

**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, 2014

**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, 2014

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Financial Statement Report

The University's financial statement report for the year ended June 30, 2014, which includes the report of independent auditors, management discussion and analysis, financial statements and notes, supplementary information, and the independent auditors' 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* 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, 2014

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

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

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STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY

AGENCY OFFICIALS

President	Dr. Wayne Watson
Provost and Senior V.P. for Academic Affairs	Dr. Angela M. Henderson (11/24/14 to present)
Interim Provost and Senior V.P. for Academic Affairs	Dr. Angela M. Henderson (to 11/23/14)
Interim V.P. of Administration and Finance	Mr. Lawrence A. Pinkelton
Associate V.P. of Administration and Finance	Ms. Maricela Aranda
Executive Director/Controller	Mr. Raul Garcia, CPA (8/16/13 to present)
Director of Accounting/Controller	Mr. Edward J. Lannon, CPA (to 8/15/13)
Director of Accounting	Mr. Edward J. Lannon, CPA (8/16/13 to 6/30/14)
Associate Director of Accounting	Ms. Louise Williams, CPA
Chief Internal Auditor	Mr. Kenneth K. Clow (to 1/23/14)
Chief Internal Auditor	Mr. Michael N. Mayo, CPA (12/1/14 to present)
Interim Chief Internal Auditor	Mr. Michael N. Mayo, CPA (2/13/14 to 11/30/14)

University offices are located at:
9501 South Martin Luther King Drive
Chicago, IL 60628

Wayne Watson, Ph.D.
President



Telephone: 773 / 995-2400
Fax: 773 / 995-3849
E-mail: wwatson@csu.edu

February 26, 2015

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

Borschneck, Pelletier & Co.
Certified Public Accountants
200 E. Court St., Suite 608
Kankakee, IL 60901

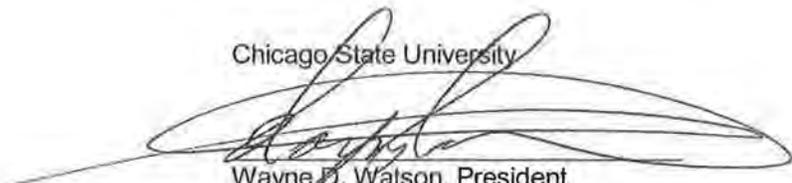
Ladies and Gentlemen:

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 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 Chicago State University's compliance with the following assertions during the year ended June 30, 2014. Based on this evaluation, we assert that during the year ended June 30, 2014, Chicago State University has materially complied with the assertions below.

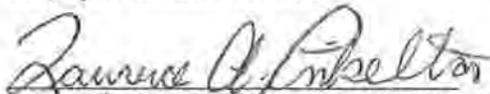
- A. Chicago State University has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. Chicago State University has obligated, expended, received and used public funds of the State 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 are 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 University have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

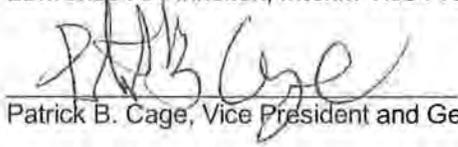
Chicago State University



Wayne D. Watson, President



Lawrence A. Pinkelton, Interim Vice President of Administration and Finance



Patrick B. Cage, Vice President and General Counsel

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY**

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>Current Report</u>	<u>Prior Report</u>
Findings	20	16
Repeated findings	8	12
Prior recommendations implemented or not repeated	8	17

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FINDINGS (GOVERNMENT AUDITING STANDARDS)

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
2014-001	21	Noncompliance and Inadequate Controls Over Advances to Employees	Significant Deficiency / Noncompliance
2014-002	22	Inaccurate Accounting of Accrued Compensated Absences	Significant Deficiency / Noncompliance
2014-003	24	Inadequate Controls Over Payroll and Purchasing Cards	Significant Deficiency / Noncompliance

FINDINGS (FEDERAL COMPLIANCE)

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
2014-004	26	Inadequate Controls and Noncompliance with Requirements Applicable to the Textbooks and Learning Materials Program	Material Weakness / Material Noncompliance
2014-005	28	Return of Title IV Funds	Significant Deficiency / Noncompliance
2014-006	30	Institutional and Financial Assistance Information Disclosed to Students	Significant Deficiency / Noncompliance
2014-007	32	Inaccurate Completion of the Fiscal Operations Report	Significant Deficiency / Noncompliance
2014-008	34	Controls Over Loan Counseling	Significant Deficiency / Noncompliance

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY**

COMPLIANCE REPORT

SUMMARY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS (FEDERAL COMPLIANCE) (Continued)

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
2014-009	36	Transfer Student Financial Aid Disbursement	Significant Deficiency / Noncompliance
2014-010	37	Federal Direct Student Loan Monthly Reconciliations	Significant Deficiency / Noncompliance
2014-011	39	Noncompliance with the Reporting Requirements Applicable to the Strengthening Minority-Serving Institutions Program	Significant Deficiency / Noncompliance
2014-012	41	Noncompliance with the Reporting Requirements Applicable to the Higher Education Institutional Aid Program	Significant Deficiency / Noncompliance

FINDINGS (STATE COMPLIANCE)

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
2014-013	43	Inadequate Controls Over Property and Equipment	Significant Deficiency / Noncompliance
2014-014	45	Senior Citizens Courses Act	Significant Deficiency / Noncompliance
2014-015	46	Subsidies Between Accounting Entities and to the University Related Organization	Significant Deficiency / Noncompliance
2014-016	48	Noncompliance with Campus Security Enhancement Act of 2008	Significant Deficiency / Noncompliance
2014-017	49	Higher Education Veterans Service Act	Significant Deficiency / Noncompliance
2014-018	51	Voucher Processing Errors	Significant Deficiency / Noncompliance
2014-019	53	Hiring of New Employees	Significant Deficiency / Noncompliance
2014-020	55	Failure to Report the Aggregate Amount of Bills Held to the State Comptroller	Significant Deficiency / Noncompliance

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY**

COMPLIANCE REPORT

SUMMARY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS (STATE COMPLIANCE) (Continued)

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

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
2014-001	21	Noncompliance and Inadequate Controls Over Advances to Employees	Significant Deficiency / Noncompliance
2014-002	22	Inaccurate Accounting of Accrued Compensated Absences	Significant Deficiency / Noncompliance
2014-003	24	Inadequate Controls Over Payroll and Purchasing Cards	Significant Deficiency / Noncompliance

PRIOR FINDINGS NOT REPEATED

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
A	56	Head Start Cluster
B	56	Financial Aid Awarded to Ineligible Students
C	56	Federal Perkins Loan Cohort Default Rate Too High
D	56	Controls Over Exit Counseling
E	57	Inadequate Controls Over Student Verification
F	57	Notification of Disbursement
G	57	Time Sheets Not Maintained in Compliance With State Officials and Employees Ethics Act
H	57	Failure to Prepare High School Feedback System Reports

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY**

COMPLIANCE REPORT

SUMMARY

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with University personnel at an exit conference on February 17, 2015. Attending were:

Representing Chicago State University

President
Interim V.P. of Administration and Finance
Provost and Senior V.P. for Academic Affairs
Executive Director/Controller
Chief Internal Auditor
General Counsel and V.P. of Labor and Legal Affairs
Ethics and Diversity Officer and Special Counsel to the
President
Director of Intergovernmental Affairs /
Interim Dean of Students
Assistant Director of Compliance
Associate V. P. and Director of Athletics

Dr. Wayne Watson
Mr. Lawrence Pinkelton
Dr. Angela Henderson
Mr. Raul Garcia, CPA
Mr. Michael N. Mayo, CPA
Mr. Patrick B. Cage

Ms. Bernetta D. Bush

Ms. Farah Muscadin, Esq.
Ms. Tami Robinson, CCEP
Ms. Denisha Hendricks

Representing Borschnack, Pelletier & Co.

Partner
Manager

Mr. Paul A. Pelletier, CPA
Mr. Robert Sikma, CPA

Representing the Office of the Auditor General

Audit Manager

Mr. Thomas L. Kizziah, CPA

Responses to the recommendations were provided by Ms. Tami Robinson in a correspondence dated February 25, 2015.



Certified Public Accountants & Consultants

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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

and

Board of Trustees
Chicago State University

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, 2014. 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.

Our examination was conducted 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.

In our opinion, Chicago State University complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the year ended June 30, 2014. However, the results of our procedures disclosed 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 2014-001 through 2014-003 and 2014-013 through 2014-020.

Internal Control

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 to determine the examination procedures that are appropriate in the circumstances 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.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the requirements listed in the first paragraph of this report on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as findings 2014-001 through 2014-003 and 2014-013 through 2014-020, that we consider to be significant deficiencies.

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

Chicago State University's responses 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 responses and, accordingly, we express no opinion on the responses.

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, collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2014, which collectively comprise Chicago State University's basic financial statements, and have issued our report thereon dated December 19, 2014 which contained unmodified opinions on the respective financial statements of the business-type activities of Chicago State University and its discretely presented component unit. Our report includes a reference to another auditor who audited the financial statements of Chicago State University's discretely presented component unit and whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, was based solely on the report of the other auditor. Our audit was conducted for the purpose of

forming opinions on the financial statements that collectively comprise the Chicago State University's basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to December 19, 2014.

The accompanying supplementary information for the year ended June 30, 2014 in Schedules 1 through 15 is presented for purposes of additional analysis and is not a required part of the basic financial statements of Chicago State University. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The accompanying supplementary information for the year ended June 30, 2014 in Schedules 1 through 15 has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the year ended June 30, 2014 in Schedules 1 through 15 is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2014.

We have also previously audited, in accordance with auditing standards generally accepted in the United States of America, Chicago State University's basic financial statements as of and for the year ended June 30, 2013, and have issued our report dated January 3, 2014, which contained unmodified opinions on the respective financial statements of the business-type activities of Chicago State University and its discretely presented component unit. Our report included reference to another auditor who audited the financial statements of Chicago State University's discretely presented component unit and whose report had been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, was based solely on the report of the other auditor. The accompanying supplementary information for the year ended June 30, 2013 in Schedules 4 through 6, 9 through 11, 13 and 14 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2013 financial statements. The accompanying supplementary information for the year ended June 30, 2013 in Schedules 4 through 6, 9 through 11, 13 and 14 has been subjected to the auditing procedures applied in the audit of the June 30, 2013 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or to those basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the year ended June 30, 2013 in Schedules 4 through 6, 9 through 11, 13 and 14 is fairly stated in all material respects in relation to the basic financial statements from which it has been derived.

The accompanying supplementary information in the Analysis of Operations Section is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance 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, the Board of Trustees, University management, 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.



February 26, 2015, except for our report on the Supplementary Information for State Compliance Purposes, as to which the date is December 19, 2014.



Certified Public Accountants & Consultants

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INDEPENDENT AUDITORS' 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

and

Board of Trustees
Chicago State University

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the 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, the 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, 2014, and the related notes to the financial statements, which collectively comprise Chicago State University's basic financial statements, and have issued our report thereon dated December 19, 2014. Our report includes a reference to another auditor who audited the financial statements of the Chicago State University's discretely presented component unit, as described in our report on the University's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by that auditor.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Chicago State University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Chicago State University's internal control. Accordingly, we do not express an opinion on the effectiveness of the Chicago State University's internal control.

A deficiency in internal control 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 and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as items 2014-001, 2014-002, and 2014-003 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Chicago State University's financial statements are free from 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 2014-001 and 2014-003.

Chicago State University's Responses to Findings

Chicago State University's responses to the findings identified in our audit are described in the accompanying schedule of findings. Chicago State University's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Chicago State University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Chicago State University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Borschneck, Pelletier & Co.

December 19, 2014



Certified Public Accountants & Consultants

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM,
ON INTERNAL CONTROL OVER COMPLIANCE, AND ON THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

Honorable William G. Holland
Auditor General
State of Illinois

and

Board of Trustees
Chicago State University

Report on Compliance for Each Major Federal Program

As Special Assistant Auditors for the Auditor General, we have audited Chicago State University's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Chicago State University's major federal programs for the year ended June 30, 2014. Chicago State University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The schedule of expenditures of federal awards and our audit described below does not include expenditures of federal awards for those agencies determined to be component units of Chicago State University for financial statement purposes.

We did not audit Chicago State University's compliance with the requirements governing the enrollment reporting special tests and provisions compliance requirement in accordance with the Student Financial Assistance Cluster: Federal Direct Student Loan and Federal Family Education Loan programs as described in the Compliance Supplement. Those requirements govern functions performed by National Student Clearinghouse (NSC). Since we did not apply auditing procedures to satisfy ourselves as to compliance with those requirements, the scope of work was not sufficient to enable us to express, and we do not express, an opinion on compliance with those requirements. NSC's compliance with the requirements governing the functions that it performed for Chicago State University for the year ended June 30, 2014 was examined by the accountants for the servicer in accordance with the U.S. Department of Education's Audit Guide, *Audits of Federal Student Assistance Programs at Participating Institutions and Institution Servicers*. Our report does not include the results of the accountants for the servicer examination of NSCs compliance with such requirements.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Chicago State University's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Chicago State University's compliance.

Basis for Qualified Opinion on CFDA 98.001, USAID Foreign Assistance for Programs Overseas

As described in the accompanying schedule of findings and questioned costs, Chicago State University did not comply with the requirements regarding CFDA 98.001 *USAID Foreign Assistance for Programs Overseas* as described in Finding 2014-004 for Allowable Costs and Cost Principles. Compliance with such requirements is necessary, in our opinion, for Chicago State University to comply with the requirements applicable to that program.

Qualified Opinion on CFDA 98.001, USAID Foreign Assistance for Programs Overseas

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Chicago State University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 98.001 *USAID Foreign Assistance for Programs Overseas* for the year ended June 30, 2014.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, Chicago State University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, 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 2014-005 through 2014-012. Our opinion on each major federal program is not modified with respect to these matters.

Chicago State University's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Chicago State University's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the Chicago State University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning

and performing our audit of compliance, we considered the Chicago State University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Chicago State University's internal control over compliance.

Requirements governing the enrollment reporting special tests and provisions compliance requirement of the Student Financial Assistance Cluster: Federal Direct Student Loan and Federal Family Education Loan programs as described in the Compliance Supplement were performed by NSC. Internal control over compliance related to such function for the year ended June 30, 2014 was reported on by accountants for the servicer in accordance with the U.S. Department of Education's Audit Guide, *Audits of Federal Student Assistance Programs at Participating Institutions and Institution Servicers*. Our report does not include the results of the accountants' for the servicer testing of NSC' internal control over compliance related to such function.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a material weakness and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-004 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-005 through 2014-012 to be significant deficiencies.

Chicago State University's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Chicago State University's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the business-type activities and the discretely presented component unit of Chicago State University, collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Chicago State University's basic financial statements. We issued our report thereon dated

December 19, 2014, which contained unmodified opinions on those financial statements. Our report includes a reference to another auditor who audited the financial statements of Chicago State University's discretely presented component unit, as described in our report on the University's financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to December 19, 2014. 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Borschneck, Pelletier & Co.

February 26, 2015, except for the Schedule of Expenditures of Federal Awards and the related notes, as to which the date is December 19, 2014.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: unmodified opinions

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____ X yes _____ no

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA No.</u>	<u>Type of Auditors' Report on Compliance</u>
Student Financial Assistance Cluster		Unmodified
Federal Supplemental Educational Opportunity Grants	84.007	
Federal Work-Study Program	84.033	
Federal Perkins Loan Program	84.038	
Federal Pell Grant Program	84.063	
Federal Direct Student Loans	84.268	
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379	
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925	
U.S. Department of Education:		
Strengthening Minority-Serving Institutions	84.382	Unmodified
Higher Education_Institutional Aid	84.031	Unmodified
U.S. Agency for International Development:		
US AID Foreign Assistance for Programs Overseas	98.001	Qualified

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

I. SUMMARY OF AUDITORS' RESULTS (Continued)

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? yes x no

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS

2014-001 FINDING: NONCOMPLIANCE AND INADEQUATE CONTROLS OVER ADVANCES TO EMPLOYEES

Chicago State University (University) did not maintain appropriate controls over advances made to employees that were provided to pay for University expenses and did not comply with Internal Revenue Service (IRS) regulations related to amounts advanced that were not substantiated under an accountable plan.

The University made advances of approximately \$260,000 and \$224,000 to employees (primarily athletics coaches) during fiscal years 2013 and 2012, respectively. In fiscal year 2014, the University made two adjusting journal entries totaling \$228,095 to write off the remaining amounts that were outstanding as of June 30, 2013 in which the University had not received appropriate documentation from the employees to substantiate the use of the funds for University business. The University informed us they were not pursuing recovery of these amounts or reporting it as compensation to those employees who failed to substantiate the use of the advances.

IRS Treasury Regulation 1.62-2(c) allows an employer to exclude from an employee's gross income amounts paid under an "accountable plan" under which the employer requires the employee to substantiate all expenses and repay any amounts received in excess of documented expenses. If not paid under an "accountable plan" such amounts are includable in the employee's gross income and is subject to all payroll taxes.

Additionally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University to 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 misappropriation.

University officials stated documentation substantiating the travel expenses could not be obtained from Athletics Department staff that are no longer employed by the University. The University did not have sufficient controls in place to insure timely submission of all travel receipts or other documentation relating to travel expenditures by athletic staff.

Failure to implement adequate controls over travel advances and failure to comply with IRS regulations could result in misappropriation of State funds and additional payroll tax liabilities and penalties. (Finding Code No. 2014-001)

RECOMMENDATION

We recommend that the University establish adequate controls over travel advances and comply with the IRS regulations.

UNIVERSITY RESPONSE

The University accepts the Auditors' recommendation. The Athletics Department staff is being expanded to include a dedicated Business Officer to oversee the process of submitting timely documentation for all travel. The Athletics Department staff will also receive training to ensure the proper documentation is submitted to the Business Officer. Finally, the Accounting Department will revise its workflows to ensure effective monitoring of travel advance outstanding balances.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS

2014-002 FINDING: INACCURATE ACCOUNTING OF ACCRUED COMPENSATED ABSENCES

Chicago State University (University) did not properly account for accrued compensated absences and did not properly calculate the accrued leave liability of the University.

We obtained the University's schedule of accrued compensated absences and performed the following tests:

- From the University's directory, we selected a sample of 5 employees from employment categories that do not vest accrued leave (athletic coaches, one year contract employees, and employees funded by grants) and noted that 3 of the employees were included on the accrued compensated absences schedule. We brought this information to the attention of the University and asked them to go through their records and remove all individuals that were not allowed to accrue absences. A total of 56 employees were removed from the schedule, totaling \$332,866. The University posted an adjusting entry to correct their financial statements for this error.
- We also tested a sample of 24 employees to determine if the University was properly accounting for leave time earned and used during the year. We noted seven employees in our sample that had accrued leave time that was not correctly accumulated. The miscalculation ranged from under accruing by 60.79 hours to over accruing by 40 hours. Once brought to the University's attention, these employees' records were corrected. The projected understatement based on our sample was \$20,092.
- We also noted the University failed to include payouts that were made to employees during the month of July 2014 in the year-end liability balances given to the auditors. An adjusting journal entry (\$163,340) was posted to correct this misstatement.

The University's Human Resource Policy manual states that coaches must use all accrued vacation by the end of each contract year or it shall be lost. There is no accrued leave payout for one-year contract employees and employees funded by grants.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University to maintain a system, or systems, of internal fiscal and administrative controls, that provide assurance that resources and expenditures are properly recorded and accounted for to permit the preparation of reliable financial reports and to maintain accountability over the State's resources.

University officials stated that misinterpretation of inter-departmental reporting contributed to improperly including certain employees in the compensated absences calculation. The new automated system also required the initial input of historical data, which was subsequently determined to be partially inaccurate.

Failure to properly accumulate accrued leave records and calculate liabilities related to accrued compensated absences may cause errors in compensation to employees and results in inaccurate financial statements. (Finding Code Nos. 2014-002, 2013-001, 12-2, 11-3)

RECOMMENDATION

We recommend the University improve its system for accumulating and calculating compensated absences to ensure records and reporting are accurate.

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CHICAGO STATE UNIVERSITY
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FOR THE YEAR ENDED JUNE 30, 2014**

CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS

2014-002 FINDING: INACCURATE ACCOUNTING OF ACCRUED COMPENSATED ABSENCES (continued)

UNIVERSITY RESPONSE

The University accepts the Auditors' recommendation. All employees from the Human Resources and Accounting functions that are integral to this process will receive training to expand their knowledge of the entire process. The Accounting function will also collaborate with Human Resources and the University's Information Technology Department to develop reporting that details all employee information required for this calculation. This reporting will also be validated throughout the fiscal year for integrity. Human Resources will continue efforts to reinforce the timeliness and accuracy of employee time inputs into its automated Web Time Entry system.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS

2014-003 FINDING: INADEQUATE CONTROLS OVER PAYROLL AND PURCHASING CARDS

Chicago State University (University) did not have sufficient controls in place over certain payroll and purchasing card functions.

During our fieldwork, the University informed the auditors that there was an employee in a supervisory position (employee A) who was allowed to hire a relative (employee Z). Employee A then approved time sheets for employee Z and submitted them to payroll. According to University officials, there was little evidence that employee Z had actually performed services for the University. University officials stated that employee Z attended all training and orientation sessions and had all of the required forms in employee Z's personnel file. University officials stated they discovered a timesheet reporting problem. Before the timesheet reporting problem was discovered, employee Z received 5 paychecks totaling \$4,450. University officials state that both employees were terminated, the matter has been reported to the State's Attorney.

We also selected a sample of four purchasing card transactions entered into by employee A. The transactions that were selected were each over \$1,000 and represented a total of 43% of employee A's purchasing card expenditures. Our testing identified two purchases that were not allowed by the terms of the University's Purchasing Card policies. We noticed that a down payment and final balance related to a split transaction were both paid via Paypal on April 19, 2014. Subsequent to the transactions being processed on the P-card, Employee A made attempts to establish a contract via CSU Buy (the University's purchasing system). When we looked closer at the transaction trail related to this purchase, we noted that Employee A had initiated and approved the requisition in several departments outside her scope of authority. The current requisition approval process does provide for this dual level of authority (requestor / approver), but should only be applied to departments or organizations under the employee's direct supervision. Two senior Administrators and the Purchasing Department became aware of this attempt and the requisition was never completed. The University is currently in the process of requesting these funds back from the vendor.

The University Purchasing Card Policy and Procedures Manual Section 5.3 requires that purchases made via the internet must follow proper internal procedures consistent with University policies and procedures to obtain authorization to make the purchase. Sections 7.4 states that the splitting of orders is strictly prohibited. The description of controls over purchasing and cash disbursement provided by the University states that each requisition is reviewed and approved by the purchasing department. It further states that the purchasing director or purchasing agent reviews all requisitions for workflow approvals and if the required approvals are not obtained, it is routed to required approvers.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University to 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 Employee A was well versed on the University's Policies and Procedures for Payroll and the Purchasing Card. However, the University believes the employee made a conscious decision to disregard the procedures.

Lack of appropriate internal controls over payroll and purchasing cards resulted in misuse of State funds. It may also result in the University having to expend more funds in order to recoup the misused funds. (Finding Code No. 2014-003)

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS

2014-003 FINDING: INADEQUATE CONTROLS OVER PAYROLL AND PURCHASING CARDS (continued)

RECOMMENDATION

We recommend the University improve its internal controls to ensure that State funds are not misused and proper segregation of duties is maintained.

UNIVERSITY RESPONSE

The University accepts the Auditors' recommendation. The University has reviewed its policies and procedures around onboarding staff and made changes that will identify any relationship to current staff. Steps will also be taken to reinforce protocol for verifying employee time worked, in addition to ensuring the appropriate supervisory approval.

Chicago State University is also expanding efforts to tighten the requisition approval process within the University's purchasing system.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2014-004 FINDING: INADEQUATE CONTROLS AND NONCOMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE TEXTBOOKS & LEARNING MATERIALS PROGRAM

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

CFDA Numbers: 98.001

Program Name: Foreign Assistance for Programs Overseas (Textbook & Learning Materials Program)

Questioned Cost: \$95,817 (see third bullet below)

Award Numbers: AID-RLA-A-00-09-00036

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

During our testing of the U.S. AID program, we noted the following:

- The University could not provide documentation of the advance approvals required by U.S. AID prior to the printing of teacher guides during fiscal year 2014.
- The University used an incorrect indirect cost rate for calculating indirect costs for the award. Our testing of allowable expenditures included a journal entry for \$78,924 which stated that it was increasing the indirect cost rate from 8% to 15%. The University could not provide any documentation that the indirect cost rate for the award had been increased. We reviewed a reconciliation of the award and noted that the University had charged a total of \$1,119,363 of indirect costs to the multi-year award, but it was only allowed to charge \$927,595 (an overcharge of \$191,768). After bringing this issue to the University's attention, the University made a journal entry to reverse the original entries and return the indirect cost rate to 8%.
- The University did not comply with the requirements requiring open and free competition in selecting vendors. The University identified 3 covered transactions. We tested all 3 and noted that the University could provide no evidence that one of the contracts had been competitively procured or was specifically allowed by the award agreement. Total payments made to the vendor under this contract in fiscal year 2014 were \$95,817.
- The financial status report (report) for the quarter ending June 30, 2014 agreed to supporting documentation retained by University; however, since the University used the incorrect indirect cost rate (as stated above), the numbers reported in the report were inaccurate.
- The use of an incorrect indirect cost rate also resulted in the University's non-compliance with the cash management compliance requirement. On April 3, 2014, the University drew down \$79,179 in excess of its adjusted cumulative costs incurred through March 31, 2014. On June 30, 2014, the University drew down \$122,824 in excess of its adjusted cumulative costs incurred through June 30, 2014.

The Cooperative Agreement (Agreement) (Section A.10, 7g) between the University and U.S. AID requires the University to submit copies of the final drafts of education materials for approval of the U.S. AID Mission Education Officer. The written approvals and a copy of the draft will then be submitted to the Cognizant Technical Officer for approval before materials are printed. The Agreement (Section A.6) also states that the ceiling rate for indirect costs was 8%.

The Code of Federal Regulations (2 CFR 215.43) requires that all procurement transactions shall be conducted in a manner to provide the maximum extent practical, open and free competition. 2 CFR 215.44 and 215.46 requires procurement records for all purchases exceeding \$25,000 to include at the minimum: (a) the basis for contractor selection; (b) justification for lack of competition when competitive bids are not obtained, and (c) the basis for award cost or price.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
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FOR THE YEAR ENDED JUNE 30, 2014**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2014-004 FINDING: INADEQUATE CONTROLS AND NONCOMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE TEXTBOOKS & LEARNING MATERIALS PROGRAM (Continued)

OMB Circular A-133 requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure that only allowable costs determined under appropriate cost principles are charged to Federal awards, reporting is accurate, and special contract term and provision requirements are complied with.

University officials stated they believed that U.S. AID provided approval for the printing when U.S. AID approved the annual work plan.

University officials stated they believed they had permission from U.S. AID representatives to increase the indirect cost rate. The University has changed the indirect cost rate back to the original (8%) prior to the liquidation of the award and an adjustment was made during the reconciliation period to reflect the original rate through completion of the award. Subsequent cash draws will be reduced to reflect this change.

University officials stated they believed they had permission to enter into an agreement with the noted vendor without procurement restrictions because of approval from U.S. AID officials, however, documentation of such could not be located.

University officials stated that it made its cash draws and submitted its 2014 financial status reports using the indirect cost rate believed to be in effect at the time.

Failure to obtain and retain appropriate documentation may result in charges to Federal awards being disallowed. Failure to document required Federal procurements is a violation of Federal regulations and may jeopardize Federal funding. Failure to ensure that the reporting and cash management requirements and special contract terms and conditions are complied with may also jeopardize future Federal funding. (Finding Code No. 2014-004)

RECOMMENDATION

We recommend the University improve its procedures to ensure the University complies with the requirements applicable to its Federally funded programs and correct the errors noted above.

UNIVERSITY RESPONSE

The University accepts the recommendation. To eliminate errors of this nature in the future, the University is creating a comprehensive database for grants which will include the time period of each grant, dates that reports are due, applicable indirect cost information, detailed sub-recipient information, and complete details of contracts associated with each grant, and agency billing information. This information will be reviewed quarterly by the grants office to ensure compliance. The University has initiated the implementation of the Grants Banner Module which will automate many of the grant processes and further reduce the possibility of future findings in this area. Further, this grant has ended and is no longer a part of the University's grant portfolio.

**STATE OF ILLINOIS
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2014-005 FINDING: RETURN OF TITLE IV FUNDS

Federal Department:	U.S. Department of Education
CFDA Numbers:	84.007, 84.033, 84.038, 84.063, 84.268, 84.379
Program Name:	Student Financial Assistance Cluster
Questioned Cost:	\$5,133 known (projected \$23,954 calculated as follows: \$5,133 (error noted in sample) / 60 (withdrawals in sample) X 280 (total population of withdrawals))

Chicago State University (University) did not properly calculate and remit the correct amount of “Title IV Funds” to the Department of Education (ED) for students who withdrew from classes.

Our testing of 60 students who withdrew from classes identified the following:

- Seven (12%) refund calculations were incorrect because the University did not use the proper withdrawal date as prescribed by the regulations. These seven calculations involved students that did not provide official notification of their withdrawal to the University and the University could not provide documentation of student’s attendance at an academically-related event. The improper calculations resulted in additional refunds owed to ED totaling \$5,133.

The Code of Federal Regulations states:

- (34 CFR 668.22 (c)(1)(iii)) – if a student who ceases attendance at an institution that is not required to take attendance, and the student does not provide official notification, the mid-point of the payment period is to be used as the withdrawal date.
- (34 CFR 668.22 (c)(3)) – notwithstanding (c)(1) and (2), the institution may use as the student’s withdrawal date a student’s last day of attendance at an academically-related activity provided that the institution documents that the activity is academically related and documents the student’s attendance at the activity.

OMB Circular A-133 requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure that “Return of Title IV Funds” are calculated properly.

University officials stated that the Office of Student Financial Aid performed the calculations using the last date of attendance as noted on a report from the Registrar’s Office.

Failure to complete accurate refund calculations may jeopardize future Federal funding. (Finding Code Nos. 2014-005, 2013-004, 12-11, 11-9, 10-12)

RECOMMENDATION

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

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2014-005 FINDING: RETURN OF TITLE IV FUNDS (Continued)

UNIVERSITY RESPONSE

The University accepts the recommendation. Effective immediately, the Office of Student Financial Aid will use the semester mid-point as the withdrawal date to calculate unofficial withdrawal for a student who ceases to attend the institution and does not provide official notification.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2014-006 FINDING: INSTITUTIONAL AND FINANCIAL ASSISTANCE INFORMATION DISCLOSED TO STUDENTS

Federal Department:	U.S. Department of Education
CFDA Numbers:	84.038, 84.033, 84.007, 84.063, 84.268, 84.379
Program Name:	Student Financial Assistance Cluster
Questioned Cost:	None

Chicago State University (University) did not fully comply with the institutional and financial assistance information for students regulations as prescribed by the U.S. Department of Education (ED).

Our review of the University's reporting and disclosure information revealed the following:

- The University's annual notification to students of the availability of required general disclosures (financial assistance information and institutional information) did not include all the information required to be disclosed. (The University discloses this information on Internet websites, however, the exact electronic addresses stated in the annual notification failed to provide some of the required information.)
- The University's annual notification to students of the availability of the Equity in Athletics Disclosure Act (EADA) Report did not include a brief description of the report or a statement that the University will provide a paper copy of the report upon request.

The Code of Federal Regulations states:

- (34 CFR 668.41 (c)(1)) – An institution annually must distribute to all enrolled students a notice of the availability of the information required to be disclosed pursuant to paragraphs (d), (e), and (g) of this section. The notice must list and briefly describe the information and tell the student how to obtain the information.
- (34 CFR 668.41 (c)(2)) – An institution that discloses information to enrolled students as required under paragraph (d), (e), or (g) of this section by posting the information on an Internet website or an Intranet website must include in the notice described in paragraph (c)(1) of this section –
 - The exact electronic address at which the information is posted; and
 - A statement that the institution will provide a paper copy of the information on request.

OMB Circular A-133 requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure that institutional and financial assistance information for students complies with content and distribution requirements prescribed by Federal regulations.

University officials stated that while the required disclosures were provided and made available on the University's website, the University's failure to provide in its annual notification the exact electronic address where all the information is posted was due to an oversight by the University.

The University's failure to include a brief description of the EADA report and a statement that the University will provide a paper copy of the report upon request was also due to oversight by the University.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

CURRENT FINDINGS – FEDERAL COMPLIANCE

**2014-006 FINDING: INSTITUTIONAL AND FINANCIAL ASSISTANCE INFORMATION DISCLOSED TO STUDENTS
(Continued)**

Failure to comply with the Federal regulations may hinder a student's ability to make an informed decision and may jeopardize future Federal funding. (Finding Code Nos. 2014-006, 2013-008, 12-16, 11-19, 10-26)

RECOMMENDATION

We recommend the University improve its internal controls to ensure that the University fully complies with the Federal regulations regarding the dissemination of institutional and financial assistance information to its students.

UNIVERSITY RESPONSE

The University accepts the recommendation. Institutional Effectiveness and Research and the Office of Compliance has implemented internal controls to ensure that the University fully complies with all Federal regulations regarding dissemination of institutional and financial assistance information to its students. The University will insure that the information will be retained in one central location on the website and will include links and a brief description of all required reports including the Equity in Athletics Disclosure Act, financial assistance information and institutional information.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2014-007 FINDING: INACCURATE COMPLETION OF THE FISCAL OPERATIONS REPORT

<u>Federal Department:</u>	U.S. Department of Education
<u>CFDA Numbers:</u>	84.007, 84.033, 84.038
<u>Program Name:</u>	Student Financial Assistance Cluster (Federal Supplemental Educational Opportunity Grants, Federal Work-Study Program, Federal Perkins Loan Program)
<u>Questioned Cost:</u>	None

Chicago State University (University) did not report accurate information when completing its Fiscal Operations Report (FISAP) relating to its Title IV Student Financial Assistance programs.

We noted the following inaccurate data reported on the University’s FISAP that was submitted on October 1, 2014:

	<u>Reported on FISAP</u>	<u>Per detail obtained from University</u>
Total undergraduate tuition and fees for the award year July 1, 2013 to June 30, 2014 (Part II, Line 22(a))	\$28,339,393	\$28,358,668
Total earned compensation for FWS Program (Part V, Line 12 and 12(a))	\$535,142	\$514,355
Number of students in community service employment (Part V, Line 24)	14	18
Federal share of community service earned compensation (Part V, Line 25)	\$38,013	\$43,833

In Part VI, Section A, Distribution of Program Recipients and Expenditures by Type of Student - the Federal Work-Study Program portion also did not reflect actual expenditures. The University reported amounts awarded instead of the actual expenditures.

After being brought to the University’s attention, each of these inaccuracies were corrected when a corrected FISAP was submitted on December 15, 2014.

The Code of Federal Regulations (34 CFR 674.19(d)(2)) states “Each year an institution shall submit a Fiscal Operations Report plus other information the Secretary requires. The institution shall insure that the information reported is accurate and shall submit it on the form and at the time specified by the Secretary.”

OMB Circular A-133 requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure that reports are complete and accurate.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2014-007 FINDING: INACCURATE COMPLETION OF THE FISCAL OPERATIONS REPORT (Continued)

University officials stated that the tuition and fees variance was the result of a clerical error.

The University had a pending classification question relating to four students. An initial decision was made to exclude them from the October submission recognizing that the Department of Education allows for corrections. The updated submission was revised to include the remaining four students by the final report date.

To submit the report on October 1, the University used “award” data to report “earned compensation” for the Federal Work-Study Program in Part V, Line 12 and in section VI. The University then used the editing period to adjust these numbers.

Failure to properly complete the FISAP is a violation of Federal regulations and could jeopardize future Federal funding. (Finding Code Nos. 2014-007, 2013-009, 12-17, 11-25, 10-21)

RECOMMENDATION

We recommend that the University properly complete the FISAP and have another individual review it to ensure that all information reported is accurate.

UNIVERSITY RESPONSE

The University accepts the recommendation. The Accounting Department will identify best practices in the completion of the report. Staff will be retrained on report submission requirements, which will include the identification of all appropriate supporting documentation. The Office of Compliance will initiate a year end planning meeting to ensure all stakeholders comply with the timelines for the submission of information to be included in the report.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2014-008 FINDING: CONTROLS OVER LOAN COUNSELING

Federal Department:	U.S. Department of Education
CFDA Number:	84.268
Program Name:	Student Financial Assistance Cluster (Federal Direct Student Loans)
Questioned Cost:	None

Chicago State University's (University) controls over conducting loan counseling for students that had received Federal Direct Student Loans (FDL) were inadequate.

We tested 60 students who received student financial assistance during fiscal year 2014. Of those 60 students, we noted 6 students that exited the University. Each had their loan exit counseling performed; however, one student's exit counseling was performed late. That student graduated in December 2013; however the exit counseling information was not sent to the student until February 2014 (2 months late).

Of the 60 students who received student financial assistance, 57 students accepted FDL awards. We noted that one student did not complete the required entrance counseling prior to disbursement of the loan. The loan was disbursed in August 2013; however, the entrance counseling was not completed until August 2014.

The Code of Federal Regulations (34 CFR 685.304(b)(1)) states that a school must ensure that exit counseling is conducted with each FDL borrower shortly before the student borrower ceases at least half-time study at the school. It also states (34 CFR 685.304(a)(1)) that the University must ensure that entrance counseling is conducted with each student prior to making the first disbursement of the FDL loan proceeds.

OMB Circular A-133 requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure that the required entrance and exit counseling of student borrowers is performed timely.

University officials stated that in reference to the student that completed exit counseling two months late, due to the high student traffic and activity in both the Registrar's Office and the Office of Student Financial Aid, at the end of the Fall 2013, both departments had not realized that the Graduation Report had not been submitted to the Office of Student Financial Aid until after the start of Spring 2014 semester.

In reference to the one student who did not complete entrance counseling prior to the disbursement of loan proceeds, University officials stated that the employee misread the screen causing them to believe that entrance counseling had been completed by that student.

Failure to timely conduct entrance and exit counseling could result in the loss of Federal funding. (Finding Code No. 2014-008)

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2014-008 FINDING: CONTROLS OVER LOAN COUNSELING (Continued)

RECOMMENDATION

We recommend the University conduct the required entrance and exit counseling in accordance with Federal regulations.

UNIVERSITY RESPONSE

The University accepts the recommendation. Effective immediately, the Registrar's Office and the Office of Student Financial Aid will ensure that the Graduation report from the Registrar's Office is received in the Office of Student Financial Aid within 30 days of graduation. This process will ensure the Office of Student Financial Aid has sufficient time to notify students that they are to complete the Exit Loan Counseling. Additionally, loans will not be disbursed until entrance counseling has been completed.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2014-009 FINDING: TRANSFER STUDENT FINANCIAL AID DISBURSEMENTS

Federal Department:	U.S. Department of Education
CFDA Numbers:	84.007, 84.033, 84.038, 84.063, 84.268, 84.379
Program Name:	Student Financial Assistance Cluster
Questioned Cost:	None

Chicago State University (University) failed to wait the required timeframe prior to making disbursements of Title IV funding to students transferring into the University.

We tested a total of 60 students who received student financial assistance during fiscal year 2014 (including 7 who were transfer students from other schools). For one (14%) of those students, the University credited the students' account prior to verifying eligibility with the National Student Loan Data System (NSLDS). The University informed the National Student Loan Data System (NSLDS) on January 13, 2014, of the student's transfer to the University and a Title IV disbursement was made on the same date (7 days early).

The Code of Federal Regulations states:

- (34 CFR 668.19 (b)(1)) – “If a student transfers from one institution to another institution during the same award year, the institution to which the student transfers must request from the Secretary, through NSLDS, updated information about that student so it can make the determinations required under paragraph (a) of this section; and”
- (34 CFR 668.19 (b)(2)) – “The institution may not make a disbursement to that student for seven days following its request, unless it receives the information from NSLDS in response to its request or obtains that information directly by accessing NSLDS, and the information it receives allows it to make that disbursement.”

OMB Circular A-133 requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure that the University waits the required timeframe prior to disbursing funds to transfer students.

University officials stated that employee(s) responsible for the disbursement of aid overrode the hold which is automatically placed on the disbursement of the student's Title IV funds for the required seven (7) days, per the regulations.

Failure to wait the required timeframe prior to disbursing funds to transfer students may result in the University awarding Title IV financial assistance to ineligible students. (Finding Code No. 2014-009)

RECOMMENDATION

We recommend the University improve its procedures to ensure that Title IV financial assistance is not disbursed to transfer students prior to verifying eligibility with NSLDS.

UNIVERSITY RESPONSE

The University accepts the recommendation. Effective immediately, upon receipt of a transfer student's ISIR, the Office of Student Financial Aid will (without exception) place a seven (7) day hold on the disbursement of Title IV funds.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2014-010 FINDING: FEDERAL DIRECT STUDENT LOAN MONTHLY RECONCILIATIONS

Federal Department:	U.S. Department of Education
CFDA Numbers:	84.268
Program Name:	Student Financial Assistance Cluster (Federal Direct Student Loan)
Questioned Cost:	None

Chicago State University (University) performed the required monthly reconciliations of its Federal Direct Student Loan (FDL) Program; however, the mid-year reconciliations included unexplained variances that the University chose not to resolve until the final reconciliation for the fiscal year.

We requested the University provide us with (and received copies of) their October 2013, May 2014, and June 2014 monthly reconciliations for the FDL program. We noted that the October 2013 and May 2014 reconciliations included unexplained variances for each of the FDL loan types awarded by the University. We asked the University what was done to resolve these variances on the mid-year reconciliations. The University informed us that they took no action to resolve these differences until the June 2014 reconciliation was completed. These reconciliations included variances of (\$22,557) and \$8,880 when comparing the loan disbursements from the general ledger to the financial aid module on the October 2013 and May 2014 report, respectively. In addition, variances of \$141,217 and \$134,812 were noted between the calculated grant receivable position and the actual general ledger for October 2013 and May 2014, respectively.

The Code of Federal Regulations (34 CFR 685.102(b)) requires the school to reconcile FDL records on a monthly basis under all *school origination* and *standard origination* options.

The U.S. Department of Education's "Federal Student Aid Handbook" states in Chapter 5:

- "In the Direct Loan Program, reconciliation is a mandatory monthly process requiring the comparison of records, both internally and externally."
- "the first step in the reconciliation process must be to confirm that business office records of actual disbursements posted to student accounts are consistent with financial aid office records of student award and scheduled disbursement amounts. ... If you discover discrepancies, you must resolve them."

OMB Circular A-133 requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure that the program records are reconciled to the fiscal records on a monthly basis and that any differences are investigated and resolved in a timely manner.

University Officials stated that the data feeds utilized to compose the mid-year reconciliations were incomplete and consequently did not fully capture all related loan activity.

Failure to fully reconcile program and fiscal records is a violation of Federal regulations and could result in a loss of Federal funding. (Finding Code No. 2014-010)

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2014-010 FINDING: FEDERAL DIRECT STUDENT LOAN MONTHLY RECONCILIATIONS (Continued)

RECOMMENDATION

We recommend the University properly reconcile all student financial awards to the University's fiscal records for the FDL program on a monthly basis, identify and resolve discrepancies, and retain documentation of all aspects of the process.

UNIVERSITY RESPONSE

The University accepts the recommendation. The Accounting Department's workflow will be monitored by the Comptroller to ensure the timely reconciliation of all Federal Direct Student Loan reconciliations. The Controller will expand the internal tracking of reporting that captures details associated with all monthly reconciliations. This reporting will be reviewed monthly by the Comptroller to ensure all accounts are fully reconciled.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2014-011 FINDING: NONCOMPLIANCE WITH THE REPORTING REQUIREMENTS APPLICABLE TO THE STRENGTHENING MINORITY-SERVING INSTITUTIONS PROGRAM

Federal Department:	Department of Education
CFDA Numbers:	84.382
Program Name:	Strengthening Minority-Serving Institutions
Award Number:	P382A110049/P382D090004
Questioned Cost:	None

Chicago State University's (University) controls over the compliance requirement of reporting applicable to its Strengthening Minority-Serving Institution program was inadequate.

We examined the annual performance reports that were submitted during the audit period for the above awards that comprise the major program and noted the following:

- The annual performance report submitted for P382A110049 for the period October 1, 2012 to September 30, 2013 reported expenditures of \$542,946 for the current budget period. Actual expenditures should have been \$541,983 (a difference of \$963) for the current budget period.
- The annual performance report submitted for P382D090004 for the period September 1, 2012 to August 7, 2013 was reviewed and we noted the following:
 - The reporting period should have ended on August 1, 2013 (not August 7, 2013). (The report was due on August 31, 2013; therefore the period end date was required to be August 1, 2013.)
 - The "Performance Objectives Information and Related Performance Measures Data" included in the report included the following inaccuracies:
 - The University reported that 9 students received awards from the grant. The detail provided by the University shows that only 5 students actually received awards from the grant.
 - The University reported that 10 students completed the program successfully and received degrees. The detail provided by the University shows that only 9 students actually completed the program successfully and received degrees.

The Instructions for Grant Performance Report (ED 524B) defines "budget expenditures" as allowable grant obligations incurred during the periods specified. These instructions require the University to report its actual budget expenditures for the previous and current period. It further states that the reporting period is the start of the current budget period through 30 days before the due date of the report. The instructions also require the University to provide target and actual performance data demonstrating progress towards meeting or exceeding targets.

OMB Circular A-133 requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure that reports are appropriately reviewed.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2014-011 FINDING: NONCOMPLIANCE WITH THE REPORTING REQUIREMENTS APPLICABLE TO THE STRENGTHENING MINORITY-SERVING INSTITUTIONS PROGRAM (Continued)

University officials stated that the exceptions noted above were due to human error.

Failure to accurately report program information may jeopardize future Federal funding. (Finding Code Nos. 2014-011, 2013-007)

RECOMMENDATION

We recommend the University improve its procedures to ensure that all reporting requirements are complied with.

UNIVERSITY RESPONSE

The University accepts the recommendation. To eliminate errors in annual performance reporting, the Associate VP of Grants and Research Administration has implemented an approval process whereby the grant's principal investigator, the head grant accountant, and the Associate VP of Grants and Research Administration must review and sign annual performance reports prior to submission for each grant.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2014-012 FINDING: NONCOMPLIANCE WITH THE REPORTING REQUIREMENTS APPLICABLE TO THE HIGHER EDUCATION INSTITUTIONAL AID PROGRAM

Federal Department:	Department of Education
CFDA Numbers:	84.031
Program Name:	Higher Education Institutional Aid
Award Number:	P031P110012
Questioned Cost:	None (reporting error only)

Chicago State University's (University) controls over the compliance requirement of reporting applicable to its Higher Education Institutional Aid program were inadequate.

We examined the annual performance reports that were submitted during the audit period for the above award and noted the following:

- The annual performance report for the period October 1, 2012 to September 30, 2013 reported Federal expenditures of \$173,369 for the current budget period. According to the University's general ledger, actual expenditures for the period were \$121,404 (a difference of \$51,965) for the current budget period. The University did not retain the accounting records to substantiate what was reported.

The Instructions for Grant Performance Report (ED 524B) defines "budget expenditures" as allowable grant obligations incurred during the periods specified. These instructions require the University to report its actual budget expenditures for the previous and current period.

The University's internal controls over the preparation of Federal reports requires that all financial information that is to be reported be retrieved from the University's accounting system and reviewed by the University's grants accounting group. The accounting data used to compile the information is to be retained and filed.

OMB Circular A-133 requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure that accurate reports are prepared and documentation is retained.

University officials stated that the annual report submitted did not reflect the correct financial information. The documentation for the report could not be located.

Failure to accurately report program information may jeopardize future Federal funding. (Finding Code No. 2014-012)

RECOMMENDATION

We recommend the University improve its procedures to ensure that Federal reports are accurate and that documentation is retained.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2014-012 FINDING: NONCOMPLIANCE WITH THE REPORTING REQUIREMENTS APPLICABLE TO THE HIGHER EDUCATION INSTITUTIONAL AID PROGRAM (Continued)

UNIVERSITY RESPONSE

The University accepts the recommendation. To eliminate errors in annual performance reporting, the Associate VP of Grants and Research Administration has implemented an approval process whereby the grant's principal investigator, the head grant accountant, and the Associate VP of Grants and Research Administration must review and sign annual performance reports prior to submission for each grant.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

CURRENT FINDINGS – STATE COMPLIANCE

2014-013 FINDING: INADEQUATE CONTROLS OVER PROPERTY AND EQUIPMENT

Chicago State University (University) did not fully comply with requirements applicable to its property and equipment.

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

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

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

The State Property Control Act (30 ILCS 605/4) requires responsible officers at each State agency to be accountable for supervision, control and inventory of property under their jurisdiction to ensure proper accounting and safeguarding of assets.

The Personal Information Protection Act (815 ILCS 530/25) requires the University to submit a report within 5 business days of the discovery of a data breach to the General Assembly listing the breach and corrective action that has been taken. It further requires an annual report listing all of the breaches and corrective action that has been taken to prevent further breaches.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University to maintain a system, or systems, of internal fiscal and administrative controls, that provide assurance that property is safeguarded against waste, loss, unauthorized use, and misappropriation.

University officials stated that equipment processes intended to track the movement and storage of assets needs to be further reinforced. The University was not aware that a report detailing a security breach had to be filed with the General Assembly. The carpet extractor was located in the annual fixed asset inventory, as submitted to the Department of Central Management Services on June 30th, 2014. However, it was subsequently determined to be lost or stolen after that date.

The significant volume of "unlocated" equipment demonstrates a lack of accountability. Failure to file the required reports with the General Assembly is a violation of the statute and prevents the State from having knowledge of the breach. (Finding Code Nos. 2014-013, 2013-012)

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

CURRENT FINDINGS – STATE COMPLIANCE

2014-013 FINDING: INADEQUATE CONTROLS OVER PROPERTY AND EQUIPMENT (Continued)

RECOMMENDATION

We recommend the University strengthen its internal controls over the accountability of University equipment. We also recommend the University file the required data breach reports with the General Assembly.

UNIVERSITY RESPONSE

The University has made significant progress in tracking and accounting for University property. The University's Property Control Department will provide additional training to its fiscal officers to reinforce the process governing asset movement. The Property Control Department will coordinate periodic spot audits and midyear inventories with University departments to ensure proper oversight of University property. The Office of Compliance will review the results of these audits and inventories. Additionally the University will institute disciplinary procedures which will hold individuals accountable for the property under their control.

The University's Information Technology Department has been tasked with the responsibility of reporting any future informational breaches to the General Assembly as required by the statute. Additionally, the General Assembly had been notified of the breach that occurred in FY14.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

CURRENT FINDINGS – STATE COMPLIANCE

2014-014 FINDING: SENIOR CITIZEN COURSES ACT

Chicago State University (University) did not fully comply with the requirements of the Senior Citizen Courses Act (Act).

We obtained and reviewed the University's policy for waiving tuition for eligible senior citizens and noted that the University provides for a waiver of tuition for no more than three credit hours per term when all the other requirements stipulated in the Act are met. The Act does not authorize the University to arbitrarily limit the waivers to three credit hours per term.

We tested all 8 senior citizens that had applied for waivers and noted that 7 (88%) of them had registered for more than three-credits per term. The amount of additional tuition that was eligible to have been waived for these students ranged from \$669 to \$2,565 per student.

The Act (110 ILCS 990/2) requires the University to permit senior citizens that meet certain income limitations to enroll without the payment of tuition in regularly scheduled credit courses provided that available classroom space exists and tuition paying students enrolled constitute the minimum number required for the course.

University officials stated that it had a different interpretation of the Act and therefore did not permit senior citizens to enroll in over 3 credit hours without the payment of tuition in regularly scheduled credit courses when all other requirements of the Act were met.

Failure to waive tuition for eligible senior citizens results in the University's noncompliance with the mandate. It also results in senior citizens being overcharged tuition for classes. (Finding Code No. 2014-014)

RECOMMENDATION

We recommend the University revise its policies and comply with the requirements of the Act. We further recommend the University refund the tuition of any qualifying senior citizens who were overcharged.

UNIVERSITY RESPONSE

The University accepts the recommendation. All eligible senior citizens have received tuition waivers from the University in accordance with the statute. Additionally, the University has refunded tuition payments to any qualifying senior citizen who may have been overcharged. The University has instituted proper policies and procedures to ensure compliance with the provisions in the statute. All senior citizens are now registered with the University in accordance with the statute.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

CURRENT FINDINGS – STATE COMPLIANCE

2014-015 FINDING: SUBSIDIES BETWEEN ACCOUNTING ENTITIES AND TO THE UNIVERSITY RELATED ORGANIZATION

Chicago State University (University) had subsidies between accounting entities (auxiliary enterprises and activities) during the current fiscal year. The University also advanced funds to the Chicago State University Foundation (Foundation) that were not repaid within a one year period.

During our testing of the University Guidelines, we noted the “Student Activities” accounting entity had negative cash balances at the beginning and the end of the fiscal year, (a negative cash balance is in effect an unbooked interfund payable/receivable), thereby causing a subsidy between funds to occur.

Chicago State University Foundation is considered to be a University Related Organization (URO) under the Legislative Audit Commission’s University Guidelines of 1982, as amended in 1997 (Guidelines).

We also noted that the University was owed a balance from the Foundation of \$237,019 and \$377,998, as of June 30, 2014 and June 30, 2013 respectively. There was no evidence that the prior year balance had been repaid by the Foundation.

The Guidelines state (Chapter III, Section D, Part 1) that “there shall be no subsidies between accounting entities. Subsidies include cash advances and interfund payables/receivables outstanding for more than one year.”

The Guidelines further states (Chapter VI, Section G, Part 3) “Any University funds advanced to a URO or receivables from a URO shall be repaid to the source from which obtained within one year of the date of the transaction.”

University officials stated that the subsidy to the Athletics department represents a deficit that was originally created under a prior administration. The Foundation subsidy was created in FY ’10 due to a change in financial practice on the recognition of staffing support provided by the University.

The subsidy between accounting entities and the outstanding advance to the Foundation are violations of the Guidelines. (Finding Code Nos. 2014-015, 2013-013, 12-23, 11-32, 10-33, 09-13)

RECOMMENDATION

We recommend the University review the activities of the accounting entities and ensure that fees charged for services are sufficient to cover expenditures and ensure that subsidies between accounting entities do not occur. We further recommend the University review and monitor the activities of the Foundation to ensure that advances and receivable balances are repaid by the Foundation within one year.

STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

CURRENT FINDINGS – STATE COMPLIANCE

2014-015 FINDING: SUBSIDIES BETWEEN ACCOUNTING ENTITIES AND TO THE UNIVERSITY RELATED ORGANIZATION (Continued)

UNIVERSITY RESPONSE

The University accepts the recommendation. The Athletics **Department** represents the primary deficit in this finding. The accounting entity has developed a long term plan to reduce the deficit. This plan includes ongoing emphasis on revenue enhancement and operations efficiency. In reference to the Foundation, the University has changed the organization model that supports the Foundation. This revised organization model will facilitate the elimination of this subsidy over the next two fiscal years.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

CURRENT FINDINGS – STATE COMPLIANCE

2014-016 FINDING: NONCOMPLIANCE WITH CAMPUS SECURITY ENHANCEMENT ACT OF 2008

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

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

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

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

University officials stated that there is not a comprehensive policy or procedure for the processing of criminal background investigations prior to employing individuals in these positions.

Failure to obtain the required criminal background investigations prior to the employment of individuals in security-sensitive positions results in noncompliance with the Act and may result in the University allowing access to security-sensitive information to individuals who should not be trusted. (Finding Code No. 2014-016)

RECOMMENDATION

We recommend the University comply with the requirements of the Act and obtain criminal background investigations prior to hiring employees for security-sensitive positions.

UNIVERSITY RESPONSE

The University accepts this recommendation. The Office of Human Resources has developed a policy that identifies security-sensitive positions and will comply with the requirements of the Act. To ensure compliance, the Office of Human Resources has developed a plan to obtain background checks of those who did not previously have one on file.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

CURRENT FINDINGS – STATE COMPLIANCE

2014-017 FINDING: HIGHER EDUCATION VETERANS SERVICE ACT

Chicago State University (University) did not fully comply with the requirements of the Higher Education Veterans Service Act (Act).

During testing of the University's compliance with the Act, we noted the following:

- The University did not report in its survey the number of veterans, military personnel, or families utilizing each program or service offered.
- The survey was not made available to all veterans in the form of an orientation-related guidebook.
- The University could not provide any type of documentation that the survey was sent to the Board of Higher Education, the Department of Veterans Affairs, the President and Minority Leader of the Senate, the Speaker and Minority Leader of the House of Representatives, or the Governor.
- The University did not include the name, contact information, and a brief summary of the manner in which the Coordinator of the Veterans and Military Personnel Student Services can assist student veterans in promotional mailings for student application.
- The University submitted its annual fiscal impact report on the program and services of this Act on October 1 (30 days late).

The Act states the following:

- (110 ILCS 49/15(a)) "... This survey shall enumerate and fully describe the service or program that is available, the number of veterans or active duty personnel using the service or program, an estimated range for potential use ... This survey must be made available to all veterans matriculating at the college or university in the form of an orientation-related guidebook."
- (110 ILCS 49/15(a)) "... each public college and university shall provide a copy of its survey to the following: (1) the Board of Higher Education; (2) the Department of Veterans Affairs; (3) the President and Minority Leader of the Senate and the Speaker and Minority Leader of the House of Representatives; and (4) the Governor."
- (110 ILCS 49/15(b)) "Each college or university campus that is required to have a Coordinator of Veterans and Military Personnel Student Services shall regularly and conspicuously advertise the office location, phone number, and Internet access to the Coordinator of Veterans and Military Personnel Student Services, along with a brief summary of the manner in which he or she can assist student veterans. The advertisement shall include, but is not necessary limited to, the following: (1) advertisements on each campus' Internet home page; and (2) any promotional mailings for student application."
- (110 ILCS 49/20) "Fiscal impact and reporting. Beginning on September 1 of the year following the effective date of this Act and each subsequent September 1, each college and university that is required to have a Coordinator of Veterans and Military Personnel Student Services under subsection (b) of Section 20 of this Act shall report to the Board of Higher Education on the fiscal impact of the programs and services related to the requirements of this Act."

University officials stated that the survey was completed and submitted in September 2009 (by a prior administration) to IBHE, therefore the current administration was unaware that the survey was incomplete and could not locate evidence that it was submitted to the proper state officials. Further, the University does not currently provide a university guidebook.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

CURRENT FINDINGS – STATE COMPLIANCE

2014-017 FINDING: HIGHER EDUCATION VETERANS SERVICE ACT (Continued)

The University had a different interpretation of the Act and did not include the name, contact information, and a summary of the manner in which the Coordinator of the Veterans and Military Personnel Student Services in promotional mailings for the student application as required.

Due to human error, the University did not submit its annual fiscal impact report in accordance with the requirement.

By not fully complying with the requirements of the Act, veterans and military personnel may not have access to the information necessary to make informed decisions. (Finding Code No. 2014-017)

RECOMMENDATION

We recommend the University fully comply with the requirements of the Act.

UNIVERSITY RESPONSE

The survey was submitted in 2009. Significant administrative transition has occurred. Succession planning and document retention is being implemented to ensure the retention of documents. The University has taken proactive steps to ensure that all requirements, as stated in the Higher Education Veterans Act, are being implemented and updated annually. The Office of Veterans Affairs will conduct annual internal monitoring that effectively ensures that the University's veterans and military personnel have access to required information in order to make informed decisions. The University has posted contact information for the veteran's coordinator and the services the department provides on its website, as well as, in the University orientation guidebook.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

CURRENT FINDINGS – STATE COMPLIANCE

2014-018 FINDING: VOUCHER PROCESSING ERRORS

Chicago State University (University) did not process certain expenditures accurately and did not pay certain expenditures in a timely manner.

We tested 125 expenditures for purposes of State compliance from Contractual Services, Commodities, Equipment, Telecommunications, and Operation of Automotive Equipment and noted the following:

- Nine invoices (7%) were not approved for payment in a timely manner. These invoices were approved between 31 and 675 days (1 to 645 days late) after receipt of a proper bill.
- One invoice (1%) was not signed by the receiving (fiscal) officer of the University.
- Three invoices (2%) were not paid in a timely manner. The invoices were paid 120 to 675 days (30 to 585 days late) after the receipt of a proper bill.
- One invoice (1%), \$11,480, contained expenditures that were recorded to the incorrect fiscal year. This fiscal year 2012 invoice was not processed and recorded until fiscal year 2014.
- Two invoices (2%) were charged to the incorrect Statewide Accounting Management System (SAMS) major object code. These invoices had charges of \$11,898 that were charged to commodities but should have been charged to equipment.

We also tested another 75 Federal expenditures (not including student financial aid) and noted the following:

- Two invoices (3%) were not approved for payment in a timely manner. These invoices were approved between 55 to 82 days (25 to 52 days late) after receipt of a proper bill.
- One invoice (1%) was not paid in a timely manner. This invoice was paid 101 days (11 days late) after the receipt of a proper bill.

Generally accepted accounting principles require invoices to be recorded in the period in which the expenditure related.

Prudent business practices require all vouchers be approved (within 30 days of receipt of proper bill) and paid in a timely manner (within 90 days of receipt of proper bill) by University officials.

The Statewide Accounting Management System (Procedure 11.50.30) defines each of the State's expenditure line item codes where expenditures should be recorded.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University to maintain a system, or systems, of internal fiscal and administrative controls, that provide assurance that expenditures are properly recorded and accounted for to permit the preparation of reliable financial reports and to maintain accountability over the State's resources.

University officials stated that late processing of voucher payments was influenced by high processing volume, staff turnover and ineffective tracking of documents submitted for payment. The incorrect SAMS coding was due to a prior practice of classifying low dollar equipment items as commodities.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

CURRENT FINDINGS – STATE COMPLIANCE

2014-018 FINDING: VOUCHER PROCESSING ERRORS (Continued)

Untimely payments may result in vendors being unwilling to do business with the State. Late approval of invoices and lack of required approvals could result in a loss of State funds. Recording of expenditures in the incorrect fiscal year results in inaccurate financial statements. (Finding Code Nos. 2014-018, 2013-016, 12-25, 11-29, 10-34, 09-2)

RECOMMENDATION

We recommend the University improve controls to ensure that expenditures are approved and paid timely and are posted to the correct fiscal year.

UNIVERSITY RESPONSE

The University accepts the recommendation. Accounts Payable will provide additional training to departmental staff on voucher processing to ensure accuracy and timeliness. The University Controller and the Office of Internal Audit Department will develop a testing protocol that focuses on compliance. The Accounts Payable Manager will work with the University's Information Technology Department to determine appropriate protocols to incorporate technology into department workflows. Additionally, staffing levels will be re-evaluated to ensure that there is sufficient staff to handle the current transaction volumes.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

CURRENT FINDINGS – STATE COMPLIANCE

2014-019 FINDING: HIRING OF NEW EMPLOYEES

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

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

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

The University Human Resources Policy Manual states "All job offers are contingent upon satisfactory completion of the University's background check process, including employment history, education, references, criminal record, ... and any other data that may be necessary to analyze a candidate's qualifications for a position at Chicago State University. Background checks are required for all employees in full-time, part-time, and temporary positions. Background checks must be run on all candidates prior to beginning employment, regardless of whether they have been previously employed by Chicago State University or are transferring from another State university."

We also noted an internal University memorandum to all search committee chairs and members that states that the search committee shall review and evaluate the credentials of all applicants. It further states "It is important that all hiring departments keep the entire search committee's records for at least 3 years."

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University to establish and maintain a system or systems of internal fiscal and administrative controls which shall provide assurance that resources are used efficiently, effectively, and in compliance with applicable law.

University officials stated that the search committees' chairs and members did not consistently adhere to the policies and procedures for pre-employment verification.

Failure to perform the University required background checks and the failure to fully document hiring decisions puts the University at risk of hiring individuals that are not capable to perform their job duties and results in noncompliance with the University's policies. It also creates a lack of transparency over the hiring process. (Finding Code No. 2014-019)

RECOMMENDATION

We recommend the University improve its procedures to ensure compliance with the University policies. We further recommend the University fully document its hiring decisions (especially as it relates to minimum eligibility requirements for posted positions).

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

CURRENT FINDINGS – STATE COMPLIANCE

2014-019 FINDING: HIRING OF NEW EMPLOYEES (Continued)

UNIVERSITY RESPONSE

The University accepts this recommendation. The Office of Human Resources has developed a plan to verify minimum qualifications of candidates recommended for hire. This plan will include a candidate selection check list.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

CURRENT FINDINGS – STATE COMPLIANCE

**2014-020 FINDING: FAILURE TO REPORT THE AGGREGATE AMOUNT OF BILLS HELD TO THE STATE
COMPTROLLER**

Chicago State University (University) failed to submit an annual report aggregating the amount of bills held to the Illinois Office of the Comptroller (IOC).

As part of our State compliance examination, we requested the report of held bills that the University was required to submit to the IOC by October 1 of each year. The University informed us that they had not submitted a report for the period ended June 30, 2013.

The State Finance Act (30 ILCS 105/9.08) requires the University to submit the aggregate dollar amount of any bills held at the previous June 30 to the Illinois Office of the Comptroller by October 1, 2013 and each fiscal year thereafter.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University to maintain a system, or systems, of internal fiscal and administrative controls, that provide assurance that expenditures are properly recorded and accounted for to permit the preparation of reliable financial reports and to maintain accountability over the State's resources.

University officials stated that the report was not submitted on a timely basis because the University did not become aware of the law until after the due date.

Failure to submit required reports is a violation of the statute and results in the IOC not having the necessary data available to post on its public website. (Finding Code No. 2014-020)

RECOMMENDATION

We recommend that the University implement controls to ensure an annual report of held bills is timely submitted to the IOC.

UNIVERSITY RESPONSE

The University accepts the recommendation. The Accounting Department's workflow has been modified to ensure the timely and accurate submission of this report. The report for the period ended June 30, 2014 has been submitted.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

PRIOR FINDINGS NOT REPEATED

A FINDING: Head Start Cluster

Chicago State University (University) did not fully comply with the compliance requirements related to matching and reporting related to its award from the Department of Health and Human Services and passed through the City of Chicago. (Finding Code Nos. 2013-002, 12-4)

Status – Not repeated

The Head Start program at the University was terminated in fiscal year 2013. There was no compliance to test for fiscal year 2014.

B FINDING: Financial Aid Awarded to Ineligible Students

Chicago State University (University) made FSEOG awards to students that were ineligible. (Finding Code Nos. 2013-003, 12-9, 11-15, 10-11)

Status – Not repeated

Our sample testing did not identify any FSEOG awards (or other Federal Student Financial Aid) awarded to students that were ineligible.

C FINDING: Federal Perkins Loan Cohort Default Rate Too High

Chicago State University's (University) Federal Perkins Loan cohort default rate is in excess of the threshold for administrative capability stipulated by the U.S. Department of Education. (Finding Code Nos. 2013-005, 12-19)

Status – Not repeated

Our testing noted that the published cohort default rate for the year ending June 30, 2013 was 17.24% (based on 3 years' results because fewer than 30 borrowers entered repayment in fiscal year 2012). However, the University's rate for the year ending June 30, 2014 was 6.45% (based on single year's results because greater than 30 borrowers entered repayment in fiscal year 2013).

D FINDING: Controls Over Exit Counseling

Chicago State University's (University) controls over conducting exit counseling for students that had received Federal Perkins Loans and were no longer attending the University were inadequate. (Finding Code Nos. 2013-006, 12-18, 11-18)

Status – Not repeated

The University changed the third party service organization that performs this function in April 2012. Our fiscal year 2013 testing identified several late exit counselings. Our fiscal year 2014 testing did not identify any late exit counselings that occurred subsequent to communicating the prior year exceptions to the University.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

PRIOR FINDINGS NOT REPEATED

E FINDING: Inadequate Controls Over Student Verification

Chicago State University's (University) procedures to complete verification when the student was selected by the U.S. Department of Education (ED) for verification were inadequate. (Finding Code Nos. 2013-010, 12-13)

Status – Not repeated

Our sample testing did not identify any exceptions relating to student verifications.

F FINDING: Notification of Disbursement

Chicago State University (University) did not provide the required notification to students regarding the anticipated date and amount of each disbursement and the student's (or parent's) right to cancel student loans. (Finding Code No. 2013-011)

Status – Not repeated

Our sample testing did not identify any instances of the University not notifying students of the anticipated date and amount of each disbursement and the student's (or parent's) right to cancel student loans.

G FINDING: Time Sheets Not Maintained in Compliance with State Officials and Employees Ethics Act

Chicago State University (University) did not maintain time sheets as required by the State Officials and Employee Ethics Act (Act). (Finding Code Nos. 2013-014, 12-26, 11-33, 10-36, 09-11, 08-17, 07-15, 06-7, and 05-6).

Status – Moved to Immaterial Findings Letter

Our sample testing evidenced that the University made significant improvements in reporting time in compliance with the Act. Immaterial instances of noncompliance have been reported in the immaterial findings letter.

H FINDING: Failure to Prepare High School Feedback System Reports

Chicago State University (University) did not prepare High School Feedback System reports to high schools within the State. (Finding Code No. 2013-015)

Status – Withdrawn

The University in conjunction with the other State universities sought legislative remedy. This statutory mandate has been repealed.

**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
 - Schedule of Cash Receipts (Treasury Held Funds)
 - Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller
 - 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
 - Schedule of Federal Expenditures, Nonfederal Expenses, and New Loans
- Analysis of Operations (Unaudited)
 - Agency Functions and Planning Program (Unaudited)
 - Average Number of Employees (Unaudited)
 - Comparative Enrollment Statistics (Unaudited)
 - Comparative Schedule of Unrestricted Current Fund Expenditures per Full-time Equivalent Students (Unaudited)
 - Emergency Purchases (Unaudited)
 - Illinois First Program (Unaudited)
 - Bookstore Information (Unaudited)
 - 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 (Unaudited)
 - Schedule of Indirect Cost Funds to be Deposited into the University Income Fund as Required by the 1982 University Guidelines (As Amended 1997) (Unaudited)
 - Schedule of Excess Funds Calculation by Entity as required by the 1982 University Guidelines (As Amended 1997) (Unaudited)
 - Entities' Financial Statements:
 - Balance Sheets (Unaudited)
 - Statement of Revenues, Expenditures and Transfers - Current Unrestricted Funds (Unaudited)
 - Statement of Changes in Fund Balance – Current Unrestricted Funds (Unaudited)
 - Statement of Changes in Fund Balance – Plant Funds (Unaudited)
 - Summary of Foundation Cash Support to the University (Unaudited)

The accountants' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states the supplementary information presented in Schedules 1 through 15 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the auditors' opinion, it is fairly stated in all material respects in relation to the basic financial statements from which it has been derived. The accountants' report also states the Analysis of Operations Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, they do not express an opinion or provide any assurance on it.

STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

<u>Program/Grant Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's No.</u>	<u>Expenditures</u>	<u>Passed- Through to Sub-recipients</u>
STUDENT FINANCIAL ASSISTANCE CLUSTER *				
<u>DEPARTMENT OF EDUCATION</u>				
Federal Supplemental Educational Opportunity Grants	84.007		\$ 198,542	\$ -
Federal Work-Study Program	84.033		585,151	-
Federal Perkins Loan Program (Note 2)	84.038		-	-
Federal Pell Grant Program	84.063		12,623,647	-
Federal Direct Student Loans (Note 3)	84.268		-	-
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379		47,900	-
<u>DEPARTMENT OF HEALTH & HUMAN SERVICES</u>				
Scholarships for Health Professions Students from Disadvantaged Backgrounds				
<i>Scholarships for Disadvantaged Students</i>	93.925		96,000	-
Total Student Financial Assistance Cluster			13,551,240	-
RESEARCH AND DEVELOPMENT CLUSTER				
<u>ENVIRONMENTAL PROTECTION AGENCY</u>				
Environmental Education Grants				
<i>Stem Mastery Through Great Lakes Stewardship</i>	66.951		3,350	-
Total Environmental Protection Agency			3,350	-
<u>NATIONAL SCIENCE FOUNDATION</u>				
Mathematical & Physical Sciences				
<i>RUI: Studies of Relativistic Heavy Ions Collisions in ALICE at the LHC</i>	47.049		90,996	-
<i>Collaborative Research: Algorithms for Threat Detection via Geometry of Virus Genome Space</i>	47.049		6,356	-
Passed Through The American Physical Society				
<i>PhysTec Program</i>	47.049	N.A.	10,146	-
			107,498	-
Biological Sciences				
<i>NSF: Complex Molecular Control</i>	47.074		1,081	-
Education and Human Resources				
<i>Support, Mentoring, Accountability, Research and Training: A Sustainable, Thriving Program in Mathematical Sciences</i>	47.076		200,660	-
<i>Urban Science, Technology, Engineering & Math Talent Expansion Program</i>	47.076		270,268	63,200
<i>Using the Complex of Nuclear & Particle Physics</i>	47.076		145	-
<i>Pilot Regional Louis Stokes Center: Midwest Ctr. o+D151f Excellence</i>	47.076		1,166,410	271,046
<i>Louis Stokes Bridge to Doctorate</i>	47.076		63,337	60,087
			1,700,820	394,333
ARRA Trans-NSF Recovery Act Research Support				
<i>Segmental Recombination in the Mouse T Complex</i>	47.082		88,018	-
Total National Science Foundation			1,897,417	394,333
<u>NATIONAL INSTITUTES OF HEALTH</u>				
Minority Health and Health Disparities Research				
Passed Through Pacific Institute for Research & Evaluation				
<i>HIV/STD Prevention Program</i>	93.307	5R01MD004125-04	120,474	-
Drug Abuse and Addiction Research Programs				
<i>Urban Mindfulness - Addiction Research</i>	93.279		379,579	4,651
Biomedical Research and Research Training				
<i>Minority Biomedical Research Support (MBRS)</i>	93.859		335,791	-
<i>Role of Serum Amyloid A In Interferon-gamma Expression and T Helper 1 Cell Differ</i>	93.859		132,261	-
<i>Intracellular Signaling During Phagocytosis</i>	93.859		32,577	-
<i>Gut Circadian Clock & Melatonin Dynamics Following Major Thermal Injury</i>	93.859		125,796	-
			626,425	-

STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

<u>Program/Grant Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's No.</u>	<u>Expenditures</u>	<u>Passed- Through to Sub-recipients</u>
International Research and Research Training Passed Through Northwestern University <i>Medical Educational Partnership Initiative</i>	93.989	60028444	11,246	-
Cancer Centers Support Grants <i>Chicago South Side Cancer Disparities Initiative</i>	93.397		118,486	-
Total National Institutes of Health			1,256,210	4,651
Total Research and Development Cluster			3,156,977	398,984
OTHER PROGRAMS				
<u>DEPARTMENT OF EDUCATION</u>				
Higher Education Institutional Aid * <i>Predominantly Black Institutions Program</i>	84.031		262,416	-
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities <i>Combined Priority for Personnel Prep.</i>	84.325		349,442	-
Graduate Research Opportunities for Minority Students (Minorities and Retirement Security Program)	84.414		52,869	-
Special Education-State Personnel Development Passed through Southern Illinois University <i>IDEA: State Personnel Development Program</i>	84.323	763944	842	-
TRIO CLUSTER				
TRIO _ Student Support Services	84.042		291,517	-
TRIO _ Upward Bound <i>Project Fame/Upward Bound</i>	84.047		495,816	-
TRIO _ Educational Opportunity Centers	84.066		344,576	-
Total TRIO Cluster			1,131,909	-
Strengthening Minority-Serving Institutions * <i>Predominantly Black Institutions (Graduate)</i> <i>The Center for STEM Education & Research at CSU</i>	84.382		423,740	-
	84.382		638,820	44,023
			1,062,560	44,023
Total Department of Education			2,860,038	44,023
<u>DEPARTMENT OF HEALTH & HUMAN SERVICES:</u>				
TANF CLUSTER				
Temporary Assistance for Needy Families Passed Through the Illinois Department of Human Services	93.558	81XQ464TS1/FCSRG00283	80,348	-
Total Department of Health and Human Services			80,348	-
<u>U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT</u>				
US AID Foreign Assistance for Programs Overseas * <i>Textbook and Learning Materials Program</i>	98.001		3,610,127	-
Total U.S. Agency for International Development			3,610,127	-
<u>DEPARTMENT OF AGRICULTURE</u>				
Higher Education - Institution Challenge Grants Program <i>Chicago South Side Urban Agriculture Initiative</i>	10.217		74,508	15,547
Agriculture and Food Research Initiative (AFRI) <i>High-throughput Screening of Wheat Breeding Lines Against Fungal Pathogens Using a Quantitative RT-PCR-based Approach</i>	10.310		4,434	-
Child Nutrition Cluster Summer Food Service Program for Children Passed Through the Illinois State Board of Education <i>Project Fame Upward Bound Summer Food Service Program</i>	10.559	15016315P00	6,365	-
Total Department of Agriculture			85,307	15,547

STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

<u>Program/Grant Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's No.</u>	<u>Expenditures</u>	<u>Passed- Through to Sub-recipients</u>
<u>NATIONAL AERONAUTICS AND SPACE ADMINISTRATION</u>				
Science				
Passed Through University of Illinois at Urbana-Champaign <i>Space Grant Consortium</i>	43.001	2010-0400-08 A2154	32,147	-
Passed Through Sonoma State University <i>Using the Big Ideas in Cosmology to Teach</i>	43.001	SA 110143	37,496	-
			<u>69,643</u>	-
Total National Aeronautics and Space Administration			<u>69,643</u>	-
<u>U. S. SMALL BUSINESS ADMINISTRATION</u>				
Small Business Development Centers				
Passed Through IL. Dept. of Commerce & Economic Opportunities <i>Greater Southside Small Business Development Center</i>	59.037	11-801176	20,534	-
Total U. S. Small Business Administration			<u>20,534</u>	-
			<u>\$ 23,434,214</u>	<u>\$ 458,554</u>

* Denotes Major Programs

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

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, 2014 for which continuing compliance requirements remain. These loan balances are not included in the federal expenditures presented in the schedule.

FEDERAL PERKINS LOAN PROGRAM

The Perkins Loan receivable from program inception through the year ended June 30, 2014 totaled \$1,725,808. Loan advances for the year ended June 30, 2014 totaled \$191,215. Interest income on loans totaled \$31,559.

3. FEDERAL DIRECT STUDENT LOANS

During fiscal year 2014, the University participated in the William D. Ford Federal Direct Student Loan Program sponsored by the U.S. Department of Education. Neither the loans nor the related activity have been reflected in the Schedule of Expenditures of Federal Awards for the year ended June 30, 2014.

The lender is the Federal government (via the school). The University is responsible for completing portions of the loan applications, verifying student eligibility, filing student status confirmation reports (SSCR), refunding money to the lender when appropriate and requesting funds from the U.S. Department of Education when disbursing loans.

During the year ended June 30, 2014, the University's students or their parents were awarded the following loans:

Direct Unsubsidized Loans	\$ 38,864,822
Direct Subsidized Loans	13,194,387
Direct Parent Plus Loans	796,641
Direct Graduate Plus Loans	3,120,429
Total:	<u>\$ 55,976,279</u>

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
APPROPRIATIONS FOR FISCAL YEAR 2014**

FOURTEEN MONTHS ENDED AUGUST 31, 2014

	Appropriations (Net After Transfers)	Expenditures Through June 30, 2014	Lapse Period Expenditures (July 1-Aug 31)	Total Expenditures	Balances Lapsed
EDUCATION ASSISTANCE FUND (0007)					
Public Act 98-0035					
Personal Services	\$ 35,634,400	\$ 35,534,360	\$ 100,040	\$ 35,634,400	\$ -
Group Insurance	1,024,000	1,024,000	-	1,024,000	-
Awards and Grants	104,400	-	104,400	104,400	-
Subtotal	<u>36,762,800</u>	<u>36,558,360</u>	<u>204,440</u>	<u>36,762,800</u>	<u>-</u>
Public Act 98-0033					
Grant to Financial Assistance Outreach Center	<u>500,000</u>	<u>362,396</u>	<u>76,009</u>	<u>438,405</u>	<u>61,595</u>
Total Education Assistance Fund (0007)	<u>37,262,800</u>	<u>36,920,756</u>	<u>280,449</u>	<u>37,201,205</u>	<u>61,595</u>
GENERAL PROFESSIONS DEDICATED FUND (0022)					
Public Act 98-0033					
Pharmacy Practice Education Training	<u>307,000</u>	<u>70,835</u>	<u>236,165</u>	<u>307,000</u>	<u>-</u>
Total General Professions Dedicated Fund (0022)	<u>307,000</u>	<u>70,835</u>	<u>236,165</u>	<u>307,000</u>	<u>-</u>
CHICAGO ST UNIV ED IMPROVEMENT FUND (0223)					
Public Act 98-0033 (amended by Public Act 98-0642)					
Scholarships	<u>4,600,000</u>	<u>4,469,736</u>	<u>130,264</u>	<u>4,600,000</u>	<u>-</u>
Total Chicago St Univ Ed Improvement Fund (0223)	<u>4,600,000</u>	<u>4,469,736</u>	<u>130,264</u>	<u>4,600,000</u>	<u>-</u>
TOTAL - ALL APPROPRIATIONS	<u><u>\$ 42,169,800</u></u>	<u><u>\$ 41,461,327</u></u>	<u><u>\$ 646,878</u></u>	<u><u>\$ 42,108,205</u></u>	<u><u>\$ 61,595</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, 2014
(WITH COMPARATIVE TOTALS FOR 2013)**

	<u>2014</u> PUBLIC ACTS 98-0033 98-0035 98-0642	<u>2013</u> PUBLIC ACTS 98-0001 97-0729
EDUCATION ASSISTANCE FUND (0007)		
APPROPRIATIONS	\$ 37,262,800	\$ 36,805,600
EXPENDITURES		
Personal Services	35,634,400	35,177,200
Group Insurance	1,024,000	1,024,000
Grant to Financial Assistance Outreach Center	438,405	407,188
Awards and Grants	104,400	104,400
Total expenditures	<u>37,201,205</u>	<u>36,712,788</u>
Lapsed balances	<u>61,595</u>	<u>92,812</u>
GENERAL PROFESSIONS DEDICATED FUND (0022)		
APPROPRIATIONS	<u>307,000</u>	<u>307,000</u>
EXPENDITURES		
Pharmacy Practice Education Training		
Total expenditures	<u>307,000</u>	<u>307,000</u>
Lapsed balances	<u>-</u>	<u>-</u>
CHICAGO ST UNIV ED IMPROVEMENT FUND (0223)		
APPROPRIATIONS	<u>4,600,000</u>	<u>-</u>
EXPENDITURES		
Scholarships		
Total expenditures	<u>4,600,000</u>	<u>-</u>
Lapsed balances	<u>-</u>	<u>-</u>
GRAND TOTAL		
APPROPRIATIONS	42,169,800	37,112,600
EXPENDITURES	<u>42,108,205</u>	<u>37,019,788</u>
TOTAL LAPSED BALANCES	<u>\$ 61,595</u>	<u>\$ 92,812</u>

STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
COMPARATIVE SCHEDULE OF INCOME FUND REVENUES AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2014
(With comparative totals for the year ended June 30, 2013)

	<u>2014</u>	<u>2013*</u>
INCOME FUND REVENUES		
Tuition Revenue	\$ 36,543,817	\$ 41,057,114
Laboratory Fee	233,990	238,317
Late Registration Fee	40,900	66,400
NSF Check Fee	740	1,440
Deferred Payment Fee	55,600	53,907
Graduation Fee-Undergraduate	38,975	37,135
Graduation Fee-Graduate	10,310	17,600
Transcript Fee	68,195	71,708
Application Fee	115,987	102,989
Interest Income	7,300	11,562
Miscellaneous Other Income	11,544	12,608
TOTAL INCOME FUND REVENUES	<u><u>\$ 37,127,358</u></u>	<u><u>\$ 41,670,780</u></u>
INCOME FUND EXPENDITURES		
Personal Services	\$ 24,062,275	\$ 23,718,572
SURS Retirement	29,150	18,128
Social Security	1,021,694	1,045,925
Contractual Services	10,069,361	10,913,019
Travel	541,040	475,345
Commodities	1,765,623	2,380,403
Equipment and Library Books	1,097,599	3,985,388
Telecommunications	561,525	742,175
Operation of Automotive Equipment	59,700	63,059
Permanent Improvements	698,674	1,367,715
Awards, Grants, and Matching Funds	509,969	2,017,618
Tuition and Fee Waivers	1,763,751	2,668,421
Other Expenditures	386	214
TOTAL INCOME FUND EXPENDITURES	<u><u>\$ 42,180,747</u></u>	<u><u>\$ 49,395,982</u></u>

*-certain amounts from prior year were reclassified to conform to current year presentation

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF CHANGES IN STATE PROPERTY
FOR THE YEAR ENDED JUNE 30, 2014**

(In thousands)

	Beginning Balance at June 30, 2013	Additions	Retirements	Reclassifications	Net Transfers (CDB)	Ending Balance at June 30, 2014
Land	\$ 9,611	\$ -	\$ -	\$ -	\$ -	\$ 9,611
Site Improvements	12,224	285	-	2,571	1,304	16,384
Buildings and Building Improvements	188,842	293	-	-	-	189,135
Equipment	31,452	1,429	(1,933)	978	-	31,926
Capital Lease Assets	814	261	-	(779)	-	296
Intangible Assets	545	-	-	-	-	545
Library Books	12,451	380	-	-	-	12,831
Construction In-Progress	7,391	2,444	-	(2,770)	135	7,200
TOTAL	\$ 263,330	\$ 5,092	\$ (1,933)	\$ -	\$ 1,439	\$ 267,928

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

This summary schedule was prepared using State property records required by the Illinois Administrative Code. The capitalization policy in the Code is different than the capitalization policy established by the Office of the Comptroller for financial reporting in accordance with generally accepted accounting principles.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
FISCAL SCHEDULES AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

Schedule 7

SCHEDULE OF CASH RECEIPTS (Treasury Held Funds)

	2014
Chicago St Univ Ed Improvement Fund 0223	
Interfund cash transfer from State Gaming Fund 0129	\$ 1,600,000
Cash receipt from State Gaming Fund 0129	3,000,000
Interest deposited directly into the State Treasury	5,401
Total receipts	\$ 4,605,401

Schedule 8

**RECONCILIATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS
REMITTED TO THE STATE COMPTROLLER**

Chicago St Univ Ed Improvement Fund 0223	
Receipts per University records	\$ 4,605,401
Less deposits in transit at June 30, 2014	(3,000,000)
Deposits per Comptroller	\$ 1,605,401

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
ANALYSIS OF SIGNIFICANT VARIATIONS IN REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014**

We obtained variance explanations for the following accounts, which had a 20% change and a dollar variance greater than \$100,000.
(Certain FY13 amounts were reclassified to conform to the current fiscal year presentation.)

	<u>FY14</u>		<u>FY13</u>		<u>\$ Difference</u>	<u>% Difference</u>
REVENUES						
FEDERAL GRANTS AND CONTRACTS: The increase is the result of an extension of the grant from the U.S. Agency for International Development for the Textbook and Learning Materials Program, which has the objective of coordinating and distributing educational materials in Ghana, Africa.	\$ 10,649,241		\$ 7,791,743		\$ 2,857,498	37%
OTHER NON OPERATING REVENUES, EXPENSES, GAINS OR LOSSES						
CAPITAL APPROPRIATIONS AND GRANTS: Capital appropriations revenue increased by \$1 million. This is mainly attributed to the University using funds from the roof replacement and building improvement grant funded through the Illinois Capital Development Board.	\$ 3,017,640		\$ 1,987,662		\$ 1,029,978	52%
GAIN (LOSS) ON DISPOSAL OF CAPITAL ASSETS: During the prior fiscal year, the University replaced network switches on campus and received a \$700 thousand trade-in allowance on the old switches. During the current fiscal year, there were only minimal disposals with a net gain.	\$ 7,488		\$ 405,815		\$ (398,327)	-98%

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
COMPARATIVE SCHEDULE OF CASH, TEMPORARY CASH INVESTMENTS,
AND INVESTMENTS - AT MARKET VALUE
AS OF JUNE 30, 2014
(With Comparative Totals as of June 30, 2013)**

	<u>2014</u>	<u>2013</u>
By Depository		
Cash and temporary cash investments:		
Cash on hand	\$ 37,206	\$ -
Cash equity with the State Treasurer	88,274	-
Citibank , Chicago, Illinois, Money Market Account	527,741	1,001,458
Seaway Bank, Chicago, Illinois, Illinois Funds	-	2
Checking accounts:		
Urban Partnership Bank, Chicago, Illinois, Depository Account	19,613	157,640
Urban Partnership Bank, Chicago, Illinois, Checking Account	498	222,297
Urban Partnership Bank, Chicago, Illinois, HHS Account	103,186	1,711
Citibank, Chicago, Illinois, Vendor Disbursement Account	(524,632)	545,267
Citibank, Chicago, Illinois, Student Disbursement Account	(4,993)	222,485
Citibank, Chicago, Illinois, Various ACH	50,520	32,904
Citibank, Chicago, Illinois, TMS Account	5,415	1,789
Chase, Chicago, Illinois, Payroll Account	163,839	225,273
The Illinois Funds, Springfield, Illinois, Clearing Fund	5,602,583	4,490,548
Seaway National Bank, Chicago, Illinois, Checking	7,957,074	9,139,546
Seaway National Bank, Chicago, Illinois, Cougar Card	6,869	-
Seaway National Bank, Chicago, Illinois, Cashier's Depository	622,566	-
Highland Community Bank, Chicago, Illinois, Checking	250,000	250,000
Total Cash and Cash Equivalents	<u>\$ 14,905,759</u>	<u>\$ 16,290,920</u>
By Fund		
Unrestricted current funds	\$ 11,020,358	\$ 14,383,749
Restricted current funds	4,930,001	2,234,815
Loan funds	24,792	121,276
Plant Funds	(1,246,349)	(601,189)
Agency Funds	176,957	152,269
Total Cash and Cash Equivalents	<u>\$ 14,905,759</u>	<u>\$ 16,290,920</u>

STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
ANALYSIS OF SIGNIFICANT VARIATIONS IN ASSET AND LIABILITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2014

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

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>\$ Difference</u>	<u>% Difference</u>
ASSETS				
BALANCE IN STATE APPROPRIATION: Balance in State appropriations decreased due to improved collections from the State during this fiscal year.	\$ 7,255,692	\$ 11,275,504	\$ (4,019,812)	-36%
ACCOUNTS RECEIVABLE, NET: The balance in accounts receivable decreased due to increased collection efforts and the fact that the University wrote off uncollectible accounts.	\$ 8,127,737	\$ 11,110,648	\$ (2,982,911)	-27%
CASH AND CASH EQUIVALENTS - RESTRICTED: The balance of restricted cash declined as the University used restricted cash to fund deferred maintenance projects.	\$ 4,930,001	\$ 7,213,787	\$ (2,283,786)	-32%
LIABILITIES				
CAPITAL LEASES PAYABLE: The University entered into several new capital leases for equipment, including high-speed printers and mail room equipment. The long term portion is presented separately.	\$ 152,146	\$ 24,073	\$ 128,073	532%

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
ANALYSIS OF SIGNIFICANT LAPSE PERIOD EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2014**

We obtained variance explanations for the following lapse period expenditures which exceeded 20% of the expenditures for the appropriation line item.

	<u>Lapse Period Expenditures</u>	<u>Total Expenditures</u>	<u>%</u>
<u>EDUCATION ASSISTANCE FUND (0007)</u>			
Awards and Grants	\$ 104,400	\$ 104,400	100%
Payments for awards and grants which were paid locally by 6/30/14 were submitted to the Comptroller's office in the lapse period for reimbursement. They were submitted in the lapse period due to time constraints in the Business Office.			
<u>GENERAL PROFESSIONS DEDICATED FUND (0022)</u>			
Pharmacy Practice Education Training	\$ 236,165	\$ 307,000	77%
Payments for contractual services, commodities, permanent improvements, and equipment which were paid locally by 6/30/14 were submitted to the Comptroller's office in the lapse period for reimbursement. They were submitted in the lapse period due to time constraints in the Business Office.			

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
ANALYSIS OF ACCOUNTS RECEIVABLE
AS OF JUNE 30, 2014
(With Comparative Totals as of June 30, 2013)**

Balance Sheet at June 30 of	<u>2014</u>	<u>2013</u>	<u>Change</u>
Accounts Receivable (Net)			
Current Unrestricted Fund	\$ 2,178,582	\$ 6,153,197	\$ (3,974,615)
Current Restricted Fund	5,949,155	4,957,451	991,704
Total Accounts Receivable (Net)	<u>\$ 8,127,737</u>	<u>\$ 11,110,648</u>	<u>\$ (2,982,911)</u>
Accounts Receivable - All Funds at Gross	\$ 18,705,876	\$ 19,018,377	\$ (312,501)
Less: Allowance for Uncollectible Accounts	<u>(10,578,139)</u>	<u>(7,907,729)</u>	<u>(2,670,410)</u>
Total Accounts Receivable (Net)	<u>\$ 8,127,737</u>	<u>\$ 11,110,648</u>	<u>\$ (2,982,911)</u>
Aging of Current Unrestricted Fund			
Current (less than one year)	\$ 1,372,211	\$ 1,690,058	\$ (317,847)
One year past due	1,118,217	2,302,894	(1,184,677)
Two years past due	1,816,836	2,294,528	(477,692)
Three years past due	2,211,882	2,087,636	124,246
Older than three years past due	<u>6,061,189</u>	<u>5,535,558</u>	<u>525,631</u>
Total Current Unrestricted Fund-Gross	12,580,335	13,910,674	(1,330,339)
Allowance for Uncollectible Accounts	<u>(10,401,753)</u>	<u>(7,757,477)</u>	<u>(2,644,276)</u>
Balance Sheet - Current Unrestricted Fund (Net)	<u>\$ 2,178,582</u>	<u>\$ 6,153,197</u>	<u>\$ (3,974,615)</u>

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF SOURCES AND APPLICATIONS OF
INDIRECT COST RECOVERIES
FOR THE YEAR ENDED JUNE 30, 2014**

SOURCES:

Direct federal awards	\$ 1,173,172
State awards (including federal pass through awards)	95,742
Local and private funds (including federal pass through awards)	345
Total Sources	<u>1,269,259</u>

APPLICATIONS:

Compensation and benefits	244,803
Contractual	312,640
Travel	12,820
Commodities	24,632
Equipment	81,829
Other expenses	95,238
Total Applications	<u>771,962</u>

Excess (Deficit) of Sources Over Applications	<u>497,297</u>
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TRANSFERS

Transfer of excess funds to Income Fund	(115,299)
Total Transfers	<u>(115,299)</u>

FUND BALANCE, BEGINNING OF YEAR	<u>244,865</u>
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FUND BALANCE, END OF YEAR	<u><u>\$ 626,863</u></u>
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**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FEDERAL EXPENDITURES, NONFEDERAL EXPENSES, AND NEW LOANS
FOR THE YEAR ENDED JUNE 30, 2014**

(expressed in thousands)

Schedule A - Federal Financial Component

Total Federal Expenditures Reported on SEFA schedule	\$ 23,434
Total New Loans made not included on SEFA Schedule	56,167
Amount of Federal Loan Balances at Beginning of the Year (not included on the SEFA schedule and continued compliance is required)	1,675
Other noncash Federal Award Expenditures (not included on SEFA schedule)	-
Total Schedule A	<u>\$ 81,276</u>

Schedule B - Total Financial Component

Total Operating Expenses (From Financial Statements)	\$ 155,876
Total Nonoperating Expenses (From Financial Statements)	755
Total New Loans made	56,167
Amount of Federal Loan Balances at Beginning of the Year	1,675
Other noncash Federal award expenditures	-
Total Schedule B	<u>\$ 214,473</u>

Schedule C

Total Schedule A	\$ 81,276	<u>Percent</u> 37.9%
Total Non-Federal Expenses	<u>\$ 133,197</u>	<u>62.1%</u>
Total Schedule B	<u>\$ 214,473</u>	<u>100.0%</u>

These schedules are used to determine the University'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, 2014
(UNAUDITED)**

AGENCY FUNCTIONS AND PLANNING PROGRAM

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 2012 Chicago State University Strategic Plan, *Fulfilling Our Mission Through ACCESS*, contains the strategic plan and the context for planning. The goals, objectives, the mission statement, and the University vision are incorporated into this document. The plan will guide the University until 2015.

Chicago State University – Mission

Chicago State University is a public, comprehensive university that provides access to higher education for students of diverse backgrounds and educational needs. The University fosters the intellectual development and success of its student population through a rigorous, positive, and transformative education experience. The University is committed to teaching, research, service, and community development including social justice, leadership and entrepreneurship.

The University works towards these six strategic goals over the next three to five years as they seek to fulfill their mission:

- Academic Excellence, Teaching and Research
- Community Service and Engagement
- Cost Efficiencies and Diverse Revenue Streams
- Enrollment, Retention, and Graduation
- Strengthened Infrastructure
- Shared Accountability and Image

Chicago State University Vision Statement

Chicago State University will be recognized for innovations in teaching and research, and in promoting ethical leadership, entrepreneurship, and social and environmental justice. The University will embrace, engage, educate, and empower its students and community to transform lives locally and globally.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

AGENCY FUNCTIONS AND PLANNING PROGRAM (continued)

The values of the University include:

- Intellectual development
- Creative and innovative thinking and learning
- Dignity and unique talents of all persons
- Responsible choices and actions
- Personal and academic excellence
- Personal, professional and academic integrity
- Diversity
- Leadership, service, philanthropy, social justice, and entrepreneurship
- Pride in self, community and the University
- Lifelong learning

University Head and Location

The current President of the University is Dr. Wayne Watson 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, 2014
(UNAUDITED)**

Average Number of Employees

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

	<u>2014</u>	<u>2013</u>
Faculty and Staff	876	914
Students	<u>275</u>	<u>234</u>
TOTAL	<u><u>1,151</u></u>	<u><u>1,148</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>2014</u>	<u>2013</u>
Head Count:		
Undergraduate	4,015	4,367
Graduate	<u>1,282</u>	<u>1,454</u>
TOTAL	<u><u>5,297</u></u>	<u><u>5,821</u></u>
Credit Hours:		
Undergraduate	99,081	108,056
Graduate	<u>28,401</u>	<u>30,440</u>
TOTAL	<u><u>127,482</u></u>	<u><u>138,496</u></u>

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

Comparative Enrollment Statistics (Continued)

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

Chicago State University Enrollment Summary 2001-2014

<u>Term</u>	<u>Undergraduates</u>	<u>Graduates</u>	<u>Total</u>
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
Fall '09	5,398	1,837	7,235
Fall '10	5,675	1,687	7,362
Fall '11	5,280	1,602	6,882
Fall '12	4,618	1,489	6,107
Fall '13	4,340	1,361	5,701
Fall '14	3,912	1,299	5,211

Chicago State University Enrollment Demographics - Fall 2014

<u>Category</u>	<u>Number</u>	<u>Percent</u>
Full-time	2,966	56.9%
Part-time	2,245	43.1%
Male	1,577	30.3%
Female	3,634	69.7%
Freshman	613	11.8%
Sophomores	597	11.5%
Juniors	1,167	22.4%
Seniors	1,497	28.7%
Other Undergraduates	38	0.7%
Graduates	1,299	24.9%

Credit Hour Production - Entire Academic Year

<u>College</u>	<u>Credit Hours</u>
Pharmacy	12,296
Arts & Science	53,313
Business	15,093
Education	13,977
Health Sciences	21,983
Special Programs	9,430
Undecided/Undeclared	1,390
TOTAL	127,482

STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2014
(UNAUDITED)

**COMPARATIVE SCHEDULE OF UNRESTRICTED CURRENT FUND
EXPENDITURES PER FULL-TIME EQUIVALENT STUDENTS**

	<u>2014</u>		<u>2013</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	\$ 24,596,199	\$ 2,741	\$ 24,630,199	\$ 2,528
Indirect instruction	789,004	88	754,118	78
Departmental research	142,470	16	512,726	53
Departmental overheads	4,403,221	490	3,830,629	393
College or school overheads	<u>7,670,908</u>	<u>855</u>	<u>7,856,044</u>	<u>806</u>
Subtotal of Department and College Cost	<u>37,601,802</u>	<u>4,190</u>	<u>37,583,716</u>	<u>3,858</u>
Overhead support unique to college costs	2,165,661	241	3,208,398	329
All other academic support	8,493,144	946	9,099,373	934
Student services	3,679,397	410	5,992,559	615
Institutional support	<u>5,200,282</u>	<u>580</u>	<u>6,929,308</u>	<u>711</u>
Subtotal of Department and College Costs with University Overheads	<u>57,140,286</u>	<u>6,367</u>	<u>62,813,354</u>	<u>6,447</u>
Operation and maintenance of physical plant	<u>13,760,997</u>	<u>1,533</u>	<u>14,426,886</u>	<u>1,481</u>
TOTAL OF ALL COSTS	<u><u>\$ 70,901,283</u></u>	<u><u>\$ 7,900</u></u>	<u><u>\$ 77,240,240</u></u>	<u><u>\$ 7,928</u></u>

* The FTE for undergraduates is calculated by the total number of credit hours generated divided by 15 and the FTE for graduates is calculated by the total number of credit hours generated divided by 12.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2014**

EMERGENCY PURCHASES (Unaudited)

The University made the following emergency purchases during FY14:

- Purchase of snow removal services (due to unforeseen snowfall) which were necessary to prevent disruption in University services (\$10,292).

ILLINOIS FIRST PROGRAMS (Unaudited)

The University does not have any Illinois First Programs.

BOOKSTORE INFORMATION (Unaudited)

The University has a contract with a bookstore for the period from July 1, 2010 through June 30, 2015. The contract with the bookstore has the following terms:

1. 9.1% of all gross revenues up to \$3,000,000; and
2. 11.1% of all gross revenues over \$3,000,000 with
3. A minimum guaranteed commission of \$175,000

During FY 14 the bookstore had gross revenue of \$1,683,204 and the University earned commissions of \$175,000. The bookstore has been given exclusive rights to sell books on campus.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

SCHEDULE OF DEGREES CONFERRED

The University conferred degrees during the years ended June 30, 2014 and 2013 as follows:

	<u>2014</u>	<u>2013</u>
Bachelors Degrees	692	720
Masters Degrees	195	253
Doctoral	10	5
Professional (Pharm D)	96	77
Total Degrees conferred	<u>993</u>	<u>1,055</u>

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SCHEDULE OF TUITION AND FEE WAIVERS - UNDERGRADUATE

(in thousands of dollars)

	<u>Tuition</u>		<u>Fees</u>	
	<u>Number of Waivers</u>	<u>Value of Waivers</u>	<u>Number of Waivers</u>	<u>Value of Waivers</u>
<u>MANDATORY WAIVERS</u>				
(SUBTOTAL)	284	\$ 1,230.3	15	\$ 10.6
General Assembly	1	7.5	1	0.7
ROTC	33	78.7	8	1.4
DCFS	6	38.3	6	8.5
Children of Employees	36	110.2	-	-
Senior Citizens	8	8.5	-	-
Illinois Veterans Grants (IVG)	157	747.5	-	-
Illinois National Guard	31	176.2	-	-
Prisoners of War/MIA	12	63.4	-	-
<u>DISCRETIONARY WAIVERS</u>				
(SUBTOTAL)	65	\$ 138.9	65	\$ 47.2
Civil Service	65	138.9	65	47.2
TOTAL	349	\$ 1,369.2	80	\$ 57.8

**STATE OF ILLINOIS
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SCHEDULE OF TUITION AND FEE WAIVERS - GRADUATE

(in thousands of dollars)

	<u>Tuition</u>		<u>Fees</u>	
	<u>Number of Waivers</u>	<u>Value of Waivers</u>	<u>Number of Waivers</u>	<u>Value of Waivers</u>
<u>MANDATORY WAIVERS</u>				
(SUBTOTAL)	<u>8</u>	<u>\$ 27.3</u>	<u>8</u>	<u>\$ 7.9</u>
Teacher/Special Education	8	27.3	8	7.9
<u>DISCRETIONARY WAIVERS</u>				
(SUBTOTAL)	<u>72</u>	<u>\$ 152.8</u>	<u>71</u>	<u>\$ 41.9</u>
Faculty/Administrators (non-civil service)	35	63.9	35	19.4
Civil Service	36	88.1	35	22.2
Cooperating Professionals	1	0.8	1	0.3
TOTAL	<u><u>80</u></u>	<u><u>\$ 180.1</u></u>	<u><u>79</u></u>	<u><u>\$ 49.8</u></u>

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES
UNIVERSITY REPORTING IN ACCORDANCE WITH UNIVERSITY GUIDELINES
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(UNAUDITED)**

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 3-5 and 41-42 of our financial audit report and pages 10-18 of our compliance examination report, and would not necessarily disclose all situations which might be at variance with the following statements.

COMPLIANCE FINDINGS

- (a) We identified violations of University Guidelines for the year ended June 30, 2014 regarding subsidies between accounting entities. See finding 2014-015.

INDIRECT COST REIMBURSEMENTS

- (b) Refer to page 73 of this report for the sources and applications of indirect cost reimbursements for the year ended June 30, 2014.
- (c) Refer to page 87 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.

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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 separately issued financial statements. 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.

Continuing Education:

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.

- (f) Refer to pages 89-92 of this report for financial statements of each accounting entity.
- (g) Refer to page 88 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 Position for the bond indenture required accounts is presented on page 37 of the financial audit report.

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UNIVERSITY REPORTING IN ACCORDANCE WITH UNIVERSITY GUIDELINES
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- (j) The University Auxiliary Facilities System Revenue Bond Fund accounting conforms to the terms of the bond use.
- (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 93 of this report.
- (n) The University provided funds (primarily in the form of services) of approximately \$623,085 to the Foundation for the year ended June 30, 2014.
- (o) There are no cumulative unreimbursed subsidies from the University or appropriated funds to the Foundation. However, an advance by the University to the Foundation has been outstanding for more than 12 months (see finding 2014-015)
- (p) There is no debt financing provided by the Foundation.

OTHER TOPICS

- (q) Refer to page 69 for the Schedule of Cash, Temporary Cash Investments, and Investments as of June 30, 2014.
- (r) Income from the investment of pooled funds is regularly allocated and credited to the original sources of the funds.
- (s) Refer to pages 77-79 for student enrollment and cost statistics.
- (t) Neither the University or the Foundation has purchased any real estate during the year ended June 30, 2014.
- (u) There are no certificates of participation (COPS) or participation in lease or purchase arrangements involving COPS for the year ended June 30, 2014.

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**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	\$ 721,585
Allowable Indirect Cost Carryforward	
Indirect cost reimbursements allocated for expenditure for the fiscal year completed (\$900,000 @ 30%)	270,000
Unallocated Reimbursements - the lesser of actual unallocated indirect cost reimbursement or 10% of total indirect cost allocations.	90,000
Encumbrances and Current Liabilities	<u>50,046</u>
Total Allowable Indirect Cost Carryforward (Sum of Lines 2, 3 and 4)	<u>410,046</u>
AMOUNT TO BE REMITTED TO THE INCOME FUND	<u><u>\$ 311,539</u></u>

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SCHEDULE OF EXCESS FUNDS CALCULATION BY ENTITY AS REQUIRED BY 1982 UNIVERSITY GUIDELINES (AS AMENDED 1997)

	AUXILIARY ENTERPRISES				ACTIVITIES				
	Bond Revenue	Parking	Student Health	Total Auxiliary Enterprises	Public Services	Activity Services	Student Activities	Continuing Education	Total Activities
1. Current available funds									
Add:									
Cash and cash equivalents	\$ 2,377,889	\$ 620,843	\$ 182,635	\$ 3,181,367	\$ 1,035,192	\$ 3,329,115	\$ (2,895,246)	\$ 603,376	\$ 2,072,437
Total current available funds	A. 2,377,889	620,843	182,635	3,181,367	1,035,192	3,329,115	(2,895,246)	603,376	2,072,437
2. Working capital allowance									
Add:									
Highest month's expenditures	794,070	295,650	44,226	1,133,946	54,878	1,034,372	637,848	2,261	1,729,359
Encumbrances and current liabilities paid in lapse period	98,277	36,032	3,443	137,752	1,246	348,123	30,308	3,730	383,407
Deferred income / Refundable deposits	19,118	2,406	3,877	25,401	7,083	22,368	18,282	-	47,733
Allowance for sick leave / vacation payouts	84,063	29,208	42,900	156,171	12,290	99,262	43,172	-	154,724
Working capital allowance	B. 995,528	363,296	94,446	1,453,270	75,497	1,504,125	729,610	5,991	2,315,223
3. Current excess funds:									
Deduct B from A and enter here	C. \$ 1,382,361	\$ 257,547	\$ 88,189	1,728,097	\$ 959,695	\$ 1,824,990	\$ (3,624,856)	\$ 597,385	(242,786)
4. Calculation of income fund remittance									
An entity may offset excess capital or current funds within the entity									
Enter the amount to be offset, if any, here	D. (1,916,806)	(356,251)	(21,643)	(2,294,700)	(1,924)	(208,183)	(6,390)	(503)	(217,000)
Enter the algebraic sum of C and D and remit the amount due, if any for deposit in the Income Fund				\$ (566,603)					\$ (459,786)

For the purposes of determining the amounts due to the Income Fund, Chicago State University considers the total Activities and the total Auxiliary Enterprises to be the level at which the excess funds calculations are to be made

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BALANCE SHEETS - ENTITIES

(With Comparative Totals as of June 30, 2013)

	Auxiliary Enterprises			Activities			Total All Entities (Memorandum Only)		
	University Facilities Revenue Bond Fund	Parking Facilities	Student Health Services	Public Services	Activities Services	Student Activities	Continuing Education	2014	2013
CURRENT UNRESTRICTED FUND ASSETS:									
Cash and cash equivalents	\$ 2,377,889	\$ 620,843	\$ 182,635	\$ 1,035,192	\$ 3,329,115	\$ -	\$ 603,376	\$ 8,149,050	\$ 9,152,638
Accounts receivable, net	99,050	-	98,469	2,343	108,833	56,703	-	365,398	834,381
Prepaid expenses	188,832	970	1,839	-	83,204	2,464	-	277,309	93,459
Inventories	-	-	-	-	31,608	-	-	31,608	40,945
TOTAL ASSETS	<u>\$ 2,665,771</u>	<u>\$ 621,813</u>	<u>\$ 282,943</u>	<u>\$ 1,037,535</u>	<u>\$ 3,552,760</u>	<u>\$ 59,167</u>	<u>\$ 603,376</u>	<u>\$ 8,823,365</u>	<u>\$ 10,121,423</u>
CURRENT UNRESTRICTED FUND LIABILITIES AND FUND BALANCE:									
Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,895,246	\$ -	\$ 2,895,246	\$ 2,502,886
Accounts payable	98,277	36,032	3,443	1,246	348,123	30,308	3,730	521,159	597,085
Unearned revenue	19,118	2,406	3,877	7,083	22,368	18,282	-	73,134	105,199
Accrued compensated absences	84,063	29,208	42,900	12,290	99,262	43,172	-	310,895	286,085
Fund balances (deficit), unrestricted	2,464,313	554,167	232,723	1,016,916	3,083,007	(2,927,841)	599,646	5,022,931	6,630,168
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 2,665,771</u>	<u>\$ 621,813</u>	<u>\$ 282,943</u>	<u>\$ 1,037,535</u>	<u>\$ 3,552,760</u>	<u>\$ 59,167</u>	<u>\$ 603,376</u>	<u>\$ 8,823,365</u>	<u>\$ 10,121,423</u>
PLANT FUNDS ASSETS:									
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 138,008
Accounts receivable, net	-	-	-	-	4,000	-	-	4,000	-
Investment in plant:									
Buildings & Improvements	25,841,858	1,214,667	-	1,908	262,161	135,614	274	27,456,482	26,855,102
Furniture and equipment	227,276	508,377	108,214	59,653	6,454,993	198,140	15,585	7,572,238	7,385,649
TOTAL ASSETS	<u>\$ 26,069,134</u>	<u>\$ 1,723,044</u>	<u>\$ 108,214</u>	<u>\$ 61,561</u>	<u>\$ 6,721,154</u>	<u>\$ 333,754</u>	<u>\$ 15,859</u>	<u>\$ 35,032,720</u>	<u>\$ 34,378,759</u>
PLANT FUNDS LIABILITIES AND FUND BALANCE:									
Bank overdraft	\$ 1,350,625	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,350,625	\$ 1,115,512
Accounts payable	62,952	-	-	-	-	-	-	62,952	67,143
Bond payable	14,300,000	-	-	-	-	-	-	14,300,000	15,370,000
Premium on bonds	213,337	-	-	-	-	-	-	213,337	235,792
Fund balances:	10,142,220	1,723,044	108,214	61,561	6,721,154	333,754	15,859	19,105,806	17,590,312
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 26,069,134</u>	<u>\$ 1,723,044</u>	<u>\$ 108,214</u>	<u>\$ 61,561</u>	<u>\$ 6,721,154</u>	<u>\$ 333,754</u>	<u>\$ 15,859</u>	<u>\$ 35,032,720</u>	<u>\$ 34,378,759</u>

STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
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(UNAUDITED)

STATEMENT OF REVENUES, EXPENDITURES AND TRANSFERS
CURRENT UNRESTRICTED FUNDS

(with comparative totals for the Year Ended June 30, 2013)

	Auxiliary Enterprises			Activities				Total All Entities (Memorandum Only)	
	University Facilities Revenue Bond Fund	Parking Facilities	Student Health Services	Public Services	Activities Services	Student Activities	Continuing Education	2014	2013
REVENUES:									
Operating	\$ 2,775,370	\$ 954,733	\$ 53,467	\$ 236,237	\$ 1,410,097	\$ 725,306	\$ -	\$ 6,155,210	\$ 6,491,347
Student fees	1,820,655	-	343,372	-	2,462,669	1,689,446	-	6,316,142	7,007,290
Other	-	248	2,128	19,633	177,093	1,250	-	200,352	212,224
TOTAL REVENUES	<u>4,596,025</u>	<u>954,981</u>	<u>398,967</u>	<u>255,870</u>	<u>4,049,859</u>	<u>2,416,002</u>	<u>-</u>	<u>12,671,704</u>	<u>13,710,861</u>
EXPENDITURES:									
Cost of sales	-	-	-	-	221,853	-	-	221,853	314,070
Personal services	1,146,902	581,777	341,842	225,228	1,817,194	1,449,437	14,654	5,577,034	5,243,133
Expended for plant	166,175	327,300	-	-	522,336	89,580	-	1,105,391	806,327
Commodities	78,008	70,229	13,105	3,167	206,857	505,422	-	876,788	882,078
Contractual services	1,999,770	138,785	35,566	36,572	992,108	1,034,729	-	4,237,530	3,963,329
Other (travel, telecommunications)	27,914	94,342	5,996	-	268,769	292,779	-	689,800	819,204
TOTAL EXPENDITURES	<u>3,418,769</u>	<u>1,212,433</u>	<u>396,509</u>	<u>264,967</u>	<u>4,029,117</u>	<u>3,371,947</u>	<u>14,654</u>	<u>12,708,396</u>	<u>12,028,141</u>
TRANSFERS OUT:									
Transfer out	1,570,545	-	-	-	-	-	-	1,570,545	4,801,074
Total Transfers Out	<u>1,570,545</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,570,545</u>	<u>4,801,074</u>
TOTAL EXPENDITURES AND TRANSFERS OUT	<u>4,989,314</u>	<u>1,212,433</u>	<u>396,509</u>	<u>264,967</u>	<u>4,029,117</u>	<u>3,371,947</u>	<u>14,654</u>	<u>14,278,941</u>	<u>16,829,215</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND TRANSFERS OUT	<u>\$ (393,289)</u>	<u>\$ (257,452)</u>	<u>\$ 2,458</u>	<u>\$ (9,097)</u>	<u>\$ 20,742</u>	<u>\$ (955,945)</u>	<u>\$ (14,654)</u>	<u>\$ (1,607,237)</u>	<u>\$ (3,118,354)</u>

STATE OF ILLINOIS
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STATEMENT OF CHANGES IN FUND BALANCES
CURRENT UNRESTRICTED FUNDS

(With Comparative Totals for the Year Ended June 30, 2013)

	Auxiliary Enterprises			Activities			Total All Entities (Memorandum Only)		
	University Facilities Revenue Bond Fund	Parking Facilities	Student Health Services	Public Services	Activities Services	Student Activities	Continuing Education	2014	2013
REVENUES	\$ 4,596,025	\$ 954,981	\$ 398,967	\$ 255,870	\$ 4,049,859	\$ 2,416,002	\$ -	\$ 12,671,704	\$ 13,710,861
EXPENDITURES:									
Educational and general	-	-	-	-	-	-	14,654	14,654	50,706
Auxiliary enterprise	3,418,769	1,212,433	396,509	264,967	4,029,117	3,371,947	-	12,693,742	11,977,435
Total Expenditures	<u>3,418,769</u>	<u>1,212,433</u>	<u>396,509</u>	<u>264,967</u>	<u>4,029,117</u>	<u>3,371,947</u>	<u>14,654</u>	<u>12,708,396</u>	<u>12,028,141</u>
TRANSFERS:									
Transfer out	(1,570,545)	-	-	-	-	-	-	(1,570,545)	(4,801,074)
Total Transfers Out	<u>(1,570,545)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,570,545)</u>	<u>(4,801,074)</u>
Net Increase (Decrease) in Fund Balance	(393,289)	(257,452)	2,458	(9,097)	20,742	(955,945)	(14,654)	(1,607,237)	(3,118,354)
Fund Balance (Deficit), Beginning of Year	<u>2,857,602</u>	<u>811,619</u>	<u>230,265</u>	<u>1,026,013</u>	<u>3,062,265</u>	<u>(1,971,896)</u>	<u>614,300</u>	<u>6,630,168</u>	<u>9,748,522</u>
FUND BALANCE (DEFICIT) END OF YEAR	<u>\$ 2,464,313</u>	<u>\$ 554,167</u>	<u>\$ 232,723</u>	<u>\$ 1,016,916</u>	<u>\$ 3,083,007</u>	<u>\$ (2,927,841)</u>	<u>\$ 599,646</u>	<u>\$ 5,022,931</u>	<u>\$ 6,630,168</u>

Note: Certain 2013 expenditures were reclassified to conform to the current year presentation

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STATEMENT OF CHANGES IN FUND BALANCES
PLANT FUNDS

(With Comparative totals for the Year Ended June 30, 2013)

	Auxiliary Enterprises			Activities			Total All Entities (Memorandum Only)		
	University Facilities Revenue Bond Fund	Parking Facilities	Health Services	Public Services	Activities Services	Student Activities	Continuing Education	2014	2013
REVENUES AND OTHER ADDITIONS:									
Interest Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 82
Expended for plant	166,175	327,300	-	-	522,336	89,580	-	1,105,391	806,327
Retirement of debt	1,070,000	-	-	-	-	-	-	1,070,000	1,020,000
Total Revenues and Other Additions	<u>1,236,175</u>	<u>327,300</u>	<u>-</u>	<u>-</u>	<u>522,336</u>	<u>89,580</u>	<u>-</u>	<u>2,175,391</u>	<u>1,826,409</u>
EXPENDITURES AND OTHER DEDUCTIONS:									
Principal and interest on debt	1,823,923	-	-	-	-	-	-	1,823,923	1,822,809
Property disposals and net transfers	(40,485)	75,454	7,457	-	281,699	80,715	1,679	406,519	(584,005)
Total Expenditures and Other Deductions	<u>1,783,438</u>	<u>75,454</u>	<u>7,457</u>	<u>-</u>	<u>281,699</u>	<u>80,715</u>	<u>1,679</u>	<u>2,230,442</u>	<u>1,238,804</u>
TRANSFERS IN:									
Transfer in	1,570,545	-	-	-	-	-	-	1,570,545	447,543
Total Transfers In	<u>1,570,545</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,570,545</u>	<u>447,543</u>
Net Increase (Decrease) in Fund Balance	1,023,282	251,846	(7,457)	-	240,637	8,865	(1,679)	1,515,494	1,035,148
Fund Balance, Beginning of Year	<u>9,118,938</u>	<u>1,471,198</u>	<u>115,671</u>	<u>61,561</u>	<u>6,480,517</u>	<u>324,889</u>	<u>17,538</u>	<u>17,590,312</u>	<u>16,555,164</u>
FUND BALANCE, END OF YEAR	<u>\$ 10,142,220</u>	<u>\$ 1,723,044</u>	<u>\$ 108,214</u>	<u>\$ 61,561</u>	<u>\$ 6,721,154</u>	<u>\$ 333,754</u>	<u>\$ 15,859</u>	<u>\$ 19,105,806</u>	<u>\$ 17,590,312</u>

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES
FOR THE YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

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 Note 12 - "Related Party Transactions" of the University's financial statements. During the current fiscal year, the University provided administrative support services valued at \$623,085 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	\$ 376,314
Restricted Only as to College or Department	<u>428,742</u>
Total Funds Considered Unrestricted	<u>805,056</u>

Expenditures Considered Restricted for
Purposes of the Guideline Computations:

Given for Scholarships	<u>497,820</u>
Total Funds Considered Restricted	<u>497,820</u>

TOTAL FUNDS PROVIDED BY THE FOUNDATION TO SUPPORT THE UNIVERSITY	<u>\$ 1,302,876</u>
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