

**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, 2013

**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, 2013

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Financial Statement Report

The University's financial statement report for the year ended June 30, 2013, 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, 2013

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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
Chief of Staff	Dr. Napoleon Moses
Interim Provost and Senior V.P. for Academic Affairs	Dr. Angela M. Henderson (7/1/13 to present)
Provost and Senior V.P. of Academic and Student Affairs	Dr. Sandra Westbrooks (to 6/30/13)
V.P. of Administration and Finance	Mr. Glenn Meeks (to 3/25/13)
Interim V.P. of Administration and Finance	Mr. Lawrence A. Pinkelton (3/26/13 to present)
Associate V.P. of Administration and Finance	Ms. Maricela Aranda
Associate V.P. of Administration and Finance	Mr. Lawrence A. Pinkelton (to 3/25/13)
Executive Director/Controller	Mr. Raul Garcia, CPA (8/16/13 to present)
Director of Accounting/Controller	Mr. Edward J. Lannon (to 8/15/13)
Director of Accounting	Mr. Edward J. Lannon (8/16/13 to present)
Associate Director of Accounting	Ms. Louise Williams
Chief Internal Auditor	Mr. Kenneth K. Clow

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

January 29, 2014

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

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

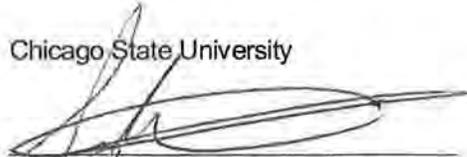
Ladies and Gentlemen:

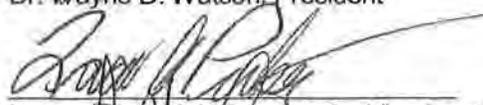
We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of Chicago State University. We are responsible for and we have established and maintained an effective system of, internal 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, 2013. Based on this evaluation, we assert that during the year ended June 30, 2013, Chicago State University has materially complied with the assertions below.

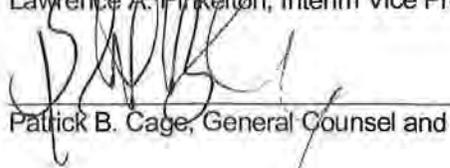
- A. Chicago State University has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. Chicago State University has obligated, expended, received and used public funds of the State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


Dr. Wayne D. Watson, President


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


Patrick B. Cage, General Counsel and Vice President of Labor and Legal Affairs

**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 or disclaimers.

SUMMARY OF FINDINGS

<u>Number of</u>	<u>Current Report</u>	<u>Prior Report</u>
Findings	16	29
Repeated findings	12	16
Prior recommendations implemented or not repeated	17	18

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FINDINGS (GOVERNMENT AUDITING STANDARDS)

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
2013-001	20	Inaccurate Accounting of Accrued Compensated Absences	Significant Deficiency

FINDINGS (FEDERAL COMPLIANCE)

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
2013-002	22	Head Start Cluster	Material Weakness / Material Noncompliance*
2013-003	24	Financial Aid Awarded to Ineligible Students	Significant Deficiency / Noncompliance
2013-004	25	Return of Title IV Funds	Significant Deficiency / Noncompliance
2013-005	27	Federal Perkins Loan Cohort Default Rate Too High	Significant Deficiency / Noncompliance
2013-006	28	Controls Over Exit Counseling	Significant Deficiency / Noncompliance
2013-007	30	Noncompliance With the Reporting Requirements Applicable to the Strengthening Minority-Serving Institutions Program	Significant Deficiency / Noncompliance

* The Head Start Cluster was not a major program for the year ended June 30, 2013.

**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>
2013-008	32	Institutional and Financial Assistance Information Disclosed to Students	Significant Deficiency / Noncompliance
2013-009	34	Inaccurate Completion of the Fiscal Operations Report	Significant Deficiency / Noncompliance
2013-010	36	Inadequate Controls Over Student Verification	Significant Deficiency / Noncompliance
2013-011	37	Notification of Disbursement	Significant Deficiency / Noncompliance

FINDINGS (STATE COMPLIANCE)

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
2013-012	38	Inadequate Controls Over Property and Equipment	Significant Deficiency / Noncompliance
2013-013	40	Subsidies Between Accounting Entities and to the University Related Organization	Significant Deficiency / Noncompliance
2013-014	42	Time Sheets Not Maintained in Compliance With State Officials and Employees Ethics Act	Significant Deficiency / Noncompliance
2013-015	43	Failure to Prepare High School Feedback System Reports	Significant Deficiency / Noncompliance
2013-016	44	Voucher Processing Errors	Significant Deficiency / Noncompliance

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

2013-001	20	Inaccurate Accounting of Accrued Compensated Absences	Significant Deficiency / Noncompliance
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**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY**

COMPLIANCE REPORT

SUMMARY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

PRIOR FINDINGS NOT REPEATED

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
A	46	Uncollateralized Deposit Accounts
B	46	Financial Statement Adjustments
C	46	Policies and Controls Over Satisfactory Academic Progress
D	46	Student Financial Assistance Not Reconciled on a Monthly Basis
E	47	Student Financial Aid Awarded to Students at Unreported Locations
F	47	TRIO Cluster
G	47	Inadequate Controls over Submission of Loan Related Documents and Notices
H	47	Federal Pell Grant Not Recalculated
I	48	Inadequate Controls and Noncompliance with Requirements Applicable to the Strengthening Minority-Serving Institutions Program
J	48	Due Diligence for Perkins Loan Recipients in Deferment
K	48	Controls Over Compliance with the Personnel Development to Improve Services and Results for Children with Disabilities Award Requirements
L	48	Controls Over Reporting for the Family and Community Violence Prevention Program
M	49	Tuition Diverted to Accounting Entity
N	49	Inadequate Controls Over Contracting Procedures
O	49	Inaccurate Data for Quarterly Summary of Accounts Receivable
P	49	Failure to Comply with the Identity Protection Act
Q	50	Computer Security Weaknesses

**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 January 21, 2014. Attending were:

Representing Chicago State University

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

Dr. Wayne Watson
Mr. Lawrence Pinkelton
Dr. Angela Henderson
Mr. Raul Garcia, CPA
Mr. Ken Clow
Ms. Deborah Muhammad
Ms. Carla Davis
Mr. Patrick B. Cage

Ms. Bernetta D. Bush
Ms. LaShondra Peebles

Representing Borschnack, Pelletier & Co.

Partner
Manager
Senior Accountant
Staff Accountant

Mr. Paul A. Pelletier, CPA
Mr. Robert Sikma, CPA
Ms. Kristin Stojcevski, CPA
Ms. Jessica Witvoet

Representing the Office of the Auditor General

Audit Manager

Mr. Thomas L. Kizziah, CPA

Responses to the recommendations were provided by Mr. Lawrence Pinkelton in correspondences dated December 11, 2013 and January 29, 2014.

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, 2013. 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, 2013. 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 2013-001 and 2013-012 through 2013-016.

Internal Control

The management of Chicago State University is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered Chicago State University's internal control over compliance with the requirements listed in the first paragraph of this report 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 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 2013-001 and 2013-012 through 2013-016, 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, 2013, which collectively comprise Chicago State University's basic financial statements, and have issued our report thereon 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 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 January 3, 2014.

The accompanying supplementary information for the year ended June 30, 2013 in Schedules 1 through 13 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, 2013 in Schedules 1 through 13 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 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 1 through 13 is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2013.

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, 2012, and have issued our report dated March 1, 2013, 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, 2012 in Schedules 4 through 9, 11, and 12 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, 2012 financial statements. The accompanying supplementary information for the year ended June 30, 2012 in Schedules 4 through 9, 11, and 12 has been subjected to the auditing procedures applied in the audit of the June 30, 2012 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 statements or to those 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, 2012 in Schedules 4 through 9, 11, and 12 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 the responsibility of management and 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.



January 29, 2014

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, 2013, 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 January 3, 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 a certain deficiency in internal control, described in the accompanying schedule of findings as finding 2013-001 that we consider to be a significant deficiency.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Chicago State University's Response to Finding

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

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.



January 3, 2014



Certified Public Accountants & Consultants

200 East Court Street • Suite 608 • Kankakee, IL 60901
815.933.1771 • fax: 815.933.1163

INDEPENDENT AUDITOR'S 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, 2013. 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 the Chicago State University for financial statement purposes.

We did not audit Chicago State University's compliance with the requirements governing the student loan repayments special tests and provisions compliance requirement in accordance with the Student Financial Assistance Cluster: Federal Perkins Loan program as described in the Compliance Supplement. We also did not test 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 Educational Computer Systems, Inc. (ECSI), and 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. ECSI's compliance with the requirements governing the functions that it performed for Chicago State University for the year ended June 30, 2013 was examined by the accountants for the servicer in accordance with sections II and IV of the U.S. Department of Education's Audit Guide, *Audits of Federal Student Assistance Programs at Participating Institutions and Institution Servicers*. NSC's compliance with the requirements governing the functions that it performed for Chicago State University for the year ended June 30, 2013 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 ECSI's and NSC's 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.

Opinion on Each Major Federal Program

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 major federal programs for the year ended June 30, 2013.

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 2013-003 through 2013-011. 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 student loan repayments special tests and provisions compliance requirement of the Student Financial Assistance Cluster: Federal Perkins Loan program as described in the Compliance Supplement were performed by ECSI. 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 functions for the year ended June 30, 2013 was reported on by accountants for the servicers 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 servicers testing of ECSI's and NSC' internal control over compliance related to such functions.

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. *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.

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 items 2013-003 through 2013-011 that we consider 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, 2013, and the related notes to the financial statements, which collectively comprise Chicago State University's basic financial statements. We issued our report thereon dated January 3, 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 January 3, 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.



January 29, 2014, except for the Schedule of Expenditures of Federal Awards and the related notes, as to which the date is January 3, 2014.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

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? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency (ies) identified that are not considered to be material weakness(es)? _____ yes X 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? _____ yes X no

Identification of major programs:

Name of Federal Program or Cluster	CFDA No.	Type of Auditors' Report on Compliance
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 Program	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	
TRIO Cluster		Unmodified
TRIO – Student Support Services	84.042	
TRIO – Upward Bound	84.047	
TRIO – Educational Opportunity Centers	84.066	
U.S. Department of Education:		
Strengthening Minority-Serving Institutions	84.382	Unmodified
Special Education – Personnel Development to Improve Services and Results for Children with Disabilities	84.325	Unmodified

STATE OF ILLINOIS
 CHICAGO STATE UNIVERSITY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2013

I. SUMMARY OF AUDITORS' RESULTS (Continued)

<u>Name of Federal Program or Cluster</u>	<u>CFDA No.</u>	<u>Type of Auditors' Report on Compliance</u>
U.S. Department of Health and Human Services: Family and Community Violence Prevention Program	93.910	Unmodified
U.S. Agency For International Development: USAID Foreign Assistance for Programs Overseas	98.XXX	Unmodified
Dollar threshold used to distinguish between type A and type B programs:		\$ <u>300,000</u>
Auditee qualified as low-risk auditee?	<u> </u> yes	<u> x </u> no

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS

2013-001 FINDING: INACCURATE ACCOUNTING OF ACCRUED COMPENSATED ABSENCES

Chicago State University (University) did not properly account for vested sick time absences of employees and did not properly calculate the accrued leave liability of the University.

We compared 100% of the employees' accrued sick leave days/hours as of June 30, 2013 to June 30, 2012 in order to ensure that there were not any increases in accrued vested sick days/hours for any employees. We noted 6 employees in which the accrued sick leave days/hours payable at June 30, 2012 was zero but a balance was present at June 30, 2013. The University had inadvertently left these employees' vested time off of the June 30, 2012 listing.

These omissions of vested sick time at June 30, 2012 understated the accrued leave liability for the year ending June 30, 2012 and overstated the fiscal year 2013 expenses by approximately \$128,253. An adjusting entry was proposed to correct this misstatement.

We also tested a sample of 19 employees to determine if the University was properly accounting for leave time earned and used. The University maintains manual records to track employee leave days/hours. We noted two employees in our sample that had accrued leave time that was not correctly accounted for. One employee had a miscalculation of 11 hours of over-accrued leave and one employee had an over-accrual of leave by one day. The amount of miscalculation was immaterial to the financial statements. Once brought to the University's attention, the employee records were corrected.

Also, we scanned the detailed compensated absence worksheet to ensure that no accruals were over the maximum allowed by University policy. We noted one employee (who has been at the University for a period greater than 15 years) had accrued leave that was in excess of the maximum allowed by 16 hours (the employee had 415.36 hours accrued). During the scanning process, we also noted one employee hired in 2001 (sick leave no longer vests after 1997) that had a reported balance of accrued sick leave of 6.75 hours. The amount of these errors was immaterial to the financial statements. Once brought to the University's attention, the employee records were corrected.

The State Finance Act (30 ILCS 105/14a(f)) states that sick leave accumulated on or after January 1, 1998 is not compensable at the time of the employee's death, retirement, resignation, or other termination of service.

The University's Board of Trustees regulations states that an employee may not accumulate more than two times the annual leave earned. Therefore, the maximum accumulation of accrued leave for the noted employee (with 15 or more years of longevity at the University) would have been 399.36 hours.

Good business practices require the University to ensure controls are in place to properly record and summarize data correctly. This data is used for calculating compensation due to employees and determining compensated absence balances for financial reporting.

University officials stated that this is a very manual process and the errors noted were the result of human error.

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. 2013-001, 12-2, 11-3)

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS

**2013-001 FINDING: INACCURATE ACCOUNTING OF ACCRUED COMPENSATED ABSENCES
(continued)**

RECOMMENDATION

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

UNIVERSITY RESPONSE

During FY '13, the process for capturing vacation and sick time that supports the compensated absences calculation was manual in nature. To effectively eliminate the errors going forward, the University has conducted training that covers data gathering and input processes that support this calculation. The University has also initiated efforts to transition to an automated system that will support the calculation for the FY '14 time period. The University accepts the recommendation.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2013-002 FINDING: HEAD START CLUSTER

Federal Department:	Department of Health and Human Services
CFDA Numbers:	93.600
Program Name:	Head Start Cluster
Passthrough Entity:	City of Chicago
Award Number:	25068 and 25069
Questioned Cost:	Known \$78,884 (Projected \$233,354 calculated as follows: Award 25068 – Program and Administrative In-kind match not substantiated/allowed \$76,256/\$130,998 (required match) X \$387,535 (Total program expenditures) = \$225,590 (questioned cost) plus Award 25069 – Program In-kind match not allowed \$2,588/\$19,612 (required match) X \$58,836 (Total program expenditures) = \$7,764 (questioned cost))

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.

We examined six reports of the above noted awards (the University submits a monthly “Non-Federal Share (In-Kind) Report” for each of the awards noted above) and noted the following:

- The Non-Federal Share (In-Kind) Report for award number 25068 submitted for November 2012 reported total in-kind contributions for the month of \$1,780. The University could only substantiate \$235 (a difference of \$1,545). The University was unable to locate documents to substantiate the difference.
- The Non-Federal Share (In-Kind) Report for award number 25069 submitted for November 2012 reported total in-kind contributions for the month of \$1,651. The University could only substantiate \$1,043 (a difference of \$608). The University was unable to locate documents to substantiate the difference.

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

The University did not fully satisfy the “In-Kind” matching requirement required by the grantor in the award budget summaries. We specifically noted the following:

Award Number:	Program In-Kind Required		Program In-Kind Reported
25068	\$ 84,677	*	\$ 52,343
25069	\$ 19,612	*	\$ 17,632
Award Number:	Administrative In- Kind Required		Administrative In-Kind Reported
25068	\$ 47,715	*	\$ 3,945
25069	\$ 0		\$ 12,735

* The In-Kind Required has been adjusted proportionately based on actual award expenditures compared to the full award amount.

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CHICAGO STATE UNIVERSITY
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FOR THE YEAR ENDED JUNE 30, 2013**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2013-002 FINDING: HEAD START CLUSTER (Continued)

The Delegate Agency Grant Agreement for the Head Start program, Article 2.5, requires the University to contribute to the payment of expenses as described in the budget summary in the grant agreement. Article 3.1 requires the University to carry out services in accordance with the budget summary.

University officials stated that the “In-Kind” requirements were not properly captured due to an oversight during the review process.

Failure to comply with Federal requirements may result in disallowed program costs and jeopardize future Federal funding. (Finding Code Nos. 2013-002, 12-4)

RECOMMENDATION

We recommend the University improve its procedures to ensure that the University complies with all requirements applicable to its Federally funded programs.

UNIVERSITY RESPONSE

The University accepts the Auditor’s recommendation. We have developed written procedures and workflows that will allow for proper document retention of time sheets for non-employee volunteers. This includes the specific definition of grant compliance requirements, an expanded management reporting protocol and a revised assignment of individual responsibilities of staff that contribute to the implementation of the Head Start Grant. Staff has been retrained on the calculation methodology for the in-kind volunteered service hour contributions. This process focused on the development of a standard manual sign-in sheet to capture and summarize the hours performed by non-employee volunteers. The University will continue to explore alternative processes that enhance compliance and contribute to increased inter-departmental efficiency.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2013-003 FINDING: FINANCIAL AID AWARDED TO INELIGIBLE STUDENTS

Federal Department:	U.S. Department of Education
CFDA Numbers:	84.007
Program Name:	Student Financial Assistance Cluster (Federal Supplemental Educational Opportunity Grant (FSEOG))
Questioned Cost:	\$1,800 known (projected \$88,839 calculated as follows: \$1,800 (error noted in sample) / \$7,400 (total FSEOG awards in our sample) X \$365,227 (total FSEOG expended))

Chicago State University (University) made FSEOG awards to students that were ineligible.

We tested the eligibility of a sample of 60 students receiving student financial assistance (including 37 students who received a Federal Pell Grant (Pell)) and noted that six of the 60 students received FSEOG awards. Our testing disclosed that two of the students who received \$1,800 of FSEOG awards but were not eligible for those FSEOG awards.

The Code of Federal Regulations (34 CFR 676.10(a)) states “(1) In selecting among eligible students for FSEOG awards in each year, an institution shall select those students with the lowest expected family contributions who will also receive Federal Pell Grants in that year. (2) If the institution has FSEOG funds remaining after giving FSEOG awards to all the Federal Pell Grant recipients at the institution, the institution shall award the remaining FSEOG funds to those eligible students with the lowest expected family contributions who will not receive Federal Pell Grants.”

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 eligibility requirements have been satisfied.

University officials stated that the students were initially awarded Pell and FSEOG. However, it was determined later that both students were at their Pell limits so their Pell was cancelled. The FSEOG awards should have been canceled along with Pell.

Awarding aid to ineligible students resulted in noncompliance with the SFA Cluster eligibility requirement and may result in a loss of future Federal funding. (Finding Code Nos. 2013-003, 12-9, 11-15, 10-11)

RECOMMENDATION

We recommend the University improve its controls to ensure that each student meets the eligibility requirements prior to awarding aid.

UNIVERSITY RESPONSE

The University accepts the Auditor’s recommendation. The University has implemented a corrective action plan to improve its internal controls by conducting monthly monitoring to ensure FSEOG awards are canceled if the student does not meet the eligibility for Pell.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2013-004 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:	\$2,837 known (projected \$35,273 calculated as follows: \$2,837 (error noted in sample) / 60 (withdrawals in sample) X 746 (total withdrawals))

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

Our review of 60 students who withdrew from classes revealed the following:

- Three (5%) refund calculations were incorrect because the University did not use the correct withdrawal date. These three calculations included students that did not provide official notification of their withdrawal to the University. These refunds owed to ED totaled \$2,837.
- One refund (2%) totaling \$1,690 was not returned within 45 days. The refund was returned 188 days after determination (143 days late).

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 (j)(1)) – An institution must return the amount of Title IV funds for which it is responsible under paragraph (g) of this section as soon as possible but no later than 45 days after the date of the institution’s determination that the student withdrew as defined in paragraph (1)(3) of this section.

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 and remitted timely.

University officials stated that during the fall of 2012, the withdrawal process was still manual and required notice from the Registrar’s Office to the Office of Financial Aid. These students were not included in the notice of unofficial withdrawals until after the 60% withdrawal date. Therefore, the withdrawal date used was the notice date. The refund submitted late was due to an oversight.

Failure to complete accurate refund calculations and timely remit Title IV refunds may jeopardize future Federal funding. (Finding Code Nos. 2013-004, 12-11, 11-9, 10-12)

RECOMMENDATION

We recommend the University implement adequate internal controls to ensure that all calculations are accurate and that refunds are made to ED in a timely manner.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2013-004 FINDING: RETURN OF TITLE IV FUNDS

UNIVERSITY RESPONSE

The University accepts the Auditor's recommendation. The withdrawal process has now been automated with the use of an online, student-initiated process. The calculation of the return of Title IV Funds is now based on the initial date in which the student initiated his/her withdrawal from the class.

In addition, the University has implemented a monthly monitoring process to ensure that all refunds are returned to the Department of Education within the 45 day period required by the regulation.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2013-005 FINDING: FEDERAL PERKINS LOAN COHORT DEFAULT RATE TOO HIGH

Federal Department:	U.S. Department of Education
CFDA Numbers:	84.038
Program Name:	Student Financial Aid Cluster (Federal Perkins Loan Program)
Questioned Cost:	None

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.

The Federal Perkins Loan cohort default rate as of June 30, 2012 (the default rate data trails the fiscal year by approximately ten months) was 21.69% and was obtained from the Department of Education's website.

The Code of Federal Regulations (34 CFR 668.16) states "To begin and to continue to participate in any Title IV, HEA program, an institution shall demonstrate to the Secretary that the institution is capable of adequately administering that program under each of the standards established in this section. The Secretary considers an institution to have that administrative capability if the institution – ... (m)(1) Has a cohort default rate - (iii) as defined in 34 CFR 674.5, on loans made under the Federal Perkins Loan Program to students for attendance at the institution that does not exceed 15 percent."

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 maintains a Federal Perkins Loan cohort default rate of less than 15%.

University officials stated a transition in departmental staffing adversely affected its collection efforts during the period under review. Also the cohort default rate is calculated over a 3 year average and since the University did not have many borrowers entering repayment over the past 3 years, just 2 students in default caused the default rate to exceed the rate stipulated by the Department of Education.

Failure to maintain a cohort default rate below 15% could jeopardize the University's future Federal funding. (Finding Code Nos. 2013-005, 12-19).

RECOMMENDATION

We recommend the University improve procedures to collect its Federal Perkins Loans made to students in order to continue participation in this program.

UNIVERSITY RESPONSE

The University accepts the Auditor's recommendation. The University will increase the monitoring and review of collections to ensure the default rate is not exceeded. The collections staff will work with the Perkins Loan servicer to identify the borrowers entering repayment and to maximize efforts to improve the collections on those borrowers. In addition, management reporting has been created to provide periodic updates on the status of Perkins Loan borrowers.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2013-006 FINDING: CONTROLS OVER EXIT COUNSELING

Federal Department:	U.S. Department of Education
CFDA Number:	84.038
Program Name:	Student Financial Assistance Cluster (Federal Perkins Loan)
Questioned Cost:	None

Chicago State University's (University) controls over conducting exit counseling for students that had received Federal Perkins Loans (FPL) and were no longer attending the University were inadequate.

We tested 8 students that exited the University and had their exit counseling performed during fiscal year 2013. All 8 students had their exit counseling performed late. The exit counseling was performed anywhere from 4 – 17 months (3 – 16 months late) after the student exited the University.

The Code of Federal Regulations (34 CFR 674.42(b)) states “(1) An institution must ensure that exit counseling is conducted with each borrower either in person, by audiovisual presentation, or by interactive electronic means. The institution must ensure that exit counseling is conducted shortly before the borrower ceases at least half-time study at the institution. ... If a borrower withdraws from the institution without the institution's prior knowledge or fails to complete an exit counseling session as required, the institution must ensure that exit counseling is provided through either interactive electronic means or by mailing counseling materials to the borrower at the borrower's last known address within 30 days after learning that the borrower has withdrawn from the institution or failed to complete exit counseling as required.”

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 conducts exit counseling for students that have received Perkins loan funds and are no longer attending the University.

University officials stated that during the process of transferring from its previous Perkins Loan servicer to its current Perkins Loan servicer, the University discovered that the previous servicer had not provided exit counseling to some of the applicable students. The current servicer was instructed to conduct all necessary exit counseling regardless of when the student separated/graduated from the University. For the other incidents, this occurred because our separation/graduation file was not picked up by the current servicer on a timely basis.

Failure to timely conduct exit counseling or retain documentation of exit counseling could result in the loss of Federal funding. (Finding Code Nos. 2013-006, 12-18, 11-18)

RECOMMENDATION

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

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
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FOR THE YEAR ENDED JUNE 30, 2013**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2013-006 FINDING: CONTROLS OVER EXIT COUNSELING (Continued)

UNIVERSITY RESPONSE

The University accepts the Auditor's recommendation. The University has made procedural changes to ensure the timely completion of the exit counseling requirement for the Perkins Loan program. Our procedures include early communication of the exit counseling requirement and the use of interactive electronic exit counseling. We will leverage technology to improve information sharing between the University and the third-party service provider. In addition, we have assessed the operating activities of this process and added the University staffing necessary to support the Perkins loan program.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2013-007 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:	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 award as well as for a second award that comprise the major program and noted the following:

- The annual performance report submitted for the above award for the period September 1, 2011 to August 6, 2012 reported budgeted expenditures instead of actual expenditures. The report that was submitted reported expenditures of \$500,000 for the previous budget period and \$500,000 for the current budget period. Actual expenditures should have been reported in the amount of \$483,846 for the previous budget period and \$494,609 for the current budget period. In addition, the identified reporting period (as stated) was inaccurate. The reporting period should have ended on August 1, 2012 (not August 6, 2012), and the report was due by August 31, 2012.

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.

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.

University officials stated that the reporting errors were the result of a misunderstanding on financial data required on the annual performance report. The report requested "Budget Expenditures" which was misinterpreted as budgeted amounts.

Failure to accurately report program information may jeopardize future Federal funding. (Finding Code No. 2013-007)

RECOMMENDATION

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

**STATE OF ILLINOIS
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2013-007 FINDING: NONCOMPLIANCE WITH THE REPORTING REQUIREMENTS APPLICABLE TO THE STRENGTHENING MINORITY-SERVING INSTITUTIONS PROGRAM (Continued)

UNIVERSITY RESPONSE

The University accepts the Auditor's recommendation. The University has strengthened and documented a reporting framework that will achieve accurate completion of the report. The framework includes enhanced inter-department communications with staff, revised workflows and a revised definition of individual responsibilities. The workflows will include a review of the report and the underlying supporting documentation by management, the remediation of errors identified during the review process and the final report submission.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2013-008 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:

- An annual equity in athletics report is required to be made available by October 15. The University completed the report on October 30, 2012 and made the report available on the University's website on October 31, 2012.
- The University did not distribute to all enrolled students an annual notice of availability of all the required general disclosures (financial assistance available and institutional information were missing) for enrolled or prospective students or the report on athletic program participation rates and financial support data. (The University disclosed this information on an Internet website; however, it failed to provide students with the exact electronic address where the information is posted.)

The Code of Federal Regulations states:

- (34 CFR 668.41 (g)) – By October 15 of each year, an institution must make available to enrolled students, prospective students, and the public the report produced by 34 CFR 668.47(c). 34 CFR 668.47(c) requires the University to prepare a report on athletic program participation and financial support data.
- (34 CFR 668.41 (c)(1)) – An institution 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 the information was disclosed on various websites; however the students were not informed of the exact electronic address needed to access the information. Regarding the athletic report, officials mistakenly thought October 31st, was the deadline date for publication.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2013-008 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. 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 Auditor's recommendation. The University has revised the annual notice that is distributed to all enrolled and prospective students to include all the general disclosures required by the Federal regulation.

The EADA Report has been timely posted on the website for fiscal year 2014.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2013-009 FINDING: INACCURATE COMPLETION OF THE FISCAL OPERATIONS REPORT

<u>Federal Department:</u>	U.S. Department of Education
<u>CFDA Numbers:</u>	84.033
<u>Program Name:</u>	Student Financial Assistance Cluster (Federal Work Study Program)
<u>Questioned Cost:</u>	None

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

We noted the following inconsistencies on the FISAP:

	<u>Reported on initial FISAP</u>	<u>Per detail obtained from University</u>
Federal share of Job Location and Development (JLD) Program expenditures (Part V, Line 16)	\$18,266	\$33,266
Total expenditures for the JLD Program (Part V, Line 20)	\$33,266	\$48,266
Number of students for whom jobs were located or developed (Part V, Line 22)	34	54

During our audit of the University's financial statements, we noted that the University's third party servicer of its Federal Perkins Loan Program made an entry on its books in the amount of \$35,499 that did not correspond to any University transaction records. In order to make its records reconcile, the University also recorded the entry. This resulted in an understatement of loan principal advanced and other income.

The University corrected each of these when a corrected FISAP that was filed in December, 2013.

The U.S. Department of Education requires the FISAP to be reported on an award year basis. Certain information reported on the FISAP will differ from amounts that are reported on the University's Schedule of Expenditures of Federal Awards (which is reported using the University's fiscal year).

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, 2013**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2013-009 FINDING: INACCURATE COMPLETION OF THE FISCAL OPERATIONS REPORT (Continued)

University officials stated that, regarding the first three items cited above, the input of incorrect data is due to human error. The \$35,499 net understatement of the Federal Perkins Loan Fund was due to an effort to correct cumulative Perkins data for the FISAP.

Failure to properly complete the FISAP is a violation of Federal regulations and could jeopardize future Federal funding. (Finding Code Nos. 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 Auditor's recommendation. We have developed a reporting framework that will provide for the accurate and timely completion of the FISAP report. The framework will include the timing of activities to be performed by each individual, a review of the report and the underlying supporting documentation by management, the remediation of errors identified during the review process (e.g. in-kind calculation) and the final report submission. The Office of Grants and Research Administration and the Grants Accounting Group will conduct a quarterly planning meeting with all the stakeholders to discuss the timing of expected results to support the FISAP reporting, in addition to identifying best practices in report composition.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2013-010 FINDING: INADEQUATE CONTROLS OVER STUDENT VERIFICATION

Federal Department:	U.S. Department of Education U.S. Department of Health and Human Services
CFDA Numbers:	84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 93.925
Program Name:	Student Financial Assistance Cluster
Questioned Cost:	None

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.

We tested a sample of 60 students receiving student financial assistance and noted that 23 of those students were selected for verification. We noted the following exception to the University's verification procedures:

- A student's tax return information differed from the amounts reported on the Institutional Student Information Report (ISIR). The student's verification documents showed income earned from working (wages) of \$27,272 but the ISIR showed \$27,232 (a \$40 difference).

The Code of Federal Regulations (34 CFR 668.59(a)(2)) states for subsidized financial assistance programs, if the applicant's FAFSA information changes as a result of verification, the applicant or institution must submit to the Secretary any changes to a single dollar item of \$25 or more.

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 student verifications are properly performed.

University officials stated that the tax return information differed from the amounts reported on the ISIR which resulted in a \$40 discrepancy. As a result a correction was not processed to correct the discrepancy.

Lack of adequate controls to ensure that all selected student verifications are accurate increases the risk that students may be over or under awarded and may result in a loss of future Federal funding. (Finding Code Nos. 2013-010, 12-13)

RECOMMENDATION

We recommend the University improve its procedures to ensure that students that have been selected for verification are accurately verified in accordance with U.S. Department of Education regulations.

UNIVERSITY RESPONSE

The University accepts the Auditor's recommendation. The University has upgraded its procedures to ensure that students are accurately verified through staff training and increased monitoring.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2013-011 FINDING: NOTIFICATION OF DISBURSEMENT

Federal Department:	U.S. Department of Education
CFDA Numbers:	84.268
Program Name:	Federal Direct Student Loans
Questioned Cost:	None

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.

Our sample testing of 60 students that received financial assistance included 58 students who received student loans. We noted that the University could not substantiate the required notification to one of the students regarding the disbursement of loan proceeds.

The Code of Federal Regulations (34 CFR 668.165(a)) states that the University must send notification in writing no earlier than 30 days before, and no later than 30 days after, crediting the student's account at the University. The notification must inform the student (or his/her parents) how and when Title IV funds will be disbursed. The notice is also required to explain the student's right to cancel all or a portion of any loans.

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 students or his/her parents are informed of their rights related to student loans.

University officials stated that this was an isolated incident. There was a system issue on January 17, 2013, that prevented University's information system from sending email notifications to students. The student noted was in the group affected by the system issue. Letters were subsequently mailed notifying students of loans being disbursed; unfortunately the paper copy for the student in question cannot be located.

Failure to send 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 results in noncompliance with Federal regulations and could jeopardize future Federal funding. (Finding Code No. 2013-011)

RECOMMENDATION

We recommend the University improve its procedures to retain documentation that substantiates its compliance with Federal regulations.

UNIVERSITY RESPONSE

The University accepts the Auditor's recommendation. The University has revised its procedures to ensure that it retains documentation (electronic or hard copy) that substantiates its compliance with Federal regulations.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

CURRENT FINDINGS – STATE COMPLIANCE

2013-012 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, 2013 that was submitted to the Department of Central Management Services (DCMS). The inventory certification to DCMS reported 197 items (\$248,825) 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 this missing equipment were approximately 132 computers, servers, CPUs, or other electronic storage devices. In addition, the University did not perform a detailed assessment and therefore was unable to determine whether the missing computers contained confidential information. In addition, we noted 6 additional computers that were reported as stolen from the University (totaling \$8,040) and 3 CPUs (totaling \$3,744) deleted during the year as "lost" for which a detail assessment was not completed and therefore the University was unable to determine whether the missing computers contained confidential information.

In performing our tests of 105 University equipment items, we noted one item (piano) with an estimated cost/value in excess of \$500 was located at the University; however, it was not listed on the property control records.

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 Illinois Administrative Code (44 Ill. Adm. Code 5010.400) requires the University to adjust property records within 30 days of acquisition, change or deletion of equipment items.

University officials stated that equipment processes intended to track the movement of assets across campus needs to be further reinforced. Staff and Faculty office relocation constitute the primary reason for missing computer equipment at a specific point in time. In addition, officials stated that they had not formalized the process of performing a sensitive data assessment. The piano was never properly added to the fixed asset listing at the time of purchase, which was over ten years ago.

Inaccurate property control records result in incorrect accounting information and could cause unnecessary equipment expenditures. Failure to know what sort of data may have resided on computer equipment could put personal or proprietary information at risk. (Finding Code No. 2013-012)

RECOMMENDATION

We recommend the University perform a detailed assessment of the types of data that reside on all University computers and electronic storage media so that it can determine if any computers or electronic storage media that come up missing contained confidential information. We further recommend the University strengthen its controls over the accountability of University equipment and adhere to its procedures applicable to property and equipment records and management.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

CURRENT FINDINGS – STATE COMPLIANCE

2013-012 FINDING: INADEQUATE CONTROLS OVER PROPERTY AND EQUIPMENT (Continued)

UNIVERSITY RESPONSE

The University accepts the Auditor's recommendation. The University will provide training to the Fiscal Officer community that reinforces the process governing asset movement. The University has also conducted a system wide risk assessment of devices that provide storage or access to sensitive data. This assessment has resulted in the installation of encryption software on electronic devices that provide storage or access to sensitive data. The University's purchasing protocol will also be revised to incorporate feedback from the Fiscal Officer regarding electronic device utilization prior to an asset being purchased.

Subsequent to the inventory submission on June 30, 2013, the University has located 60 assets previously reported as missing. This represents a 30% improvement and reduces the number of assets to be located to 137 (\$185,131), which translates to .0064% of the University's current equipment asset base. Efforts to locate the remaining missing assets are ongoing.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

CURRENT FINDINGS – STATE COMPLIANCE

2013-013 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 \$377,998 and \$669,226, as of June 30, 2013 and June 30, 2012 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. There was a slight increase in FY '13 due to programming enhancements supported by a new Athletic Director. 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. 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, 2013**

CURRENT FINDINGS – STATE COMPLIANCE

**2013-013 FINDING: SUBSIDIES BETWEEN ACCOUNTING ENTITIES AND TO THE UNIVERSITY
RELATED ORGANIZATION (Continued)**

UNIVERSITY RESPONSE

The University accepts the Auditor's recommendation. The Athletics department has developed a long term plan to reduce the deficit. This plan includes ongoing emphasis on revenue enhancement and operations efficiency. Also, the University is exploring alternate organization models that will positively impact the prospect of reducing the current subsidy. The Administration anticipates the subsidy to be eliminated in less than three years.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

CURRENT FINDINGS – STATE COMPLIANCE

2013-014 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).

Of the 30 employees that were selected for testing, we noted 8 (27%) employees did not complete time sheets.

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

University officials stated that the Faculty Union representing the State of Illinois Public University System refuses to require its members to execute sign in sheets thus causing the University to be out of compliance with the Act.

By not requiring positive time sheets from its employees, the University is not in compliance with the Act. (Finding Code Nos. 2013-014, 12-26, 11-33, 10-36, 09-11, 08-17, 07-15, 06-7, and 05-6).

RECOMMENDATION

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

UNIVERSITY RESPONSE

The University accepts the Auditor’s recommendation. The Human Resource Department has negotiated with the Faculty Union to have all faculty members, including adjunct and part time faculty, report their time in the web based time entry system.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

CURRENT FINDINGS – STATE COMPLIANCE

2013-015 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.

The Chicago State University Law (Law) (110 ILCS 660/5-80) requires the University – in collaboration with Illinois State University, Eastern Illinois University, Governors State University, Northeastern Illinois University, Northern Illinois University, Southern Illinois University, the University of Illinois, and Western Illinois University – annually prepare and submit a single report to each high school within the State concerning the academic progress and success of the high school’s former students. Pursuant to the Law, the report must include the number of high school graduates enrolled in each university and the major of each, the number of high school graduates who have withdrawn from each university, and student performance in university coursework.

University officials stated that the University individually submitted feedback to local area schools; however, at this time, none of the State universities have worked collaboratively to submit a single annual report pursuant to the statute.

Failure to prepare and submit High School Feedback System reports to the State’s high schools limits opportunities for the high schools to identify areas for improving student success in university coursework and represents noncompliance with the Chicago State University Law. (Finding Code No. 2013-015)

RECOMMENDATION

We recommend the University collaborate with the other State universities to prepare High School Feedback System reports for each high school within the State, or seek a legislative remedy.

UNIVERSITY RESPONSE

The University accepts the Auditor’s recommendation. The University, however, seeks to make a legislative change to this regulation to allow the University to continue to submit its own individual High School Feedback System Report to all applicable high schools in lieu of requiring all State universities to produce a single comprehensive report per the existing State statute.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

CURRENT FINDINGS – STATE COMPLIANCE

2013-016 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:

- Eleven invoices (9%) were not approved for payment in a timely manner. These invoices were approved between 33 and 156 days (3 to 126 days late) after receipt of a proper bill.
- Two invoices (2%) were not dated by the fiscal officer; therefore, a determination could not be made on whether or not the invoice was approved for payment timely.
- Eight invoices (6%) were not paid in a timely manner. The invoices were paid 93 to 191 days (3 to 101 days late) after the receipt of a proper bill.

We also tested another 125 Federal expenditures (not including student financial aid) and noted the following:

- Two invoices (2%) were not approved for payment in a timely manner. These invoices were approved between 36 to 62 days (6 to 32 days late) after receipt of a proper bill.

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 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 accounts payable received invoices from departments late, thereby not allowing for timely payment. Also, some invoices were submitted without the proper approval information and had to be returned to the department for appropriate signatures. Additionally, in Fiscal Year 2013 the Office of Grant and Research (ORGA) underwent a reorganization that transitioned the grant accountants from ORGA to the Office of Administration and Finance. During the transition phase, the new process for reviewing and submitting invoices was not clearly articulated.

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. (Finding Code Nos. 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.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

CURRENT FINDINGS – STATE COMPLIANCE

2013-016 FINDING: VOUCHER PROCESSING ERRORS (Continued)

UNIVERSITY RESPONSE

The University accepts the Auditor's recommendation. We will provide additional training for Fiscal Officers on the procedures for approving invoices including a signature and date within the vendor contract payment parameters. The Accounts Payable (AP) department will actively engage the Fiscal Officer community to obtain the appropriate approvals that ensure invoice payment compliance. In addition, the AP department will schedule its own operations to ensure priority handling is given to the oldest invoices as determined by State mandated prompt payment requirements.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

PRIOR FINDINGS NOT REPEATED

A FINDING: Uncollateralized Deposit Accounts

Chicago State University (University) maintained deposits (\$18,633,626) in excess of the Federal Deposit Insurance Corporation (FDIC) coverage and pledged collateral. (Finding Code No. 12-1)

Status – Not repeated

Our testing did not identify any University deposits that were in excess of the FDIC coverage and pledged collateral.

B FINDING: Financial Statement Adjustments

Chicago State University (University) posted adjustments to its financial statements based on estimated liabilities for significant questioned costs identified by the auditors that related to noncompliance with Federal Award programs' compliance requirements (when considered in combination with other proposed audit adjustments). (Finding Code No. 12-3)

Status – Not repeated

Our testing did not identify any additional adjustments that were required to be posted to the financial statements in order to make them materially correct.

C FINDING: Policies and Controls Over Satisfactory Academic Progress

Chicago State University (University) did not comply with its own "written" and published policies regarding appeals of students who were initially suspended from Federal student financial assistance (SFA) due to lack of Satisfactory Academic Progress (SAP). (Finding Code No. 12-5)

Status – Not repeated

Our sample testing did not identify any exceptions relating to lack of compliance with University policies regarding SAP.

D FINDING: Student Financial Assistance Not Reconciled on a Monthly Basis

Chicago State University (University) did not reconcile its student financial assistance (SFA) awards and expenditures on a monthly basis. (Finding Code Nos. 12-6, 11-8, 10-8, 09-5, and 08-12)

Status – Not repeated

Our sample testing did not identify any instances of the University not completing monthly reconciliations of SFA awards and expenditures.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

PRIOR FINDINGS NOT REPEATED

E FINDING: Student Financial Aid Awarded to Students at Unreported Locations

Chicago State University (University) awarded Title IV student financial aid to students at unreported locations. (Finding Code Nos. 12-7, 11-7)

Status – Not repeated

During the fiscal year ending June 30, 2013, the University did not have any off-campus locations requiring approval.

F FINDING: TRIO Cluster

Chicago State University (University) did not fully comply with the compliance requirements related to eligibility, earmarking, and reporting related to its TRIO Cluster award from the Department of Education. (Finding Code No. 12-8)

Status – Not repeated

Our sample testing did not identify any noncompliance related to the University's TRIO Cluster.

G FINDING: Inadequate Controls over Submission of Loan Related Documents and Notices

Chicago State University (University) did not timely report to the University's Federal Perkins Loan Servicer (FPLS) that a student was no longer attending the University. We also noted from the University's Federal Perkins Loan reconciliation that the University is carrying reconciling items for loans to 8 students that have been recorded in error by the FPLS. (Finding Code No. 12-10)

Status – Not repeated

Our sample testing did not reveal instances where the University did not report to the FPLS students that were no longer attending the University.

H FINDING: Federal Pell Grant Not Recalculated

Chicago State University (University) did not recalculate a student's Federal Pell Grant award after it received changes to the student's expected family contribution (EFC) as required by the U.S. Department of Education. (Finding Code No. 12-12)

Status – Not repeated

Our sample testing did not reveal instances of non-compliance with the requirements of the Federal Pell Grant program regarding recalculating grants when changes are made to a student's EFC.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

PRIOR FINDINGS NOT REPEATED

I **FINDING: Inadequate Controls and Noncompliance with Requirements Applicable to the Strengthening Minority-Serving Institutions Program**

Chicago State University's (University) controls over the compliance requirements of allowable costs and cost principles applicable to its Strengthening Minority-Serving Institution program did not function as designed. (Finding Code Nos. 12-14, 11-5, 10-18)

Status – Not repeated

Our sample testing did not identify any instances of non-compliance with the allowable costs and cost principles requirements applicable to the Strengthening Minority-Serving Institutions program.

J **FINDING: Due Diligence for Perkins Loan Recipients in Deferment**

Chicago State University (University) did not maintain proper due diligence procedures related to the notifications to students in deferment under the Federal Perkins Loan (FPL) program. (Finding Code No. 12-15)

Status – Not repeated

The FPL program servicer performs this function for the University. We noted no exceptions in our sample testing of deferments and no exceptions were noted in the FPL program servicer's Statements on Standards for Attestation Engagements No. 16 report.

K **FINDING: Controls Over Compliance with the Personnel Development to Improve Services and Results for Children with Disabilities Award Requirements**

Chicago State University's (University) controls over compliance with the requirements of reporting applicable to its Personnel Development to Improve Services and Results for Children with Disabilities program did not function as designed. (Finding Code No. 12-20)

Status – Not repeated

Our sample testing did not identify instances of noncompliance with reporting requirements of the Personnel Development to Improve Services and Results for Children with Disabilities program.

L **FINDING: Controls Over Reporting for the Family and Community Violence Prevention Program**

Chicago State University (University) did not have adequate procedures to ensure that reports submitted to the grantor were timely submitted. (Finding Code Nos. 12-21, 11-23)

Status – Not repeated

Our sample testing did not identify instances of non-compliance with the reporting requirements of this program.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

PRIOR FINDINGS NOT REPEATED

M FINDING: Tuition Diverted to Accounting Entity

Chicago State University (University) diverted tuition from credit-bearing degree programs from its Income Fund to an accounting activity (Finding Code No. 12-22)

Status – Not repeated

Our sample testing did not identify any instances where tuition income from credit-bearing degree programs was diverted from the Income Fund to an accounting activity.

N FINDING: Inadequate Controls Over Contracting Procedures

Chicago State University (University) did not have adequate control over contracting procedures. (Finding Code Nos. 12-24, 11-28, 10-31, 09-6, 08-13, 07-9, 06-12)

Status – Not repeated

Our sample testing did not identify any exceptions related to the University's contracting procedures.

O FINDING: Inaccurate Data for Quarterly Summary of Accounts Receivable

Chicago State University (University) did not report accurate data on its Quarterly Summary of Accounts Receivable Forms C-97, C-98, C-99, and C-99A (C-97, C-98, C-99 or C-99A). (Finding Code Nos. 12-27, 11-31, 10-37, 09-9)

Status – Not repeated

Our sample testing did not identify any instances of inaccurate data on the University's C-97, C-98, C-99 and C-99A forms.

P FINDING: Failure to Comply with the Identity Protection Act

Chicago State University (University) failed to fully implement the provisions of the Identity Protection Act (Act). (Finding Code No. 12-28)

Status – Moved to the Immaterial Findings Letter

Our testing noted that the University adopted a policy compliant with the Act, but had not fully implemented all the requirements by June 30, 2013.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

PRIOR FINDINGS NOT REPEATED

Q FINDING: Computer Security Weaknesses

The University had not established adequate controls over some aspects of its computer environment. We reviewed the University's computer environment and noted the following weaknesses (Finding Code Nos. 12-29, 11-34, 10-41):

- A programmer had access to production systems.
- Three of seven former employees tested were still listed as active users of the University's computer systems. These three employees had separated from the University from 82 to 137 days prior to the date of our testing.
- Virus definitions were not consistently updated on computers.

Status – Not repeated

Our sample testing did not identify any significant exceptions related to computer security.

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

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

- Fiscal Schedules and Analysis:
 - Schedule of Expenditures of Federal Awards
 - Notes to the Schedule of Expenditures of Federal Awards
 - Schedule of Appropriations, Expenditures and Lapsed Balances
 - Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
 - Comparative Schedule of Income Fund Revenues and Expenditures
 - Schedule of Changes in State Property
 - Analysis of Significant Variations in Revenues and Expenses
 - Comparative Schedule of Cash, Temporary Cash Investments, and Investments
 - at Market Value
 - Analysis of Significant Variations in Asset and Liability Accounts
 - Analysis of Significant Lapse Period Expenditures
 - Analysis of Accounts Receivable
 - Schedule of Sources and Applications of Indirect Cost Recoveries
 - 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 13 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, 2013

<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		\$ 365,227	\$ -
Federal Work-Study Program	84.033		472,460	-
Federal Perkins Loan Program (Note 2)	84.038		-	-
Federal Pell Grant Program	84.063		13,676,159	-
Federal Direct Student Loans (Note 4)	84.268		-	-
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379		93,719	-
<u>DEPARTMENT OF HEALTH & HUMAN SERVICES</u>				
Scholarships for Health Professions Students from Disadvantaged Backgrounds <i>SDS OT/Nursing Program</i>	93.925		98,000	-
Total Student Financial Assistance Cluster			<u>14,705,565</u>	<u>-</u>
RESEARCH AND DEVELOPMENT CLUSTER				
<u>DEPARTMENT OF DEFENSE</u>				
Basic Scientific Research <i>Understanding and Exploiting the Microwave Effect for Chemical Synthesis</i>	12.431		60,323	-
Development of Solar Cell I Systems	12.XXX		37,200	-
Total Department of Defense			<u>97,523</u>	<u>-</u>
<u>ENVIRONMENTAL PROTECTION AGENCY</u>				
Environmental Education Grants <i>Stem Mastery Through Great Lakes Stewardship</i>	66.951		650	-
Total Department of Defense			<u>650</u>	<u>-</u>
<u>NATIONAL SCIENCE FOUNDATION</u>				
Mathematical & Physical Sciences <i>RUI: Studies of Relativistic Heavy Ions Collisions in ALICE at the LHC</i>	47.049		71,437	-
<i>Collaborative Research: Algorithms for Threat Detection via Geometry of Virus Genome Space</i>	47.049		14,117	-
Passed Through The American Physical Society <i>PhysTec Program</i>	47.049	N.A.	20,411	-
			<u>105,965</u>	<u>-</u>
Biological Sciences <i>MRI: Acquisition of a State of the Art Scanning Electron Microscope</i>	47.074		1,622	-
Education and Human Resources <i>AMP - Chicago Science Engineering and Math Alliance Support, Mentoring, Accountability, Research and Training: A Sustainable, Thriving Program in Mathematical Sciences</i>	47.076		411,858	98,258
<i>Urban Science, Technology, Engineering & Math Talent Expansion Program</i>	47.076		133,699	-
<i>Creating Innovative Physics Learning Environments in the Urban Classroom</i>	47.076		291,175	145,899
<i>Using the Complex of Nuclear & Particle Physics</i>	47.076		161,368	-
<i>Pilot Regional Louis Stokes Center: Midwest Ctr of Excellence</i>	47.076		38,797	-
			<u>178,758</u>	<u>141,746</u>
			<u>1,215,655</u>	<u>385,903</u>
ARRA Trans-NSF Recovery Act Research Support <i>Segmental Recombination in the Mouse T Complex</i>	47.082		151,793	-
Total National Science Foundation			<u>1,475,035</u>	<u>385,903</u>

STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

<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 INSTITUTES OF HEALTH</u>				
ARRA Trans NIH Recovery Act Research Support Passed Through The University of Chicago <i>Re-engineering Translational Research</i>	93.701	ULIRR024999-03S4	249	-
Biomedical Research and Research Training <i>Minority Biomedical Research Support (MBRS)</i>	93.859		413,232	-
<i>Role of Serum Amyloid A In Interferon-gamma Expression and T Helper 1 Cell Differ</i>	93.859		83,402	-
<i>Intracellular Signaling During Phagocytosis</i>	93.859		98,476	-
<i>Gut Circadian Clock & Malatonin Dynamics Following Major Thermal Injury</i>	93.859		104,416	-
			<u>699,526</u>	-
Cancer Center Support Grants <i>Chicago South Side Cancer Disparities Initiative</i>	93.397		88,795	-
Total National Institutes of Health			<u>788,570</u>	-
Total Research and Development Cluster			<u>2,361,778</u>	<u>385,903</u>
OTHER PROGRAMS				
<u>DEPARTMENT OF EDUCATION</u>				
Higher Education_Institutional Aid <i>Predominantly Black Institutions Program</i>	84.031		133,380	-
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities * <i>Combined Priority for Personnel Prep.</i>	84.325		419,688	-
Special Education_Grants to States Passed through Southern Illinois University <i>IDEA: State Personnel Development Program</i>	84.027	763944	9,928	-
TRIO CLUSTER *				
TRIO - Student Support Services	84.042		374,359	-
TRIO - Upward Bound <i>Project Fame/Upward Bound</i>	84.047		532,867	-
<i>Project Fame/Upward Bound II</i>	84.047		74,266	-
			<u>607,133</u>	-
TRIO - Educational Opportunity Centers	84.066		360,361	-
Total TRIO Cluster			<u>1,341,853</u>	-
Strengthening Minority-Serving Institutions * <i>Predominantly Black Institutions (Graduate)</i>	84.382		484,753	-
<i>The Center for STEM Education & Research at CSU</i>	84.382		572,349	69,902
			<u>1,057,102</u>	<u>69,902</u>
Total Department of Education			<u>2,961,951</u>	<u>69,902</u>
<u>DEPARTMENT OF HEALTH & HUMAN SERVICES:</u>				
Minority Health and Health Disparities Research Passed Through Pacific Institute for Research & Evaluation <i>HIV/STD Prevention Program</i>	93.307	R01MD004125	170,120	-
TANF CLUSTER				
Temporary Assistance for Needy Families Passed Through the Illinois Department of Human Services Total TANF Cluster	93.558	81XQ464TS1/FCSR00283	72,483	-
Health Careers Opportunity Program Passed Through University of Illinois @ Chicago <i>Saturday College Program</i>	93.822	D18HP13628	36,690	-
Family and Community Violence Prevention Program * <i>Youth Empowerment Program</i>	93.910		145,713	92,457

STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

<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>
Head Start				
Passed Through the City of Chicago				
<i>Early Head Start Program</i>	93.600	PO#25068-1	22,356	-
<i>Head Start Collaboration & Services</i>	93.600	PO#25069-1	273,927	-
			296,283	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund				
Passed Through the City of Chicago				
<i>FY12 Child Care Program</i>	93.596	PO#25068 - 1	52,184	-
ARRA - Prevention and Wellness – Communities Putting Prevention to Work				
Funding Opportunities Announcement (FOA)				
Passed Through Public Health Institute of Metropolitan Chicago				
<i>ARRA/Communities Putting Prevention to Work</i>	93.724	1U58DP002623-01	16,316	-
Total Department of Health and Human Services			789,789	92,457
<u>U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT</u>				
US AID Foreign Assistance for Programs Overseas *				
<i>Textbook and Learning Material Program</i>	98.XXX		779,999	-
Total U.S. Agency for International Development			779,999	-
<u>DEPARTMENT OF AGRICULTURE</u>				
Higher Education - Institution Challenge Grants Program				
<i>Chicago South Side Urban Agriculture Initiative</i>	10.217		50,758	18,837
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		7,967	-
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	10,869	-
Total Department of Agriculture			69,594	18,837
<u>NATIONAL AERONAUTICS AND SPACE ADMINISTRATION</u>				
Science				
Passed Through University of Illinois at Urbana-Champaign				
<i>Space Grant Consortium</i>	43.001	NNX10AK65H	9,536	-
Passed Through Sonoma State University				
<i>Using the Big Ideas in Cosmology to Teach</i>	43.001	NNX10AC89G	66,209	-
			75,745	-
Cross Agency Support				
<i>The GLM Ground Flash Fraction Retrieval Algorithm: Improvement, Testing, and Demonstration</i>	43.009		30,119	-
Total National Aeronautics and Space Administration			105,864	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 21,774,540	\$ 567,099

* Denotes Major Programs

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

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, 2013 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, 2013 totaled \$1,674,942. Loan advances for the year ended June 30, 2013 totaled \$135,055. Interest income on loans totaled \$16,340 and other income totaled \$931.

3. FEDERAL FAMILY EDUCATION LOAN PROGRAM

The Federal Family Education Loan Program was discontinued at the end of fiscal year 2010. The University is now participating in the William D. Ford Direct Loan Program, as detailed in Note 4.

4. FEDERAL DIRECT STUDENT LOANS

During fiscal year 2013, 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, 2013.

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, 2013, the University's students or their parents were awarded the following loans:

Direct Unsubsidized Loans	\$ 43,783,478
Direct Subsidized Loans	15,537,286
Direct Parent Plus Loans	708,440
Direct Graduate Plus Loans	2,797,364
Total:	<u>\$ 62,826,568</u>

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
APPROPRIATIONS FOR FISCAL YEAR 2013**

FOURTEEN MONTHS ENDED AUGUST 31, 2013

	Appropriations (Net After Transfers)	Expenditures Through June 30, 2013	Lapse Period Expenditures (July 1-Aug 31)	Total Expenditures	Balances Lapsed
EDUCATION ASSISTANCE FUND (007)					
Public Act 97-0729 (as amended by PA 98-0001)					
Personal Services	\$ 35,177,200	\$ 33,402,034	\$ 1,775,166	\$ 35,177,200	\$ -
Group Insurance	1,024,000	1,024,000	-	1,024,000	-
Awards and Grants	104,400	78,000	26,400	104,400	-
Subtotal	<u>36,305,600</u>	<u>34,504,034</u>	<u>1,801,566</u>	<u>36,305,600</u>	<u>-</u>
Grant to Financial Assistance Outreach Center	<u>500,000</u>	<u>-</u>	<u>407,188</u>	<u>407,188</u>	<u>92,812</u>
Total Education Assistance Fund (007)	<u>36,805,600</u>	<u>34,504,034</u>	<u>2,208,754</u>	<u>36,712,788</u>	<u>92,812</u>
GENERAL PROFESSIONS DEDICATED FUND (022)					
Public Act 98-0001					
Pharmacy Practice Education Training	<u>307,000</u>	<u>-</u>	<u>307,000</u>	<u>307,000</u>	<u>-</u>
Total General Professions Dedicated Fund (022)	<u>307,000</u>	<u>-</u>	<u>307,000</u>	<u>307,000</u>	<u>-</u>
TOTAL - ALL APPROPRIATIONS	<u>\$ 37,112,600</u>	<u>\$ 34,504,034</u>	<u>\$ 2,515,754</u>	<u>\$ 37,019,788</u>	<u>\$ 92,812</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

Schedule 4

FOR THE YEAR ENDED JUNE 30, 2013
(WITH COMPARATIVE TOTALS FOR 2012)

	<u>2013</u>	<u>2012</u>
	<u>PUBLIC ACTS</u>	<u>PUBLIC ACT</u>
	<u>98-0001</u>	<u>97-0069</u>
	<u>97-0729</u>	<u>97-0069</u>
EDUCATION ASSISTANCE FUND (007)		
APPROPRIATIONS	<u>36,805,600</u>	<u>39,255,200</u>
EXPENDITURES		
Ordinary and Contingent Expenses		
Personal Services	-	34,082,960
Social Security	-	415,940
Group Insurance	-	1,024,000
Contractual Services	-	2,504,500
Travel	-	29,000
Commodities	-	54,000
Equipment and Library Books	-	227,000
Telecommunications	-	312,400
Operation of Automotive Equipment	-	1,000
Personal Services	35,177,200	-
Group Insurance	1,024,000	-
Grant to Financial Assistance Outreach Center	407,188	429,474
Awards and Grants	104,400	104,400
Total expenditures	<u>36,712,788</u>	<u>39,184,674</u>
Lapsed balances	<u>92,812</u>	<u>70,526</u>
GENERAL PROFESSIONS DEDICATED FUND (022)		
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>
GRAND TOTAL		
APPROPRIATIONS	37,112,600	39,562,200
EXPENDITURES	<u>37,019,788</u>	<u>39,491,674</u>
TOTAL LAPSED BALANCES	<u>\$ 92,812</u>	<u>\$ 70,526</u>

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
COMPARATIVE SCHEDULE OF INCOME FUND REVENUES AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2013
(With comparative totals for the year ended June 30, 2012)**

	<u>2013</u>	<u>2012</u>
INCOME FUND REVENUES		
Tuition Revenue	\$ 41,818,852	\$ 43,995,444
Laboratory Fee	238,317	229,983
Late Registration Fee	66,400	90,200
NSF Check Fee	1,440	1,950
Deferred Payment Fee	53,907	38,479
Graduation Fee-Undergraduate	37,135	35,810
Graduation Fee-Graduate	17,600	13,292
Transcript Fee	71,708	79,160
Application Fee	102,989	147,361
Interest Income	11,562	14,414
Miscellaneous Other Income	12,608	206,017
TOTAL INCOME FUND REVENUES	<u>\$ 42,432,518</u>	<u>\$ 44,852,110</u>
INCOME FUND EXPENDITURES		
Personal Services	\$ 23,718,572	\$ 22,009,486
SURS Retirement	18,128	30,942
Social Security	1,045,925	500,983
Contractual Services	10,913,019	5,820,836
Travel	475,345	513,168
Commodities	2,380,403	1,873,329
Equipment and Library Books	3,985,388	2,090,376
Telecommunications	742,175	184,067
Operation of Automotive Equipment	63,059	54,807
Permanent Improvements	1,367,715	1,787,767
Awards, Grants, and Matching Funds	1,295,596	757,396
Tuition and Fee Waivers	2,668,421	2,536,677
Other Expenditures	1,483,974	1,621,340
TOTAL INCOME FUND EXPENDITURES	<u>\$ 50,157,720</u>	<u>\$ 39,781,174</u>

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF CHANGES IN STATE PROPERTY
FOR THE YEAR ENDED JUNE 30, 2013**

Schedule 6

(In thousands)

	Beginning Balance at June 30, 2012	Additions	Retirements	Reclassifications	Net Transfers (CDB)	Ending Balance at June 30, 2013
Land	\$ 9,611	\$ -	\$ -	\$ -	\$ -	\$ 9,611
Site Improvements	12,197	27	-	-	-	12,224
Buildings and Building Improvements	189,186	761	(2,300)	(527)	1,722	188,842
Equipment	27,285	5,813	(1,646)	-	-	31,452
Capital Lease Assets	779	35	-	-	-	814
Intangible Assets	545	-	-	-	-	545
Library Books	12,013	438	-	-	-	12,451
Construction In-Progress	4,433	3,403	-	527	(972)	7,391
TOTAL	\$ 256,049	\$ 10,477	\$ (3,946)	\$ -	\$ 750	\$ 263,330

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
ANALYSIS OF SIGNIFICANT VARIATIONS IN REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013**

We obtained variance explanations for the following accounts, which had a 20% change and a dollar variance greater than \$100,000. (Certain FY12 amounts were reclassified to conform to the current fiscal year presentation.)

	<u>FY13</u>	<u>FY12</u>	<u>\$ Difference</u>	<u>% Difference</u>
REVENUES				
OTHER OPERATING REVENUES: The main contributors to the declines in Other Operating Revenues include the Chicagoland Regional College Program, down \$459 thousand as program administration was transferred to the Foundation in FY13; Athletics other income was down \$80 thousand mainly due to lower athletic event ticket sales; and Activity Services revenue in IT Support decreased \$360 thousand due to I-Pad recovery project timing differences.	\$ 1,749,899	\$ 2,989,417	\$ (1,239,518)	-41%
EXPENSES				
STUDENT SERVICES: Student services increased by \$1.9 million mainly due to investments made to ramp up the Athletics Programs as a result of becoming a member of the Western Athletic Conference (\$1.5 million). Also, additional costs were incurred in travel expenses due to more preseason games.	\$ 9,510,257	\$ 7,618,595	\$ 1,891,662	25%
	\$ 40,982,998	\$ 31,002,371	\$ 9,980,627	32%
ON-BEHALF STATE FRINGE BENEFITS: The increase in On-behalf State Fringe Benefits (\$10.0 million over last year) is attributed to a number of factors including assumptions about employees' mortality, health care cost trends, future employment and the State of Illinois' efforts to meet their annual contributions to the plan. Since the benefit is managed and funded by the State of Illinois, under generally accepted accounting principles, the expense relating to CSU employees is reflected in the financial statements with an offset to revenue as described below.				
OTHER NON OPERATING REVENUES, EXPENSES, GAINS OR LOSSES				
STATE FRINGE BENEFITS: State fringe benefits revenue increased by \$10 million due to the accounting treatment for fringe benefits provided by the State on behalf of Chicago State University. The revenue increase is a direct correlation to the increase in the On-behalf State Fringe Benefit expense described herein.	\$ 40,982,998	\$ 31,002,371	\$ 9,980,627	32%
FEDERAL NONOPERATING GRANTS: Federal non-operating grants (Pell awards) decreased by \$4.1 million due to the decline of student enrollment qualifying for Federal Pell awards.	\$ 13,676,159	\$ 17,768,711	\$ (4,092,552)	-23%
CAPITAL APPROPRIATIONS AND GRANTS: Capital appropriations revenue decreased by \$1.3 million. This is attributed to the completion of various capital projects during FY12 funded through the Illinois Capital Development Board.	\$ 1,987,662	\$ 3,295,481	\$ (1,307,819)	-40%
GAIN (LOSS) ON DISPOSAL OF CAPITAL ASSETS: During the current fiscal year, the University replaced network switches on campus and received a \$700 thousand trade-in allowance on the old switches.	\$ 405,815	\$ (195,289)	\$ 601,104	-308%

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
COMPARATIVE SCHEDULE OF CASH, TEMPORARY CASH INVESTMENTS,
AND INVESTMENTS - AT MARKET VALUE
AS OF JUNE 30, 2013
(With Comparative Totals as of June 30, 2012)**

	<u>2013</u>	<u>2012</u>
By Depository		
Cash and temporary cash investments:		
Citibank , Chicago, Illinois, Money Market Account	\$ 1,001,458	\$ 1,984,384
Seaway Bank, Chicago, Illinois, Illinois Funds	2	15
Checking accounts:		
Urban Partnership Bank, Chicago, Illinois, Depository Account	157,640	118,311
Urban Partnership Bank, Chicago, Illinois, Checking Account	222,297	187,255
Urban Partnership Bank, Chicago, Illinois, HHS Account	1,711	338
Citibank, Chicago, Illinois, Vendor Disbursement Account	545,267	(31,696)
Citibank, Chicago, Illinois, Student Disbursement Account	222,485	81,457
Citibank, Chicago, Illinois, Various ACH	32,904	6,575
Citibank, Chicago, Illinois, TMS Account	1,789	438
Chase, Chicago, Illinois, Payroll Account	225,273	398,016
The Illinois Funds, Springfield, Illinois, Clearing Fund	4,490,548	1,734,238
Seaway National Bank, Chicago, Illinois, Checking	9,139,546	18,883,627
Highland Community Bank, Chicago, Illinois, Checking	250,000	249,995
Total Cash and Cash Equivalents	<u>\$ 16,290,920</u>	<u>\$ 23,612,953</u>
By Fund		
Unrestricted current funds	\$ 14,383,749	\$ 19,364,609
Restricted current funds	2,234,815	3,074,536
Loan funds	121,276	90,408
Plant Funds	(601,189)	942,830
Agency Funds	152,269	140,570
Total Cash and Cash Equivalents	<u>\$ 16,290,920</u>	<u>\$ 23,612,953</u>

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
ANALYSIS OF SIGNIFICANT VARIATIONS IN ASSET AND LIABILITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2013**

We obtained variance explanations for the following accounts, which had a 20% change and a dollar variance greater than \$100,000.
(Certain FY12 balances were reclassified to conform to the current year presentation.)

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>\$ Difference</u>	<u>% Difference</u>
ASSETS				
	\$ 9,077,133	\$ 16,191,180	\$ (7,114,047)	-44%
CASH AND CASH EQUIVALENTS - UNRESTRICTED: Cash and cash equivalents decreased \$7.1 million mainly due to planned spending of fiscal year 2012 cash reserves during fiscal year 2013. Funds were expended in the following areas: special funding for the athletics program, \$2.4 million; information technology licensing and network switches, \$1.6 million; network infrastructure repair and maintenance, \$1.4 million; new employee hiring in Legal and Labor Affairs, \$400 thousand; and construction of the new baseball field, \$675 thousand.				
LIABILITIES				
	\$ 7,070,696	\$ 5,325,021	\$ 1,745,675	33%
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES: Accounts payable and accrued liabilities increased \$1.7 million compared to last fiscal year, primarily due to costs incurred at year end relating to capital improvements, including an information technology network and hardware upgrades, \$791.4 thousand; infrastructure costs, \$357.3 thousand; Douglas Hall renovations, \$159.5 thousand; Westside Campus feasibility costs, \$96.6 thousand; classroom upgrades, \$77.2 thousand; grant subcontract payments, \$73.3 thousand; and the Great Western Conference for officiating expense, \$45.5 thousand. The remaining \$146 thousand variance is widespread across funds.				

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
ANALYSIS OF SIGNIFICANT LAPSE PERIOD EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2013**

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 (007)</u>			
Awards and Grants	\$ 26,400	\$ 104,400	25%
Payments for awards and grants which were paid locally by 6/30/13 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.			
Financial Assistance Outreach Center	\$ 407,188	\$ 407,188	100%
Payments for awards and grants to the Financial Assistance Outreach Center which were paid locally by 6/30/13 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 (022)</u>			
Pharmacy Practice Education Training	\$ 307,000	\$ 307,000	100%
Payments for contractual services, commodities, travel, and equipment which were paid locally by 6/30/13 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, 2013
(With Comparative Totals as of June 30, 2012)**

Balance Sheet at June 30 of	<u>2013</u>	<u>2012</u>	<u>Change</u>
Accounts Receivable (Net)			
Current Unrestricted Fund	\$ 6,153,197	\$ 7,612,823	\$ (1,459,626)
Current Restricted Fund	4,957,451	3,357,359	1,600,092
Total Accounts Receivable (Net)	<u>\$ 11,110,648</u>	<u>\$ 10,970,182</u>	<u>\$ 140,466</u>
Accounts Receivable - All Funds at Gross	\$ 19,018,377	\$ 18,018,161	\$ 1,000,216
Less: Allowance for Uncollectible Accounts	<u>(7,907,729)</u>	<u>(7,047,979)</u>	<u>(859,750)</u>
Total Accounts Receivable (Net)	<u>\$ 11,110,648</u>	<u>\$ 10,970,182</u>	<u>\$ 140,466</u>
Aging of Current Unrestricted Fund			
Current (less than one year)	\$ 1,690,058	\$ 3,741,264	\$ (2,051,206)
One year past due	2,302,894	2,806,873	(503,979)
Two years past due	2,294,528	2,365,952	(71,424)
Three years past due	2,087,636	1,449,095	638,541
Older than three years past due	<u>5,535,558</u>	<u>4,147,618</u>	<u>1,387,940</u>
Total Current Unrestricted Fund-Gross	13,910,674	14,510,802	(600,128)
Allowance for Uncollectible Accounts	<u>(7,757,477)</u>	<u>(6,897,979)</u>	<u>(859,498)</u>
Balance Sheet - Current Unrestricted Fund (Net)	<u>\$ 6,153,197</u>	<u>\$ 7,612,823</u>	<u>\$ (1,459,626)</u>

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF SOURCES AND APPLICATIONS OF
INDIRECT COST RECOVERIES
FOR THE YEAR ENDED JUNE 30, 2013**

SOURCES:

Direct federal awards	\$ 794,900
State awards (including federal pass through awards)	125,857
Local and private funds (including federal pass through awards)	2,046
Total Sources	<u>922,803</u>

APPLICATIONS:

Compensation and benefits	500,160
Contractual	153,995
Travel	13,519
Commodities	6,854
Equipment	13,321
Other expenses	2,170
Total Applications	<u>690,019</u>

Excess (Deficit) of Sources Over Applications	<u>232,784</u>
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FUND BALANCE, BEGINNING OF YEAR	<u>12,081</u>
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FUND BALANCE, END OF YEAR	<u><u>\$ 244,865</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, 2013**

(expressed in thousands)

Schedule A - Federal Financial Component

Total Federal Expenditures Reported on SEFA schedule	\$ 21,775
Total New Loans made not included on SEFA Schedule	62,962
Amount of Federal Loan Balances at Beginning of the Year (not included on the SEFA schedule and continued compliance is required)	1,677
Other noncash Federal Award Expenditures (not included on SEFA schedule)	-
Total Schedule A	<u>\$ 86,414</u>

Schedule B - Total Financial Component

Total Operating Expenses (From Financial Statements)	\$ 155,367
Total Nonoperating Expenses (From Financial Statements)	803
Total New Loans made	62,962
Amount of Federal Loan Balances at Beginning of the Year	1,677
Other noncash Federal award expenditures	-
Total Schedule B	<u>\$ 220,809</u>

Schedule C

Total Schedule A	\$ 86,414	<u>Percent</u> 39.1%
Total Non-Federal Expenses	<u>\$ 134,395</u>	<u>60.9%</u>
Total Schedule B	<u>\$ 220,809</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, 2013
(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, 2013
(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, 2013
(UNAUDITED)**

Average Number of Employees

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

	<u>2013</u>	<u>2012</u>
Faculty and Staff	914	856
Students	<u>234</u>	<u>260</u>
TOTAL	<u><u>1,148</u></u>	<u><u>1,116</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>2013</u>	<u>2012</u>
Head Count:		
Undergraduate	4,367	4,688
Graduate	<u>1,454</u>	<u>1,574</u>
TOTAL	<u><u>5,821</u></u>	<u><u>6,262</u></u>
Institutional cost per student	<u><u>\$ 9,494</u></u>	<u><u>\$ 7,435</u></u>
Credit Hours:		
Undergraduate	108,056	122,359
Graduate	<u>30,440</u>	<u>32,573</u>
TOTAL	<u><u>138,496</u></u>	<u><u>154,932</u></u>

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

Comparative Enrollment Statistics (Continued)

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

Chicago State University Enrollment Summary '01-13:

<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

Chicago State University Enrollment Demographics - Fall '13

<u>Category</u>	<u>Number</u>	<u>Percent</u>
Full-time	3,590	63.0%
Part-time	2,111	37.0%
Male	1,682	29.5%
Female	4,019	70.5%
Freshman	721	12.6%
Sophomores	701	12.3%
Juniors	1,226	21.5%
Seniors	1,673	29.3%
Other Undergraduates	19	0.3%
Graduates	1,361	23.9%

Credit Hour Production - Entire Academic Year

<u>College</u>	<u>Credit Hours</u>
Pharmacy	12,450
Arts & Science	54,868
Business	14,591
Education	18,403
Nursing	22,095
Special Programs	13,049
Undecided/Undeclared	3,040
TOTAL	138,496

STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2013
(UNAUDITED)

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

	<u>2013</u>		<u>2012</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	\$ 24,630,199	\$ 2,528	\$ 18,512,226	\$ 1,701
Indirect instruction	754,118	78	3,300,850	303
Departmental research	512,726	53	1,075,149	99
Departmental overheads	3,830,629	393	1,454,088	134
College or school overheads	7,856,044	806	1,602,208	147
Subtotal of Department and College Cost	<u>37,583,716</u>	<u>3,858</u>	<u>25,944,521</u>	<u>2,384</u>
Overhead support unique to college costs	3,208,398	329	3,303,373	303
All other academic support	9,099,373	934	7,562,701	695
Student services	5,992,559	615	5,319,031	489
Institutional support	6,929,308	711	13,849,303	1,273
Subtotal of Department and College Costs with University Overheads	<u>62,813,354</u>	<u>6,447</u>	<u>55,978,929</u>	<u>5,144</u>
Operation and maintenance of physical plant	<u>14,426,886</u>	<u>1,481</u>	<u>14,199,891</u>	<u>1,305</u>
TOTAL OF ALL COSTS	<u><u>\$ 77,240,240</u></u>	<u><u>\$ 7,928</u></u>	<u><u>\$ 70,178,820</u></u>	<u><u>\$ 6,449</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, 2013**

EMERGENCY PURCHASES (Unaudited)

The University made the following emergency purchases during FY13:

- Purchase of telephone service maintenance (2 emergency purchases). The University was without a vendor to provide support for its telephone and adjunct systems that enable communication internally and externally (\$221,125).
- Purchase of NCAA basic group accident and medical insurance coverage for student athletes which was necessary to continue operation of the University's intercollegiate athletics program (\$79,100).

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 13 the bookstore had gross revenue of \$1,860,246 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, 2013
(UNAUDITED)**

SCHEDULE OF DEGREES CONFERRED

The University conferred degrees during the years ended June 30, 2013 and 2012 as follows:

	<u>2013</u>	<u>2012*</u>
Bachelors Degrees	720	744
Post-Baccalaureate Certificates	-	-
Masters Degrees	253	227
Doctoral	5	3
Professional (Pharm D)	77	68
Total Degrees conferred	<u>1,055</u>	<u>1,042</u>

* - Fiscal year 2012 number reported in the prior year was incorrect as the degrees conferred reported included teaching certificates. The above numbers have been corrected.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

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)	324	\$ 1,358.1	10	\$ 8.9
General Assembly	7	39.7	7	2.5
ROTC	48	132.8	-	-
DCFS	3	22.9	3	6.4
Children of Employees	29	88.7	-	-
Senior Citizens	6	7.7	-	-
Illinois Veterans Grants (IVG)	183	806.1	-	-
Illinois National Guard	29	162.1	-	-
Prisoners of War/MIA	19	98.1	-	-
<u>DISCRETIONARY WAIVERS</u>				
(SUBTOTAL)	184	\$ 781.3	60	\$ 50.0
Civil Service	61	140.0	60	50.0
Academic/Other Talent	5	18.1	-	-
Athletic	20	252.3	-	-
Gender Equity in Intercollegiate Athletics	23	253.9	-	-
Student Need - Special Programs	75	117.0	-	-
TOTAL	<u>508</u>	<u>\$ 2,139.4</u>	<u>70</u>	<u>\$ 58.9</u>

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

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>19</u>	<u>\$ 103.6</u>	<u>19</u>	<u>\$ 18.9</u>
Teacher/Special Education	16	70.5	16	17.9
General Assembly	3	33.1	3	1.0
<u>DISCRETIONARY WAIVERS</u>				
(SUBTOTAL)	<u>128</u>	<u>\$ 288.5</u>	<u>89</u>	<u>\$ 59.1</u>
Faculty/Administrators (non-civil service)	39	81.6	39	29.8
Civil Service	37	77.8	37	22.8
Cooperating Professionals	13	13.2	13	6.5
Teaching Assistants	39	115.9	-	-
TOTAL	<u><u>147</u></u>	<u><u>\$ 392.1</u></u>	<u><u>108</u></u>	<u><u>\$ 78.0</u></u>

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES
UNIVERSITY REPORTING IN ACCORDANCE WITH UNIVERSITY GUIDELINES
FOR THE YEAR ENDED JUNE 30, 2013
(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 4-6 and 46-47 of our financial audit report and pages 10-17 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, 2013 regarding subsidies between accounting entities. See finding 2013-013.

INDIRECT COST REIMBURSEMENTS

- (b) Refer to page 65 of this report for the sources and applications of indirect cost reimbursements for the year ended June 30, 2013.
- (c) Refer to page 79 of this report for calculation of allowable indirect cost carryforward and required remittances to the Income Fund.

TUITION CHARGES AND FEES

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

AUXILIARY ENTERPRISES, ACTIVITIES AND ACCOUNTING ENTITIES

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

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

Auxiliary Enterprises:

University Facilities System Revenue Bond Fund:

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

Parking Facilities:

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

Health Services:

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

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES
UNIVERSITY REPORTING IN ACCORDANCE WITH UNIVERSITY GUIDELINES
FOR THE YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

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 81-84 of this report for financial statements of each accounting entity.
- (g) Refer to page 80 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 42 of the financial audit report.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES
UNIVERSITY REPORTING IN ACCORDANCE WITH UNIVERSITY GUIDELINES
FOR THE YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

- (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 85 of this report.
- (n) The University provided funds (primarily in the form of services) of approximately \$584,355 to the Foundation for the year ended June 30, 2013.
- (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 2013-013)
- (p) There is no debt financing provided by the Foundation.

OTHER TOPICS

- (q) Refer to page 61 for the Schedule of Cash, Temporary Cash Investments, and Investments as of June 30, 2013.
- (r) Income from the investment of pooled funds is regularly allocated and credited to the original sources of the funds.
- (s) Refer to pages 69-71 for student enrollment and cost statistics.
- (t) Neither the University or the Foundation has purchased any real estate during the year ended June 30, 2013.
- (u) There are no certificates of participation (COPS) or participation in lease or purchase arrangements involving COPS for the year ended June 30, 2013.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES
FOR THE YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

**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	\$ 437,469
Allowable Indirect Cost Carryforward	
Indirect cost reimbursements allocated for expenditure for the fiscal year completed (\$750,000 @ 30%)	225,000
Unallocated Reimbursements - the lesser of actual unallocated indirect cost reimbursement or 10% of total indirect cost allocations.	75,000
Encumbrances and Current Liabilities	<u>22,170</u>
Total Allowable Indirect Cost Carryforward (Sum of Lines 2, 3 and 4)	<u>322,170</u>
AMOUNT TO BE REMITTED TO THE INCOME FUND	<u><u>115,299</u></u>

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES
FOR THE YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

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

	<u>AUXILIARY ENTERPRISES</u>				<u>ACTIVITIES</u>				
	<u>Bond Revenue</u>	<u>Parking</u>	<u>Student Health</u>	<u>Total Auxiliary Enterprises</u>	<u>Public Services</u>	<u>Activity Services</u>	<u>Student Activities</u>	<u>Continuing Education</u>	<u>Total Activities</u>
1. Current available funds									
Add:									
Cash and cash equivalents	\$ 3,207,010	\$ 940,270	\$ 81,875	\$ 4,229,155	\$ 1,048,167	\$ 2,912,903	\$ (2,162,876)	\$ 622,403	\$ 2,420,597
Total current available funds	A. 3,207,010	940,270	81,875	4,229,155	1,048,167	2,912,903	(2,162,876)	622,403	2,420,597
2. Working capital allowance									
Add:									
Highest month's expenditures	995,314	226,865	50,340	1,272,519	75,487	601,660	757,724	11,136	1,446,007
Encumbrances and current liabilities paid in lapse period	367,576	258,595	7,132	633,303	22,273	295,849	258,780	7,121	584,023
Deferred income / Refundable deposits	28,257	2,935	4,877	36,069	-	42,401	26,729	-	69,130
Allowance for sick leave / vacation payouts	96,767	38,236	42,343	177,346	12,727	66,276	28,290	1,446	108,739
Working capital allowance	B. 1,487,914	526,631	104,692	2,119,237	110,487	1,006,186	1,071,523	19,703	2,207,899
3. Current excess funds:									
Deduct B from A and enter here	C. \$ 1,719,096	\$ 413,639	\$ (22,817)	2,109,918	\$ 937,680	\$ 1,906,717	\$ (3,234,399)	\$ 602,700	212,698
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. (2,012,130)	(158,599)	-	(2,170,729)	(1,982)	(208,389)	(6,056)	(573)	(217,000)
Enter the algebraic sum of C and D and remit the amount due, if any for deposit in the Income Fund				\$ (60,811)					\$ (4,302)

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

STATE OF ILLINOIS
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SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES
AS OF JUNE 30, 2013
(UNAUDITED)

BALANCE SHEETS - ENTITIES

(With Comparative Totals as of June 30, 2012)

	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	2013	2012
CURRENT UNRESTRICTED FUND									
ASSETS:									
Cash and cash equivalents	\$ 3,547,020	\$ 940,270	\$ 81,875	\$ 1,048,167	\$ 2,912,903	\$ -	\$ 622,403	\$ 9,152,638	\$ 11,032,639
Accounts receivable, net	27,964	217	186,118	11,525	250,331	358,226	-	834,381	664,151
Prepaid expenses	-	100	11,611	-	73,751	7,997	-	93,459	44,453
Other assets	-	-	-	-	-	-	-	-	134,134
Inventories	-	-	-	-	40,945	-	-	40,945	42,976
TOTAL ASSETS	\$ 3,574,984	\$ 940,587	\$ 279,604	\$ 1,059,692	\$ 3,277,930	\$ 366,223	\$ 622,403	\$ 10,121,423	\$ 11,918,353
CURRENT UNRESTRICTED FUND									
LIABILITIES AND FUND BALANCE:									
Bank overdraft	\$ 340,010	\$ -	\$ -	\$ -	\$ -	\$ 2,162,876	\$ -	\$ 2,502,886	\$ 1,391,270
Accounts payable	252,348	87,797	2,119	20,952	106,988	120,224	6,657	597,085	492,523
Deferred revenue	28,257	2,935	4,877	-	42,401	26,729	-	105,199	45,508
Accrued compensated absences	96,767	38,236	42,343	12,727	66,276	28,290	1,446	286,085	240,530
Fund balances (deficit), unrestricted	2,857,602	811,619	230,265	1,026,013	3,062,265	(1,971,896)	614,300	6,630,168	9,748,522
TOTAL LIABILITIES AND FUND BALANCE	\$ 3,574,984	\$ 940,587	\$ 279,604	\$ 1,059,692	\$ 3,277,930	\$ 366,223	\$ 622,403	\$ 10,121,423	\$ 11,918,353
PLANT FUNDS ASSETS:									
Cash and cash equivalents	\$ 2	\$ -	\$ -	\$ -	\$ 83,157	\$ 54,849	\$ -	\$ 138,008	\$ 424,046
Investment in plant:									
Buildings & Improvements	25,710,978	929,741	-	1,908	124,461	87,740	274	26,855,102	26,342,481
Furniture and equipment	196,405	541,457	115,671	59,653	6,272,899	182,300	17,264	7,385,649	6,507,939
TOTAL ASSETS	\$ 25,907,385	\$ 1,471,198	\$ 115,671	\$ 61,561	\$ 6,480,517	\$ 324,889	\$ 17,538	\$ 34,378,759	\$ 33,274,466
PLANT FUNDS LIABILITIES AND FUND BALANCE:									
Bank overdraft	\$ 1,115,512	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,115,512	\$ -
Accounts payable	67,143	-	-	-	-	-	-	67,143	71,053
Bond payable	15,370,000	-	-	-	-	-	-	15,370,000	16,390,000
Premium on bonds	235,792	-	-	-	-	-	-	235,792	258,249
Fund balances:	9,118,938	1,471,198	115,671	61,561	6,480,517	324,889	17,538	17,590,312	16,555,164
TOTAL LIABILITIES AND FUND BALANCE	\$ 25,907,385	\$ 1,471,198	\$ 115,671	\$ 61,561	\$ 6,480,517	\$ 324,889	\$ 17,538	\$ 34,378,759	\$ 33,274,466

STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES
FOR THE YEAR ENDED JUNE 30, 2013
(UNAUDITED)

STATEMENT OF REVENUES, EXPENDITURES AND TRANSFERS
CURRENT UNRESTRICTED FUNDS

(with comparative totals for the Year Ended June 30, 2012)

	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	2013	2012
REVENUES:									
Operating	\$ 2,903,067	\$ 1,107,650	\$ 65,809	\$ 248,907	\$ 1,558,589	\$ 603,621	\$ 3,704	\$ 6,491,347	\$ 7,579,150
Student fees	1,984,333	-	366,286	3,668	2,648,972	2,004,031	-	7,007,290	7,783,767
Other	-	425	-	15,095	196,278	426	-	212,224	318,151
TOTAL REVENUES	<u>4,887,400</u>	<u>1,108,075</u>	<u>432,095</u>	<u>267,670</u>	<u>4,403,839</u>	<u>2,608,078</u>	<u>3,704</u>	<u>13,710,861</u>	<u>15,681,068</u>
EXPENDITURES:									
Cost of sales	-	-	-	-	314,070	-	-	314,070	299,594
Personal services	1,068,612	718,706	383,337	251,190	1,587,844	1,197,182	36,262	5,243,133	4,947,285
Expended for plant	456,976	76,281	2,261	-	167,002	102,687	1,120	806,327	668,242
Commodities	96,260	59,593	20,334	14,331	280,877	397,359	13,324	882,078	1,046,520
Contractual services	1,770,896	155,721	26,961	33,034	853,025	1,123,692	-	3,963,329	3,311,706
Other (travel, telecommunications)	82,803	152,754	1,310	4,275	135,004	443,058	-	819,204	794,113
TOTAL EXPENDITURES	<u>3,475,547</u>	<u>1,163,055</u>	<u>434,203</u>	<u>302,830</u>	<u>3,337,822</u>	<u>3,263,978</u>	<u>50,706</u>	<u>12,028,141</u>	<u>11,067,460</u>
TRANSFERS OUT:									
Transfer out	447,543	594,748	-	-	3,758,783	-	-	4,801,074	2,009,880
Total Transfers Out	<u>447,543</u>	<u>594,748</u>	<u>-</u>	<u>-</u>	<u>3,758,783</u>	<u>-</u>	<u>-</u>	<u>4,801,074</u>	<u>2,009,880</u>
TOTAL EXPENDITURES AND TRANSFERS OUT	<u>3,923,090</u>	<u>1,757,803</u>	<u>434,203</u>	<u>302,830</u>	<u>7,096,605</u>	<u>3,263,978</u>	<u>50,706</u>	<u>16,829,215</u>	<u>13,077,340</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND TRANSFERS OUT	<u>\$ 964,310</u>	<u>\$ (649,728)</u>	<u>\$ (2,108)</u>	<u>\$ (35,160)</u>	<u>\$ (2,692,766)</u>	<u>\$ (655,900)</u>	<u>\$ (47,002)</u>	<u>\$ (3,118,354)</u>	<u>\$ 2,603,728</u>

STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES
FOR THE YEAR ENDED JUNE 30, 2013
(UNAUDITED)

STATEMENT OF CHANGES IN FUND BALANCES
CURRENT UNRESTRICTED FUNDS

(With Comparative Totals for the Year Ended June 30, 2012)

	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	2013	2012
REVENUES	\$ 4,887,400	\$ 1,108,075	\$ 432,095	\$ 267,670	\$ 4,403,839	\$ 2,608,078	\$ 3,704	\$ 13,710,861	\$ 15,681,068
EXPENDITURES:									
Educational and general	-	-	434,203	302,830	3,337,822	3,263,978	50,706	7,389,539	6,880,235
Auxiliary enterprise	3,475,547	1,163,055	-	-	-	-	-	4,638,602	4,187,225
Total Expenditures	<u>3,475,547</u>	<u>1,163,055</u>	<u>434,203</u>	<u>302,830</u>	<u>3,337,822</u>	<u>3,263,978</u>	<u>50,706</u>	<u>12,028,141</u>	<u>11,067,460</u>
TRANSFERS:									
Transfer out	(447,543)	(594,748)	-	-	(3,758,783)	-	-	(4,801,074)	(2,009,880)
Total Transfers Out	<u>(447,543)</u>	<u>(594,748)</u>	<u>-</u>	<u>-</u>	<u>(3,758,783)</u>	<u>-</u>	<u>-</u>	<u>(4,801,074)</u>	<u>(2,009,880)</u>
Net Increase (Decrease) in Fund Balance	964,310	(649,728)	(2,108)	(35,160)	(2,692,766)	(655,900)	(47,002)	(3,118,354)	2,603,728
Fund Balance (Deficit), Beginning of Year	<u>1,893,292</u>	<u>1,461,347</u>	<u>232,373</u>	<u>1,061,173</u>	<u>5,755,031</u>	<u>(1,315,996)</u>	<u>661,302</u>	<u>9,748,522</u>	<u>7,144,794</u>
FUND BALANCE (DEFICIT) END 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>

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SPECIAL DATA REQUIREMENTS FOR THE AUDITS OF UNIVERSITIES
FOR THE YEAR ENDED JUNE 30, 2013
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**STATEMENT OF CHANGES IN FUND BALANCES
PLANT FUNDS**

(With Comparative totals for the Year Ended June 30, 2012)

	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	2013	2012
REVENUES AND OTHER ADDITIONS:									
Interest Income	\$ 82	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 82	\$ 40
Expended for plant	456,977	76,281	2,261	-	167,001	102,687	1,120	806,327	670,143
Retirement of debt	1,020,000	-	-	-	-	-	-	1,020,000	975,000
Total Revenues and Other Additions	<u>1,477,059</u>	<u>76,281</u>	<u>2,261</u>	<u>-</u>	<u>167,001</u>	<u>102,687</u>	<u>1,120</u>	<u>1,826,409</u>	<u>1,645,183</u>
EXPENDITURES AND OTHER DEDUCTIONS:									
Principal and interest on debt	1,822,809	-	-	-	-	-	-	1,822,809	1,823,663
Property disposals and net transfers of equipment	4,427,240	411,592	(113,410)	189,518	(5,535,841)	53,040	(16,144)	(584,005)	-
Total Expenditures and Other Deductions	<u>6,250,049</u>	<u>411,592</u>	<u>(113,410)</u>	<u>189,518</u>	<u>(5,535,841)</u>	<u>53,040</u>	<u>(16,144)</u>	<u>1,238,804</u>	<u>1,823,663</u>
TRANSFERS IN:									
Transfer in	447,543	-	-	-	-	-	-	447,543	2,009,880
Total Transfers In	<u>447,543</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>447,543</u>	<u>2,009,880</u>
Net Increase (Decrease) in Fund Balance	(4,325,447)	(335,311)	115,671	(189,518)	5,702,842	49,647	17,264	1,035,148	1,831,400
Fund Balance, Beginning of Year	<u>13,444,385</u>	<u>1,806,509</u>	<u>-</u>	<u>251,079</u>	<u>777,675</u>	<u>275,242</u>	<u>274</u>	<u>16,555,164</u>	<u>14,723,764</u>
FUND BALANCE, END 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>

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
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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 11 - "Related Party Transactions" of the University's financial statements. During the current fiscal year, the University provided administrative support services valued at \$584,355 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	\$ 233,102
Restricted Only as to College or Department	<u>385,366</u>
Total Funds Considered Unrestricted	<u>618,468</u>

Expenditures Considered Restricted for
Purposes of the Guideline Computations:

Given for Scholarships	<u>320,235</u>
Total Funds Considered Restricted	<u>320,235</u>

**TOTAL FUNDS PROVIDED BY THE FOUNDATION
TO SUPPORT THE UNIVERSITY**

\$ 938,703