutions across the state, and an Initiative major, which are common courses at the lower-division level that can be used to ensure students are prepared for upper-division work at 79 institutions across the state.

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During testing, auditors noted CSU did not have a minimum of one course included within the related Initiative major for its art, business, early childhood education, physics, and political science degree programs.

CSU management indicated they held a different interpretation of the guidelines which resulted in the issue noted above.

RESPONSE:

CSU agrees with the recommendation. CSU has reviewed the guidelines for general education and major courses and sought clarity through the IAI program. A new process has been implemented to ensure compliance with the Illinois Articulation Initiative Act.

UPDATED RESPONSE: Recommendation accepted and partially implemented.

Final implementation is scheduled for September. This finding is not expected to repeat.

10. The auditors recommend CSU develop and implement procedures to ensure compliance with the requirements of the Act and the Code.

FINDING: *(Noncompliance with the Higher Education Student Assistance Act)*

During review of CSU's compliance with the requirements of the AIM HIGH Grant Pilot Program, auditors noted CSU failed to do the following:

- Post on its Internet website one of eight eligibility criteria for awarding the grant specifying the applicant must not be incarcerated.
- Submit its most recent headcount enrollment to ISAC on time. CSU submitted the information 2 days late.
- Communicate to students the renewal award of funds is contingent on funding availability.

CSU management indicated oversights occurred when posting the criteria and notifications to the website as well as in the submission of the headcount to ISAC.

RESPONSE:

CSU agrees with the recommendation. Updates have been made to ensure that the website reflects all required criteria. Procedures such as calendar reminders to review and verify the website as well as provide timely submission of email responses have been implemented.

UPDATED RESPONSE: Recommendation accepted and fully implemented.

This finding is not expected to repeat.

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- 11. The auditors recommend CSU ensure quarterly accounts receivable and locally held fund reports are adequately supported and accurately prepared prior to the submission to the Office of Comptroller.**

FINDING: *(Inaccurate Accounts Receivable and Locally Held Funds Reporting)*

On a quarterly basis, CSU submits accounts receivable reports to the Office of Comptroller to report accounts receivables activity. These reports include the Quarterly Summary of Accounts Receivable - Accounts Receivable Activity (Form C-97), Aging of Total Gross Receivables (Form C-98), and External Collections Activity for Accounts over 180 Days Past Due (Form C-99).

During review of accounts receivable reports for the quarters ended September 30, 2019 and June 30, 2020, auditors noted the restricted accounts receivable activities (additions and collections) and aging of receivable balances were not adequately supported. As a result, auditors were unable to determine the accuracy of accounts receivable activities and aging information related to current restricted accounts receivable balances reported in Forms C-97, C-98, and C-99 as of September 30, 2019 and June 30, 2020. The net balance of restricted accounts receivable totaled \$3,960,010 and \$1,282,750 as of September 30, 2019 and June 30, 2020, respectively. The misclassification of activities between additions and collections had no effect on the net accounts receivable balances reported in the September 30, 2019 and June 30, 2020 quarterly reports.

Even given the population limitations noted above which hindered auditor's ability to conclude whether the quarterly accounts receivable report for restricted accounts were complete and accurate, auditors performed a review of the University's quarterly accounts receivable reports.

Further, the University also submits, on a quarterly basis, the Report of Receipts and Disbursements for Locally Held Funds (Form C-17) for its 13 funds to report on the fiscal year-to-date receipts and disbursements for each fund. During review of the locally held funds reports for the quarters ended September 30, 2019 and June 30, 2020, auditors noted the receipts from student fees, totaling \$522,623, for one fund were improperly classified as licenses, fees or registration for the quarter ended September 30, 2019. The misclassification had no impact in the total receipts and cash balance reported in the September 30, 2019 quarterly report.

CSU management indicated these conditions were due to employee oversight.

Failure to accurately report accounts receivable and locally held fund balances and maintain supporting documentation inhibits the ability to perform tests of compliance of the reports and could result in inaccurate data being included in the state's annual report.

RESPONSE:

CSU agrees with the recommendation. Retraining of staff in the preparation of the applicable reports to ensure proper support exists, is being done. Additionally, previously

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submitted FY21 accounts receivable reports will be reviewed, corrected and resubmitted to the Office of Comptroller, as necessary.

UPDATED RESPONSE: Recommendation accepted and fully implemented.

This finding is not expected to repeat.

12. The auditors recommend CSU do the following:

- **Obtain SOC reports or perform independent reviews of internal controls associated with outsourced systems at least annually.**
- **Monitor and document the operation of the CUECs relevant to the University's operations.**
- **Review contracts with service providers to ensure applicable requirements over the independent review of internal controls are included.**

In addition, if the SOC Report documents subservice providers, CSU should:

- **Either obtain and review SOC reports for subservice organizations or perform alternative procedures to satisfy the usage of the subservice organizations would not impact the University's internal control environment.**
- **Document its review of the SOC reports and review all significant issues with subservice organizations to ascertain if a corrective action plan exists and when it will be implemented, any impacts to the University, and any compensating controls.**

FINDING: *(Lack of Adequate Controls over Review of Internal Controls over Service Providers)*

CSU entered into agreements with various service providers to assist in some of its needed processes to operate effectively and efficiently such as: (1) payment system for receipts and expenditures, (2) purchasing system, (3) processing payments to Perkins student loans, and (4) tracking of University property and equipment.

During testing of six service providers, auditors noted CSU had not:

- **Obtained System and Organization Controls (SOC) reports.** Subsequent to our request, the University was able to provide the SOC reports for five of the six service providers.
- **Documented its review of each of the SOC reports.**
- **Monitored and documented the operation of the Complementary User Entity Controls (CUECs) relevant to CSU's operations.**

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- Obtained and reviewed SOC reports for subservice organizations or performed alternative procedures to determine the impact on its internal control environment.

Additionally, auditors noted the contracts between CSU and the service providers did not contain a requirement for an independent review to be completed.

CSU is responsible for the design, implementation, and maintenance of internal controls related to information systems and operations to ensure resources and data are adequately protected from unauthorized or accidental disclosure, modifications, or destruction. This responsibility remains with CSU even though the process was outsourced.

CSU management indicated they were not fully aware of the requirements to obtain, review and maintain annual SOC reports from their service providers.

Without obtaining and reviewing a SOC Report or conducting independent internal control review, CSU does not have assurance the service providers' internal controls are adequate.

RESPONSE:

CSU agrees with the recommendation and is undertaking the following action to resolve this issue:

- Reviewing all vendors in the procurement system determining where SOC reports are required.
- Creating a file sharing site to establish a central repository for storing SOC reports.
- Obtaining and uploading annual SOC reports issued within the last 12 months.
- Build SOC reporting requirements within the procurement process, where appropriate.

UPDATED RESPONSE: Recommendation accepted and partially implemented.

A third-party risk review policy has been developed. SOC reports were obtained and reviewed for third-party service providers. A cross departmental process has been devised to request and review reports annually. This finding is not expected to repeat.

13. The auditors recommend CSU do the following:

- **Formalize, approve, and communicate information security policies.**
Additionally, CSU should develop policies related to:
 - **Security training,**
 - **System development,**
 - **Project management,**
 - **Security incident response,**
 - **Patch management, and**
 - **Breach notification.**

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- Establish a process that ensures appropriate security structure is established at service providers to ensure resources and data are adequately protected from unauthorized or accidental disclosure, modification, or destruction.
- Classify its data to ensure adequate protection of confidential or personal information most susceptible to attack.
- Establish a cybersecurity awareness program that includes required annual cybersecurity awareness training which covers identifying security threats, an overview of information security policies and procedures, and security incident response process.

FINDING: *(Weaknesses in Cybersecurity Programs and Practices)*

Given CSU's responsibilities, it maintains a substantial amount of personal and confidential information, including Social Security numbers, addresses, and educational records.

CSU had not formalized its security policies. Additionally, CSU had not developed policies related to:

- Security training,
 - System development,
 - Project management,
 - Security incident response, and
 - Patch management.
- CSU did not ensure an appropriate security structure was established to ensure its resources and data are adequately protected.
 - CSU did not classify its data to identify and ensure adequate protection of information.
 - CSU did not conduct cybersecurity training during the examination period.

Additionally, CSU had not adopted a breach notification policy to comply with the requirements of the Personal Information Protection Act (815 ILCS 530).

CSU management stated the exceptions were due to lack of sufficient resources to proactively monitor, manage, and update the security posture. In addition, CSU's existing infrastructure lacked the automation functionality found in most modern technologies.

The lack of adequate cybersecurity programs and practices could result in unidentified risk and vulnerabilities and ultimately lead to CSU's volumes of confidential and personal information being susceptible to cyber-attacks and unauthorized disclosure.

RESPONSE:

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CSU agrees with the recommendation and is undertaking the following actions in response:

- Engaging a firm to help update and enhance current IT policies, including IT security policies.
- Creating an IT security position and will begin hiring for this role. In the short-term, an interim security person will be hired until the permanent role is filled.
- Acquiring and deploying a third-party platform to support the cybersecurity awareness program.
- As part of the IT security policy updates, establishing a formal data classification program and policy for users throughout the campus.

UPDATED RESPONSE: Recommendation accepted and partially implemented.

A full slate of security and other IT related policies is being finalized. Cybersecurity training and testing has occurred, and a comprehensive security program is underway.

14. The auditors recommend CSU update its Plan and perform disaster recovery testing at least annually.

FINDING: *(Inadequate Disaster Recovery Process)*

CSU did not ensure an adequately updated and tested recovery plan existed to ensure timely recovery of critical computer systems.

CSU had a disaster recovery plan (Plan) to guide CSU in the recovery of its computing and network facilities in the event of a disaster. However, the Plan was last revised in 2016 and did not depict the current environment. Additionally, CSU did not perform disaster recovery testing during the examination period.

CSU Management stated the ongoing transition of the IT Division and the lack of staff and related resources prevented CSU in updating the Plan and regular testing of the disaster recovery capabilities of the University.

RESPONSE:

CSU agrees with the recommendation and is pursuing the following actions:

- CSU has recently updated its entire backup architecture. The next step in this process is to locate a suitable alternate site to locate backups. CSU is in conversations with several sister universities around leveraging space in their data center, as well as talking to several third-party data centers in the Chicago area.
- Policies and procedures will be updated to reflect the new disaster recovery site design and incorporate an annual test into the plan.

UPDATED RESPONSE: Recommendation accepted and partially implemented.

Backup architecture was updated. Alternate site location to be finalized. Redundant ISPs have been configured in separate on-campus locations. Disaster recovery policies have

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been updated. CSU's ERP and email platform will be migrating to a hosted solution which significantly reduces the risk. Further planning and testing to be scheduled.

Emergency Purchases

Notice of all emergency procurement shall be provided to the Procurement Policy Board and published in the online electronic Bulletin no later than five business days after the contract is awarded. Notice of intent to extend an emergency contract shall be provided to the Procurement Policy Board and published in the online electronic Bulletin at least 14 days before the public hearing.

A chief procurement officer making such emergency purchases is required to file a statement with the Procurement Policy Board and the Auditor General to set forth the circumstance requiring the emergency purchase. The Legislative Audit Commission receives quarterly reports of all emergency purchases from the Office of the Auditor General. The Legislative Audit Commission is directed to review the purchases and to comment on abuses of the exemption.

In the first quarter of FY20, the Legislative Audit Commission recorded an emergency purchase of \$45,306 on behalf of CSU. This emergency purchase of IT Disaster Recovery Services was required due to a situation in which action was warranted to ensure integrity of university records.

Headquarters Designations

The State Finance Act requires all state agencies to make semiannual headquarters reports to the Legislative Audit Commission. Each state agency is required to file reports of all its officers and employees for whom official headquarters have been designated at any location other than that at which official duties require them to spend the largest part of their working time.

As of July 2021, CSU stated that 12 employees assigned to locations others than official headquarters.