

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
COMPLIANCE EXAMINATION**

**(In Accordance with the Single Audit Act
and OMB Circular A-133)**

FOR THE YEAR ENDED JUNE 30, 2008

**Performed as Special Assistant Auditors
for the Auditor General, State of Illinois**

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
COMPLIANCE EXAMINATION**

(In Accordance With the Single Audit Act and OMB Circular A-133)

For the Year Ended June 30, 2008

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Financial Statement Report

The University's financial statement report for the year ended June 30, 2008, which includes the report of independent auditors, management's discussion and analysis, required supplementary information other than management's discussion and analysis, basic financial statements and notes, supplementary information, and the independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of basic financial statements performed in accordance with *Government Auditing Standards* has been issued separately.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
COMPLIANCE EXAMINATION**

(In Accordance With the Single Audit Act and OMB Circular A-133)

For the Year Ended June 30, 2008

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**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY**

AGENCY OFFICIALS

CHICAGO STATE UNIVERSITY

Interim President	Dr. Frank G. Pogue (07/15/08 to current)
President	Vacant (07/01/08 to 07/14/08)
President	Dr. Elnora D. Daniel (07/01/07 to 06/30/08)
Interim Vice President Administration and Financial Affairs	Dr. Dean Justmann (08/01/08 to current)
Acting Vice President Administration and Financial Affairs	Mr. Richard Parker (01/03/08 to 7/31/08)
Vice President Administration and Financial Affairs	Vacant (01/01/08 to 01/03/08)
Vice President Administration and Financial Affairs	Mr. Alan D. Robertson, CPA (07/01/07 to 12/31/07)
Director of Accounting	Mr. John Frizzell (05/12/08 to current)
Director of Accounting	Vacant (01/16/08 to 05/11/08)
Director of Accounting	Mr. Jamshaid Nasim (07/01/07 to 01/15/08)
Director of Internal Audit	Mr. John C. Meehan

Agency offices are located at:

9501 South Martin Luther King Drive
Chicago, IL 60628



9501 S. King Drive / ADM 313
Chicago, Illinois 60628-1598

April 20, 2009

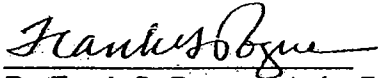
De Raimo Hillger & Associates
Certified Public Accountants
655 N. La Grange Road, Suite 102
Frankfort, IL 60423-1347

Ladies and Gentlemen:

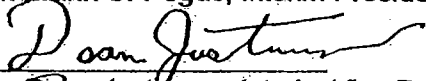
We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Chicago State University. We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of the Chicago State University's compliance with the following assertions during the one-year period ended June 30, 2008. Based on this evaluation, we assert that during the year ended June 30, 2008 Chicago State University has materially complied with the assertions below.

- A. Chicago State University has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. Chicago State University has obligated, expended, received and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. Chicago State University has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by Chicago State University are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. Money or negotiable securities or similar assets handled by Chicago State University on behalf of the State or held in trust by the agency have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

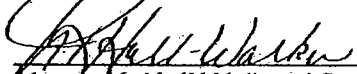
Yours very truly,



Dr. Frank G. Pogue, Interim President



Dr. Dean Justmann, Interim Vice President of Administration and Financial Affairs



Nancy K. Hall Walker, Vice President of General Counsel, Labor & Legal Affairs

COMPLIANCE REPORT

SUMMARY

The compliance testing performed in this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

ACCOUNTANTS' REPORTS

The Independent Accountants' Report on State Compliance, on Internal Control Over Compliance and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers or other significant non-standard language.

SUMMARY OF FINDINGS

<u>Number of</u>	<u>Report</u>	<u>Prior Reports</u>
Findings	20	17
Repeated findings	12	8
Prior recommendations implemented or not repeated	5	5

Details of findings are presented in the separate tabbed sections of this report.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS AND QUESTIONED COSTS <u>(GOVERNMENT AUDITING STANDARDS)</u>			
08-1	18	Financial Statement Adjustments	Material Noncompliance Material Weakness
08-2	21	Generally Accepted Accounting Principles(GAAP) Not Properly Applied to Voluntary Nonexchange Transactions	Material Noncompliance Material Weakness
08-3	23	Uncollateralized Deposit Accounts and Untimely Bank Reconciliations	Noncompliance Significant Deficiency
08-4	25	Failure to Monitor Compliance with Unclaimed Property Act	Noncompliance Significant Deficiency
08-5	26	Inaccurate Statement of Cash Flow	Material Noncompliance Material Weakness
08-6	28	Management's Discussion and Analysis	Material Noncompliance Material Weakness

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
JUNE 30, 2008
COMPLIANCE REPORT
SUMMARY (Continued)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS AND QUESTIONED COSTS			
<u>(GOVERNMENT AUDITING STANDARDS)(Continued)</u>			
08-7	30	Inaccurate Supplementary Information for State Compliance Purposes	Noncompliance Significant Deficiency
08-8	32	Purchasing Card Processing Errors	Noncompliance Significant Deficiency
FINDINGS AND QUESTIONED COSTS			
<u>(FEDERAL COMPLIANCE)</u>			
08-9	34	Inadequate Documentation for Federal Program Expenditures	Material Noncompliance Material Weakness
08-10	36	Failure To Comply with Cash Management Requirements	Noncompliance Significant Deficiency
08-11	37	Incorrect Signed Promissory Notes For Federal Perkins Loans	Material Noncompliance Material Weakness
08-12	38	Student Financial Aid Not Reconciled on A Monthly Basis	Material Noncompliance Material Weakness
<u>FINDINGS (STATE COMPLIANCE)</u>			
08-13	41	Inadequate Controls Over Contracting Procedures	Material Noncompliance Material Weakness
08-14	44	Failure to File Contracts with State Comptroller and Noncompliance with Illinois Procurement Code	Noncompliance Significant Deficiency
08-15	46	Employee Travel and Use of University Credit Card	Noncompliance Significant Deficiency
08-16	48	Untimely Reconciliation of Agency's Records to Comptroller's Monthly Reports	Noncompliance Significant Deficiency
08-17	49	Time Sheets Not Maintained in Compliance with the State Officials and Employee Ethics Act	Noncompliance Significant Deficiency
08-18	50	Noncompliance with Illinois Human Rights Act	Noncompliance Significant Deficiency

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
JUNE 30, 2008
COMPLIANCE REPORT
SUMMARY(Continued)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
<u>FINDINGS (STATE COMPLIANCE)(Continued)</u>			
08-19	51	Inaccurate Agency Report of State Property	Noncompliance Significant Deficiency
08-20	52	Noncompliance with Chicago State University Law	Noncompliance Significant Deficiency

In addition, the following findings which are reported as current findings and questioned costs relating to *Government Auditing Standards* also meet the reporting requirements for State compliance.

08-1	18	Financial Statement Adjustments	Material Noncompliance Material Weakness
08-2	21	Generally Accepted Accounting Principles(GAAP) Not Properly Applied to Voluntary Nonexchange Transactions	Material Noncompliance Material Weakness
08-3	23	Uncollateralized Deposit Accounts and Untimely Bank Reconciliations	Noncompliance Significant Deficiency
08-4	25	Failure to Monitor Compliance with Unclaimed Property Act	Noncompliance Significant Deficiency
08-5	26	Inaccurate Statement of Cash Flow	Material Noncompliance Material Weakness
08-6	28	Management's Discussion and Analysis	Material Noncompliance Material Weakness
08-7	30	Inaccurate Supplementary Information for State Compliance Purposes	Noncompliance Significant Deficiency
08-8	32	Purchasing Card Processing Errors	Noncompliance Significant Deficiency

In addition, the following findings which are reported as current findings and questioned costs relating to Federal Compliance also meet the reporting requirements for State compliance.

08-9	34	Inadequate Documentation for Federal Program Expenditures	Material Noncompliance Material Weakness
08-10	36	Failure To Comply with Cash Management Requirements	Noncompliance Significant Deficiency
08-11	37	Incorrect Signed Promissory Notes For Federal Perkins Loans	Material Noncompliance Material Weakness

STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
JUNE 30, 2008
COMPLIANCE REPORT
SUMMARY (Continued)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
<u>FINDINGS (STATE COMPLIANCE)(Continued)</u>			
08-12	38	Student Financial Aid Not Reconciled on A Monthly Basis	Material Noncompliance Material Weakness

PRIOR FINDINGS NOT REPEATED
(GOVERNMENT AUDITING STANDARDS)

None

PRIOR FINDINGS NOT REPEATED
(FEDERAL COMPLIANCE)

- A 53 Grant Expenditures Not Properly Bid
- B 53 Incorrect Reporting on Schedule of Expenditures of Federal Awards

PRIOR FINDINGS NOT REPEATED (STATE COMPLIANCE)

- C 53 Noncompliance with Travel Regulations
- D 54 Noncompliance with Chicago State University Law
- E 54 Inadequate Controls Over Property and Equipment Records

EXIT CONFERENCE

University management waived having an exit conference per correspondence dated March 20, 2009.

Responses to the recommendations were provided by Dr. Dean Justmann in correspondence dated March 23, 2009.

DE RAIMO HILLGER & ASSOCIATES

Certified Public Accountants & Business Consultants

655 N. La Grange Road • Suite 102 • Frankfort, IL 60423-2912 • Telephone (815) 469-7500 • Facsimile: (815) 469-6970

JOHN J. DE RAIMO
FERNE M. HILLGER

INDEPENDENT ACCOUNTANTS' REPORT ON STATE COMPLIANCE, ON INTERNAL CONTROL OVER COMPLIANCE, AND ON SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have examined Chicago State University's compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the year ended June 30, 2008. The management of Chicago State University is responsible for compliance with these requirements. Our responsibility is to express an opinion on Chicago State University's compliance based on our examination.

- A. Chicago State University has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. Chicago State University has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. Chicago State University has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. The State revenues and receipts collected by Chicago State University are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. Money or negotiable securities or similar assets handled by Chicago State University on behalf of the State or held in trust by Chicago State University have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about Chicago State University's compliance with those requirements listed in the first paragraph of this report and performing such other procedures as we considered necessary in the

circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Chicago State University's compliance with specified requirements.

As described in finding 08-13 in the accompanying schedule of findings and questioned costs, Chicago State University did not comply with requirements regarding contracting procedures. Compliance with such requirements is necessary, in our opinion, for Chicago State University to comply with the requirements listed in the first paragraph of this report.

In our opinion, except for the noncompliance described in the preceding paragraph, Chicago State University complied, in all material respects, with the requirements listed in the first paragraph of this report during the year ended June 30, 2008. However, the results of our procedures disclosed other instances of noncompliance, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings and questioned costs as findings 08-9 through 08-12 and findings 08-14 through 08-20.

As required by the Audit Guide, immaterial findings relating to instances of noncompliance excluded from this report have been reported in a separate letter to your office.

Internal Control

The management of Chicago State University is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered Chicago State University's internal control over compliance with the requirements listed in the first paragraph of this report in order to determine our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of Chicago State University's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Chicago State University's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to comply with the requirements listed in the first paragraph of this report such that there is more than a remote likelihood that noncompliance with a requirement that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 08-1 through 08-20 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a requirement listed in the first paragraph of this report will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider items 08-1, 08-2, 08-5, 08-6, 08-9, 08-11, 08-12, and 08-13 to be material weaknesses.

As required by the Audit Guide, immaterial findings relating to internal control deficiencies excluded from this report have been reported in a separate letter to your office.

Chicago State University's response to the findings identified in our examination are described in the accompanying schedule of findings and questioned costs. We did not examine Chicago State University's response and, accordingly, we express no opinion on it.

Supplementary Information for State Compliance Purposes

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the business-type activities of Chicago State University and its discretely presented component unit as of and for the year ended June 30, 2008, which collectively comprise the Chicago State University's basic financial statements, and have issued our report thereon dated April 20, 2009. The accompanying supplementary information, as listed in the table of contents as Supplementary Information for State Compliance Purposes, is presented for purposes of additional analysis and is not a required part of the basic financial statements of Chicago State University. The 2008 Supplementary Information for State Compliance Purposes, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2008 taken as a whole. Chicago State University's financial statements for the year ended June 30, 2007, were audited by other auditors whose report thereon dated April 25, 2008, expressed unqualified opinions on the respective financial statements of the business-type activities. Their report on the 2007 Supplementary Information for State Compliance Purposes, except for the portion marked "unaudited" is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2007, taken as a whole.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, University management, the University Board of Trustees and federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

De Raimo Hillger & Associates

April 20, 2009

DE RAIMO HILLGER & ASSOCIATES

Certified Public Accountants & Business Consultants

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JOHN J. DE RAIMO
FERNE M. HILLGER

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the basic financial statements of the business-type activities of the Chicago State University as of and for the year ended June 30, 2008, which collectively comprise Chicago State University's basic financial statements and have issued our report thereon dated April 20, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Chicago State University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not for the purpose of expressing an opinion on the effectiveness of the Chicago State University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Chicago State University's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in findings 08-1, 08-2, 08-3, 08-4, 08-5, 08-6, 08-7, and 08-8 in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 08-1, 08-2, 08-5, and 08-6 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Chicago State University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 08-1 through 08-8.

We also noted certain matters which we have reported to management of the Chicago State University in a separate letter dated April 20, 2009.

Chicago State University's response to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit Chicago State University's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, University management, the University Board of Trustees and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

De Raimo Hillger & Associates

April 20, 2009

DE RAIMO HILLGER & ASSOCIATES

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JOHN J. DE RAIMO
FERNE M. HILLGER

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

We have audited the compliance of Chicago State University with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Chicago State University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Chicago State University's management. Our responsibility is to express an opinion on Chicago State University's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Chicago State University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Chicago State University's compliance with those requirements.

As described in item 08-9 in the accompanying schedule of findings and questioned costs, Chicago State University did not comply with requirements regarding allowable costs / cost principles that are applicable to its TRIO Cluster, Research and Development Cluster and Textbooks and Learning Materials program. Compliance with such requirements is necessary, in our opinion, for Chicago State University to comply with the requirements applicable to that program.

As described in item 08-11 in the accompanying schedule of findings and questioned costs, Chicago State University did not comply with requirements notifying borrowers in its Federal Perkins Loan Program. Compliance with such requirements is necessary, in our opinion, for Chicago State University to comply with the requirements applicable to these programs.

As described in item 08-12 in the accompanying schedule of findings and questioned costs, Chicago State University did not comply with requirements of monthly reconciliations of its federal program

As described in item 08-12 in the accompanying schedule of findings and questioned costs, Chicago State University did not comply with requirements of monthly reconciliations of its federal program records. Compliance with such requirements is necessary, in our opinion, for Chicago State University to comply with the requirements applicable to these programs.

In our opinion, except for the noncompliance described in the previous three paragraphs, Chicago State University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 08-9 through 08-12.

Internal Control Over Compliance

The management of Chicago State University is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Chicago State University's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of Chicago State University's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. *A significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 08-9 through 08-12 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 08-9, 08-11, and 08-12 to be material weaknesses.

Chicago State University's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Chicago State University's response and, accordingly, we express no opinion on it.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the business-type activities of Chicago State University and its discretely presented component unit, collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2008, and have issued our report thereon dated April 20, 2009. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Chicago State University's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, University management, the University Board of Trustees and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

De Raimo Hillger & Associates

April 20, 2009

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(s) identified that are not considered to be material weaknesses? yes none reported
- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(s) identified that are not considered to be material weakness(es)? yes none reported

Type of auditors' report issued on compliance for major programs: qualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

yes no

Identification of major programs:

	<u>CFDA No.</u>
Student Financial Aid Cluster	
Federal Work Study Program	84.033
Federal Pell Grant Program	84.063
Federal Supplemental Educational Opportunity Grants	84.007
Federal Perkins Loan Program	84.038
Federal Family Education Loans	84.032
Federal Academic Competitiveness Grant	84.375
National Science and Mathematics Access to Retain Talent (SMART) Grant	84.376
Nursing Student Loan Program	93.364
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925
TRIO Cluster	
Student Support Services	84.042
Talent Search	84.044
Upward Bound	84.047
Educational Opportunity Centers	84.066
Research & Development Cluster	
Biomedical Research and Research Training	93.859
Mental Health Research Grants	93.242
Child Health and Human Development Extramural Research	93.865
Education and Human Resources	47.076
Biological Sciences	47.074
Mathematical & Physical Sciences	47.049
Basic Scientific Research	12.431
Development of Fuel Cells for Mobile Robotic Systems	12.XXX

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

I. SUMMARY OF AUDITORS' RESULTS (continued)

Identification of major programs (continued):

	<u>CFDA No.</u>
Head Start	93.600
Textbook & Learning Materials Program	98.001

Dollar threshold used to distinguish between type A and type B programs:

\$ 736,250

Auditee qualified as low-risk auditee?

yes no

II. FINANCIAL STATEMENTS FINDINGS

See Findings 08-1 through 08-8

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See Findings 08-9, 08-10, 08-11 and 08-12

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2008**

CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS/STATE COMPLIANCE

08-1 FINDING: FINANCIAL STATEMENT ADJUSTMENTS

Chicago State University (University) did not properly perform reconciliations of grant receivables, revenues and capital assets at the end of the accounting period. The University also did not properly reflect prior period adjustments in its financial reporting.

We noted the following financial statement matters:

- A grant agreement between the University and the Illinois Department of Commerce and Economic Opportunity for \$3,500,000 for the Chicagoland Regional College Program was awarded for costs incurred from July 1, 2007 through December 31, 2008. The program incurred costs in excess of \$3,500,000 from July 1, 2007 through June 30, 2008. However, the University did not include \$3,500,000 in the accounts receivable balance at June 30, 2008. This amount should have also been recorded in grant revenues, grant expenditures and accounts payable as of June 30, 2008. The University corrected the financial statements after the auditors brought the matter to their attention
- Per review of detail provided for accounts receivable balance at June 30, 2008, it was noted that 37 grant accounts in the detailed general ledger system had negative (credit) balances. The University added an additional account receivables account with a balance of \$666,472 to reduce these account balances to zero. This entry resulted in an incorrect amount posted to deferred revenue and an overstatement of accounts receivable at June 30, 2008. The University investigated the balances further upon auditor inquiries and an adjustment was made to the financial statements to accurately reflect accounts receivable and deferred revenue at June 30, 2008.
- The University did not have an effective system to identify completed construction projects that should be moved from construction in progress to depreciable buildings and building improvements. There were items in the construction in progress listing and included in the construction in progress balance for financial reporting that were completed and in use. At June 30, 2008, these amounts totaled \$14,389,634. Since these projects were completed in prior years, they should have been depreciated. The University initially recorded an entry of \$1,903,128 to depreciation expense which essentially recognized the prior period adjustment in the current year. The University subsequently corrected the financial statements by restating the beginning of the year Net Assets after the auditors brought the matter to their attention. The University also disclosed the effect of the adjustment in their financial statement footnotes.
- Additional construction costs for the University's new library were transferred in from the Capital Development Board during fiscal year 2008. However, the University was accounting for these costs as construction in progress at June 30, 2008. The new library is in operation and most of the costs incurred had been capitalized in previous fiscal years. The addition of these costs of \$2,210,436 would result in a transfer to the building account and related depreciation expense of \$49,121 for fiscal year 2008. The University corrected the financial statements after the auditors brought the matter to their attention.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2008**

CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS/STATE COMPLIANCE

08-1 FINDING: FINANCIAL STATEMENT ADJUSTMENTS (Continued)

- Several construction contracts entered into for professional costs of \$227,014 for the renovation of campus buildings were not accounted for in Construction In Progress at June 30, 2008. The addition of these items would result in an increase to Construction In Progress of \$227,014 and a decrease in professional expenditures of \$227,014. The University corrected the financial statements after the auditors brought the matter to their attention.
- The University did not have an effective system to identify telecommunication expenditures that should be capitalized as equipment. Telecommunications equipment totaling \$81,634 that should have been included in the equipment records, capitalized and depreciated during fiscal year 2008 was expensed. The addition of this equipment would result in an addition to the equipment account of \$81,634 and an additional depreciation expense of \$6,310 for the year ended June 30, 2008. The University corrected the financial statements after the auditors brought the matter to their attention.

An error in recognition, measurement, presentation or disclosure in financial statements resulting from an oversight at the time the financial statements were prepared is an error in previously issued financial statements. Correction of an error in previously issued financial statements discovered subsequent to their issuance should be reported as a prior-period adjustment, the cumulative effect reflected in the carrying amount of assets and liabilities as of the beginning of the first period presented. In addition, the entity should disclose the effect of the correction of the error. Therefore, such adjustments should not effect current year expenditure amounts. The University adjusted the current year financial statements and made a prior period adjustment to correct this error.

Generally Accepted Accounting Principles (GAAP) for governmental entities is promulgated by the Governmental Accounting Standards Board (GASB). GASB Statement No. 35 Basic Financial Statements – and Management Discussion and Analysis – for Public Colleges and Universities, requires the accrual basis of accounting for business type entities. The accrual basis of accounting requires revenues to be recognized when earned. Accounts receivable should only include amounts due related to grants and contracts in connection with the reimbursement of allowable expenditures made pursuant to the grants or contracts.

Statewide Accounting Management Systems (SAMS) (Procedure 03.30.20) states that the cost of the building includes all labor, material and professional services to construct the building together with insurance, interest, and other direct costs incurred during the period of construction, to place the building into intended use.

Good business practice and internal controls would dictate that amounts are reconciled periodically to ensure that asset, capitalization and financial statement records are reasonable and accurate.

The University's Board of Trustees and management share the ultimate responsibility for the University's internal control over financial reporting. This responsibility should include an adequate system of review in the completeness and accuracy of the University's financial statements and disclosures to ensure that the financial statements are presented in accordance with accounting principles generally accepted in the United States of America.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2008**

CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS/STATE COMPLIANCE

08-1 FINDING: FINANCIAL STATEMENT ADJUSTMENTS (Continued)

Additionally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University establish and maintain a system or systems of internal fiscal and administrative controls which shall provide assurance that revenues, expenditures, and transfers of assets, resources or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial reports.

University management stated that the subsidiary ledgers involving grant receivables, buildings and construction in progress were carefully reviewed by accounting management to reflect prior year entries that were never recorded. The fiscal year 2008 adjustments were reviewed by accounting management and an outside CPA firm that is familiar with Chicago State University's operations.

Failure to perform reconciliations resulted in inaccurate accounting records. Using inaccurate accounting records to prepare the financial statements jeopardizes the accuracy of those financial statements. (Finding Code No. 08-1 and 07-1)

RECOMMENDATION

We recommend that the University improve its system for the reconciliation of records and preparation of financial statements in accordance with accounting principles generally accepted in the United States of America.

UNIVERSITY RESPONSE

The University agrees with the recommendation. Recently hired accountants have reconciled all prior Capital Asset records and other subsidiary ledgers. Year-end review of financial records will be completed during the lapse period and will be subsequently reviewed by a CPA firm resulting in improved financial statements.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2008**

CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS/STATE COMPLIANCE

08-2 FINDING: GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) NOT PROPERLY APPLIED TO VOLUNTARY NONEXCHANGE TRANSACTIONS

Chicago State University (University) did not properly interpret and apply Government Accounting Standards Board (GASB) Statement No. 33 *Accounting and Financial Reporting for Nonexchange Transactions*.

During our audit, we requested documentation to support 12 revenue deferrals in excess of \$25,000. Upon review of the grant agreements provided and other documentation provided to support deferrals documentation, we noted that 6 of the agreements did not stipulate eligibility requirements. Therefore, revenue should have been recognized and not deferred for these voluntary nonexchange transactions. The actual error identified related to these grant agreements was \$96,733.

- Four of the revenue deferral amounts tested had not changed in one or more fiscal years and no documentation or explanation could be provided. These deferrals totaled \$41,459.
- In addition, 2 revenue deferral amounts tested were not properly coded. These amounts as presented in the financial statement totaled \$173,727.
- Also included in the deferred revenue account balance was a debit balance of (\$30,367) relating to a University program. This appeared to be the result of an adjusting entry posted twice.

A proposed audit adjustment to the originally submitted financial statements of \$281,552 was made by the University to correct these errors.

Generally Accepted Accounting Principles (GAAP) for governmental entities is promulgated by GASB. GASB Statement No. 33 requires revenue recognition for voluntary nonexchange transactions when all applicable eligibility requirements have been met, and the remaining resources are reported as restricted net assets until consumed.

Good business practices would dictate that reconciliations are performed and supporting documentation is maintained for amounts reflected in the financial statements and for all adjusting entries.

Additionally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University establish and maintain a system or systems of internal fiscal and administrative controls which shall provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial reports.

The University's Board of Trustees and management share the ultimate responsibility for the University's internal control over financial reporting. This responsibility should include an adequate system of review in the completeness and accuracy of the University's financial statements to ensure that the financial statements are presented in accordance with accounting principles generally accepted in the United State of America.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2008**

CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS/STATE COMPLIANCE

08-2 FINDING: GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) NOT PROPERLY APPLIED TO VOLUNTARY NONEXCHANGE TRANSACTIONS (Continued)

University management stated that the interface between the grant accountants and accounting staff requires continual review and reconciliation. Since fiscal year 2008 involves almost all new staff, this review and reconciliation was not performed on a timely basis.

Failure to maintain accounting records and present financial reports in accordance with generally accepted accounting principles, distorts the net assets of the University and the State. (Finding Code No. 08-2, 07-2 and 06-1)

RECOMMENDATION

We recommend the University improve its system for identifying eligibility requirements for voluntary nonexchange transactions and improve its system for reconciling and tracking deferred revenue in accordance with GAAP.

UNIVERSITY RESPONSE

The University agrees with the recommendation. The interface between grant accountants and the accounting staff requires continual review and reconciliation. Fiscal year 2009 grant agreements and related documentation have been tracked and reviewed on a timely basis and applicable accounting records comply with the GAAP requirements.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2008**

CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS/STATE COMPLIANCE

08-3 FINDING: UNCOLLATERALIZED DEPOSIT ACCOUNTS AND UNTIMELY BANK RECONCILIATIONS

Chicago State University (University) maintained deposits (\$239,365) in uncollateralized accounts and did not perform timely reconciliations for all of the University's bank accounts. The following was noted:

- The University's deposits (bank balances) at various financial institutions totaled \$3,176,668 at June 30, 2008. These deposits exceeded the collateral held by the pledging financial institution by \$239,365.
- Of the 235 bank reconciliations required to be performed during the fiscal year, the University performed 43 (18.3%) untimely. These reconciliations were performed between 45 and 184 days after the month end. Thirteen (5.53%) of the bank reconciliations performed were not dated and therefore, their timeliness could not be determined.

University policy and prudent business practices require that the University obtain appropriate collateral for all funds held in their bank accounts and that all bank accounts are reconciled in a timely manner.

The University's Board of Trustees and management share responsibility for the University's internal control over bank accounts and locally held funds. This responsibility should include an adequate system to ensure reconciliations of University records and bank statements are performed monthly by an independent person.

Additionally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University establish and maintain a system or systems of internal fiscal and administrative controls which shall provide assurance that funds are safeguarded against waste, loss, unauthorized use, and misappropriations.

University management stated that the Ghana grant process involves a foreign bank account with no FDIC regulatory insurance. Management subsequently instructed the grant fiscal officer to close the account. That process has been implemented for fiscal year 2009. The bank reconciliation delayed process is a repeat finding. The University has acquired more accounting resources to assure the timeliness of all bank reconciliations.

Failure to obtain collateral puts the University funds at risk in the event that the financial institution incurs financial difficulties and failure to timely perform monthly bank reconciliations could result in errors or misappropriation of State funds to remain undetected. (Finding Code No. 08-3 and 07-3)

RECOMMENDATION

We recommend the University adhere to their policy to obtain collateral for all bank accounts. We further recommend that the University allocate resources to ensure that all bank accounts are reconciled in a timely manner.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2008**

CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS/STATE COMPLIANCE

08-3 FINDING: UNCOLLATERALIZED DEPOSIT ACCOUNTS AND UNTIMELY BANK RECONCILIATIONS (Continued)

UNIVERSITY RESPONSE

The University agrees with the recommendation. The uncollateralized Ghana grant related bank accounts have been closed. For fiscal year 2009 monthly bank reconciliations have been completed and reviewed in a timely manner.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2008**

CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS/STATE COMPLIANCE

08-4 FINDING: FAILURE TO MONITOR COMPLIANCE WITH UNCLAIMED PROPERTY ACT

Chicago State University (University) did not have procedures in place to periodically monitor unclaimed monies to determine proper and timely disposition of the funds in compliance with the Act.

During our audit we noted that the University had three accounts included in the accounts payable balance that solely contained stale checks. There was no evidence that checks in these accounts had been periodically reviewed to determine their status or proper disposition. Some of these checks were issued over ten years ago.

Good business practice would require procedures are in place to monitor the outstanding items during reconciliations of cash on a timely basis and determine the proper disposition of stale checks promptly.

The Uniform Disposition of Unclaimed Property Act (765 ILCS 1025/11(a)) states that every person holding funds or other property, tangible or intangible, presumed abandoned under this Act shall report and remit all abandoned property specified in the report to the State Treasurer with respect to the property as hereinafter provided. According to the Act (765 ILCS 1025/8.1(a)), all tangible personal property or intangible personal property and all debts owed or entrusted funds or other property held by any federal, state or local government or governmental subdivision, agency, entity, officer or appointee thereof, shall be presumed abandoned if the property has remained unclaimed for 7 years.

Additionally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University establish and maintain a system or systems of internal fiscal and administrative controls which shall provide assurance that funds are safeguarded against waste, loss, unauthorized use, and misappropriations.

University management stated that the unclaimed property records involve thousands of check disbursement records. Periodic file maintenance has been insufficient in the past several years. According to University officials, accounting management has reviewed and documented a process to alleviate these old disbursements from being on their books.

Failure to review unclaimed monies could result in noncompliance with the Act. (Finding Code No. 08-4 and 07-12)

RECOMMENDATION

We recommend that the University establish appropriate procedures for stale checks. We further recommend that the University comply with the requirements of the Act.

UNIVERSITY RESPONSE

The University agrees with this recommendation. Analysis of the disbursement database has recently been completed and the review process has been started. The University will comply with the Act requirements.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2008**

CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS/STATE COMPLIANCE

08-5 FINDING: INACCURATE STATEMENT OF CASH FLOW

Chicago State University did not prepare an accurate Statement of Cash Flows.

During our review of the Statement of Cash Flows we noted certain inaccuracies in the preparation of the Statement. These inaccuracies were brought to the attention of University personnel so they could be corrected. The University was able to correct the Statement with our guidance.

Some of the errors we noted were as follows:

Net cash used in operating activities was originally reported as \$36,954,014, however the actual amount totaled \$43,751,016 resulting in a difference in operating activities of \$6,797,002.

Purchases of capital assets was originally reported as \$19,941,259, and capital grants was originally reported as \$12,556,400, however the actual amounts totaled \$650,742 and \$0. These amounts, in addition to incorrect reporting for proceeds on disposal of equipment and principal paid on capital leases, resulted in a difference in financing activities of \$6,734,117.

Generally accepted accounting principles (GAAP) for governmental entities are promulgated by the Governmental Accounting Standards Board (GASB). GASB 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* requires the University to present a Statement of Cash Flows using the direct method.

The University's Board of Trustees and management share the ultimate responsibility for the University's internal control over financial reporting. This responsibility should include an adequate system of review in the completeness and accuracy of the University's financial statements to ensure that the financial statements are presented in accordance with accounting principles generally accepted in the United State of America.

Additionally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University establish and maintain a system or systems of internal fiscal and administrative controls which would include the accurate preparation of the Statement of Cash Flow.

University management stated that the financial year end process included totally new staff and management. According to University officials, these errors were brought to their attention and were timely corrected. Further, they state a review process has been established for all reports that go out of Financial Affairs.

Failure to prepare an accurate Statement of Cash Flows prevents the University from preparing financial statements in accordance with accounting principles generally accepted in the United States of America. (Finding Code No. 08-5)

RECOMMENDATION

We recommend the University prepare an accurate Statement of Cash Flows in accordance with accounting principles generally accepted in the United States of America.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2008**

CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS/STATE COMPLIANCE

08-5 FINDING: INACCURATE STATEMENT OF CASH FLOW (Continued)

UNIVERSITY RESPONSE

The University agrees with the recommendation. All financial statements will be reviewed for complete and comparable data before submission to the external auditors.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2008**

CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS/STATE COMPLIANCE

08-6 FINDING: MANAGEMENT’S DISCUSSION AND ANALYSIS

Chicago State University (University) did not properly compile information for presentation of Management’s Discussion and Analysis.

Per our review of the Management’s Discussion and Analysis presented to auditors for inclusion in the financial statements of the University, it was noted that prior period amounts did not agree to those as presented on previous financial statements, resulting in the calculation of inaccurate variances, percentages and incorrect explanations. Management Discussion and Analysis was rewritten after auditors brought the inaccuracies to the attention of University personnel.

Governmental Accounting Standards Board (GASB) Statement No. 35 *Basic Financial Statements – Management’s Discussion and Analysis – for Public Colleges and Universities*, includes public colleges and universities in the financial reporting model established by GASB 34. Governmental Accounting Standards Board Statement No 34 *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, states that Management’s Discussion and Analysis should provide an objective and easily readable analysis of the government’s financial activities based on currently known facts, decisions, or conditions.

Good business practices dictate that items contained in required supplementary information sections should agree to amounts as per the presentation of the financial statements. Amounts as presented for financial reporting should be reviewed and reconciled prior to completion.

The University’s Board of Trustees and management share the ultimate responsibility for the University’s internal control over financial reporting. This responsibility should include an adequate system of review of the completeness and accuracy of the University’s financial statements and required supplementary information to ensure that the financial statements are presented in accordance with accounting principles generally accepted in the United State of America.

Additionally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University establish and maintain a system or systems of internal fiscal and administrative controls which would include the accurate preparation of Management’s Discussion and Analysis.

University officials stated that the financial year end process included totally new staff and management. According to University officials these errors were brought to their attention and were timely corrected. Further, they state a review process has been established for all reports that go out of Financial Affairs.

Failure to maintain and present financial report components in accordance with generally accepted accounting principles could lead to inaccurate reporting by the University and the State of Illinois. (Finding Code No. 08-6)

RECOMMENDATION

We recommend the University prepare an accurate Management’s Discussion and Analysis in accordance with accounting principles accepted in the United States of America.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2008**

CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS/STATE COMPLIANCE

08-6 FINDING: MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

UNIVERSITY RESPONSE

The University agrees with the recommendation. All financial statements will be reviewed for complete and comparable data before submission to the external auditors.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2008**

CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS/STATE COMPLIANCE

08-7 FINDING: INACCURATE SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

Chicago State University (University) did not properly compile information for presentation of Supplementary Information for State Compliance Purposes.

Per our review of the supplementary information schedules, inaccuracies were noted.

The amounts did not agree to supporting documentation provided, the amounts did not agree to other schedules within the supplementary information, the amounts did not agree to amounts as presented in the financial statements, columns did not total properly, amounts of expenditures on the Statement of Federal Expenditures were not correct, and explanations for variances were not reasonable. The University corrected the information after auditors brought the discrepancies to their attention.

Good business practices dictate that items contained in supplementary information sections should agree to amounts as per the presentation of the financial statements. Also amounts should agree to amounts as presented in corresponding fiscal schedules and supporting documentation.

The University's Board of Trustees and management share the ultimate responsibility for the University's internal control over financial reporting. This responsibility should include an adequate system of review in the completeness and accuracy of the University's supplementary schedule reporting to ensure all information presented is accurate.

Additionally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University establish and maintain a system or systems of internal fiscal and administrative controls which shall provide assurance that revenues, expenditures, and transfers of assets, resources or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial reports.

University officials stated that the financial year end process included totally new staff and management. According to University officials, these errors were brought to their attention and were timely corrected. They further stated a review process has been established for all reports that go out of Financial Affairs.

Failure to accurately compile and present supplementary information for state compliance purposes could lead to inaccurate reporting by the University and the State of Illinois. (Finding Code No. 08-7)

RECOMMENDATION

We recommend the University prepare accurate Supplementary Information for State Compliance Purposes.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2008**

CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS/STATE COMPLIANCE

**08-7 FINDING: INACCURATE SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE
(Continued)**

UNIVERSITY RESPONSE

The University agrees with the recommendation. All financial statements will be reviewed for complete and comparable data before submission to the external auditors.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2008**

CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS/STATE COMPLIANCE

08-8 FINDING: PURCHASING CARD PROCESSING ERRORS

Chicago State University (University) did not process certain expenditures in compliance with Purchasing Card Policy and Procedures.

During our testing of 40 purchasing card transactions totaling \$225,104 for expenditures for services, travel, commodities, equipment and telecommunications, we noted the following:

- Thirty six transactions totaling \$220,553 exceeded the single transaction limit of \$1,000.
- For the individual transactions tested, it was noted that four users exceeded the monthly dollar limit of \$15,000 for a billing period for 10 different periods.
- Eleven transactions totaling \$69,692 were for equipment purchases in which the individual items exceeded \$100 in cost.
- Three of the transactions totaling \$3,609 were for purchases of services involving labor.
- There was no documentation provided to support one transaction of \$2,191.
- Five of the transactions totaling \$79,599 were for expenditures for rooms that exceeded the allowable maximum rates. No documentation was provided as an explanation for the payment of the higher rate.
- For 4 transactions (totaling \$9,341) documentation was provided, however, not in detail to determine what was purchased.
- There was no approval documented for six transactions totaling \$16,205.
- All forty transactions were not coded to the general ledger in a timely manner. The transactions were coded in the accounting system between 24 and 62 days after the transaction was posted to the payment system. This resulted in eleven transactions, totaling \$39,037 being coded in a subsequent fiscal year.
- In addition for all 40 transactions, receipts were not provided to the accounts payable department. The accounts payable department received a copy of the purchase order or travel authorization, however, the receipts and invoices were maintained in the department of the cardholder.

Prudent business practices would require that all expenditures are properly approved, supported by documentation and posted to the accounting system in a timely manner.

The University's Purchasing Card Policy and Procedures Manual Section 4.1 states that The Cardholder's single transaction limit is \$1,000 and the monthly spending limit is \$15,000. Section 4.4 states that the cardholder reviews transactions daily/weekly on PaymentNet and reallocates each charge to the appropriate University account number. Section 5.1a states that purchases should be made after following proper internal procedures specific to the department to obtain authorization to make the purchase. Section 7.1 of the manual lists prohibited items, it states that P-cards may not be used for the purchase of the following items: equipment and furniture with a unit cost of \$100 or above, and services involving labor(among others listed). Section 9.7 states that the signed and approved commercial card statement and all receipts shall be submitted to Accounts Payable.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2008**

CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS/STATE COMPLIANCE

08-8 FINDING: PURCHASING CARD PROCESSING ERRORS (Continued)

Additionally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University establish and maintain a system or systems of internal fiscal and administrative controls which shall provide assurance that funds are safeguarded against waste, loss, unauthorized use, and misappropriations.

University officials stated that the P card owner is responsible to comply with the P Card Policy and Procedures. Most of the travel transactions are processed by the Purchasing Office on the Director's P card. The monthly travel volume exceeds the limit. The Director of Physical Plant has an extended limit. The other exceptions relate to errors due to lack of accounting staff and lack of monitoring.

Inadequate procedures over purchasing card expenditures could result in a loss of State funds. (Finding Code No. 08-8)

RECOMMENDATION

We recommend that the University adhere to its policies and procedures for purchasing card expenditures.

UNIVERSITY RESPONSE

The University agrees with the recommendation. The University will revise the Purchasing Card Pilot Program agreement and limit cards issued. All fiscal year 2009 purchases will be reviewed and explanations for any policy exceptions will be documented prior to the audit. The number of the Purchasing Cards issued will not be increased until the control objectives of the Pilot Program are achieved.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2008**

CURRENT FINDINGS - FEDERAL

08-9 FINDING: INADEQUATE DOCUMENTATION FOR FEDERAL PROGRAM EXPENDITURES

Chicago State University (University) did not have supporting documentation for certain expenditures charged to Federal programs and charged expenditures to the incorrect fiscal year.

Federal Department: U.S. Department of Education

CFDA Numbers: 84.042, 84.044, 84.047, 84.066

Program Name: TRIO Cluster

Questioned Cost: Undetermined

During our review of 74 expenditures, we noted the following:

- One of seventy-four (1%) expenditures (\$278) was missing appropriate supporting documentation.
- One of seventy-four (1%) expenditures related to the purchase of 10 laptops (\$12,909) was charged to the wrong fiscal year.

**Federal Department: National Institutes of Health, National Science Foundation,
Department of Defense**

CFDA Numbers: 93.859, 93.242, 93.865, 47.076, 47.074, 47.049, 12.431, 12.XXX

Program Name: Research and Development Cluster

Questioned Cost: Undetermined

During our review of 56 expenditures, we noted the following:

- Nine of fifty-six (16%) expenditures (\$33,118) were missing the appropriate supporting documentation.

Federal Department: U.S. Agency for International Development (USAID)

CFDA Number: 98.001

Program Name: Textbook and Learning Materials

Questioned Cost: Undetermined

During our review of 48 expenditures, we noted the following:

- Two of forty-eight (5%) expenditures (\$5,100) were missing the appropriate supporting documentation.

OMB Circular A-110 Section 53(b) requires financial records, supporting documentation, statistical records, and other records pertinent to an award to be retained for a period of three years from the date of submission of the final expenditure report or, for awards, that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, as authorized by the Federal awarding agency

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2008**

CURRENT FINDINGS - FEDERAL

**08-9 FINDING: INADEQUATE DOCUMENTATION FOR FEDERAL PROGRAM EXPENDITURES
(Continued)**

University management stated there is dual review for federal expenditures, first by the Sponsored Program accountant and then by the Accounting Office. Unfortunately staffing shortage delayed this dual review until the fourth quarter of FY 2008. These exceptions occurred prior to this dual review.

Failure to maintain adequate documentation of the expenditure of Federal funds results in a lack of proper accountability, a possible refunding of Federal funds, and may jeopardize future Federal funding. Failure to charge the expenditure to the correct fiscal year results in incorrect reporting and may result in over expenditure of Federal awards. (Finding Code No. 08-9, 07-5, 06-3, 05-1, 04-01, 03-1)

RECOMMENDATION

We recommend that the University improve control procedures to ensure that payments are only made once a proper invoice with appropriate documentation is received, to maintain a filing system that allows them to locate supporting documentation (including documentation of the necessity for any non-standard travel costs) for all invoices paid, and to ensure proper tracking and reporting of expenditures in the correct fiscal year.

UNIVERSITY RESPONSE

The University agrees with the recommendation. All federal program expenditures will be reviewed for proper approval, supporting documentation and prompt payment. The Accounting Office will designate a supervisor to review all federal program expenditures to insure that tracking and filing processes are complete and properly maintained.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2008**

CURRENT FINDINGS – FEDERAL

08-10 FINDING: FAILURE TO COMPLY WITH CASH MANAGEMENT REQUIREMENTS

Chicago State University (University) failed to comply with cash management requirements.

Federal Department: U.S. Department of Education

CFDA Number: 84.375

Program Name: Federal Academic Competitiveness Grant

Questioned Cost: None

The University had expenditures of \$31,798 under the Federal Academic Competitiveness Grant (ACG)(CFDA #84.375) for the year ended June 30, 2008. However, the University drew down \$43,425 under this program for the year ended June 30, 2008. The drawdowns exceeded expenditures as the University erroneously requested reimbursement for monies, in the amount of \$11,627, spent under the National Science and Mathematics Access to Retain Talent (SMART) Grant (CFDA #84.376) through the Federal drawdown process for the ACG program.

OMB Circular A-110 Section 22(a) states that the payment methods shall minimize the time elapsing between the transfer of funds from the U.S. Treasury and the issuance or redemption of checks, warrants, or payment by other means by the recipients. OMB Circular A-110 Section 22(b) states the cash advances to a recipient shall be limited to the minimum amounts needed and be timed in accordance with actual, immediate cash requirements of the program.

University officials stated that the total awards were reconciled with the student receivable payments on a semester basis. However, Finance feed transactions of award expenses into the grant fund were not reconciled until year end. The drawdowns are based upon data from the Financial Aid Office.

Failure to comply with cash management requirements may jeopardize future Federal funding. (Finding No. 08-10 and 07-8)

RECOMMENDATION

We recommend that the University establish policies and procedures to ensure that cash management requirements are met.

UNIVERSITY RESPONSE

The University agrees with the recommendation. A quarterly reconciliation of federal cash requirements will be completed. The University will comply with federal cash management requirements.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2008**

CURRENT FINDINGS – FEDERAL

08-11 FINDING: INCORRECT SIGNED PROMISSORY NOTES FOR FEDERAL PERKINS LOANS

Chicago State University (University) did not obtain the correct master promissory notes from those students who received a Federal Perkins Loan. The University also did not notify borrowers of the new Military Deferment.

Of the 25 students tested, 23 (92%) had signed the master promissory note that expired June 30, 2006. Additionally, no information was sent out to borrowers who received Perkins Loans on or after July 1, 2001 informing them of the new Military Deferment option.

According to the Dear Colleague Letter CB-06-10, "The Office of Management and Budget (OMB) has approved the revised Federal Perkins Loan Program Master Promissory Note (Perkins MPN) and authorized its use through June 30, 2009. The only change made to the revised Perkins MPN is the addition of the new Military Deferment established by the Higher Education Reconciliation Act of 2005. This deferment is effective for all Perkins Loans made on or after July 1, 2001. Schools must notify all borrowers who have received Perkins Loans on or after July 1, 2001, about the availability of this new deferment. Schools may determine the most effective method for providing this notification...As of July 1, 2006, schools may no longer distribute the Perkins MPN with the June 30, 2006 expiration date to Perkins borrowers."

University management stated that due to an oversight, the Bursar staff were unaware of the expired promissory notes. Since July 1, 2008, the new current promissory notes were used.

Failure to obtain the correct master promissory note from students could ultimately hinder the collection of these notes. (Finding Code No. 08-11)

RECOMMENDATION

We recommend that the University obtain the current master promissory notes and inform students of the new deferment option in accordance with the Department of Education guidance.

UNIVERSITY RESPONSE

The University agrees with the recommendation. The Accounting Director will subscribe to the applicable federal web link so that current Perkins Loan Promissory note requirements are adhered to.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2008**

CURRENT FINDINGS – FEDERAL

08-12 FINDING: STUDENT FINANCIAL AID NOT RECONCILED ON A MONTHLY BASIS

Chicago State University (University) did not reconcile its Student Financial Aid awards/expenditure records/draw downs on a monthly basis.

**Federal Department: U.S. Department of Education
CFDA Number: 84.063
Program Name: Federal Pell Grant Program
Questioned Cost: None**

During testing, it was noted that reconciliations of the Pell grants recorded on the University's general ledger expenditures and program award records were not performed. Amounts recorded for each of these items were different. Expenditure records used for preparation of the University's financial statements recorded expenditures of \$82,886 greater than program award records.

**Federal Department: U.S. Department of Education
CFDA Number: 84.033
Program Name: Federal Work Study Program
Questioned Cost: None**

During testing, it was noted that reconciliations of Federal Work Study Program expenditures recorded on the University's general ledger and program award records were not performed. Amounts recorded for each of these items were different. Expenditure records used for preparation of the University's financial statements recorded expenditures of \$17,487 less than program award records.

Also, one of the general ledger accounts for the Federal Work Study Program had a negative expenditures number of (\$7,942) at June 30, 2008.

**Federal Department: U.S. Department of Education
CFDA Number: 84.007
Program Name: Federal Supplemental Educational Opportunity Grant
Questioned Cost: None**

During testing, it was noted that reconciliations of the Federal Supplemental Educational Opportunity Grants recorded on the University's general ledger expenditures and program award records were not performed. Amounts recorded for each of these items were different. Expenditure records used for preparation of the University's financial statements recorded expenditures of \$6,280 greater than program award records.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2008**

CURRENT FINDINGS – FEDERAL

08-12 FINDING: STUDENT FINANCIAL AID NOT RECONCILED ON A MONTHLY BASIS (Continued)

Federal Department: Department of Health and Human Services

CFDA Number: 93.925

Program Name: Scholarships for Health Professions Students from Disadvantaged Backgrounds – SDS Nursing Program

Questioned Cost: None

During testing, it was noted that reconciliations of the scholarships for the SDS Nursing Program recorded on the University's general ledger expenditures and program award records were not performed. Amounts recorded for each of these items were different. Expenditure records used for preparation of the University's financial statements recorded expenditures of \$6,460 greater than program award records.

Federal Department: U.S. Department of Education

CFDA Number: 84.372, 84.376

Program Name: Federal Academic Competitiveness Grant, National Science and Mathematics Access to Retain Talent Grant

Questioned Cost: None

During testing, it was noted that reconciliations of expenditures, as recorded for financial reporting purposes, expenditures as recorded for program award records, and cash drawdown records for the Federal Academic Competitiveness Grant (ACG) and the National Science and Mathematics Access to Retain Talent Grant (SMART) were not being performed. Expenditure records used for the preparation of the University's financial statements recorded expenditures of \$24,702 less than program award records for SMART and \$27,952 greater than program award records for ACG.

In addition, the University received \$11,627 cash in excess of expenditures for the ACG program according to the program records. However, the University received drawdowns of \$53,627 less than they spent on the SMART grant program.

The U.S. Department of Education's "Blue Book" *Accounting, recordkeeping and reporting by postsecondary educational institutions for federally funded student financial aid programs* required the University to perform monthly reconciliations of program records, fiscal records and draw downs.

University officials stated that the transactions from Financial Aid to Student Receivable and then to Finance include some adjusting awards for the previous academic (award) year. If these transactions are not recorded in the applicable grant fund, then a reconciliation has to be performed.

Failure to properly reconcile program and fiscal records is a violation of federal regulations. (Finding Code No. 08-12)

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2008**

CURRENT FINDINGS – FEDERAL

08-12 FINDING: STUDENT FINANCIAL AID NOT RECONCILED ON A TIMELY BASIS (Continued)

RECOMMENDATION

We recommend that the University properly reconcile all student financial aid program and fiscal records.

UNIVERSITY RESPONSE

The University agrees with the recommendation. A monthly reconciliation of federal student financial aid records to financial reporting records will be completed. The University will comply with all federal program requirements.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2008**

CURRENT FINDINGS – STATE COMPLIANCE

08-13 FINDING: INADEQUATE CONTROLS OVER CONTRACTING PROCEDURES

Chicago State University's (University) did not have adequate controls over contracting procedures.

During our examination of 28 contracts, we noted the following:

- Six of the contracts tested, totaling \$3,978,767, were dated and signed by a University official and the vendors. However, the date of the signatures was after the date of the commencement of services per the contract. The total amount of services provided prior to the approval date was not determinable. One of these contracts was related to a grant agreement for \$3,500,000.
- Five of the contracts tested, totaling \$830,177, were dated and signed by a University official and the vendors. However, the date of the signature of the University official was after the date of the commencement of services per the contract. The total amount of services provided prior to the approval date was not determinable.
- One contract exceeding \$250,000 was not signed by the chief legal counsel. This contract was for expenditures of \$930,526.
- The contractor's signature on one contract for \$39,960, was not dated.
- The University official's signature was not accompanied by the printed name and title on two contracts. These contracts for services totaled \$628,976.
- The University official's signature on one contract was not dated. This contract was for services of \$85,000.
- One of the contracts on file at the University did not contain vendor signatures. This contract was for services of \$37,077.
- Three contracts, each exceeding \$100,000 for professional services, were not approved by the University Board of Trustees. These contracts totaled \$786,400.
- Financial Interest and potential Conflicts of Interest Disclosures were not noted in eleven of the twenty-eight contracts tested exceeding \$10,000.
- All twenty-eight contracts tested did not contain the minimum requirements for written contracts as not all the required ethical certifications were present. The Discriminatory Clubs, International Boycott, Non Compliance with Environmental Protection Act and Procurement of Domestic Products Act certifications were not noted on the standard contract form prepared by the University and signed by the contractor.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2008**

CURRENT FINDINGS – STATE COMPLIANCE

08-13 FINDING: INADEQUATE CONTROLS OVER CONTRACTING PROCEDURES (Continued)

The Statewide Accounting Management System (SAMS) procedure 15.10.40 states that contracts that will exceed \$10,000, \$5,000 for professional and artistic contracts, to any single vendor must be reduced to writing. Good business practices would require that contracts be fully executed prior to commencement and signed and dated by both parties.

The University's Accounting and Finance Policies and Procedures Manual refers employees to the Illinois Procurement Code and the requirements for electronically publishing certain professional and artistic services and purchases on the Higher Education Bulletin.

In addition, the Illinois Procurement Code (30 ILCS 500/50-35) states that all offers from responsive bidders or offerors with an annual value of more than \$10,000 shall be accompanied by a disclosure of the financial interests of the contractor, bidder, or proposer. The financial disclosure of each successful bidder or offeror shall become part of the publicly available contract or procurement file maintained by the appropriate chief procurement officer. Disclosure of the responsive offerors should include relationships such as State employment, currently or in the previous 3 years.

The standard contract form used by the University for its contracts contains a clause that states "Vendor agrees to comply with the provisions of the Illinois Procurement Code prohibiting conflict of interest (Public Act 90-572, Article 50, Section 50-13) and all terms, conditions and provisions of those sections apply to this Contract and are made a part of this Contract the same as if they were incorporated and included herein."

The University's Accounting and Finance Policies and Procedures Manual requires that professional service contracts that exceed \$100,000 and purchases of \$250,000 or more shall require approval from the Board of Trustees.

The Illinois Procurement Code (30 ILCS 105/9.02) states that any new contract or contract renewal in the amount of \$250,000 or more in a fiscal year, shall be signed or approved in writing by the chief executive officer of the agency, and shall also be signed and approved in writing by the agency's chief legal counsel and chief fiscal officer.

Good business practices would ensure all contracts for professional services are monitored to ensure requirements are met and tasks are accomplished prior to payment for services.

University officials stated that the grant agreement for \$3,500,000 is a renewal contract between the Illinois Department of Commerce & Economic Opportunity, CSU and the CSU Foundation. Funding from State of Illinois was pending for almost the entire year. Signature approval was not sought pending the funding approval from the State of Illinois.

Failure to abide by appropriate contracting procedures may cause the University to make payments that are not authorized, and results in noncompliance with SAMS. (Finding Code No. 08-13, 07-9, and 06-12)

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2008**

08-13 FINDING: INADEQUATE CONTROLS OVER CONTRACTING PROCEDURES (Continued)

RECOMMENDATION

We recommend that the University establish internal controls to ensure compliance with the Illinois Procurement Code, SAMS Manual, University policies and procedures, and to ensure that contracts are fully executed prior to commencement.

UNIVERSITY RESPONSE

The University agrees with the recommendation. The University will enhance its processing system to satisfy compliance with procurement code and contractual service requirements. All fiscal year 2009 contract above \$25,000 are currently under review for compliance. Fiscal officer training on appropriate contracting procedures will be held at least annually.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2008**

CURRENT FINDINGS – STATE COMPLIANCE

08-14 FINDING: FAILURE TO FILE CONTRACTS WITH THE STATE COMPTROLLER AND NONCOMPLIANCE WITH ILLINOIS PROCUREMENT CODE

Chicago State University (University) contracts were not on file with the Office of the State Comptroller. Additionally, the University did not comply with the Illinois Procurement Code as actual costs incurred related to emergency purchases were not reported in a timely manner.

Our testing of 25 contractual agreements included 2 contracts which were not on file with the State Comptroller's Office. The University could not provide evidence that these contracts were filed with the Office of the State Comptroller.

The University filed four Emergency Purchase Affidavits during fiscal year 2008. Three of the four (75%) were filed stating the estimated cost of the procurement. The actual cost of the purchases were filed with the Office of the Auditor General between 3 and 8.5 months after the final payments to the vendors. The total costs paid for the three emergency purchases totaled \$207,606.

The Illinois Procurement Code (30 ILCS 500/20-80(b)) and SAMS procedure 15.10.40 require State agencies to file contracts exceeding \$10,000, \$5,000 for professional and artistic contracts, with the State Comptroller within 15 days of execution. In addition, SAMS procedure 15.20.10 states, "File Only contracts, including contracts paid entirely from locally held funds, do not require obligation and are not entered into the SAMS system. They must, however, be filed with the Illinois Office of the Comptroller and must meet all IOC documentation and certification requirements."

The Illinois Procurement Code (30 ILCS 500/20-30(c)) states that a purchasing agency making a procurement under this emergency purchases section shall file an affidavit with the chief procurement officer and the Auditor General within 10 days after the procurement. When only an estimate of the cost is available within 10 days of the procurement, the actual cost shall be reported immediately after it is determined.

University management stated these two contracts were sent by the Purchasing Office but apparently not received by the State Comptroller. University management also stated that the Purchasing Office is responsible for all Emergency Procurement filings. The supervisor of the office that requested the emergency procurement failed to inform Purchasing of the final payment status and failed to submit the receiver report on time. This caused a delay in the required notice.

Failure to file contracts with the Illinois Office of the Comptroller is a violation of State statutes and regulations.

The failure to comply with the emergency purchases section of the Illinois Procurement Code could result in inaccurate reporting to the Office of the Auditor General, the Governor and the Legislative Audit Commission. (Finding Code No. 08-14, 07-10, 06-11, 05-5)

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2008**

CURRENT FINDINGS – STATE COMPLIANCE

08-14 FINDING: FAILURE TO FILE CONTRACTS WITH THE STATE COMPTROLLER AND NONCOMPLIANCE WITH ILLINOIS PROCUREMENT CODE (Continued)

RECOMMENDATION

We recommend the University implement procedures to ensure all contracts over \$10,000, \$5,000 for professional and artistic contracts, are filed with the Office of the State Comptroller in accordance with State statutes and guidelines. We also recommend that the University comply with the Illinois Procurement Code when making emergency purchases.

UNIVERSITY RESPONSE

The University agrees with the recommendation. The University has utilized tracking software in fiscal year 2009 to comply with the State Comptroller filing requirements. All Emergency Purchase notifications will be reported to the Office of the Auditor General and other regulatory agencies on a timely basis to comply with applicable statutes and guidelines.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2008**

CURRENT FINDINGS – STATE COMPLIANCE

08-15 FINDING: EMPLOYEE TRAVEL AND USE OF UNIVERSITY CREDIT CARD

Chicago State University (University) is subject to the travel policies issued by the Illinois Higher Education Travel Control Board (Board) and Department of Central Management Services Property Control Rules; however, we noted several instances where the University was not following these policies. We also noted several payments that were not processed in a timely manner.

During our testing of 40 University credit card expenditures and employee travel documents we found the following items:

While testing charges to the University's credit card we noted:

- Three (8%) of the forty expenditures (\$8,438) tested totaling \$968, were submitted for payment between 98 and 119 days after the charge occurred.
- One of the forty expenditures tested was a payment of \$101 for late payment fees.
- Two (5%) of the forty expenditures tested were for hotel charges that exceeded the allowable rates. The room rates exceeded the allowable rates by \$22.
- The purchase order made for the purchase of equipment of \$772 was dated 27 days after the charge to the credit card for this item.

The University policy for travel reimbursements states that allowable costs of lodging shall not exceed the maximum accommodation rates as specified in the Higher Education Travel Reimbursement Guidelines. The Illinois Travel Regulation council's travel rules (80 Ill Admin. Code Section 3000.400) specify the lodging allowances that are the maximum rates allowed by the Travel Control Boards.

Prudent business practices require that all vouchers be paid in a timely manner. In addition, good business practice would require that purchase orders documents and approval of purchases be completed and processed before the equipment items are purchased.

University officials stated that the former President and support staff failed to comply with the policies and deadline.

Untimely payments can result in vendors being unwilling to do business with the State and results in additional expenses when late payment fees are incurred. Purchases of equipment without prior approval and documentation could cause an inappropriate or unnecessary expenditure of State funds. Failure to properly adhere to the travel regulations may result in the University making inappropriate payment of State funds. (Finding Code No. 08-15, 07-11, and 06-5)

RECOMMENDATION

We recommend that the University implement procedures to ensure compliance with its policies, timely payment of expenses and require all employees to adhere to regulations established by the Higher Education Travel Control Board and Travel Regulation Council.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2008**

CURRENT FINDINGS – STATE COMPLIANCE

08-15 FINDING: EMPLOYEE TRAVEL AND USE OF UNIVERSITY CREDIT CARD (Continued)

UNIVERSITY RESPONSE

The University agrees with the recommendation. Travel and credit card exceptions were errors by the former President and will not be repeated in the next audit. Travel and credit card processing is now subject to a dual review by Accounting staff to ensure compliance with the regulations.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2008**

CURRENT FINDINGS – STATE COMPLIANCE

08-16 FINDING: UNTIMELY RECONCILIATION OF AGENCY’S RECORDS TO THE COMPTROLLER’S MONTHLY REPORTS

Chicago State University (University) did not perform timely reconciliations of University’s records to the Office of the State Comptroller records. We noted the reconciliations between the University’s expenditures and the Office of the State Comptroller’s Monthly Appropriation Status Report were not performed timely. The reconciliation for one month was performed 66 days after the month end. Reconciliations for five months were performed in June of 2008. Therefore the reconciliations were performed between 67 and 188 days after the end of the month. The reconciliations for two of the remaining months were performed between 77 and 107 days after the month end.

Statewide Accounting Management Systems (SAMS) (Procedure 11.40.20) requires agencies to reconcile their expenditures monthly and in a timely manner. Periodic reconciliations would allow the University to notify the Comptroller’s Office of any irreconcilable differences and then any corrective action could be taken in a timely manner.

University management stated that the accounting staff did not have the experience necessary to perform the reconciliations in a timely manner. This situation was rectified on November 1, 2008, when a new staff hire began training and became responsible for these reconciliations.

Timely performance of monthly reconciliations to Comptroller records is important to detect and correct any errors and ensure accurate financial reporting. (Finding Code No. 08-16 and 07-14)

RECOMMENDATION

We recommend the University comply with SAMS and perform monthly reconciliations in a timely manner.

UNIVERSITY RESPONSE

The University agrees with the recommendation. The Accounting Director is reviewing and approving monthly reconciliations of the Comptroller reports to the University financial records in a timely manner.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2008
CURRENT FINDINGS – STATE COMPLIANCE**

08-17 FINDING: TIME SHEETS NOT MAINTAINED IN COMPLIANCE WITH THE STATE OFFICIALS AND EMPLOYEE ETHICS ACT

Chicago State University (University) did not require all employees to submit time sheets as required by the State Officials and Employees Ethics Act (Act).

Of the twenty-five employees selected for testing, thirteen (52%) employees did not submit timesheets during the entire year. Ten of the 13 employees not submitting timesheets were faculty members.

The Act required the Illinois Board of Higher Education (IBHE), with respect to State employees of public universities, to adopt and implement personnel policies. The Act (5 ILCS 430/5-5(c)) states, "The policies shall require State employees to periodically submit time sheets documenting the time spent each day on official State business to the nearest quarter hour." The IBHE adopted personnel policies for public universities on February 3, 2004 in accordance with the Act.

University procedures do not require time reporting documenting time spent each day on official State business to the nearest quarter hour to be submitted for faculty, administrative and professional, department chair, exempt civil service, and graduate assistants. Each department supervisor can elect to require its employees to document time. During fiscal year 2008, beginning in the fall of 2008, many departments began requiring positive time reporting of employees through sign in sheets. The employees required to document time to the nearest quarter hour were non-exempt civil service, student aide, work-study, temporary help, and hourly professionals.

University officials stated that Staff supervisors are responsible to maintain records to comply with the Ethics reporting requirement. The faculty union has decided not to comply with this Act.

By not requiring positive time reporting from its employees, the University is not in compliance with this Act. (Finding Code No. 08-17, 07-15, 06-7, and 05-6)

RECOMMENDATION

We recommend that the University amend its policies to require all employees to submit time reports in compliance with the Act.

UNIVERSITY RESPONSE

The University agrees with the recommendation. Most offices require time sheet sign-in and track employee time reporting to comply with the Act. Faculty Union representation has decided not to comply with the Act.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2008**

CURRENT FINDINGS – STATE COMPLIANCE

08-18 FINDING: NONCOMPLIANCE WITH ILLINOIS HUMAN RIGHTS ACT

Chicago State University (University) did not comply with the Illinois Human Rights Act by ensuring employees are aware of the complaint process available through the Illinois Department of Human Rights and that all employees receive training on sexual harassment.

The Illinois Human Rights Act (775 ILCS 5/2-105) states that every State agency shall “establish, maintain and carry out a continuing sexual harassment program that shall include the following: (a) develop a written sexual harassment policy that includes at a minimum the following information.....(v) the legal recourse, investigative and complaint process available through the Department and Commission; (vi) directions on how to contact the Department and Commission; and (vii) protection against retaliation as provided by Section 6-101 of this Act.” In addition the Act states that the sexual harassment program shall “(c) provide training on sexual harassment prevention and the agency’s sexual harassment policy as a component of all ongoing or new employee training programs.”

The University provides all new employees a copy of its sexual harassment policy and this policy is published on the University website. We reviewed this policy and determined that it did not contain information on the complaint process available through the Department or Commission, how to contact the Department, or protection against any retaliation.

Sexual harassment training was held at the University for one day during this fiscal year, however, the University could not provide evidence that all University employees attended.

University management stated that Sexual Harassment and Employment Discrimination Training was held on June 17, 2008. The website policy contains fourteen pages of information and refers to other communication sources for further information.

The failure to incorporate required points of contact in the University’s sexual harassment policy is noncompliance with State law. In addition, failure to present ongoing training could lead to employees not being aware of their rights under this Act. (Finding Code No. 08-18 and 07-16)

RECOMMENDATION

We recommend that the University establish appropriate controls and procedures to ensure compliance with the Illinois Human Rights Act.

UNIVERSITY RESPONSE

The University agrees with the recommendation. The Office of Labor and Legal Affairs has identified a provider who will conduct ongoing training on sexual harassment prevention. The University’s website policy will be revised to provide additional disclosure of the required information to comply with the Act.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2008**

CURRENT FINDINGS – STATE COMPLIANCE

08-19 FINDING: INACCURATE AGENCY REPORT OF STATE PROPERTY

Chicago State University (University) did not timely file accurate Agency Reports of State Property (Form C-15) with the Office of the State Comptroller.

- The Agency Report of State Property for all four quarters of fiscal year 2008 did not reflect accurate beginning balances for agency amounts. Reported amounts differed by \$287,594, \$1,444,137, \$543,774, and \$233,420, respectively.
- The transfers in from the Capital Development Board (CBD) reported for each of the four quarters were not accurately reflected in the net transfers column for the following quarter. The University recorded the following amounts in that column \$569,614, \$0, \$0, and (\$61,117,039), respectively. The proper amounts should have been \$2,033,902, \$1,444,137, \$543,776, and (\$60,883,619), respectively.
- Capital lease equipment assets were not accurately reflected on the third and fourth quarter Form C-15 reports. The University moved \$375,094 of capital lease equipment assets from that category to the equipment and library books category. Those amounts should have been reflected in the capital lease equipment asset line.

The Statewide Accounting Management System (SAMS) (Procedure 29.20.10) instructs agencies to enter the previous quarter's "Amount Per Agency Records" in the beginning balances of the Form C-15 for each quarter. This SAMS Procedure also states that items reported in the previous quarter as "Transfers in from CDB" must be included in the current quarter as "Net Transfers" in the appropriate asset category. In addition, it requires capital lease assets to be reported on the line for capital lease assets.

University management stated that a previous employee prepared inaccurate quarterly C-15 reports for the quarters ended June 30, 2007 and September 30, 2007. These beginning balance errors were not detected until June 30, 2008. As a result, University staff spent considerable time in fiscal year 2009 to revise and obtain the Comptroller's Office approval for "revised C-15 reports". The error disclosed between the equipment line and capital lease line was a human error. The applicable amount for disclosure on the capital lease line was in error, included on the equipment line.

Failure to accurately report property and equipment in proper categories could result in errors in the Statewide Report of Property. (Finding Code No. 08-19)

RECOMMENDATION

We recommend the University review its policies and procedures to ensure accurate reporting of property and capital leases in compliance with SAMS Procedures.

UNIVERSITY RESPONSE

The University agrees with the recommendation. The University has revised its procedures to ensure accurate reporting of property and capital leases.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2008**

CURRENT FINDINGS – STATE COMPLIANCE

08-20 FINDING: NONCOMPLIANCE WITH CHICAGO STATE UNIVERSITY LAW

The University's Board of Trustees was not comprised of the required members.

On February 21, 2008, a Board of Trustees member sent his letter of resignation to the Office of the Governor. A new member has not been appointed to the University Board of Trustees.

Chicago State University Law 110 ILCS 660/5-15 states that the Board shall consist of 7 voting members appointed by the Governor, by and with advice and consent of Senate, and one voting member who is a student at Chicago State University.

University officials stated that they have recommended an individual to the Office of the Governor for this vacancy, however, have not received a response.

Failure to comply with state mandates could effect the working of the Board of Trustees and oversight of the University and results in noncompliance with University Law. (Finding Code No. 08-20)

RECOMMENDATION

We recommend that the University continue to work with the Governor's office to fill vacant Board positions.

UNIVERSITY RESPONSE

The University agrees with the recommendation. The University will again request the Governor's Office to appoint a Board of Trustees member.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS – PRIOR FINDINGS NOT REPEATED
FOR THE YEAR ENDED JUNE 30, 2008**

PRIOR FINDINGS NOT REPEATED – GOVERNMENT AUDITING STANDARDS

None

PRIOR FINDINGS NOT REPEATED – FEDERAL COMPLIANCE

A: Grant Expenditures Not Properly Bid

Chicago State University's procurement policies have requirements for competitive bidding, however no evidence of competitive bidding was noted during testing of Federal transactions.

Of the 237 transactions tested totaling \$5,094,436, it was noted that 37 (16%) expenditures (\$4,484,188) were over the small purchase threshold of 41 U.S.C. 403(11) as referred to in OMB Circular A-110 Section 44 (e)(2) (\$25,000) and contained no evidence of bidding. (Finding Code No. 07-06)

Disposition: During the current period, all expenditures over the simplified acquisition threshold of 41 U.S.C. 403(11) tested either contained evidence of bidding or the vendor was specified in the contract. No exceptions were noted in our test work.

B: Incorrect Reporting on Schedule of Expenditures of Federal Awards

Chicago State University did not provide the auditors with a complete and accurate Schedule of Expenditures of Federal Awards.

During testing it was noted that two programs were not originally included on the Schedule of Expenditures of Federal Awards. Expenditures for these programs totaled \$2,070,532 for the year ended June 30, 2007. The University subsequently corrected the error as a result of our inquiry. (Finding Code No. 07-07)

Disposition: During the current period, there were no exceptions noted in our test work.

PRIOR FINDINGS NOT REPEATED – STATE COMPLIANCE

C: Noncompliance with Travel Regulations

Chicago State University's employees submitted travel reimbursements requests for travel claims that were not in accordance with Illinois Travel Regulation Council's travel rules.

During testing it was noted that several travel reimbursements did not contain supporting documentation for expenses paid, reimbursements for lodging exceeded allowed rates, and travel requests were not approved timely. (Finding Code No. 07-13)

Disposition: During the current period, the number and dollar amount related to travel exceptions were significantly less. Therefore, this finding has been reported in the Letter of Immaterial Findings as finding IM08-10.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS – PRIOR FINDINGS NOT REPEATED
FOR THE YEAR ENDED JUNE 30, 2008**

PRIOR FINDINGS NOT REPEATED – STATE COMPLIANCE (Continued)

D: Noncompliance with Chicago State University Law

Chicago State University did not comply with laws concerning student's personal information

During testing it was noted that the University did not implement its first phase of a policy designed to ensure privacy and proper use of social security numbers until March 2007, therefore social security numbers were displayed on student identification cards subsequent to January 2006. (Finding Code No. 07-17)

Disposition: During the current period, we did not note any social security numbers displayed on student identification cards in our sample testing.

E: Inadequate Controls Over Property and Equipment Records

Chicago State University had inadequate controls over its property and equipment records.

During testing it was noted that several equipment items observed were not on the property control list, several items on the property control list could not be located, several property items were not tagged, and several additions during the year were not tagged nor included on the property listing. (Finding Code No. 07-18)

Disposition: During the current period, the number and dollar amount related to property and equipment exceptions were significantly less. Therefore, this finding has been reported in the Letter of Immaterial Findings as finding IM08-13.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES**

SUMMARY

Supplementary Information for State Compliance Purposes presented in this section of the report include the following:

- Fiscal Schedules and Analysis:
 - Schedule of Expenditures of Federal Awards
 - Notes to the Schedule of Expenditures of Federal Awards
 - Schedule of Appropriations, Expenditures and Lapsed Balances
 - Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
 - Comparative Schedule of Income Fund Revenues and Expenditures
 - Schedule of Changes in State Property
 - Analysis of Significant Variations in Revenues and Expenses
 - Comparative Schedule of Cash, Temporary Cash Investments, and Investments
 - at Market Value
 - Analysis of Significant Variations in Asset and Liability Accounts
 - Analysis of Significant Lapse Period Expenditures
 - Analysis of Accounts Receivable
 - Schedule of Sources and Applications of Indirect Cost Recoveries
- Analysis of Operations
 - Agency Functions and Planning Program
 - Average Number of Employees (Unaudited)
 - Comparative Enrollment Statistics (Unaudited)
 - Statistical Summary (Unaudited)
 - Comparative Schedule of Unrestricted Current Fund Expenditures per Full-time Equivalent Students as Reported to the Board of Higher Education (Unaudited)
 - Emergency Purchases
 - Illinois First Program
 - Bookstore Information (Unaudited)
 - Schedule of Federal Expenditures, Nonfederal Expenses, And New Loans
 - Schedule of Degrees Conferred (Unaudited)
 - Schedule of Tuition and Fee Waivers (Unaudited)
- Special Data Requirements for Audits of Universities
 - University Reporting in Accordance With University Guidelines
 - Schedule of Indirect Cost Funds to be Deposited into the University Income Fund as Required by the University Guidelines (1997 Amended)
 - Schedule of Excess Funds Calculation by Entity as required by the 1982 University Guidelines (1997 Amended)
 - Entities' Financial Statements
 - Balance Sheets
 - Statement of Revenues, Expenditures and Transfers - Current Unrestricted Funds
 - Statement of Changes in Fund Balance – Current Unrestricted Funds
 - Statement of Changes in Fund Balance – Plant Funds
 - Summary of Foundation Cash Support to the University

The auditors' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states that it has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the auditors' opinion, except for the portion marked "unaudited," on which they express no opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008**

<u>Source/Program</u>	<u>Federal CFDA #</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures 2008</u>
DEPARTMENT OF EDUCATION:			
Direct Programs:			
Student Financial Aid Cluster:			
Federal Supplemental Educational Opportunity Grants	84.007		\$ 563,506
Federal Work-Study Program	84.033		458,794
Federal Pell Grant Program	84.063		11,170,584
Federal Perkins Loan Program (Note 2)	84.038		-
Federal Family Education Loans (Note3)	84.032		-
Federal Academic Competitiveness Grant	84.375		59,750
SMART Grant	84.376		54,821
DEPARTMENT OF HEALTH & HUMAN SERVICES			
Direct Program:			
Student Financial Aid Cluster:			
Scholarships for Health Professions Students from Disadvantaged Backgrounds - SDS Nursing Program	93.925		22,077
Total Student Financial Aid Cluster			<u>12,329,532</u>
TRIO Cluster:			
TRIO-Student Support Services	84.042		258,567
TRIO-Project Fame/Upward Bound	84.047		594,984
TRIO-Project Fame/Upward Bound II	84.047		301,340
TRIO-Educational Opportunity Centers	84.066		67,893
TRIO-Educational Talent Search	84.044		496,735
Total TRIO Cluster			<u>1,719,519</u>
Minority Science And Engineering Improvement Program	84.120		26,303
Ensuring Mastery of Mathematics	84.120		29,931
Combined Priority for Personnel Prep.	84.325		11,532
Total Direct Programs			<u>14,116,817</u>
Passed Through Programs From:			
Illinois Board of Higher Education			
Improving Teacher Quality State Grants - Chicago Collaborative for High School Science	84.367	F983NCLB12	75,012
No Child Left Behind - Institutionalization of Chicago Science Van Programs	84.367B		136,974
The Jane Addams Hull House			
Early Reading First/Hull House Project	84.359		15,926
Total Passed Through Programs			<u>227,912</u>
Total Department of Education			<u>14,344,729</u>
RESEARCH AND DEVELOPMENT CLUSTER			
NATIONAL INSTITUTES OF HEALTH			
Biomedical Research and Research Training - Minority Biomedical Research Support (MBRS)	93.859		1,037,205
Mental Health Research Grant(s)	93.242		12,741
Child Health and Human Development Extramural Research- EARDA	93.865		25,185
Passed Through Programs From:			
American Psychological Association			
Biomedical Research and Research Training - Developing Minority Biomed	93.859	5T36GM00864006	35,626
Northwestern University			
Biomedical Research and Research Training - MS-Phd Bridge to the Future	93.859	1R25GM068929	22,839
University of Illinois			
Biomedical Research and Research Training - Training at the Masters Level	93.859	5R25GM07195903	11,818
NATIONAL SCIENCE FOUNDATION			
Summer Symposium in Real Analysis XXXII	47.049	DMS-0809726	11,806
Education and Human Resources - AMP- Chicago Science, Engineering and Math Alliance	47.076		2,011,590
Education and Human Resources - Improving Student Understanding of Physics at an Inner-City			
University through the use of Concept and Activity-Based Tutorials	47.076		2,629
Education and Human Resources - Support, Mentoring, Accountability, Research and Training:			
A Sustainable, Thriving Program in Mathematical Sciences	47.076		75,503
Education and Human Resources - Creating Innovative Physics Learning Environments in the			
Urban Classroom	47.076		79,767
Biological Sciences - Acquisition of a Florescence-Activated Cell Sorter to Support Research	47.074		13,663
And Training at CSU			

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008**

<u>Source/Program</u>	<u>Federal CFDA #</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures 2008</u>
Passed Through Program From:			
Ohio State University Research Foundation <i>Mathematics & Physical Sciences - Creating Research Based Single Concept Sequences for in-class polling system</i>	47.049	DUE-0618128	5,302
The Chicago Botanic Garden <i>Biological Sciences - Integrating Long-term Demographic Data & Repeated Genetic Sampling</i>	47.074	DEB-051608	-
<u>ARMY RESEARCH OFFICE, ARMY MATERIAL COMMAND</u>			
<i>Basic Scientific Research - Compact Modular Spectroscopy Stations to Enhance & Research Experience</i>	12.431		176,496
<u>DEPARTMENT OF DEFENSE</u>			
<i>Development of Fuel Cells for Mobile Robotic Systems</i>	12.xxx		1,480,862
Total Research And Development Cluster			<u>5,003,032</u>
<u>DEPARTMENT OF HEALTH & HUMAN SERVICES:</u>			
Direct Programs:			
<i>Nurse Education, Practice and Retention Grants - CSU's Access to Nursing Care Through Service Learning</i>	93.359		255,572
<i>Temporary Assistance for Needy Families</i>	93.558		143,306
Total Direct Programs			<u>398,878</u>
Passed Through Programs From:			
City of Chicago:			
<i>Headstart/IPCFD</i>	93.600	05-0890-52-2005-0140-0140-05CI6E	
<i>Early Headstart Program</i>	93.600	006-0890-0522005-0140-220140-06C4E P.O. No:377, Spec. No:1787	2,055,000
<i>Head Start Collaboration & Services</i>	93.600	005-0585-52-2005-0140-0140-05BZ44 P.O. No: 432, Spec. No: 1787	136,220
<i>Head Start Developing Communities Project</i>	93.600	005-0890-52-2005-0140-0140-05CI6A P.O. No: 4640, Spec. No: 21116	407,858
Total Head Start			<u>362,578</u>
<i>Child Care and Development Block Grant-Child Care Services Program</i>	93.575	005-0585-52-2005-0140-0140-05BZ44 005-0585-52-2005-0140-0140-05BZ45 005-0586-52-2005-0140-0140-05BZ54 P.O. No: 377, Spec. No: 1787	2,961,656
Total			<u>3,162,948</u>
The University of Illinois at Chicago:			
<i>Health Careers Opportunity Program - Six Week Summer Health Careers Opportunity Program</i>	93.822	5D18HP02992-050	20,704
Total Passed Through Programs			<u>3,183,652</u>
Total Department of Health and Human Services			<u>3,582,530</u>
<u>U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT</u>			
Direct Program:			
<i>Textbook & Learning Materials Program</i>	98.001		1,480,004
Passed Through Programs From:			
Science Application International Corporation <i>African Education Initiative</i>	98.001	DEB-051608	23,012
Total U.S. Agency for International Development			<u>1,503,016</u>
<u>DEPARTMENT OF AGRICULTURE</u>			
Direct Program:			
<i>Scientific Cooperation and Research</i>	10.961		
Passed Through Programs From:			
Illinois State Board of Education			
<i>Child & Adult Care Food Program</i>	10.558		55,623
<i>Child Nutrition SAE</i>	10.560		-
<i>Summer Food Service Program for Children</i>	10.559		9,838
Northern Illinois University			
<i>Fruit & Vegetable Availability Among WIC Vendors</i>	10.255		3,858
Total Passed Through Programs			<u>69,319</u>
Total Department of Agriculture			<u>69,319</u>

STATE OF ILLINOIS
 CHICAGO STATE UNIVERSITY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2008

<u>Source/Program</u>	<u>Federal CFDA #</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures 2008</u>
<u>NATIONAL AERONAUTICS AND SPACE ADMINISTRATION</u>			
Direct Program:			
<i>Performance Evaluation of Elliptic Curve</i>	12.xxx	NNC06GA06G	13,645
Passed Through Programs From:			
Spelman College/NSPACE	12.xxx		9,919
Sonoma State University/Glast Flight Investigation	12.xxx		12,830
DePaul University Space Science Center	12.300		-
Total National Aeronautics and Space Administration			<u>36,394</u>
<u>U.S. DEPARTMENT OF ENERGY</u>			
<i>CSU Technology Center Planning & Design</i>	81.049		2,678
Total U.S. Department of Energy			<u>2,678</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 24,541,698</u>

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008**

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes federal grants of the University and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "*Audits of State, Local Governments, and Non-Profit Organizations.*" Some amounts presented in this schedule may differ from amounts presented, or used in the preparation of the basic financial statements.

2. LOANS OUTSTANDING

The University had the following loan balances outstanding at June 30, 2008. These loan balances are not included in the federal expenditures presented in the schedule.

- **PERKINS LOAN FUND**

The Perkins Loan receivable from program inception through the year ended June 30, 2008 totaled \$2,242,715. Loan advances for the year ended June 30, 2008 totaled \$94,371. Interest income on loans totaled \$41,472 and other income totaled \$32,086.

3. FEDERAL FAMILY EDUCATION LOAN PROGRAM (FFELP)

The University approved \$27,593,782 in FFELP Loans (Stafford Subsidized - \$15,265,095, Stafford Unsubsidized - \$11,997,160, Parent Loans Plus - \$288,490 and Graduate Plus - \$43,037).

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
APPROPRIATIONS FOR FISCAL YEAR 2008**

FOURTEEN MONTHS ENDED AUGUST 31, 2008

Public Act No. 95-0348

	Appropriations (Net After Transfers)	Expenditures Through June 30, 2008	Lapse Period Expenditures (July 1-Aug 31)	Total Expenditures	Balances Lapsed
GENERAL REVENUE FUND (001)					
Personal services	\$ 35,454,700	\$ 35,453,732	\$ 968	\$ 35,454,700	\$ -
Social Security	385,900	385,900	-	385,900	-
Group Insurance	1,024,000	1,024,000	-	1,024,000	-
Contractual services	1,992,700	1,992,700	-	1,992,700	-
Travel	11,000	11,000	-	11,000	-
Commodities	11,000	11,000	-	11,000	-
Equipment and library books	168,100	168,100	-	168,100	-
Telecommunications	304,400	304,400	-	304,400	-
Operation of Automotive Equipment	1,000	1,000	-	1,000	-
Awards and grants	104,400	104,400	-	104,400	-
HIV/AIDS Policy Research	400,000	400,000	-	400,000	-
Doctor of Education in Ed. Leadership	150,000	150,000	-	150,000	-
Financial Assistance Outreach Program	450,000	450,000	-	450,000	-
Display/Permanent Exhibit in Library	1,000,000	1,000,000	-	1,000,000	-
Convocation Center Operation & Maint	1,000,000	1,000,000	-	1,000,000	-
Projects to Improve Retention	400,000	400,000	-	400,000	-
Total General Revenue Fund (001)	<u>42,857,200</u>	<u>42,856,232</u>	<u>968</u>	<u>42,857,200</u>	<u>-</u>
TOTAL APPROPRIATIONS	<u>\$ 42,857,200</u>	<u>\$ 42,856,232</u>	<u>\$ 968</u>	<u>\$ 42,857,200</u>	<u>\$ -</u>

Note: Data is taken from University records and has been reconciled to the records of the State Comptroller.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,
EXPENDITURES, AND LAPSED BALANCES**

FOR THE YEAR ENDED JUNE 30, 2008

	<u>2008</u>	<u>2007</u>
	<u>PUBLIC ACT</u>	<u>PUBLIC ACT</u>
	<u>95-0348</u>	<u>94-0798</u>
GENERAL REVENUE FUND (001)		
APPROPRIATIONS	\$ 42,857,200	\$ 41,160,000
EXPENDITURES		
Personal services	35,454,700	34,727,500
Social Security	385,900	385,900
Group Insurance	1,024,000	1,024,000
Contractual services	1,992,700	1,992,700
Travel	11,000	11,000
Commodities	11,000	11,000
Equipment and library books	168,100	168,100
Telecommunications	304,400	304,400
Operations of Automobile	1,000	1,000
Awards and Grants	104,400	104,400
HIV/AIDS Policy & Research	400,000	400,000
Doctor of Education in Ed. Leadership	150,000	150,000
Financial Assistance Outreach Program	450,000	450,000
Display/Permanent Exhibit in Library	-	30,000
Convocation Center Operation & Maint	1,000,000	1,000,000
Projects to Improve Retention	400,000	400,000
Public Policy Institute	1,000,000	-
Total expenditures	<u>42,857,200</u>	<u>41,160,000</u>
Lapsed balances	<u>-</u>	<u>-</u>
GRAND TOTAL		
APPROPRIATIONS	42,857,200	41,160,000
EXPENDITURES	<u>42,857,200</u>	<u>41,160,000</u>
TOTAL LAPSED BALANCES	<u>\$ -</u>	<u>\$ -</u>

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
COMPARATIVE SCHEDULE OF INCOME FUND REVENUES AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008
(With comparative totals for the year ended June 30, 2007)**

	2008	2007
INCOME FUND REVENUES		
Tuition revenue	\$ 26,517,402	\$ 23,480,825
Laboratory fee	188,142	162,299
Late registration fee	54,582	136,847
NSF check fee	2,969	2,660
Deferred payment fee	35,644	46,630
Graduation fee-undergraduate	16,555	15,625
Graduation fee-graduate	7,875	7,265
Transcript fee	73,856	74,527
Application fee	112,975	110,428
Interest income	434,202	549,885
Miscellaneous other income	150,502	192,611
TOTAL INCOME FUND REVENUES	\$ 27,594,704	\$ 24,779,602
INCOME FUND EXPENDITURES		
Personal services	\$ 15,906,671	\$ 13,194,652
Social Security	334,580	284,061
Contractual services	5,235,553	4,821,640
Travel	248,579	229,336
Commodities	1,095,324	1,147,909
Equipment and library books	1,041,464	1,731,585
Telecommunications	163,790	495,440
Operation of automotive equipment	40,717	47,488
Permanent improvements	82,732	372,020
TOTAL INCOME FUND EXPENDITURES	\$ 24,149,410	\$ 22,324,131

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF CHANGES IN STATE PROPERTY
FOR THE YEAR ENDED JUNE 30, 2008**

(In thousands)

	Beginning Balance at June 30, 2007	Additions	Reclassifications	Retirements	Ending Balance at June 30, 2008
Land	\$ 9,612	\$ 1	\$ -	\$ (2)	\$ 9,611
Buildings and building improvements	108,405	1,582	61,055	-	171,042
Site improvements	9,497	347	2,272	-	12,116
Equipment	35,859	2,185	-	(1,351)	36,693
Library books	10,027	674	-	-	10,701
Construction in-progress	59,450	5,463	(63,327)	-	1,586
TOTAL	\$ 232,850	\$ 10,252	\$ -	\$ (1,353)	\$ 241,749

This Schedule has been reconciled to Quarterly Reports of State Property submitted to the State Comptroller.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
ANALYSIS OF SIGNIFICANT VARIATIONS IN REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2008**

We obtained variance explanations for the following accounts, which had a 20% change and a dollar variance greater than \$100,000.

	<u>Balance FY 08</u>	<u>Balance FY 07</u>	<u>\$ Difference</u>	<u>%</u>
REVENUES				
STATE AND LOCAL GRANTS AND CONTRACTS:	\$ 9,686,748	\$ 7,383,009	\$ 2,303,739	31%
The increase is due to increased funding for some State and local grants, including the Head Start Program and Alliance for Minority Participation.				
EXPENSES				
RESEARCH:	\$ 3,658,509	\$ 5,405,867	\$ (1,747,358)	-32%
Research decreased \$1.7 million or 32% to \$3.6 million due to decrease in expenditures for Indirect Cost, and lower contractual and commodities expenses.				
OPERATION AND MAINTENANCE OF PLANT:	\$ 12,297,088	\$ 6,701,614	\$ 5,595,474	83%
Operation and Maintenance of Plant expenditures increases include the acquisition and operating cost of the Emil Jones Convocation Center and the new Academic Library.				
DEPRECIATION:	\$ 5,713,803	\$ 4,067,182	\$ 1,646,621	40%
Variance represents depreciation of construction in progress items for building improvements at \$2.2 million, buildings at \$765 thousand and site improvements at \$354 thousand.				
SCHOLARSHIP AND FELLOWSHIP:	\$ 7,151,009	\$ 5,346,202	\$ 1,804,807	34%
The increase is due to higher Pell awards this year.				
AUXILIARY SERVICES:	\$ 4,800,965	\$ 3,902,710	\$ 898,255	23%
Auxiliary enterprise expenditures increased 23% due to higher than normal spending related to additional bookstore and residence hall operating expenses.				
OTHER REVENUES, EXPENSES, GAINS OR LOSSES				
CAPITAL APPROPRIATIONS AND GRANTS:	\$ 6,211,789	\$ 16,916,913	\$(10,705,124)	-63%
The decrease is due to the completion of the Convocation Center and the new Academic Library.				

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
COMPARATIVE SCHEDULE OF CASH, TEMPORARY CASH INVESTMENTS,
AND INVESTMENTS - AT MARKET VALUE
AS OF JUNE 30, 2008
(With Comparative Totals as of June 30, 2007)**

	<u>2008</u>	<u>2007</u>
By Depository		
Cash and temporary cash investments:		
Citibank , Chicago, Illinois, Money Market Account	\$ 246	\$ 243
Checking accounts:		
Shore Bank, Chicago, Illinois, Depository Account	737,812	781,371
Shore Bank, Chicago, Illinois, ECA Account	-	-
Shore Bank, Chicago, Illinois, Student Loan Account	154,930	92,220
Shore Bank, Chicago, Illinois, HHS Account	152,272	360
Citibank, Chicago, Illinois, Vendor Disbursement Account	(2,911,576)	856,792
Citibank, Chicago, Illinois, Student Disbursement Account	(166,645)	(70,841)
Citibank, Chicago, Illinois, Electronic Depository Account - Local	44,355	888,413
Citibank, Chicago, Illinois, Electronic Depository Account - International	405	7,553
Citibank, Chicago, Illinois, TMS Account	1,843	11,031
Bank One, Chicago, Illinois, Payroll Account	227,884	331,348
Harris Bank, Chicago, Illinois, HUD Account	119,473	63,719
The Illinois Funds, Springfield, Illinois, Clearing Fund	1,637,508	13,443,429
The Illinois Funds, Springfield, Illinois, Payroll Fund	9,858,408	3,341
The Illinois Funds, Springfield, Illinois, SURMA	2,654,706	1,397,691
Bank of America, Chicago, Illinois, Money Market	203,286	-
Bank of America, Chicago, Illinois, Checking	5,285	-
Bank of America, Chicago, Illinois, Checking	2,500	-
Standard Chartered Bank, Ghana, S Africa, USAID	58,510	34,519
Standard Chartered Bank, Ghana, S Africa, USAID	-	(53)
Standard Chartered Bank, Ghana, S Africa, USAID	11,430	5,779
Temporary cash investments -		
Seaway Bank, Chicago Illinois, Bond Revenue Proceeds	562	142,825
Total Cash and Cash Equivalents	<u>\$ 12,793,194</u>	<u>\$ 17,989,740</u>
By Fund		
Unrestricted current funds	\$ 5,900,657	\$ 8,289,439
Restricted current funds	(573,439)	1,994,320
Loan funds	(42,911)	(42,911)
Plant Funds	4,728,621	4,937,470
Agency Funds	2,780,266	2,811,422
Total Cash and Cash Equivalents	<u>\$ 12,793,194</u>	<u>\$ 17,989,740</u>

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
ANALYSIS OF SIGNIFICANT VARIATIONS IN ASSET AND LIABILITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2008**

We obtained variance explanations for the following accounts, which had a 20% change and a dollar variance greater than \$100,000.

	<u>Balance FY 08</u>	<u>Balance FY 07</u>	<u>\$ Difference</u>	<u>%</u>
ASSETS				
<i>Cash and Cash Equivalents:</i>	\$ 12,793,194	\$ 17,989,740	\$ (5,196,546)	-29%
Cash and cash equivalents were down due to the timing of expenses paid but not yet reimbursed by the State.				
<i>Balance in State Appropriation:</i>	\$ 3,184,380	\$ 1,774,527	\$ 1,409,853	79%
The balance in State appropriations increased due to the timing of expenditures submitted for reimbursement.				
<i>Accounts Receivable (net):</i>	\$ 17,442,525	\$ 7,753,547	\$ 9,688,978	125%
Accounts receivables increased in restricted funds, mainly for the Douglas Hall renovation and the Chicagoland Regional College Program, and the Student receivables, due to increased registration.				
<i>Prepaid Expenses and Other Assets:</i>	\$ 314,669	\$ 1,169,606	\$ (854,937)	-73%
Prepaid expenses and other assets decreased due to completion of construction projects on campus, mainly for the University Convocation Center.				
LIABILITIES				
<i>Accounts Payable:</i>	\$ 16,432,876	\$ 11,461,964	\$ 4,970,912	43%
Accounts payable increased mainly because of the timing of the payment for the Chicagoland Regional College Program.				
<i>Accrued Wages:</i>	\$ 2,415,494	\$ 1,872,121	\$ 543,373	29%
Accrued wages increased due to the increase in salaries.				
<i>Performance Contract Notes Payable:</i>	\$ 776,444	\$ 1,514,714	\$ (738,270)	-49%
The decrease in the performance contract is due to another year of non-current payments not being made as performance contract is in litigation.				

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
ANALYSIS OF SIGNIFICANT LAPSE PERIOD EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008**

The University did not have any significant lapse period expenditures.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
ANALYSIS OF ACCOUNTS RECEIVABLE
AS OF JUNE 30, 2008
(With Comparative Totals as of June 30, 2007)**

Balance Sheet at June 30 of	<u>2008</u>	<u>2007</u>	<u>Change</u>
Accounts Receivable (Net)			
Current Unrestricted Fund	\$ 6,507,002	\$ 4,459,997	\$ 2,047,005
Current Restricted Fund	10,935,523	3,293,550	7,641,973
Loan Fund	-	-	-
Total Accounts Receivable (Net)	<u>\$ 17,442,525</u>	<u>\$ 7,753,547</u>	<u>\$ 9,688,978</u>
Accounts Receivable - All Funds at Gross	\$ 19,185,566	\$ 9,702,245	\$ 9,483,321
Less: Allowance for Uncollectible Accounts	<u>(1,743,041)</u>	<u>(1,948,698)</u>	<u>205,657</u>
Total Accounts Receivable (Net)	<u>\$ 17,442,525</u>	<u>\$ 7,753,547</u>	<u>\$ 9,688,978</u>
Aging of Current Unrestricted Fund			
Current (less than one year)	\$ 4,296,839	\$ 2,551,002	\$ 1,745,837
One year past due	1,549,668	1,296,707	252,961
Two years past due	1,016,114	994,512	21,602
Three years past due	914,992	890,883	24,109
Older than three years past due	440,499	643,660	(203,161)
Total Current Unrestricted Fund-Gross	<u>\$ 8,218,112</u>	<u>\$ 6,376,764</u>	<u>\$ 1,841,348</u>
Balance Sheet - Current Unrestricted Fund (Net)	\$ 6,507,002	\$ 4,459,997	\$ 2,047,005
Allowance for Uncollectible Accounts	<u>(1,711,110)</u>	<u>(1,916,767)</u>	<u>205,657</u>
TOTAL CURRENT UNRESTRICTED FUND-GROSS	<u>\$ 8,218,112</u>	<u>\$ 6,376,764</u>	<u>\$ 1,841,348</u>

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF SOURCES AND APPLICATIONS OF
INDIRECT COST RECOVERIES
FOR THE YEAR ENDED JUNE 30, 2008**

SOURCES:

Federal funds	\$ 771,638
State funds	93,822
Local and Private funds	72,683
Other sources	55,543
Total Sources	<u>993,686</u>

APPLICATIONS:

Academic support	9,500
Research	373,227
Total Applications	<u>382,727</u>

Fund Transfers	<u>(259,563)</u>
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Excess of Sources Over Applications	<u>351,396</u>
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FUND BALANCE, BEGINNING OF YEAR	<u>(490,438)</u>
----------------------------------------	------------------

FUND BALANCE, END OF YEAR	<u><u>\$ (139,042)</u></u>
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**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2008**

AGENCY FUNCTIONS AND PLANNING

Chicago State University (University) 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 by the student body. Three board members have five-year appointments and the other four have a three-year term. The student is elected for a one year term.

The 2006 Chicago State University Strategic Plan, *Building on Tradition: Repositioning the University for Excellence in the New Century*, contains the strategic plan and the context for planning. The goals, subgoals, strategies, names of responsible persons and assessment indicators, and the mission statement and University vision are incorporated into the document. The original planning process was initiated in 2004 by the Strategic Planning Committee and eight task forces. This plan will guide the University for the next five to seven years. Although this document is expected to be a University guide to strategic planning for the future, the University anticipates that many factors may require it to be updated annually.

Chicago State University - Mission

Chicago State University, a public, comprehensive, urban institution of higher learning located on the south side of Chicago, strives for excellence in teaching, research, creative expression and community service. The mission of the University is to: 1) provide access to higher education for residents of the region, the state and beyond, with an emphasis on meeting the educational needs, undergraduate through doctoral levels, of promising graduates from outstanding secondary schools as well as educating students where academic and personal growth may have been inhibited by lack of economic, social, or educational opportunity; and 2) produce graduates who are responsible, discerning, and informed global citizens with a commitment to lifelong-learning and service.

To accomplish its mission, the University is committed to:

- recruiting, retaining and graduating a culturally and economically diverse student body including undergraduate, master's and doctoral-level students;
- employing a dedicated, caring and culturally diverse faculty whose teaching is informed by research and embodies engaging learning experiences that enable students to flourish academically and personally;
- offering curricula that address major dimensions of the arts, humanities, and encourage the development of communication skills and critical thinking as well as cultural and social awareness;
- providing students in liberal arts and professional programs with broad knowledge, university-level competencies and specialized courses that are intellectually challenging and academically rigorous;
- fostering a collaborative and intellectually stimulating community that promotes academic freedom, mutual respect and integrity for its graduate and undergraduate students, faculty and staff; and
- working in partnership with local organizations and agencies active in the region and assisting in the development of socially economically viable and sustainable communities.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2008**

AGENCY FUNCTIONS AND PLANNING (continued)

Chicago State University Vision Statement

Chicago State University is a comprehensive, metropolitan, communitary committed to its evolution as a center of academic excellence and aspires to be a doctoral granting institution. The University is dedicated to maintaining a culturally diverse community of scholars engaged in the collaborative creation and dissemination of knowledge. Placing its students first, CSU prepares its graduates to meet the challenges of the emerging global community.

By the year 2010:

- All faculty and students will be actively engaged in research, scholarship and creative expression.
- The University community will measure its success by what its students learn or the educational value it adds to the lives of its students.
- The University will be fiscally credible, responsible in all its operations, expand its revenue sources and enhance its endowment.
- The University will maintain and expand its physical facilities and infrastructure as well as technologies to support its teaching, learning and research goals.
- The University will actively engage its internal community and external constituencies in its economic development interests and community engagement projects.
- The University will use its athletic program as a means of achieving greater visibility and a positive image as well as enhancing recruitment and fund-raising initiatives.
- The University's academic programs will emphasize majors in business, healthcare, education, scientific and technological areas while continuing to provide strong and rigorous programs in the liberal arts, humanities and the social sciences.
- All members of the University community will adhere to the CSU community Code of Excellence.
- The University will provide a strong cultural and intellectual climate and will enhance the quality of student life through an array of activities and services.
- The University will expand strategies for recruiting, retaining and advancing highly qualified faculty, students, staff, administrators and alumni in order to achieve its mission.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2008**

AGENCY FUNCTIONS AND PLANNING (continued)

The University is also committed to meeting the needs of the State and its citizens in the next decade by participating in the "citizens agenda" adopted by the Illinois Board of Higher Education that is termed "The Illinois Commitment." Many agenda items fit within the stated mission, and have been incorporated into the CSU budget and planning process. These goals include:

1. Higher Education will help Illinois business and industry sustain strong economic growth.
2. Higher Education will join elementary and secondary education to improve teaching and learning at all levels.
3. No Illinois citizen will be denied an opportunity for a college education because of financial need.
4. Illinois will increase the number and diversity of citizens completing training and education programs.
5. Illinois colleges and universities will hold students to even higher expectations for learning and will be accountable for the quality of academic programs and the assessment of learning.
6. Illinois colleges and universities will continually improve productivity, cost-effectiveness, and accountability.

CSU intends to contribute significantly to the attainment of each of these goals. The University is required to submit an annual Resource and Management Plan to the Illinois Board of Higher Education, which details the current year and a five-year projection. The University intends that future budget requests will contribute to the University Mission, Vision Statement and the Illinois Commitment.

University Head and Location

The Interim President of the University is Dr. Frank Pogue whose office is located at:

Chicago State University
Cook Administration Building
9501 South Martin Luther King Drive
Chicago, IL 60628

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

Average number of University employees during the years ended June 30,

	<u>2008</u>	<u>2007</u>
Faculty and Staff	961	902
Students	<u>265</u>	<u>299</u>
TOTAL	<u><u>1,226</u></u>	<u><u>1,201</u></u>

Comparative Enrollment Statistics

The data indicated below for head count is for the Spring enrollment and the credit hour data is for the entire academic year.

	<u>2008</u>	<u>2007</u>
Head Count:		
Undergraduate	4,971	4,775
Graduate	<u>1,573</u>	<u>1,773</u>
TOTAL	<u><u>6,544</u></u>	<u><u>6,548</u></u>
Credit Hours:		
Undergraduate	120,606	116,556
Graduate	<u>23,272</u>	<u>24,232</u>
TOTAL	<u><u>143,878</u></u>	<u><u>140,788</u></u>

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

Comparative Enrollment Statistics (Continued)

University operational activity can be highlighted by the presentation of enrollment data.

Chicago State University Enrollment Summary '98-08:

<u>Term</u>	<u>Undergraduates</u>	<u>Graduates</u>	<u>Total</u>
Fall '98	6,336	2,080	8,416
Fall '99	5,585	1,995	7,580
Fall '00	5,060	1,854	6,914
Fall '01	5,140	1,939	7,079
Fall '02	4,979	2,179	7,158
Fall '03	4,904	2,136	7,040
Fall '04	4,867	1,968	6,835
Fall '05	5,160	1,971	7,131
Fall '06	5,167	1,868	7,035
Fall '07	5,217	1,593	6,810
Fall '08	5,211	1,609	6,820

Chicago State University Enrollment Demographics - Fall '07:

<u>Category</u>	<u>Number</u>	<u>Percent</u>
Full-time	3,684	54.1%
Part-time	3,126	45.9%
Male	1,901	27.9%
Female	4,909	72.1%
Freshman	1,308	19.2%
Sophomores	950	14.0%
Juniors	1,337	19.6%
Seniors	1,572	23.1%
Other Undergraduates	50	0.7%
Graduates	1,593	23.4%

Credit Hour Production - Fall '07 and Spring '08:

<u>College</u>	<u>2008 Credit Hour</u>
Arts & Science	45,781
Business	15,493
Education	26,563
Nursing	19,328
Special Programs	20,175
Undecided/Undeclared	4,695
TOTAL	132,035

STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2008
(UNAUDITED)

STATISTICAL SUMMARY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

OPERATING REVENUES

	<u>FY 2008</u>	<u>FY 2007</u>
Student tuition (net of scholarship allowances of \$8,039,178 and \$7,573,293)	\$ 25,129,353	\$ 22,023,468
Auxiliary enterprises (net of scholarship allowances of \$14,832 and \$13,664)	4,322,723	3,630,015
Grants and contracts (principally Federal)	31,023,044	31,083,682
Other sources	2,907,252	3,023,784
Total Operating Revenues	<u>63,382,372</u>	<u>59,760,949</u>

OPERATING EXPENSES

Instruction	38,707,378	38,298,566
Research	3,658,509	5,405,867
Public service	6,180,486	7,359,554
Academic support	7,850,205	7,118,467
Student services	13,573,193	13,468,500
Institutional support	9,736,245	8,903,062
Operation and maintenance of plant	12,297,088	6,701,614
Scholarships and fellowships	7,151,009	5,346,202
Auxiliary enterprises	4,800,965	3,902,710
Depreciation	5,713,803	4,067,182
On-behalf State fringe benefits	17,937,985	15,176,756
Total Operating Expenses	<u>127,606,866</u>	<u>115,748,480</u>

OPERATING LOSS

(64,224,494) (55,987,531)

NONOPERATING REVENUES (EXPENSES)

State appropriations	42,857,200	41,160,000
State fringe benefits	17,937,985	15,176,756
Investment income	9,186	54,044
Interest on capital asset - related debt	(1,345,346)	(1,350,769)
Net nonoperating revenues	<u>59,459,025</u>	<u>55,040,031</u>
	<u>(4,765,469)</u>	<u>(947,500)</u>

Capital appropriations and grants	6,211,789	16,916,913
Loss on disposal of capital assets	1,300	(32,128)
Total other revenues	<u>6,213,089</u>	<u>16,884,785</u>

1,447,620 15,937,285

NET ASSETS

Net assets, beginning of the year	126,223,714	110,286,429
Net assets, end of the year	<u>\$ 127,671,334</u>	<u>\$ 126,223,714</u>

SELECTED ACCOUNT BALANCES

Cash and investments	\$ 12,793,194	\$ 17,989,740
Capital assets, net of accumulated depreciation	145,347,866	145,793,617
Revenue bond payable	19,185,000	20,860,000
Accrued compensated absences	6,641,697	6,832,668

SUPPLEMENTARY INFORMATION

Employment statistics

Faculty/administrative/civil service	961	902
Students	265	299
Total Employees	<u>1,226</u>	<u>1,201</u>

Student statistics

Undergraduate	4,971	4,775
Graduate	1,573	1,773
Total Students	<u>6,544</u>	<u>6,548</u>

Institutional cost per student	<u>\$ 6,797</u>	<u>\$ 6,329</u>
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STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEARS ENDED JUNE 30, 2008
(UNAUDITED)

**COMPARATIVE SCHEDULE OF UNRESTRICTED CURRENT FUND
EXPENDITURES PER FULL-TIME EQUIVALENT STUDENTS
AS REPORTED TO THE BOARD OF HIGHER EDUCATION**

	<u>2008</u>		<u>2007</u>	
	<u>Total Costs</u>	<u>Total Semester Cost Per Full-Time Equivalent</u>	<u>Total Costs</u>	<u>Total Semester Cost Per Full-Time Equivalent</u>
Direct salary	\$ 15,182,768	\$ 1,524	\$ 16,100,693	\$ 1,651
Indirect instruction	2,032,254	204	2,170,855	223
Departmental research	1,036,022	104	1,294,545	133
Departmental overheads	7,481,629	751	5,365,303	550
College or school overheads	<u>2,122,294</u>	<u>213</u>	<u>1,559,666</u>	<u>160</u>
Subtotal of Department and College Cost	<u>27,854,967</u>	<u>2,796</u>	<u>26,491,062</u>	<u>2,717</u>
Overhead support unique to college costs	7,266,941	730	5,961,979	611
All other academic support	6,103,006	613	5,887,648	604
Student services	3,735,074	375	3,192,636	327
Institutional support	<u>12,033,250</u>	<u>1,208</u>	<u>12,244,789</u>	<u>1,256</u>
Subtotal of Department and College Costs with University Overheads	<u>56,993,238</u>	<u>5,722</u>	<u>53,778,114</u>	<u>5,515</u>
Operation and maintenance of physical plant	<u>10,709,069</u>	<u>1,075</u>	<u>7,940,519</u>	<u>814</u>
TOTAL OF ALL COSTS	<u><u>\$ 67,702,307</u></u>	<u><u>\$ 6,797</u></u>	<u><u>\$ 61,718,633</u></u>	<u><u>\$ 6,329</u></u>

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2008**

EMERGENCY PURCHASES

The University made the following emergency purchases during FY07:

- Contracted for Eagle Eye Surveillance, LLC, Chicago, IL (\$94,665) for security equipment and installation in the Convocation Center;
- Paid Tatum, LLC (\$67,435) for executive placement services;
- Contracted James Mansfield & Sons Co., Inc, Lyons, IL (\$97,813) for urgent roof repairs;
- Paid Youngblood Executive Search, Inc., Chicago, IL (\$42,357) for executive search services.

ILLINOIS FIRST PROGRAMS

According to University officials, and based upon our review of University records, the University received payments on the following Illinois First Projects during the current period:

Received from: Illinois Department of Commerce and Economic Opportunity

<u>Grant No.</u>	<u>Original Grant Amount</u>	<u>Amount received in FY 08</u>
00-126003	\$10,000,000	\$ -

BOOKSTORE INFORMATION (Unaudited)

The University has a contract with a bookstore for the period from June 1, 2000 through May 31, 2005, and was extended through March 31, 2008. The contract with the bookstore had the following terms:

1. 8.5% of all gross revenues up to \$2,000,000; and
2. 9.5% of all gross revenues from \$2,000,000 to \$4,000,000; and
3. 11% of all gross revenues over \$4,000,000

During FY 08 the bookstore had gross sales of \$3,045,059. The bookstore has been given exclusive rights to sell books on campus.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FEDERAL EXPENDITURES, NONFEDERAL EXPENSES, and NEW LOANS
Year Ended June 30, 2008
(expressed in thousands)**

Schedule A - Federal Financial Component

Total Federal Expenditures Reported on SEFA schedule	\$	24,542
Total New Loans Made not included on SEFA schedule		27,688
Amount of Federal Loan Balances at Beginning of the Year (not included on the SEFA schedule and continued compliance required)		2,153
Other noncash Federal Award Expenditures (not included on SEFA schedule)		-
Total Schedule A	<u>\$</u>	<u>54,383</u>

Schedule B - Total Financial Component

Total Operating Expenses (From Financial Statements)	\$	125,909
Total Nonoperating Expenses (From Financial Statements)		1,345
Total new loans made		27,688
Amount of Federal Loan Balances at Beginning of the Year		2,153
Other noncash Federal award expenditures		-
Total Schedule B	<u>\$</u>	<u>157,095</u>

Schedule C

		<u>Percent</u>
Total Schedule A	\$ 54,383	34.6%
Total Non-Federal Expenses	<u>\$ 102,712</u>	<u>65.4%</u>
Total Schedule B	<u>\$ 157,095</u>	<u>100.0%</u>

These schedules are used to determine the Agency's single audit costs in accordance with OMB Circular A-133.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

SCHEDULE OF DEGREES CONFERRED

The University conferred degrees during the years ended June 30, 2008 and 2007 as follows:

	<u>2008</u>	<u>2007</u>
Bachelors Degrees	630	628
Post-Baccalaureate Certificates	1	5
Masters Degrees	343	271
Total Degrees conferred	<u>974</u>	<u>904</u>

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

SCHEDULE OF TUITION AND FEE WAIVERS - UNDERGRADUATE

(in thousands of dollars)

	Tuition		Fees	
	Number of Waivers	Value of Waivers	Number of Waivers	Value of Waivers
<u>MANDATORY WAIVERS</u>				
(SUBTOTAL)	84	\$ 568.7	61	\$ 14.6
Veterans Grants & Scholarships	-	367.8	-	-
General Assembly	12	38.0	12	4.0
ROTC	49	121.0	48	10.4
Children of Employees	21	36.6	-	-
Senior Citizens	1	3.5	-	-
Teacher Special Education	1	1.8	1	0.2
<u>DISCRETIONARY WAIVERS</u>				
(SUBTOTAL)	276	\$ 960.6	130	\$ 34.8
Civil Service	105	188.5	97	22.8
Academic/Other Talent	16	37.3	-	-
Athletic	84	443.7	-	-
Gender Equity in Intercollegiate Athletics	33	177.5	33	12.0
Student Need	-	-	-	-
Special Programs	38	113.6	-	-
TOTAL	360	\$ 1,529.3	191	\$ 49.4

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

SCHEDULE OF TUITION AND FEE WAIVERS - GRADUATE

(in thousands of dollars)

	Tuition		Fees	
	Number of Waivers	Value of Waivers	Number of Waivers	Value of Waivers
<u>MANDATORY WAIVERS</u>				
(SUBTOTAL)	<u>16</u>	<u>\$ 41.8</u>	<u>16</u>	<u>\$ 3.8</u>
Veterans Grants & Scholarships	-	-	-	-
Teacher/Special Education	8	20.2	8	1.9
General Assembly	7	21.3	7	1.6
Senior Citizens	1	0.3	1	0.3
<u>DISCRETIONARY WAIVERS</u>				
(SUBTOTAL)	<u>157</u>	<u>\$ 219.1</u>	<u>117</u>	<u>\$ 27.5</u>
Faculty/Administrative (non-civil service)	52	70.0	45	10.7
Civil Service	53	90.7	48	11.2
Student Need Special Programs	3	6.4	3	0.7
Cooperating Professionals	27	19.2	-	-
Graduate Assistants Teaching Assistants	22	32.8	21	4.9
TOTAL	<u><u>173</u></u>	<u><u>\$ 260.9</u></u>	<u><u>133</u></u>	<u><u>\$ 31.3</u></u>

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES
UNIVERSITY REPORTING IN ACCORDANCE WITH UNIVERSITY GUIDELINES
FOR THE YEAR ENDED JUNE 30, 2008**

The Auditor General requires that certain special data for audits of universities, specified in a memorandum dated July 25, 1983, be presented. The following information lettered (a) through (u), is provided in response to that requirement of the "University Guidelines - 1982 (As Amended 1997)". Our audit was made for the purposes described on pages 3 and 40 of our financial audit report and pages 6-9 of our compliance examination report, and would not necessarily disclose all situations which might be at variance with the following statements.

COMPLIANCE FINDINGS

- (a) There were no findings related to University Guidelines for the year ended June 30, 2008.

INDIRECT COST REIMBURSEMENTS

- (b) Refer to page 69 of this report for the sources and applications of indirect cost reimbursements for the year ended June 30, 2008.
- (c) Refer to page 85 of this report for calculation of allowable indirect cost carryforward and required remittances to the Income Fund.

TUITION CHARGES AND FEES

- (d) Chicago State University did not divert tuition to auxiliary enterprise operations.

AUXILIARY ENTERPRISES, ACTIVITIES AND ACCOUNTING ENTITIES

- (e) To comply with University Guidelines adopted by the State of Illinois Legislative Audit Commission in 1982, the University maintains separate sub-fund accounting entities to enforce legal prohibitions against inter-entity subsidies. Separate accounting entities are maintained for, and these financial statements cover, the following auxiliary enterprises and activities.

Accounting entities as defined by the 1982 Legislative Audit Commission Guidelines and their primary revenue source are as follows:

Auxiliary Enterprises:

University Facilities System Revenue Bond Fund:

This entity operates the Student Union Building and receives revenues principally from Student Union fees, rental, and user fees, and leased bookstore and food service commissions.

Parking Facilities:

The entity operates the University's parking facilities and receives revenues from parking fees.

Health Services:

This entity includes student health related operations of the Wellness Center and Insurance Support Services.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES
UNIVERSITY REPORTING IN ACCORDANCE WITH UNIVERSITY GUIDELINES
FOR THE YEAR ENDED JUNE 30, 2008**

Activities:

Public Services:

This entity is used for the operations of non-credit continuing education programs, training institutes, seminars and short courses. Revenues are derived from fees charged to participants in its programs, courses, etc. In addition, it provides testing services to various departments and students with its revenues derived from fees charged to its users.

Activities Services:

Service departments provide products or services to University departments. Revenue is produced through charge backs to users.

Revenues and expenditures are offset against each other and reported net in the University's financial statements presented in the Financial Statement section of this report. This entity includes the following services with revenues resulting from user charges:

Printing, duplicating, photocopying, plate making, and design services primarily to University departments.

Purchasing, controlling, and dispensing common supplies to University departments through Central Stores.

Providing teaching and instruction aids to students and departments.

Providing telecommunication and mailing services.

Providing and coordinating office machine maintenance service.

Student Activities:

This entity includes mandatory student fees and the expenditure of all student activities approved by the student government such as student newspaper and athletic activities.

Contract Courses:

This entity includes the tuition revenues of credit-bearing courses that are requested and fully paid for by government units, community organizations or private business.

Plant Fund Assets:

The amount disclosed for the Revenue Bond Fund includes the cost of the land and Student Union building.

- (f) Refer to pages 87-90 of this report for financial statements of each accounting entity.
- (g) Refer to page 86 for calculations of current excess funds for each entity.
- (h) Auxiliary Enterprises and Activities received no support from appropriated State funds.
- (i) A Statement of Revenue, Expenses, and Changes in Net Assets for the bond indenture required accounts is presented on page 35 of the financial audit report.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES
UNIVERSITY REPORTING IN ACCORDANCE WITH UNIVERSITY GUIDELINES
FOR THE YEAR ENDED JUNE 30, 2008**

- (j) The University Auxiliary Facilities System Revenue Bond Fund accounting conforms to the terms of the bond issue.
- (k) The University established a Development Reserve in 1992 with the approval of the Board of Governors System to fund the planning costs associated with the construction of the Student Center and Residence Hall. The funding source was generated by an increase to student mandatory fees as approved by student referendum.

UNIVERSITY RELATED ORGANIZATIONS

- (l) The University recognizes the Chicago State University Foundation (Foundation) as a University Related Organization. There are no organizations considered by the University to be "Independent Organizations" as defined in Section VII of "University Guidelines – 1982 (As Amended 1997)".
- (m) The University did not receive cash payments from the Foundation for services provided. However, the Foundation provided direct support to the University as illustrated on page 91 of this report.
- (n) The University provided funds (primarily in the form of services) of approximately \$393,755 to the Foundation for the year ended June 30, 2008.
- (o) There are no cumulative unreimbursed subsidies from the University or appropriated funds to the Foundation.
- (p) There is no debt financing provided by the Foundation.

OTHER TOPICS

- (q) Refer to page 65 for the Schedule of Cash, Temporary Cash Investments, and Investments as of June 30, 2008.
- (r) Income from the investment of pooled funds is regularly allocated and credited to the original sources of the funds.
- (s) Refer to pages 73, 74 and 75 for student enrollment and cost statistics.
- (t) Neither the University nor the Foundation has purchased any real estate during the year ended June 30, 2008.
- (u) There are no certificates of participation (COPS) or participation in lease or purchase agreements involving COPS for the year ended June 30, 2008.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES
FOR THE YEAR ENDED JUNE 30, 2008**

**SCHEDULE OF INDIRECT COST FUNDS TO BE DEPOSITED INTO THE UNIVERSITY
INCOME FUND AS REQUIRED BY 1982 UNIVERSITY GUIDELINES (AS AMENDED 1997)**

CALCULATION SHEET FOR INDIRECT COST CARRYFORWARD

Current Available Funds	
Cash and cash equivalents	\$ (124,764)
Allowable Indirect Cost Carryforward	
Indirect cost reimbursements allocated for expenditure for the fiscal year completed (\$1,132,728 @ 30%)	339,818
Unallocated Reimbursements	-
Encumbrances and Current Liabilities	<u>(16,393)</u>
Total Allowable Indirect Cost Carryforward (Sum of Lines 2, 3 and 4)	<u>323,425</u>
AMOUNT TO BE REMITTED TO THE INCOME FUND	<u><u>NONE</u></u>

STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES
AS OF JUNE 30, 2008

BALANCE SHEETS - ENTITIES

(With Comparative Totals as of June 30, 2007)

	Auxiliary Enterprises				Activities				Total All Entities (Memorandum Only)			
	University		Student Health Services		Public Services		Activities Services		Student Activities		Contract Courses	
	Facilities	Revenue	Parking Facilities	Health Services	Public Services	Services	Services	Activities	2008	2007		
CURRENT UNRESTRICTED FUND ASSETS:												
Cash and cash equivalents	\$ 2,236,493	\$ 916,406	\$ -	\$ 216,553	\$ 1,059,040	\$ 1,691,712	\$ -	\$ 816,388	\$ 6,720,039	\$ 6,723,231		
Accounts receivable, net	500,283	-	-	216,553	16,251	478,019	272,642	-	1,483,748	1,055,031		
Prepaid expenses	3,788	17,250	-	-	-	-	10,569	-	31,607	4,726		
Other assets	93,825	-	-	-	-	-	-	-	93,825	93,825		
Inventories	-	-	-	-	-	46,806	-	-	46,806	34,717		
TOTAL ASSETS	\$ 2,834,389	\$ 933,656	\$ 216,553	\$ 2,216,537	\$ 1,075,291	\$ 2,216,537	\$ 283,211	\$ 816,388	\$ 8,376,025	\$ 7,911,530		
CURRENT UNRESTRICTED FUND LIABILITIES AND FUND BALANCE:												
Bank overdraft	\$ -	\$ -	\$ 71,015	\$ -	\$ -	\$ -	\$ 3,111,822	\$ -	\$ 3,182,837	\$ 2,872,734		
Accounts payable	35,930	64,544	35,805	-	13,019	501,802	148,898	9,116	809,114	527,581		
Deposits	-	-	-	-	-	-	-	-	-	94,221		
Wages payable	-	-	-	-	-	-	-	-	-	25,850		
Deferred revenue	7,840	2,498	10,553	-	15,951	-	5,323	-	42,165	152,421		
Accrued compensated absences	138,516	55,155	24,847	-	8,773	15,877	19,830	4,725	287,723	273,881		
Fund balances (deficit), unrestricted	2,652,103	811,459	74,333	-	1,037,548	1,698,858	(3,002,662)	802,547	4,074,186	3,964,842		
TOTAL LIABILITIES AND FUND BALANCE	\$ 2,834,389	\$ 933,656	\$ 216,553	\$ 2,216,537	\$ 1,075,291	\$ 2,216,537	\$ 283,211	\$ 816,388	\$ 8,376,025	\$ 7,911,530		
PLANT FUNDS ASSETS:												
Cash and cash equivalents	\$ 263,513	\$ 94,902	\$ -	\$ -	\$ -	\$ 4,431,465	\$ 54,849	\$ -	\$ 4,844,729	\$ 4,277,278		
Investments	562	-	-	-	-	-	-	-	562	142,825		
Investment in plant:												
Buildings & Improvements	24,915,313	925,741	-	-	1,908	6,287,288	19,538	274	32,150,062	31,949,094		
Furniture and equipment	2,874,673	724,825	-	-	249,171	304,839	188,977	(189,899)	4,152,586	3,757,089		
TOTAL ASSETS	\$ 28,054,061	\$ 1,745,468	\$ -	\$ -	\$ 251,079	\$ 11,023,592	\$ 263,364	\$ (189,625)	\$ 41,147,939	\$ 40,126,286		
PLANT FUNDS LIABILITIES AND FUND BALANCE:												
Accounts payable	\$ 278,498	\$ -	\$ -	\$ -	\$ -	\$ 1,321,438	\$ -	\$ -	\$ 1,599,936	\$ 1,644,928		
Bond payable	20,040,000	-	-	-	-	-	-	-	20,040,000	20,860,000		
Performance contract notes payable	-	-	-	-	-	4,695,869	-	-	4,695,869	4,695,869		
Premium on bonds	348,075	-	-	-	-	-	-	-	348,075	370,531		
Fund balances (deficit):	7,387,488	1,745,468	-	-	251,079	5,006,285	263,364	(189,625)	14,464,059	12,554,958		
Net investment in plant	\$ 28,054,061	\$ 1,745,468	\$ -	\$ -	\$ 251,079	\$ 11,023,592	\$ 263,364	\$ (189,625)	\$ 41,147,939	\$ 40,126,286		

STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES
FOR THE YEAR ENDED JUNE 30, 2008

STATEMENT OF REVENUES, EXPENDITURES AND TRANSFERS
CURRENT UNRESTRICTED FUNDS

(with comparative totals for the Year Ended June 30, 2007)

	Auxiliary Enterprises					Activities					Total All Entities (Memorandum Only)		
	University		Parking			Student Health		Public Services		Activities		Contract Courses	
	Facilities	Revenue	Facilities	Facilities	Services	Services	Services	Services	Services	Activities	2008	2007	
REVENUES:													
Operating	\$ 3,310,681	\$ 47,968	\$ 1,110,774	-	-	\$ 280,588	\$ 3,406,388	\$ 403,377	\$ 280,161	\$ 8,839,937	\$ 8,570,478		
Student fees	2,169,352	1,785,282	-	-	188,409	-	-	1,647,995	-	5,791,038	5,275,453		
State fringe benefits	-	-	-	-	-	-	-	-	-	-	-		
Other	85,177	150	-	-	31,007	193,489	8,960	-	-	318,783	296,885		
TOTAL REVENUES	5,565,210	1,833,400	1,110,774	-	500,004	3,599,877	2,060,332	280,161	14,949,758	14,142,816			
EXPENDITURES:													
Cost of sales	-	-	-	-	-	614,481	-	-	-	614,481	745,449		
Personal services	1,321,659	296,230	892,721	298,912	847,129	887,323	221,618	4,384,534	4,765,592	4,384,534			
Expended for plant	89,178	25,039	116,215	6,791	175,572	53,484	5,965	186,185	472,244	186,185			
Commodities	67,597	24,594	60,408	34,662	(3,507)	264,448	4,438	482,741	452,640	482,741			
Contractual services	1,334,168	1,424,033	128,036	112,584	686,075	1,224,501	53,061	4,773,134	4,962,458	4,773,134			
Other (travel, telecommunications, excess funds refunds, fund transfers)	141,519	4,673	91,890	6,584	151,385	791,973	2,776	948,846	1,190,800	948,846			
TOTAL EXPENDITURES	2,954,121	1,774,569	1,289,270	459,533	2,471,135	3,221,729	287,858	12,458,215	12,458,215	11,520,889			
TRANSFERS OUT:													
Principal and interest	2,169,596	-	-	13,040	912,843	(750,000)	36,732	2,136,596	2,382,211	2,136,596			
Total Transfers Out	2,169,596	-	-	13,040	912,843	(750,000)	36,732	2,136,596	2,382,211	2,136,596			
TOTAL EXPENDITURES AND TRANSFERS OUT	5,123,717	1,774,569	1,289,270	472,573	3,383,978	2,471,729	324,590	13,657,485	14,840,426	13,657,485			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND TRANSFERS OUT	\$ 441,493	\$ 58,831	\$ (178,496)	\$ 27,431	\$ 215,899	\$ (411,397)	\$ (44,429)	\$ 109,332	\$ 485,331	\$ 485,331			

STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES
FOR THE YEAR ENDED JUNE 30, 2008

STATEMENT OF CHANGES IN FUND BALANCES
CURRENT UNRESTRICTED FUNDS

(With Comparative Totals for the Year Ended June 30, 2007)

	Auxiliary Enterprises				Activities				Total All Entities (Memorandum Only)	
	University Facilities Revenue Bond Fund	Parking Facilities	Student Health Services	Public Services	Activities Services	Student Activities	Contract Courses	2008	2007	
REVENUES	\$ 5,565,210	\$ 1,110,774	\$ 1,833,400	\$ 500,004	\$ 3,599,877	\$ 2,060,332	\$ 280,161	\$ 14,949,758	\$ 14,142,816	
EXPENDITURES:										
Educational and general	-	-	1,774,569	459,533	2,471,135	3,221,729	287,858	8,214,824	7,785,779	
Auxiliary enterprise	2,954,121	1,289,270	-	-	-	-	-	4,243,391	3,735,110	
Total Expenditures	<u>2,954,121</u>	<u>1,289,270</u>	<u>1,774,569</u>	<u>459,533</u>	<u>2,471,135</u>	<u>3,221,729</u>	<u>287,858</u>	<u>12,458,215</u>	<u>11,520,889</u>	
TRANSFERS:										
Principal and interest	(2,169,596)	-	-	(13,040)	(912,843)	750,000	(36,732)	(2,382,211)	(2,136,596)	
Total Transfers Out	<u>(2,169,596)</u>	<u>-</u>	<u>-</u>	<u>(13,040)</u>	<u>(912,843)</u>	<u>750,000</u>	<u>(36,732)</u>	<u>(2,382,211)</u>	<u>(2,136,596)</u>	
Net Increase (Decrease) in Fund Balance	441,493	(178,496)	58,831	27,431	215,899	(411,397)	(44,429)	109,332	485,331	
Fund Balance (Deficit), Beginning of Year	2,210,610	989,955	15,502	1,010,117	1,482,959	(2,591,265)	846,976	3,964,854	3,479,523	
FUND BALANCE (DEFICIT) END OF YEAR	<u>\$ 2,652,103</u>	<u>\$ 811,459</u>	<u>\$ 74,333</u>	<u>\$ 1,037,548</u>	<u>\$ 1,698,858</u>	<u>\$ (3,002,662)</u>	<u>\$ 802,547</u>	<u>\$ 4,074,186</u>	<u>\$ 3,964,854</u>	

STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SPECIAL DATA REQUIREMENTS FOR THE AUDITS OF UNIVERSITIES
FOR THE YEAR ENDED JUNE 30, 2008

STATEMENT OF CHANGES IN FUND BALANCES
PLANT FUNDS

(With Comparative totals for the Year Ended June 30, 2007)

	Auxiliary Enterprises				Activities				Total All Entities (Memorandum Only)	
	University Facilities	Parking Facilities	Public Services	Activities Services	Student Activities	Continuing Education	2008	2007		
REVENUES AND OTHER ADDITIONS:										
Interest income	\$ 9,186	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,186	\$ 54,044		
Expended for plant	344,906	-	-	-	-	-	344,906	254,708		
Retirement of debt	820,000	-	-	-	-	-	820,000	785,000		
Total Revenues and Other Additions	<u>1,174,092</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,174,092</u>	<u>1,093,752</u>		
EXPENDITURES AND OTHER DEDUCTIONS:										
Principal and interest on Debt	1,825,158	-	-	81,607	-	-	1,906,765	1,940,785		
Property disposals	-	-	-	-	-	-	-	-		
Contractual and other deductions	-	-	-	-	-	-	-	1,157,649		
Total Expenditures and Other Deductions	<u>1,825,158</u>	<u>-</u>	<u>-</u>	<u>81,607</u>	<u>-</u>	<u>-</u>	<u>1,906,765</u>	<u>3,098,434</u>		
TRANSFERS IN:										
Principal and interest	1,825,158	-	-	816,616	-	-	2,641,774	2,636,596		
Bond Reserves	-	-	-	-	-	-	-	-		
Total Transfers In (Out)	<u>1,825,158</u>	<u>-</u>	<u>-</u>	<u>816,616</u>	<u>-</u>	<u>-</u>	<u>2,641,774</u>	<u>2,636,596</u>		
Net Increase (Decrease) in Fund Balance	1,174,092	-	-	735,009	-	-	1,909,101	631,914		
Fund Balance (Deficit), Beginning of Year	6,213,396	1,745,468	251,079	4,271,276	263,364	(189,625)	12,554,958	11,923,044		
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 7,387,488</u>	<u>\$ 1,745,468</u>	<u>\$ 251,079</u>	<u>\$ 5,006,285</u>	<u>\$ 263,364</u>	<u>\$ (189,625)</u>	<u>\$ 14,464,059</u>	<u>\$ 12,554,958</u>		

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES
FOR THE YEAR ENDED JUNE 30, 2008**

SUMMARY OF FOUNDATION CASH SUPPORT TO THE UNIVERSITY

The Chicago State University Foundation (Foundation) is considered a University-related organization under section VI of the University guidelines. Its contractual relationship to the University is described in "related party transactions", Note 9 of the Foundation's financial statements. During the current fiscal year, the University provided administrative support services valued at \$393,755 to the Foundation. The contract requires the Foundation to provide the University with fund-raising and other services. These services resulted in the Foundation's unrestricted expenditures described below, which qualify as "reimbursements" to the University in the University guidelines computation. Current year Foundation-restricted expenditures, which do not qualify as "reimbursements", are also described below.

Expenditures Considered Unrestricted for
Purposes of the Guidelines Computation:

Totally Unrestricted	\$ 200,351
Restricted Only as to College or Department	<u>400,167</u>

Total Funds Considered Unrestricted	<u>\$ 600,518</u>
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Expenditures Considered Restricted for
Purposes of the Guideline Computations:

Given for Scholarships	\$ 263,863
Total Funds Considered Restricted	<u>\$ 263,863</u>

TOTAL FUNDS PROVIDED BY THE FOUNDATION TO SUPPORT THE UNIVERSITY	<u>\$ 864,381</u>
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