

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY**

**COMPLIANCE EXAMINATION
(In Accordance with the Single Audit Act and
Applicable Federal Regulations)
FOR THE YEAR ENDED JUNE 30, 2016**

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 Applicable Federal Regulations)
For the Year Ended June 30, 2016**

Table of Contents

	Page
University Officials	1
Management Assertion Letter	2
Compliance Report:	
Summary	3
Independent Accountant’s Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes	6
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	10
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 the Uniform Guidance	12
Schedule of Findings and Questioned Costs	
Summary of Auditor’s Results	16
Current Findings - <i>Government Auditing Standards</i>	17
Current Findings - Federal Compliance	21
Current Findings - State Compliance	36
Prior Findings Not Repeated	46

Financial Statement Report:

The University’s financial statement report for the year ended June 30, 2016, which includes the independent auditor’s report, management’s discussion and analysis, financial statements and notes, required supplementary information, supplementary information, and the independent auditor’s report on internal control over financial reporting and on compliance and other matters based on an audit of 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 Applicable Federal Regulations)
For the Year Ended June 30, 2016

Table of Contents (Continued)

	Schedule	Page
Supplementary Information for State Compliance Purposes:		
Summary.....		48
Fiscal Schedules and Analysis:		
Schedule of Expenditures of Federal Awards.....	1	50
Notes to the Schedule of Expenditures of Federal Awards.....	1	54
Schedule of Net Appropriations, Expenditures and Lapsed Balances		
Fiscal Year 2016.....	2	55
Comparative Schedule of Net Appropriations, Expenditures and		
Lapsed Balances.....	3	56
Comparative Schedule of Income Fund Revenues and		
Expenditures.....	4	57
Schedule of Changes in State Property.....	5	58
Schedule of Cash Receipts (Treasury Held Fund).....	6	59
Reconciliation Schedule of Cash Receipts to Deposits Remitted		
to the State Comptroller.....	7	59
Analysis of Significant Variations in Revenues and Expenses.....	8	60
Comparative Schedule of Cash, Temporary Cash Investments, and		
Investments - at Market Value.....	9	63
Analysis of Significant Variations in Account Balances.....	10	64
Analysis of Significant Lapse Period Spending.....	11	66
Analysis of Accounts Receivable.....	12	67
Schedule of Sources and Applications of Indirect Cost Recoveries.....	13	68
Schedule of Federal Expenditures, Nonfederal Expenses and		
New Loans.....	14	69
Analysis of Operations (Unaudited):		
University Functions and Planning Program (Unaudited).....		70
Budget Impasse Disclosures (Unaudited).....		72
Alternative Financing in Lieu of Appropriations and Programs to		
Address Untimely Payments to Vendors (Unaudited).....		72
Interest Costs on Fiscal Year 2016 Invoices (Unaudited).....		72
Average Number of Employees (Unaudited).....		73
Comparative Enrollment Statistics (Unaudited).....		73
Comparative Schedule of Unrestricted Current Fund Expenditures		
per Full-Time Equivalent Students (Unaudited).....		75
Emergency Purchases (Unaudited).....		76

**State of Illinois
Chicago State University
Compliance Examination
(In Accordance with the Single Audit Act and Applicable Federal Regulations)
For the Year Ended June 30, 2016**

Table of Contents (Continued)

	Schedule	Page
Supplementary Information for State Compliance Purposes: (Continued)		
Analysis of Operations (Unaudited):		
Illinois First Projects (Unaudited).....		76
Bookstore Information (Unaudited).....		76
Schedule of Degrees Conferred (Unaudited).....		77
Schedule of Tuition and Fee Waivers (Unaudited).....		78
Special Data Requirements for Audits of Universities (Unaudited):		
University Reporting in Accordance with University Guidelines (Unaudited).....		79
Auxiliary Facilities, Activities, and Accounting Entities (Unaudited).....		82
Schedule of Indirect Cost Funds to be Deposited into the University Income Fund as Required by 1982 University Guidelines (As Amended 1997) (Unaudited).....		84
Schedule of Excess Funds Calculation by Entity as Required by 1982 University Guidelines (As Amended 1997) (Unaudited).....		85
Entities Financial Statements (Unaudited):.....		
Balance Sheets (Unaudited).....		86
Statement of Revenues, Expenditures and Transfers - Current Unrestricted Funds (Unaudited).....		87
Statement of Changes in Fund Balances - Current Unrestricted Funds (Unaudited).....		88
Statement of Changes in Fund Balances - Plant Funds (Unaudited).....		89
Summary of Foundation Cash Support to the University (Unaudited).....		90

**State of Illinois
Chicago State University
Compliance Examination
For the Year Ended June 30, 2016**

University Officials

Interim President	Mr. Cecil B. Lucy, JD, MBA, CPA (09/16/16 to Present)
President	Dr. Thomas J. Calhoun, Jr. (01/01/16 to 09/15/16)
President Emeritus	Dr. Wayne Watson (12/31/15 to 06/30/16)
President	Dr. Wayne Watson (10/01/09 to 12/30/15)
Provost and Senior V.P. for Academic Affairs	Dr. Angela M. Henderson
Vice President and General Counsel	Mr. Patrick B. Cage, Esq.
Acting V.P. of Administration and Finance	Mr. Larry D. Owens, CPA (11/01/16 to Present)
Interim V.P. of Administration and Finance	Mr. Cecil B. Lucy, JD, MBA, CPA (10/01/15 to 10/31/16)
V.P. of Administration and Finance	Mr. Lawrence A. Pinkleton (04/01/15 to 09/30/15)
Associate V.P. of Administration and Finance	Ms. Maricela Aranda
Interim Executive Director/Controller	Mr. Larry D. Owens, CPA (06/13/16 to Present)
Executive Director/Controller	Mr. Raul Garcia, CPA, MBA (08/16/13 to 06/15/16)
Director of Accounting/Assistant Controller	Ms. Louise Williams, CPA (12/16/14 to 04/30/16)
Chief Internal Auditor	Mr. Michael N. Mayo, CPA

University offices are located at:

9501 South Martin Luther King Drive
Chicago, Illinois 60628

Cecil B. Lucy, JD, MBA, CPA
Interim President
Office of the President

9501 S. King Drive/ADM-313
Chicago, IL 60628
T 773.995.2400
F 773.995.3849

March 20, 2017

E. C. Ortiz & Co., LLP
333 S. Des Plaines Street, Suite 2-N
Chicago, Illinois 60661

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Chicago State University (University). We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the University's compliance with the following assertions during the year ended June 30, 2016. Based on this evaluation, we assert that during the year ended June 30, 2016, the University has materially complied with the assertions below

- A. The 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. The 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. The 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 the 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 the 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

SIGNED ORIGINAL ON FILE

SIGNED ORIGINAL ON FILE

SIGNED ORIGINAL ON FILE

Cecil Lucy
Interim President

Larry Owens
Acting V.P. of Administration and Finance

Patrick Cage
General Counsel

**State of Illinois
Chicago State University
Compliance Examination
For the Year Ended June 30, 2016**

Compliance Report

Summary

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

Accountant's Report

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

Summary of Findings

Number of	Current Report	Prior Report
Findings	15	15
Repeated findings	10	7
Prior recommendations implemented or not repeated	5	13

Schedule of Findings and Questioned Costs

Item No.	Page	Description	Finding Type
FINDINGS (GOVERNMENT AUDITING STANDARDS)			
2016-001	17	Inaccurate Accounting of Accrued Compensated Absences	Significant Deficiency and Noncompliance
2016-002	19	Improper Accounting of Unearned Revenue and Grant Receivables	Significant Deficiency and Noncompliance
FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE)			
2016-003	21	Federal Perkins Loan Cohort Default Rate Too High	Noncompliance and Significant Deficiency
2016-004	23	Inadequate Controls over Preparation of an Accurate Schedule of Expenditures of Federal Awards	Noncompliance and Significant Deficiency

**State of Illinois
Chicago State University
Compliance Examination
For the Year Ended June 30, 2016**

Schedule of Findings and Questioned Costs (Continued)

FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE)

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
2016-005	25	Lack of Adherence to Controls and Noncompliance with Requirements Applicable to the Research and Development Cluster	Noncompliance and Significant Deficiency
2016-006	28	Lack of Adherence to Controls and Noncompliance with Requirements Applicable to the Higher Education Institutional Aid Program	Noncompliance and Significant Deficiency
2016-007	30	Failure to Fully Comply with the Requirements Related to Establishment of Written Policies and Procedures for Verification of Student Aid Application Information	Noncompliance and Significant Deficiency
2016-008	32	Noncompliance with Earmarking Requirements Applicable to TRIO Cluster Program	Noncompliance and Significant Deficiency
2016-009	34	Untimely Reporting to National Student Loan Data Systems	Noncompliance and Significant Deficiency

FINDINGS (STATE COMPLIANCE)

2016-010	36	Inadequate Controls over Contractual Services Expenditures	Noncompliance and Significant Deficiency
2016-011	38	Subsidies Between Accounting Entities	Noncompliance and Significant Deficiency
2016-012	39	Noncompliance with Illinois State Collection Act	Noncompliance and Significant Deficiency
2016-013	40	Voucher Processing Errors	Noncompliance and Significant Deficiency
2016-014	42	Internal Audit	Noncompliance and Significant Deficiency
2016-015	44	Inadequate Controls over Personal Services	Noncompliance and Significant Deficiency

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

2016-001	17	Inaccurate Accounting of Accrued Compensated Absences	Noncompliance and Significant Deficiency
2016-002	19	Improper Accounting of Unearned Revenue and Grant Receivables	Noncompliance and Significant Deficiency

**State of Illinois
Chicago State University
Compliance Examination
For the Year Ended June 30, 2016**

Schedule of Findings and Questioned Costs (Continued)

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
PRIOR FINDINGS NOT REPEATED			
A	46	Inadequate Controls over Student Verification	
B	46	Institutional and Financial Assistance Information Disclosed to Students	
C	46	Inadequate Controls over Property and Equipment	
D	46	Noncompliance with Campus Security Enhancement Act of 2008	
E	47	Hiring of New Employees	

Exit Conference

The University waived having an exit conference in a letter dated March 14, 2017 from Mr. Larry Owens, Acting V.P. of Administration and Finance.

Responses to the recommendations were provided by Ms. Deidre Cato-Baker, Director of Judicial Affairs/Compliance, in letters dated March 16, 2017 and March 17, 2017.



**Independent Accountant's Report on State Compliance,
on Internal Control Over Compliance, and on
Supplementary Information for State Compliance Purposes**

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

The Board of Trustees
Chicago State University

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the Chicago State University's (University) 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, 2016. The management of the University is responsible for compliance with these requirements. Our responsibility is to express an opinion on the University's compliance based on our examination.

- A. The 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. The 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. The 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 the 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 the 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.

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 the 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 the University's compliance with specified requirements.

In our opinion, the University complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the year ended June 30, 2016. However, the results of our procedures disclosed instances of noncompliance with the requirements, 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 items 2016-001 through 2016-002 and 2016-010 through 2016-015.

Internal Control

Management of the 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 the 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 the University's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 items 2016-001 through 2016-002 and 2016-010 through 2016-015, 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.

The 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 the 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 the University and its aggregate discretely presented component units as of and for the year ended June 30, 2016, and have issued our report thereon dated March 17, 2017, which contained unmodified opinions on those financial statements. Our report included reference to other auditors who audited the financial statements of the University's discretely presented component units and whose report had been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units was based solely on the report of the other auditors. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to March 17, 2017. The accompanying supplementary information for the year ended June 30, 2016 in Schedules 1 through 14 is presented for the purposes of additional analysis and is not a required part of the basic financial statements of the 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, 2016 in Schedules 1 through 14 has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the year ended June 30, 2016 in Schedules 1 through 14 is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2016.

Other auditors previously audited, in accordance with auditing standards generally accepted in the United States of America, the University's basic financial statements as of and for the year ended June 30, 2015 (not presented herein). In their report dated December 4, 2015, they expressed unmodified opinions on the financial statements of the business-type activities. In their opinion, the June 30, 2015 Supplementary Information for State Compliance Purposes, except for the portion marked "unaudited" is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2015, taken as a whole.

The accompanying supplementary information in the Analysis of Operations Section is presented for the purposes 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 and the University's 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.

SIGNED ORIGINAL ON FILE

Chicago, Illinois

March 20, 2017, except for our report on the Supplementary Information for State Compliance Purposes, as to which the date is March 17, 2017.



**Independent Auditor's 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 Frank J. Mautino
Auditor General
State of Illinois

and

The 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 (University) and its aggregate discretely presented component units, collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated March 17, 2017. Our report includes a reference to other auditors who audited the financial statements of the University's discretely presented component units, 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 those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 University's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as items 2016-001 and 2016-002 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

University's Responses to the Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Chicago, Illinois
March 17, 2017



E.C. ORTIZ & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS

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 the Uniform Guidance

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

The Board of Trustees
Chicago State University

Report on Compliance for Each Major Federal Program

We have audited the Chicago State University's (University) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2016. The 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 University for financial statement purposes.

We did not audit the University's compliance with the requirements governing the repayments special test and provision compliance requirement in accordance with the requirements of the Student Financial Assistance Cluster: Federal Perkins Loans as described in *OMB Compliance Supplement*. Those requirements govern functions performed by Heartland ECSI. 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. Heartland ECSI's compliance with the requirements governing the functions that it performs for the University for the year ended June 30, 2016 was examined by the accountants for the servicer in accordance with U.S. Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institutions Servicers*. Our report does not include the results of the accountants' for the servicer examination of Heartland ECSI's compliance with such requirements.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the 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 the University's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2016-003 through 2016-009. Our opinion on each major federal program is not modified with respect to these matters.

The University's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The 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 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 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 the Uniform Guidance, 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 University's internal control over compliance.

Requirements governing the repayments special tests and provisions compliance requirement in accordance with the requirements of the Student Financial Assistance Cluster: Federal Perkins Loans as described in *OMB Compliance Supplement* are performed by Heartland ECSI. Internal control over compliance related to such functions for the year ended June 30, 2016 was examined by the accountants for the servicer in accordance with the U.S. Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institutions Servicers*. Our report does not include the results of the accountants' for the servicer examination of Heartland ECSI's 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 2016-003 through 2016-009 that we consider to be significant deficiencies.

The 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. The 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities of the University and its discretely presented component units as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated March 17, 2017, which contained unmodified opinions on those financial statements. Our report includes a reference to other auditors who audited the financial statements of the University's discretely presented component units, 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 March 17, 2017. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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.

SIGNED ORIGINAL ON FILE

Chicago, Illinois

March 20, 2017, except for our report on the Schedule of Expenditures of Federal Awards, as to which the date is March 17, 2017.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

Current Findings - *Government Auditing Standards*

2016-001 - Inaccurate Accounting of Accrued Compensated Absences

The Chicago State University (University) did not properly account for accrued compensated absences.

We obtained the University's schedule of accrued compensated absences and selected a sample of 40 employees in order to test the accuracy of the accrual. Our testing noted 6 of 40 (15%) employees (1 coach and 5 grant funded employees) were not eligible for vested accrued leave but were included on the accrued leave schedule. Further testing revealed that an additional 5 coaches and 18 grant employees were included in the list. Total accrued compensated absences reported on the University's financial statements for all of the employees improperly included in the accrued compensated absences schedule totaled \$150,759. A proposed adjustment for this amount was not recorded by the University.

The University's Board of Trustees Regulations (BOT Regulations) Section II. B. 6. i. states that the coaches shall be entitled to non-cumulative vacation leave of 2 days per month for each month in the term of appointment. This vacation leave shall be used during the term of appointment, and there shall be no lump sum payment or other benefit provided to such coaches for unused vacation leave at the end of their term of appointment. BOT Regulations II. B. 6. b. (5) (b) also states employees who are hired pursuant to grant funding shall not be entitled to a lump sum payment for accrued vacation leave.

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

University management stated, subsequent to being alerted to this situation in the prior audit, a system was implemented in which the Office of Human Resources and Finance/Administration departments would coordinate review of the accrued compensated absences schedule. While that process was indeed followed in Fiscal Year 2016, the final review didn't include all of the proper personnel. As such, some employees that should not have accrued leave were included on the final schedule.

Failure to properly account for accrued leave may cause errors in compensation to employees and may result in inaccurate financial statements. (Finding Code No. 2016-001, 2015-001, 2014-002, 2013-001, 12-2, 11-3)

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

Current Findings - *Government Auditing Standards* (Continued)

2016-001 - Inaccurate Accounting of Accrued Compensated Absences (Continued)

Recommendation

We recommend the University improve its processes to account for accrued leave to ensure records and reporting are accurate.

University Response

The University agrees with the finding and has taken steps to further improve the process. We identified a single point of accountability in the Finance/Administration area who, with consultation from a Human Resource representative, will be responsible for ensuring that the final compensated absences listing doesn't include grant dedicated staff, excludable coaches or any other ineligible employees.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

Current Findings - *Government Auditing Standards* (Continued)

2016-002 - Improper Accounting of Unearned Revenue and Grant Receivables

The Chicago State University (University) did not properly account for its unearned revenue and grant receivables.

During our review of the University's financial statements as of June 30, 2016, we noted the following:

- The balance of unearned revenue and grant receivables in relation to the Douglas Hall renovation project from the Capital Development Board was overstated by \$727,134. It was also noted during the audit that other smaller grants had unearned revenue and grant receivable balances that were overstated by \$101,279. A proposed adjustment for these errors was not recorded by the University.
- Federal, state and private grants and contracts receivable details included credit balances totaling \$196,270 that should have been adjusted or reclassified to other accounts such as unearned revenue for advance payments from both federal and private grants (\$154,044); prepaid expenses (\$3,955); accounts payable (\$8,929); grant revenue or expenses (\$29,323); and, allowance for doubtful accounts (\$19). A proposed adjustment for these errors was not recorded by the University.

Generally accepted accounting principles (GAAP) requires the recognition of a liability for revenues received in advance and the subsequent reversal of a liability during the period the revenue is earned.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system of internal fiscal control to provide assurance that revenues, expenditures and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of reliable financial reports.

University management stated, due to a 40% reduction of staff working in the Grant Accounting area, and the resultant redistribution of job responsibilities, specific year-end close out procedures were not clearly communicated to the remaining staff; therefore, staff was not familiar with treatment of unusual balances needing adjustment prior to the year-end close.

Failure to properly record transactions at fiscal year-end may result in inaccurate financial statements. (Finding Code No. 2016-002)

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

Current Findings - *Government Auditing Standards* (Continued)

2016-002 - Improper Accounting of Unearned Revenue and Grant Receivables (Continued)

Recommendation

We recommend the University ensure all transactions are properly accounted for and recorded in the financial statements in accordance with GAAP.

University Response

The University agrees with the finding and has implemented steps to ensure that future transactions are properly reflected in the financial records in accordance with GAAP. Additionally, year-end close procedures will include a step to validate that any remaining unearned revenue balance has been compared against the applicable accounts receivable balance, and adjustments made if necessary.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

Current Findings - Federal Compliance

2016-003 - Federal Perkins Loan Cohort Default Rate Too High

Federal Department:	Department of Education
CFDA Number:	84.038
Program Name:	Student Financial Assistance Cluster (Federal Perkins Loan Program)
Program Expenditures:	\$1,888,918
Questioned Cost:	None

The Chicago State University's (University or CSU) 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, 2016 was 45.24% and was obtained from the University's Federal Perkin's loan servicer.

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."

Uniform Grant Guidance (2 CFR 200.303) 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 the University maintains a Federal Perkins Loan cohort default rate of less than 15%.

University management stated the lack of collection personnel presented a challenge for the University in closely monitoring students entering into repayment status.

Failure to maintain a Federal Perkins Loan cohort default rate below 15% impacts the University's administrative capability and could jeopardize future Federal funding. (Finding Code No. 2016-003, 2015-002)

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

Current Findings - Federal Compliance (Continued)

2016-003 - Federal Perkins Loan Cohort Default Rate Too High (Continued)

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 agrees with the recommendation. The University continues to explore options to reduce the default rate as well as ensuring the University is implementing a full service plan that will utilize the services of existing staff in the Bursar area, Financial Aid as well as outside contractual support to manage the Perkins accounts.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

Current Findings - Federal Compliance (Continued)

2016-004 - Inadequate Controls over Preparation of an Accurate Schedule of Expenditures of Federal Awards

Federal Departments*: Department of Education
Department of Health and Human Services

CFDA Numbers*: 84.038; 84.268; 93.093

Program Names*: Federal Perkins Loan Program
Federal Direct Student Loans
Affordable Care Act (ACA) Health Profession Opportunity Grants - *Partnerships to Step-up Careers in Healthcare and Passed-Through ABT Associates Inc. - National & Tribal Evaluation on the 2nd Generation of the Health Profession Opportunity Grants*

Program Expenditures*: \$1,888,918; \$49,842,359; \$555,351

Questioned Cost: None

* Only includes the Federal Departments, CFDA Numbers, Program Names, and Program Expenditures where exceptions were noted.

The Chicago State University (University) did not prepare an accurate Schedule of Expenditures of Federal Awards (SEFA) and related notes.

The University provided the auditors its “Final” SEFA on October 26, 2016. We tested the accuracy and completeness of the SEFA and related notes provided, and noted the following:

- Federal awards amount expended totaling \$51,731,277 during the fiscal year for two loan programs from the Department of Education were not reported on the face of the SEFA, as required;
- Two awards from the Department of Health and Human Services related to a program for providing education and training to eligible individuals on identified health care related professions were improperly classified under the Student Financial Assistance Cluster; and
- Notes to the SEFA did not include a disclosure on whether or not the University elected to use the 10% de minimis cost rate during the fiscal year, as required.

Uniform Grant Guidance (2 CFR 200) requires the University to identify in its accounts, all Federal awards received and expended, and the Federal programs under which they were received. Section 200.508 paragraph (b) requires the SEFA to be prepared in accordance with section 200.510 (b). Section 200.510 paragraph (b) states that, at a minimum, the SEFA must:

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

Current Findings - Federal Compliance (Continued)

2016-004 - Inadequate Controls over Preparation of an Accurate Schedule of Expenditures of Federal Awards (Continued)

(5) for loan or loan guarantee programs described in §200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the SEFA; and, (6) include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the University elected to use the 10% de minimis cost rate as covered in §200.414 Indirect (Facilities and Administration) costs.

Uniform Grant Guidance (2 CFR 200.303) requires the University establish and maintain effective internal control over the Federal award that provides reasonable assurance the University is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure the SEFA and related notes are complete and accurate.

University management stated the issues noted in the finding resulted from a lack of training on the newly issued Uniform Grant Guidance related to these programs. University management also indicated these conditions were corrected before the SEFA was issued as part of the compliance report.

Failure to prepare an accurate SEFA and related notes may prevent the University from having an audit properly performed in accordance with the Uniform Grant Guidance, which may result in the suspension of federal funding. (Finding Code No. 2016-004, 2015-003)

Recommendation

We recommend the University improve its controls over federal awards to ensure preparation of an accurate SEFA and related notes.

University Response

The University agrees with the recommendation. We recognize the importance and value of periodic training for staff, especially after significant updates or changes to governing principles. We will work to identify no or low cost training opportunities, and ensure that our Accounting and Grants staff can engage and participate in this training and development. Additionally it should be noted that all required loan amounts were properly reported within the footnotes of the report, however, initially omitted on the face of the document.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

Current Findings - Federal Compliance (Continued)

**2016-005 - Lack of Adherence to Controls and Noncompliance with Requirements
Applicable to the Research and Development Cluster**

Federal Departments*:	Department of Defense National Institutes of Health
CFDA Numbers*:	12.598; 47.076; 93.859
Program Names*:	Research and Development Cluster (Centers for Academic Excellence, Education and Human Resources, Biomedical Research and Research Training)
Program Expenditures*:	\$419,987; \$2,021,476; \$472,369
Award Numbers:	HHM402-14-1-0003, HRD-1411219, 5R25GM059218-15
Questioned Cost:	Known \$827 including indirect costs on \$762 (projected \$4,850 calculated as follows: \$827(errors noted in samples) / \$608,597 (sample size) X \$3,569,444 (total R&D expenditures))

* Only includes the Federal Departments, CFDA Numbers, Program Names, and Program Expenditures where exceptions were noted.

The Chicago State University's (University) internal controls over the compliance requirement of allowable costs and cost principles applicable to its Research and Development Cluster were not followed.

During our testing of 25 expenditures totaling \$608,597 (the sample was not intended to be, and was not, a statistically valid sample), we noted the following:

- An incorrect indirect cost rate was used to calculate the indirect cost on a \$28,828 expenditure. The University used a rate of 24.73%, when the rate allowed by the award agreement was 23.50% (a questioned cost of \$354 of indirect costs). The Grant Application for the item identified above states indirect costs would be charged at a rate of 23.50%.
- One payroll expenditure amounting to \$2,038 was charged to a program using a 50% time and effort rate. However, the effort certification report completed by the employee for the pay period indicated only 40% of the employee's time should have been charged to the program. (The questioned cost was \$473.)
- Effort certifications for two payroll expenditures (totaling \$2,847) were not submitted in accordance with University policy. The certifications were submitted 34 to 455 days after the due date.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

Current Findings - Federal Compliance (Continued)

**2016-005 - Lack of Adherence to Controls and Noncompliance with Requirements
Applicable to the Research and Development Cluster (Continued)**

The University's time and effort reporting policy requires each employee whose time is partially or fully committed to a federally sponsored project to complete time and effort reports. The University has three reporting periods, which follow the University's academic calendar: fall, spring and summer. The certification period for each period lasts one month and commences immediately after each period.

OMB Circular A-21- Cost Principles for Higher Education Institutions (Section J.10) provides for charging of compensation to a sponsored agreement for services rendered for work on that agreement. The apportionment of employees' salaries which are chargeable to more than one sponsored agreement or other cost objective will be accomplished by methods that produce an equitable distribution of charges for the employees' activities.

Uniform Grant Guidance (2 CFR 200.303) requires the University establish and maintain effective internal control over the Federal award that provides reasonable assurance the University is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure correct indirect cost rates are charged to the program and there is a reconciliation between the compensation for personal services charged to the agreement and the amount actually worked on the agreement.

University management acknowledges two time and effort reports were in fact submitted in an untimely manner, and a third listed a rate of time which was incorrectly reported. University management also acknowledges there was a 1.23% variance in the rate of indirect cost revenue appearing in the general ledger for the sample. At this time, the Grant Accounting Office does not have the ability to input nonstandard indirect cost rates into Banner, such as the rate for this grant. As a result of the University's normal review of the indirect cost rate, adjustments are made to invoices prior to submission for reimbursement, to ensure the Agency is not overbilled for the variance in the Banner system.

Failure to accurately charge sponsored agreements at correct indirect cost rates and for the equitable distribution of employee compensation may result in Federal expenditures being disallowed and could jeopardize future Federal funding. (Finding Code No. 2016-005, 2015-004)

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

Current Findings - Federal Compliance (Continued)

**2016-005 - Lack of Adherence to Controls and Noncompliance with Requirements
Applicable to the Research and Development Cluster (Continued)**

Recommendation

We recommend the University improve procedures to ensure the University complies with the requirements of its federally funded programs and University policies and procedures.

University Response

The University agrees with the recommendation. The University will continue to review time and effort reporting on a quarterly basis to ensure accuracy in the effort reported and to ensure the timeliness of such submissions. The University will also investigate and resolve issues in Banner on indirect cost and in the meantime continue to make the adjustment to ensure billing remains accurate.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

Current Findings - Federal Compliance (Continued)

**2016-006 - Lack of Adherence to Controls and Noncompliance with Requirements
Applicable to the Higher Education Institutional Aid Program**

Federal Department:	U.S. Department of Education
CFDA Number:	\$4.031
Program Name:	Higher Education_Institutional Aid
Program Expenditures:	\$313,112
Award Number:	P031P110012
Questioned Cost:	Known \$713 including indirect costs on \$660 (projected \$9,014 calculated as follows: \$660 (errors noted in samples) / \$5,617 (sample size) X \$76,714 (total payroll expenditures))

The Chicago State University's (University) internal controls over the compliance requirement of allowable costs and cost principles applicable to its Higher Education Institutional Aid program did not function as designed.

We tested seven payroll expenditures totaling \$5,617 and noted one employee time sheet had not been approved by the employee's supervisor. The sample was not intended to be, and was not, a statistically valid sample. The time sheet approval was overwritten by a Human Resources employee. (Questioned cost of \$713 including applicable indirect costs.)

OMB Circular A-21 Section J.10 provides for charging of compensation to a sponsored agreement for services of employees rendered on that agreement to the extent that the total compensation to individual employees conforms to established policies of the institution, consistently applied. The University's Human Resource Policy Manual states managers are responsible for reviewing the accuracy and completeness of employee time reports.

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 employee compensation approvals are in accordance with University policies and consistently applied to both Federal and non-Federal programs.

University management stated the approver in the sample was not the direct supervisor of the employee for the pay period in question. The direct supervisor in the web-time entry system was not employed during the summer months, and therefore payment for the employee required manual approval. There was no communication between the temporary supervisor and the Department of Human Resources indicating the submitted hours were correct.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

Current Findings - Federal Compliance (Continued)

**2016-006 - Lack of Adherence to Controls and Noncompliance with Requirements
Applicable to the Higher Education Institutional Aid Program (Continued)**

Failure to adhere to University's employee compensation controls reduce the likelihood that costs are properly charged to the program and may jeopardize future Federal funding. (Finding Code No. 2016-006, 2015-005)

Recommendation

We recommend the University adhere to its employee compensation controls.

University Response

The University agrees with the recommendation. The Office of Grants and Research Administration will audit a sample of web-time entry submissions quarterly to ensure proper approval of employees paid on grant funds. The University will also implement a procedure whereby all nine month employees will provide a proxy to sign and authorize employee's recorded time.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

Current Findings - Federal Compliance (Continued)

2016-007 - Failure to Fully Comply with the Requirements Related to Establishment of Written Policies and Procedures for Verification of Student Aid Application Information

Federal Department:	U.S. Department of Education
CFDA Numbers:	84.007, 84.033, 84.038, 84.063, 84.268, 84.379 and 93.925
Program Name:	Student Financial Assistance Cluster
Program Expenditures:	\$62,533,133
Questioned Cost:	None

The Chicago State University's (University) written policies and procedures related to verification of student aid application do not fully comply with the requirements set forth by federal regulations.

During our review of the University's compliance with the requirements of an institution not participating under an U.S. Department of Education (ED)-approved Quality Assurance Program (QAP) for verifying student aid applications, we noted the University did not include all procedures required on its established written policies and procedures. Specifically, the policies and procedures did not include procedures for making referrals to the Office of Inspector General of the Department of Education for investigation of fraud or misconduct in relation to application to, or administration of, student aid programs.

The Code of Federal Regulations (Code) (34 CFR 668.53) requires the University to establish and use written policies and procedures for verifying student aid application information. These policies and procedures must include procedures for making referrals under the Code (34 CFR 668.16 (g)). The Code (34 CFR 668.16 (g)) requires the University to refer to the Office of Inspector General of the Department of Education for investigation of — (1) after conducting the review of an application provided for under paragraph (f) of this section, any credible information indicating that an applicant for Title IV, Higher Education Act (HEA) program assistance may have engaged in fraud or other criminal misconduct in connection with his or her application, and (2) any credible information indicating that any employee, third-party servicer, or other agent of the University that acts in a capacity that involves the administration of the Title IV, HEA programs, or the receipt of funds under those programs, may have engaged in fraud, misrepresentation, conversion or breach of fiduciary responsibility, or other illegal conduct involving the Title IV, HEA programs.

Uniform Grant Guidance (2 CFR 200.303) requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal statutes, regulations, and terms and conditions of the federal award. Effective internal controls should include procedures to ensure the University's written verification policy is in accordance with federal regulations.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

Current Findings - Federal Compliance (Continued)

2016-007 - Failure to Fully Comply with the Requirements Related to Establishment of Written Policies and Procedures for Verification of Student Aid Application Information (Continued)

The University stated that the University's policy incorporates by reference the current regulatory requirements of the Application and Verification Guide of the U.S. Department of Education (DOE) as it relates to making referrals to the Office of Inspector General of the DOE for fraudulent cases.

Failure to include all procedures required by the federal regulations on the University's established policies and procedures results in noncompliance with the federal regulations. (Finding Code No. 2016-007)

Recommendation

We recommend the University review current policies and procedures related to the verification of student aid applications to ensure full compliance with federal regulations.

University Response

The University agrees with the recommendation. Although the University had a slightly different interpretation of the regulation, we will take immediate action to add the necessary language applicable to making referrals for fraudulent activities to the Office of Inspector General.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

Current Findings - Federal Compliance (Continued)

2016-008 - Noncompliance with Earmarking Requirements Applicable to TRIO Cluster Program

Federal Department*:	Department of Education
CFDA Numbers*:	84.042; 84.047
Program Names*:	TRIO Cluster (Student Support Services and Upward Bound)
Program Expenditures*:	\$75,507; \$497,606
Questioned Cost:	None

* Only includes the Federal Department, CFDA Numbers, Program Names, and Program Expenditures where exceptions were noted.

The Chicago State University (University) was not in compliance with the earmarking requirements relating to the TRIO Cluster Program.

During our review of the University's compliance with earmarking requirements for its TRIO Cluster Program, we noted the following:

- The University did not meet the earmarking requirement on the number of participants served by the TRIO Student Support Services. Our detailed testing of the number of participants served by this program during the award year disclosed the University failed to meet the Department of Education's minimum requirement. The University was funded to serve 250 participants; however, only 172 (68%) participants were served during the award year.
- Three of 25 (12%) participants tested for the Upward Bound program were classified and reported as potential first-generation college students instead of students whose parent or guardian received a baccalaureate degree, as indicated in the application forms submitted by these participants. The sample was not intended to be, and was not, a statistically valid sample. The errors noted did not affect the University's overall compliance with earmarking requirements during the fiscal year.

The Code of Federal Regulations (Code) (34 CFR Section 646.32(a)) states for each year of the project period, a grantee must serve at least the number of participants that the Secretary identifies in the Federal Register notice inviting application for a competition. Through this notice, the Secretary also provides the minimum and maximum grant award amount for the competition.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

Current Findings - Federal Compliance (Continued)

2016-008 - Noncompliance with Earmarking Requirements Applicable to TRIO Cluster Program (Continued)

The Code (34 CFR 645.6), states potential first-generation college student means — (1) an individual neither of whose natural or adoptive parents received a baccalaureate degree; or (2) a student who, prior to the age of 18, regularly resided with and received support from only one natural or adoptive parent and whose supporting parent did not receive a baccalaureate degree. Moreover, 645.21 (a)(1) requires the University to ensure not less than two-thirds of the project's participants will be low-income individuals who are potential first-generation college students.

OMB Circular A-110 requires nonfederal entities receiving federal awards to 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 participant eligibility classification is accurate and funded enrollment is being met.

University management stated the three Upward Bound participants' eligibility was reported in the Annual Performance Report (APR) as both "low-income and first-generation", when in fact, the participants were eligible as "low-income only." This variance was a clerical error which took place during the data entry process for APR completion. Regarding the Student Support Services (SSS) Program, the grant closed prior to fulfilling the enrollment requirement.

Failure to serve at least the required number of participants may jeopardize future federal funding and results in noncompliance with federal regulations. In addition, without effective internal controls, the Upward Bound program could be at risk of accepting a student who is not eligible for the program or incorrectly reporting participant eligibility status. (Finding Code No. 2016-008)

Recommendation

We recommend the University improve procedures to ensure compliance with the earmarking requirements of the TRIO Cluster program. We also recommend the University ensure proper classification of students being served by this program.

University Response

The University agrees with the recommendation. The Office of Grants and Research Administration will sample TRIO Cluster participants once a semester to ensure that eligibility reporting to the federal agency is accurate.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

Current Findings - Federal Compliance (Continued)

2016-009 - Untimely Reporting to National Student Loan Data Systems (NSLDS)

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

The Chicago State University (University) did not report changes in enrollment status of students who received federal loans within the 60 day required timeframe.

During our testing of the University's compliance with reporting requirements to NSLDS, we noted the University did not report the change in enrollment status for one of 25 students sampled, as required. The sample was not intended to be, and was not, a statistically valid sample. Specifically, we noted the change was reported 20 days late.

The Code of Federal Regulations (34 CFR 685.309 (b)) states unless it expects to submit its next updated enrollment report to the Secretary within the next 60 days, a school must notify the Secretary within 30 days after the date the school discovers that— (i) a loan under Title IV of the Act was made to or on behalf of a student who was enrolled or accepted for enrollment at the school, and the student has ceased to be enrolled on at least a half-time basis or failed to enroll on at least a half-time basis for the period for which the loan was intended.

Uniform Grant Guidance (2 CFR 200.303) requires the University establish and maintain effective internal control over the Federal awards that provides reasonable assurance the University is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures to ensure changes in enrollment status of required students are reported in a timely manner.

University management stated the University utilizes *National Student Clearinghouse* to submit timely enrollment status compliance reporting four times each semester. One student was untimely reported due to miscommunication of the student's withdrawal date and the scheduled run of the report.

If the NSLDS system is not updated with the student information, overawards could occur should the student transfer to another institution and the students may not properly enter the repayment period. (Finding Code No. 2016-009)

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

Current Findings - Federal Compliance (Continued)

2016-009 - Untimely Reporting to National Student Loan Data Systems (NSLDS) (Continued)

Recommendation

We recommend the University review its current process for reporting to NSLDS and implement procedures to ensure submissions are reported timely for enrollment status and student status changes.

University Response

The University agrees with the recommendation. The University has implemented a revised procedure which will allow for the accurate identification of students' withdrawal dates thereby ensuring all students are included in the report to the National Student Clearinghouse in a timely manner.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

Current Findings - State Compliance

2016-010 - Inadequate Controls over Contractual Services Expenditures

The Chicago State University (University) did not have adequate controls over its contractual service expenditures.

During our testing of 25 contracts (totaling \$5,908,294), including purchase orders, we noted the following:

- Six (24%) contracts/amendments totaling \$2,387,417 were not properly approved. One was not approved by the University and contractor and five were approved by the Provost instead of the Vice President of Finance and Administration.
- One (4%) purchase order amounting to \$33,619 was prepared 63 days after the work was done.
- One (4%) purchase order did not have the transmittal to support the filing to the Comptroller's Office.
- Two (8%) contracts were not published in the Procurement Bulletin.

The State Finance Act (30 ILCS 105/9.02) requires any new contract or contract renewal in the amount of \$250,000 or more in a fiscal year, or any order against a master contract in the amount of \$250,000 or more in a fiscal year, or any amendment or change to an existing contract that increases the value of the contract to or by \$250,000 or more in a fiscal year, shall be signed or approved in writing by the chief executive officer, chief legal counsel and chief fiscal officer of the agency.

The Illinois Procurement Code (Code) (30 ILCS 500/20-80) states whenever a grant, or a contract liability, except for: (1) contracts paid from personal services, or (2) contracts between the State and its employees to defer compensation in accordance with Article 24 of the Illinois Pension Code, exceeding \$20,000 is incurred by any State agency, a copy of the contract, purchase order, grant, or lease shall be filed with the Comptroller within 30 calendar days thereafter. Vendors shall not be paid for any goods that were received or services that were rendered before the contract was reduced to writing and signed by all necessary parties.

The Code (30 ILCS 500/15-25(b)) states the Illinois Procurement Bulletin shall contain notice of each and every contract that is let or awarded, including renegotiated contracts and change orders, which shall be issued electronically to the successful responsible bidder, offeror, or contractor and published in the next available subsequent Bulletin.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

Current Findings - State Compliance (Continued)

2016-010 - Inadequate Controls over Contractual Services Expenditures (Continued)

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University to maintain a system of internal fiscal and administrative controls, to provide assurance that resources are utilized efficiently and effectively and in compliance with applicable law. This would include controls to ensure contracts are properly approved, supported, and published in the Procurement Bulletin.

University management stated the University delegated signature authority to both the Vice President of Finance and the Provost for contracts to cover academic and nonacademic areas. Past practice was for the President to indicate the directive in writing. However, with the change of Presidents, the directive was not formally issued. Also, a purchase was approved, however, due to staffing limitations in the department, the requisition was processed late. Finally, late filing and/or publication delays were a result of the insufficient staff.

Failure to fully execute a contract prior to the commencement of services leaves the University vulnerable to unnecessary liabilities and potential legal issue. In addition, failure to include all appropriate signatures, failure to file contracts with the Office of the Comptroller on a timely basis, and failure to publish in the Procurement Bulletin results in noncompliance with State statutes and regulations. (Finding Code No. 2016-010)

Recommendation

We recommend the University improve controls to ensure compliance with the Illinois Procurement Code and the State Finance Act. We also recommend management ensure contracts are fully executed prior to commencement of services.

University Response

The University agrees with the recommendation. The University is implementing a system change that will incorporate the Vice President of Administration & Finance's approval for all contracts in excess of \$250,000. Also, the University is training existing staff in the areas of procurement and collections.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

Current Findings - State Compliance (Continued)

2016-011 - Subsidies Between Accounting Entities

The Chicago State University (University) had subsidies between accounting entities during the current fiscal year.

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.

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

University management stated declining student fees have caused a reduction in income generated by the accounting entity. While efforts have been made to reduce expenses, this reduction effort has been offset by the reduced income.

The subsidy between accounting entities is a violation of the Guidelines. (Finding Code No. 2016-011, 2015-011, 2014-015, 2013-013, 12-23, 11-32, 10-33, 09-13)

Recommendation

We recommend the University review the activities of the accounting entities and ensure fees charged for services are sufficient to cover expenditures and ensure subsidies between accounting entities do not occur.

University Response

The University agrees with the recommendation. The University continues to take a holistic approach to reducing the deficit. The University also continues to engage in activities which emphasize revenue enhancement and operational efficiency.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

Current Findings - State Compliance (Continued)

2016-012 - Noncompliance with Illinois State Collection Act

The Chicago State University (University) did not comply with the requirements of the Illinois State Collection Act of 1986 (Act).

We tested a sample of 25 students (with receivables totaling \$237,289) from the University's June 2016 accounts receivable aging report that had balances greater than \$1,000 and were in excess of 90 days overdue. As of June 30, 2016, the University had 3,909 accounts totaling \$11,887,142 that had balances greater than \$1,000 and were in excess of 90 days past due. We noted 7 students (with a total receivable balance of \$46,064) had not been submitted by the University for placement with the Comptroller's Offset System.

The Act (30 ILCS 210/5(c-1)) requires the University to place in the Comptroller's Offset System debts owed to the University that exceed \$1,000 and are more than 90 days past due.

University management stated the lack of collections personnel presented a challenge for the University in placing accounts with the State Offset system in a timely manner.

Failure to comply with the Act may result in the University not collecting all receivables due the University. (Finding Code No. 2016-012, 2015-012)

Recommendation

We recommend the University improve its procedures to ensure all debts owed to the University are placed in the Comptroller's Offset System once they exceed \$1,000 and are 90 days past due.

University Response

The University agrees with the recommendation. The University has taken measures to re-assign and train existing staff to perform the Collections function.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

Current Findings - State Compliance (Continued)

2016-013 - Voucher Processing Errors

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

We tested 146 expenditures for purposes of State compliance from Contractual Services, Travel, Commodities, Equipment, Telecommunications, Operation of Automotive Equipment, Awards and Grants, and Permanent Improvements and noted the following:

- Two invoices (1%) were not approved for payment in a timely manner. These invoices were approved between 112 and 118 days (82 and 88 days late) after receipt of a proper bill.
- Six invoices (4%) were not paid in a timely manner. The invoices were paid 117 to 310 days (27 to 220 days late) after receipt of a proper bill.
- One check payment composed of three invoices for legal services totaling \$76,338 did not have a supporting purchase requisition. Instead a Direct Payment Voucher (DPV) was used to pay the vendor.
- Five (3%) expenditures totaling \$96,437 were missing supporting documentation.

We also tested another 49 federal expenditures (not including student financial aid) and noted the following:

- Four invoices (8%) were not approved for payment in a timely manner. These invoices were approved between 37 and 92 days (7 and 62 days late) after receipt of a proper bill.
- Two invoices (4%) were not paid in a timely manner. The invoices were paid 111 to 306 days (21 to 216 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 University's Administration and Finance Policies and Procedures Manual states generally, a Purchase Requisition is used for the purchase of goods and services of \$500 or more. Direct Payment Voucher (DPV) should be used only for expenditures of \$499.99 or less. An exception is the payment for library books, the amount of which should not exceed \$5,000, purchased by direct order. The DPV cannot be used for contractual services, regardless of the dollar amount.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

Current Findings - State Compliance (Continued)

2016-013 - Voucher Processing Errors (Continued)

The State Records Act (5 ILCS 160/8) requires the head of each agency to preserve the records containing adequate and proper documentation of the essential transactions of the agency.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University to maintain a system of internal fiscal and administrative controls, that provide assurance that resources are utilized efficiently and effectively and in compliance with applicable law. This would include controls over proper processing and timely payment of expenditures.

University management stated the University continues to feel the impact of reduction in staff. The late processing (approvals and payments) of vouchers is influenced by the high processing volume, coupled with the staff turnover and cash management needs. The process also continues to be predominantly manual.

Untimely payments may result in vendors being unwilling to do business with the State. Failure to establish internal controls and maintain supporting documentation for expenditures increases the likelihood that theft, misappropriation of funds and financial reporting errors could occur and not be detected in the normal course of business. (Finding Code No. 2016-013, 2015-013, 2014-018, 2013-016, 12-25, 11-29, 10-34, 09-2)

Recommendation

We recommend the University improve controls to ensure that expenditures are properly supported, approved and paid timely.

University Response

The University agrees with the recommendation. The University now has the structure and process to properly approve and pay expenditures within the stipulated guidelines. Additionally, the University is improving the process by implementing automatization.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

Current Findings - State Compliance (Continued)

2016-014 - Internal Audit

The Chicago State University's (University) internal auditing program did not review all major systems of internal accounting and administrative controls within a two-year timeframe.

During our review of the University's Office of Internal Audit (OIA), we noted the following:

- Internal audit plans were not fully implemented. Out of 20 planned audits, only 5 were completed during fiscal years (FY) 2015 and 2016, 10 were either dropped or audited as part of another process, and 5 were rolled forward to the next fiscal years. Two (2) audits were conducted and completed by the OIA that were not included on the original audit plan. In addition, post implementation review of the electronic document management system implemented in FY 2015 was started in FY 2016 and finalized during the 2nd quarter of FY 2017.
- Audits of grants received or made by the University was started in FY 2016, but not completed and finalized as of 1st quarter of FY 2017. As stated in the prior year finding, no grant audits were performed to determine that the grants were monitored, administered, and accounted for in accordance with applicable laws and regulations during fiscal years 2014 and 2015.

The Fiscal Control and Internal Auditing Act (Act) (30 ILCS 10/2003(a)) requires audits of major systems of internal accounting and administrative control to be performed at least once every two years and must include testing of the obligation, expenditure, receipt and use of public funds of the State and of funds held in trust to determine whether those activities are in accordance with applicable laws and regulations; and testing of grants received or made by the designated State agency to determine that grants are monitored, administered, and accounted for in accordance with applicable laws and regulations. The Act further requires reviews of the design of major new electronic data processing systems and major modifications to those systems before their installation to ensure the systems provide for adequate audit trails and accountability.

University management stated that the administrative procedures were not adequate to prompt interim revisions to the audit plan to reflect changing priorities and resource levels. Additionally the Office of Internal Audit's focus on competing priorities throughout the fiscal year resulted in delays in completing the post-implementation review and the grant audit.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

Current Findings - State Compliance (Continued)

2016-014 - Internal Audit (Continued)

The lack of timely internal audits over all major systems and the failure to review major modifications to systems prior to installation impair the University's ability to monitor the effectiveness of its system of internal controls and results in noncompliance with the Act. (Finding Code No. 2016-014, 2015-014)

Recommendation

We recommend the University ensure timely performance of audits over all major systems of internal accounting and administrative controls as required by the Act.

University Response

The University agrees with the recommendation. The Office of Internal Audit management updated administrative procedures and revised the audit plan. The grant audit and the electronic document management post implementation reviews have been completed.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

Current Findings - State Compliance (Continued)

2016-015 - Inadequate Controls over Personal Services

The Chicago State University (University) did not have adequate controls over personal services.

During our testing of employees' personnel records and timesheets, we noted the following:

- Five of 40 (13%) employees did not have the most recent performance evaluation in the employee's personnel file. Three of these employees were on a probationary period and no performance evaluation was performed on them.
- Eight of 25 (32%) employees' timesheets were not approved on a timely basis. The timesheets of these exempt employees were approved 40 to 48 days after the pay period.
- One of 15 (7%) employees was paid \$119 less than the correct overtime pay.
- One of 25 (4%) employees was paid after the resignation date resulting in an overpayment of \$1,333. As a result of this exception, an additional 10 terminated employees were tested to ensure that no overpayments were made. This additional testing resulted in no additional exceptions.

Proper internal controls would require the University to perform annual performance evaluations for all employees.

The University's Human Resources Policy (Policy) states managers are responsible for reviewing the accuracy and completeness of employee time reports, making any timekeeping corrections necessary to ensure employees are properly paid, monitoring and approving employees' time to ensure they are recording exception time as it is taken, and monitoring and approving non-exempt employees' work time to ensure they are adhering to an approved work schedule. The Policy also states non-exempt employees are eligible for overtime pay when they work more than their normal work week. The rate of pay for overtime is one and one-half times the regular hourly wage.

The Fiscal Control and Internal Auditing Act (Act) (30 ILCS 10/3001) requires all State agencies to establish and maintain a system of internal fiscal and administrative controls, to provide assurance that resources are utilized efficiently, effectively, and in compliance with applicable law and that funds are safeguarded against waste, loss, unauthorized use and misappropriation.

University management stated there are neither state mandates nor University policies which require annual evaluation of personnel. The University conducts periodic reviews of work

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

Current Findings - State Compliance (Continued)

2016-015 - Inadequate Controls over Personal Services (Continued)

performance with employees which experts in the Human Resource area cite as the growing trend. In regards to timesheets, the University only required that approvals be obtained, and never stated a particular timeframe. Also, an employee was paid after resignation, an isolated incident, where the employee notified their immediate supervisor, however, neither notified the Office of Human Resources in a timely manner.

Failure to perform annual performance evaluations may cause the employees not to understand their responsibilities within the University. Approval of employee timesheets is a systematic and uniform approach to ensuring no employee is misreporting their time spent on official University business. Failure to timely approve timesheets and properly process employees' salaries may result in incorrect compensation for services provided. (Finding Code No. 2016-015, 2015-015)

Recommendation

We recommend the University strengthen controls over personal services to ensure each employee receives an annual performance evaluation, all timesheets are reviewed timely, and ensure the accuracy of salaries paid to its employees. Additionally, we recommend the University recoup the amount overpaid to the former employee and compensate the employee who was underpaid.

University Response

The University agrees with the recommendation. Given the current trend to move away from formal annual evaluations, the University plans to investigate the adoption of a new policy that will accomplish the spirit of having formal evaluations with a concentrated effort on any employee in a probationary period. The University will also adopt and implement a policy on the timeliness of timesheet approvals. Finally, the overpayment was an isolated incident due to the Human Resources Department not being notified of the resignation prior to the processing of the payroll. The University will take steps to correct both the over and under payments.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

Prior Findings Not Repeated

A. Inadequate Controls Over Student Verification

The Chicago State University's (University) procedures to complete verification when the student was selected by the U.S. Department of Education for verification did not function as designed. (Finding Code No. 2015-006)

In the current year, no exceptions were noted for students included in our sample selected for verification.

B. Institutional and Financial Assistance Information Disclosed to Students

The University's annual notification to students of the availability of required general disclosures did not include all information required to be disclosed. The University also did not make available to enrolled students, prospective students, and the public the Equity in Athletics Disclosure Act Report by October 15th. (Finding Code No. 2015-007, 2014-006, 2013-008, 12-16, 11-19, 10-26)

In the current year, our sample testing indicated the annual notification to students included all information required to be disclosed and the University made the report available to students by October 15th.

C. Inadequate Controls Over Property and Equipment

The University did not perform a complete assessment of missing computers to determine if notification was performed as required by the Personal Information Protection Act (Act). The University also failed to report equipment that was potentially subject to theft. (Finding Code No. 2015-008, 2014-013, 2013-012)

In the current year, all missing equipment items included in our sample tested were immediately assessed by the University in compliance with the Act. In addition, the University properly reported all equipment potentially subject to theft that were included in our sample testing.

D. Noncompliance with Campus Security Enhancement Act of 2008

The University did not ensure required criminal background investigations were conducted prior to employment for those employees hired for security sensitive positions. (Finding Code No. 2015-009, 2014-016)

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

Prior Findings Not Repeated (Continued)

In the current year, the number of exceptions was significantly less than the prior year. This finding has been reported in the immaterial finding letter as finding number IM2016-004.

E. Hiring of New Employees

The University could not provide documentation that background checks to verify employment history and education credentials were performed on the applicants prior to hiring. (Finding Code No. 2015-010, 2014-019)

In the current year, our sample testing indicated documentation on background checks performed was found for all newly hired personnel.

**State of Illinois
Chicago State University
Supplementary Information for State Compliance Purposes
For the Year Ended June 30, 2016**

Summary

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

- **Fiscal Schedules and Analysis:**
 - Schedule of Expenditures of Federal Awards
 - Notes to the Schedule of Expenditures of Federal Awards
 - Schedule of Net Appropriations, Expenditures and Lapsed Balances Fiscal Year 2016
 - Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
 - Comparative Schedule of Income Fund Revenues and Expenditures
 - Schedule of Changes in State Property
 - Schedule of Cash Receipts (Treasury Held Fund)
 - Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller
 - Analysis of Significant Variations in Revenues and Expenses
 - Comparative Schedule of Cash, Temporary Cash Investments, and Investments - at Market Value
 - Analysis of Significant Variations in Account Balances
 - Analysis of Significant Lapse Period Spending
 - 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):**
 - University Functions and Planning Program (Unaudited)
 - Budget Impasse Disclosures (Unaudited)
 - Alternative Financing in Lieu of Appropriations and Programs to Address Untimely Payments to Vendors (Unaudited)
 - Interest Costs on Fiscal Year 2016 Invoices (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 Projects (Unaudited)
 - Bookstore Information (Unaudited)
 - Schedule of Degrees Conferred (Unaudited)
 - Schedule of Tuition and Fee Waivers (Unaudited)

**State of Illinois
Chicago State University
Supplementary Information for State Compliance Purposes
For the Year Ended June 30, 2016**

Summary (Continued)

- Analysis of Operations (Unaudited):
 - Special Data Requirements for Audits of Universities (Unaudited):
 - University Reporting in Accordance with University Guidelines (Unaudited)
 - Auxiliary Facilities, Activities, and Accounting Entities (Unaudited)
 - Schedule of Indirect Cost Funds to be Deposited into the University Income Fund as Required by 1982 University Guidelines (As Amended 1997) (Unaudited)
 - Schedule of Excess Funds Calculation by Entity as Required by 1982 University Guidelines (As Amended 1997) (Unaudited)
 - Entities Financial Statements (Unaudited):
 - Balance Sheets (Unaudited)
 - Statement of Revenues, Expenditures and Transfers - Current Unrestricted Funds (Unaudited)
 - Statement of Changes in Fund Balances - Current Unrestricted Funds (Unaudited)
 - Statement of Changes in Fund Balances - Plant Funds (Unaudited)
 - Summary of Foundation Cash Support to the University (Unaudited)

The accountant's 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 14 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the auditor's opinion, it is fairly stated in all material respects, in relation to the basic financial statements as a whole from which it has been derived. The accountant's 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, 2016

SCHEDULE 1

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Pass-Through Entity Identifying Number	FY 2016 Expenditures	Passed-Through to Subrecipients
STUDENT FINANCIAL ASSISTANCE CLUSTER:				
<u>DEPARTMENT OF EDUCATION</u>				
Federal Supplemental Educational Opportunity Grants	(M) 84.007		\$ 276,710	\$ -
Federal Work-Study Program	(M) 84.033		559,108	-
Federal Perkins Loan Program (Note 2)	(M) 84.038		1,888,918	-
Federal Pell Grant Program	(M) 84.063		9,911,053	-
Federal Direct Student Loans (Note 3)	(M) 84.268		49,842,359	-
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	(M) 84.379		54,985	-
TOTAL DEPARTMENT OF EDUCATION			\$ 62,533,133	\$ -
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Scholarships for Health Professions Students from Disadvantaged Backgrounds <i>Scholarships for Disadvantaged Students</i>	(M) 93.925		\$ 89,500	\$ -
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 89,500	\$ -
TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER			\$ 62,622,633	\$ -
RESEARCH AND DEVELOPMENT CLUSTER:				
<u>DEPARTMENT OF DEFENSE</u>				
Centers for Academic Excellence <i>Intelligence and Cybersecurity</i>	(M) 12.598		\$ 419,987	\$ -
TOTAL DEPARTMENT OF DEFENSE			\$ 419,987	\$ -
<u>NATIONAL SCIENCE FOUNDATION</u>				
Mathematics and Physical Sciences				
<i>RUI: Studies of Relativistic Heavy Ions Collisions in ALICE at the LHC</i>	(M) 47.049		\$ 98,097	\$ -
<i>Collaborative Research: Algorithms for Threat Detection via Geometry of Virus Genome Space</i>	(M) 47.049		25,470	-
			123,567	-
Education and Human Resources				
<i>Support, Mentoring, Accountability, Research and Training: A Sustainable, Thriving Program in Mathematical Sciences</i>	(M) 47.076		26,002	-
<i>Scaling Undergraduates STEM Transformation and Institutional Networks</i>	(M) 47.076		29,731	-
<i>Urban Science, Technology, Engineering & Math Talent Expansion Program</i>	(M) 47.076		126,017	-
<i>Louis Stokes Alliance for Minority Participation</i>	(M) 47.076		501,672	218,280
<i>Pilot Regional Louis Stokes Center: Midwest Center of Excellence</i>	(M) 47.076		668,470	532,915
<i>Louis Stokes Bridge to Doctorate</i>	(M) 47.076		669,584	669,584
			2,021,476	1,420,779
TOTAL NATIONAL SCIENCE FOUNDATION			\$ 2,145,043	\$ 1,420,779

State of Illinois
Chicago State University
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

SCHEDULE 1
(CONTINUED)

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Pass-Through Entity Identifying Number	FY 2016 Expenditures	Passed-Through to Subrecipients
RESEARCH AND DEVELOPMENT CLUSTER: (Continued)				
<u>NATIONAL INSTITUTES OF HEALTH</u>				
Drug Abuse and Addiction Research Programs <i>Urban Mindfulness - Addiction Research</i>	(M) 93.279		\$ 297,234	\$ 24,950
Cancer Centers Support Grants <i>Chicago South Side Cancer Disparities Initiative</i>	(M) 93.397		234,812	-
Biomedical Research and Research Training <i>Student Development at Chicago State University</i>	(M) 93.859		361,803	-
<i>Role of Serum Amyloid A in Interferon-gamma Expression and T Helper 1 Cell Differ</i>	(M) 93.859		58,762	-
<i>Gut Circadian Clock and Melatonin Dynamics Following Major Thermal Injury</i>	(M) 93.859		51,804	-
			472,369	-
TOTAL NATIONAL INSTITUTES OF HEALTH			\$ 1,004,415	\$ 24,950
TOTAL RESEARCH AND DEVELOPMENT CLUSTER			\$ 3,569,445	\$ 1,445,729
TRIO CLUSTER:				
<u>DEPARTMENT OF EDUCATION</u>				
TRIO_Student Support Services	(M) 84.042		\$ 75,507	\$ -
TRIO_Upward Bound <i>Project Fame/Upward Bound</i>	(M) 84.047		497,606	-
TRIO_Educational Opportunity Centers	(M) 84.066		329,976	-
TOTAL DEPARTMENT OF EDUCATION			\$ 903,089	\$ -
TOTAL TRIO CLUSTER			\$ 903,089	\$ -
OTHER PROGRAMS:				
<u>DEPARTMENT OF AGRICULTURE</u>				
Higher Education - Institution Challenge Grants Program <i>Chicago South Side Urban Agriculture Initiative</i>	10.217		\$ 430	\$ -
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		350	-
Passed-Through the University of Minnesota <i>DOA: Molecula and Histological Characterization of Hollow and Solid Stem Genotypes of Wheat</i>	10.310	60604	20,102	-
			20,452	-
TOTAL DEPARTMENT OF AGRICULTURE			\$ 20,882	\$ -

State of Illinois
Chicago State University
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

SCHEDULE 1
(CONTINUED)

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Pass-Through Entity Identifying Number	FY 2016 Expenditures	Passed-Through to Subrecipients
OTHER PROGRAMS: (Continued)				
<u>DEPARTMENT OF JUSTICE</u>				
Second Chance Act Reentry Initiative Passed-Through Bureau of Justice Assistance/Safer Foundation <i>Accelerating the Re-entry for Returning Citizens Program</i>	16.812	BJA-2014-3877	\$ 38,909	\$ -
TOTAL DEPARTMENT OF JUSTICE			\$ 38,909	\$ -
<u>DEPARTMENT OF TRANSPORTATION</u>				
University Transportation Centers Program Passed-Through Purdue University <i>Study of Usage Potential of Proposed Expanded Commuter Rail</i>	20.701	4108-47669	\$ 16,805	\$ -
TOTAL DEPARTMENT OF TRANSPORTATION			\$ 16,805	\$ -
<u>NATIONAL AERONAUTICS AND SPACE ADMINISTRATION</u>				
Science Passed-Through University of Illinois at Urbana-Champaign <i>Space Grant Consortium</i>	43.001	NNX10AK65H	\$ 33,478	\$ -
TOTAL NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			\$ 33,478	\$ -
<u>SMALL BUSINESS ADMINISTRATION</u>				
Small Business Development Centers Passed-Through Illinois Department of Commerce & Economic Opportunity <i>Greater Southside Small Business Development Center</i>	59.037	11-801176	\$ 25,512	\$ -
TOTAL SMALL BUSINESS ADMINISTRATION			\$ 25,512	\$ -
<u>DEPARTMENT OF EDUCATION</u>				
Higher Education Institutional Aid <i>Predominantly Black Institutions Program</i>	84.031		\$ 313,112	\$ -
Special Education - State Personnel Development Passed-Through Southern Illinois University <i>IDEA: State Personnel Development Program</i>	84.323	763944	15,813	-
Strengthening Minority-Serving Institutions <i>Masters Degree Programs at Predominantly Black Institutions</i>	84.382		59,372	-
<i>The Center for STEM Education & Research at CSU</i>	84.382		603,103	53,497
			<u>662,475</u>	<u>53,497</u>
Graduate Research Opportunities for Minority Students (Minorities and Retirement Security Program)	84.414		143,290	-
TOTAL DEPARTMENT OF EDUCATION			\$ 1,134,690	\$ 53,497

State of Illinois
Chicago State University
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

SCHEDULE 1
(CONTINUED)

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Pass-Through Entity Identifying Number	FY 2016 Expenditures	Passed-Through to Subrecipients
OTHER PROGRAMS: (Continued)				
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Affordable Care Act (ACA) Health Profession Opportunity Grants <i>Partnerships to Step-up Careers in Healthcare</i>	93.093		\$ 552,459	\$ 347,119
Passed-Through ABT Associates Inc. <i>National & Tribal Evolution on the 2nd Generation of the Health Profession Opportunity Grants</i>	93.093	HHSP2332010052 C	2,892	-
			<u>555,351</u>	<u>347,119</u>
Temporary Assistance for Needy Families (TANF) Passed-Through Illinois Department of Human Services <i>TANF Special Projects</i>	93.558	81XQ464TS1/ FCSRG00283	142,250	-
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>\$ 697,601</u>	<u>\$ 347,119</u>
TOTAL OTHER PROGRAMS			<u>\$ 1,967,877</u>	<u>\$ 400,616</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 69,063,044</u>	<u>\$ 1,846,345</u>

(M) - Program was audited as a major program.

**SCHEDULE 1
(CONTINUED)**

**State of Illinois
Chicago State University
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity for the year ended June 30, 2016, and is presented on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. The University has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 2 - LOANS OUTSTANDING AT FISCAL YEAR END

The University Perkins Loan Program's outstanding loan balance as of June 30, 2016 totaled \$1,738,688, for programs that are administered directly. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the schedule. There were no administrative costs charged to the Perkins Loan Program.

NOTE 3 - TOTAL NEW FEDERAL STUDENT LOANS

During the year ended June 30, 2016, the University awarded the following amounts of new loans under the Federal Direct Student Loans Program:

Direct Unsubsidized Loans	\$ 33,528,964
Direct Subsidized Loans	9,676,836
Direct Parent PLUS Loans	1,450,186
Direct Graduate PLUS Loans	5,186,373
Total	<u>\$ 49,842,359</u>

There were no administrative costs charged to the loan program.

SCHEDULE 2

**State of Illinois
Chicago State University
Schedule of Net Appropriations, Expenditures and Lapsed Balances
Expenditure Authority for Fiscal Year 2016
For the Fourteen Months Ended August 31, 2016**

	Expenditure Authority (Net of Transfers)	Expenditures Through June 30, 2016	Lapse Period Expenditures July 1 to August 31	Total Expenditures 14 Moths Ended August 31	Balances Lapsed August 31
Public Act Nos. 99-0502 and 99-0524					
<u>APPROPRIATED FUNDS</u>					
EDUCATION ASSISTANCE FUND (007)					
Ordinary and contingent expenses	\$ 20,107,300	\$ 20,011,113	\$ 95,573	\$ 20,106,686	\$ 614
CHICAGO ST UNIV ED IMPROVEMENT FUND (223)					
Any expenses incurred	1,600,000	-	1,600,000	1,600,000	-
GRAND TOTAL - ALL FUNDS	\$ 21,707,300	\$ 20,011,113	\$ 1,695,573	\$ 21,706,686	\$ 614

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller records as of September 30, 2016, and have been reconciled to University records.

Note 2: Expenditure amounts are vouchers approved and paid by the University and submitted to the State Comptroller for reimbursement of payments made to vendors.

Note 3: During Fiscal Year 2016, the University operated without enacted appropriations until Public Act 99-0502 and Public Act 99-0524 were signed into law on April 25, 2016 and June 30, 2016, respectively. During the impasse, the Circuit Court of St. Clair County in *AFSCME Council 31 v. Munger* (15 CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to "draw and issue warrants accomplishing payment of wages [for all State employees] at their normal rates of pay."

As such, the University's court-ordered involuntary withholding payroll payments previously processed through the State Treasury were merged into the enacted appropriation for Fund 007. Further, the University incurred reimbursable payroll and non-payroll obligations within Fund 223 which the University was unable to process reimbursement for the expenditures incurred by the University's Income Fund until the passage of Public Act 99-0524.

Note 4: Public Act 99-0524 authorizes the University to pay Fiscal Year 2016 costs using its Fiscal Year 2017 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 72 includes information from University management about the number of invoices and the total dollar amount of invoices held by the University to be submitted against its Fiscal Year 2017 appropriation.

Note 5: The above lapsed balance of \$614 represents outstanding warrants in General Revenue Fund that could not be transferred to Education Assistance Fund for court orders.

Chicago State University

Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances

For the Years Ended June 30, 2016 and 2015

	Fiscal Year	
	2016 P.A. 99-0502 and P.A. 99-0524	2015 P.A. 98-0678 and P.A. 99-0001
EDUCATION ASSISTANCE FUND (007)		
Expenditure Authority/Appropriations (net of transfers)	\$ 20,107,300	\$ 36,330,500
Expenditures		
Ordinary and contingent expenses	20,106,686	-
Personal services	-	34,548,400
Group insurance	-	1,001,000
Grants to Financial Assistance Outreach Center	-	453,193
Awards and grants	-	99,300
Total expenditures	20,106,686	36,101,893
Lapsed balances	\$ 614	\$ 228,607
GENERAL PROFESSIONS DEDICATED FUND (022)		
Expenditure Authority/Appropriations (net of transfers)	\$ -	\$ 307,000
Expenditures		
Pharmacy Practice Education training	-	307,000
Lapsed balances	\$ -	\$ -
CHICAGO ST UNIV ED IMPROVEMENT FUND (223)		
Expenditure Authority/Appropriations (net of transfers)	\$ 1,600,000	\$ 1,600,000
Expenditures		
Any expenses incurred	1,600,000	1,600,000
Lapsed balances	\$ -	\$ -
GRAND TOTAL, ALL FUNDS		
Expenditure Authority/Appropriations (net of transfers)	\$ 21,707,300	\$ 38,237,500
Expenditures	21,706,686	38,008,893
Lapsed balances	\$ 614	\$ 228,607

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller records as of September 30, 2016, and have been reconciled to University records.

Note 2: Expenditure amounts are vouchers approved and paid by the University and submitted to the State Comptroller for reimbursement of payments made to vendors.

Note 3: During Fiscal Year 2016, the University operated without enacted appropriations until Public Act 99-0502 and Public Act 99-0524 were signed into law on April 25, 2016 and June 30, 2016, respectively. During the impasse, the Circuit Court of St. Clair County in AFSCME Council 31 v. Munger (15 CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to "draw and issue warrants accomplishing payment of wages [for all State employees] at their normal rates of pay." As such, the University's court-ordered involuntary withholding payroll payments previously processed through the State Treasury were merged into the enacted appropriation for Fund 007. Further, the University incurred reimbursable payroll and non-payroll obligations within Fund 223 which the University was unable to process reimbursement for the expenditures incurred by the University's Income Fund until the passage of Public Act 99-0524.

Note 4: Public Act 99-0524 authorizes the University to pay Fiscal Year 2016 costs using its Fiscal Year 2017 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 72 includes information from University management about the number of invoices and the total dollar amount of invoices held by the University to be submitted against its Fiscal Year 2017 appropriation.

Note 5: The above lapsed balance of \$614 represents outstanding warrants in General Revenue Fund that could not be transferred to Education Assistance Fund for court orders.

State of Illinois

SCHEDULE 4

Chicago State University

Comparative Schedule of Income Fund Revenues and Expenditures

For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
INCOME FUND		
REVENUES		
Tuition revenue	\$ 37,989,904	\$ 39,748,810
Laboratory fee	200,925	204,535
Late registration fee	89,885	71,300
NSF check fee	1,145	2,065
Deferred payment fee	60,750	53,800
Graduation fee - undergraduate	31,125	31,340
Graduation fee - graduate	13,400	11,615
Transcript fee	99,966	64,400
Application fee	117,271	113,999
Interest income	18,572	4,764
Miscellaneous other income	190,051	666,938
	<u>38,812,994</u>	<u>40,973,566</u>
Total revenues	<u>\$ 38,812,994</u>	<u>\$ 40,973,566</u>
EXPENDITURES		
Personal services	29,296,945	19,474,459
SURS retirement	3,792	-
Social Security	1,789,343	885,641
Contractual services	6,245,883	8,801,189
Travel	51,076	426,804
Commodities	504,103	1,135,022
Equipment and library books	203,245	1,437,476
Telecommunications	425,084	307,570
Operation of automotive equipment	29,787	44,499
Permanent improvements	-	27,088
Awards, grants, and matching funds	143,492	325,383
Tuition and fee waivers	3,048,994	3,472,692
Other expenditures	1,500,202	329
	<u>43,241,946</u>	<u>36,338,152</u>
Total expenditures	<u>\$ 43,241,946</u>	<u>\$ 36,338,152</u>

SCHEDULE 5

**State of Illinois
Chicago State University
Schedule of Changes in State Property
For the Year Ended June 30, 2016
(in thousands)**

	Balance June 30, 2015	Additions	Retirements	Transfers	Balance June 30, 2016
Land	\$ 9,611	-	-	-	\$ 9,611
Site improvements	15,080	-	-	-	15,080
Buildings and building improvements	191,230	50	-	8,306	199,586
Equipment	32,525	890	(1,173)	35	32,277
Capital lease assets	296	44	-	-	340
Intangible assets	1,176	314	-	-	1,490
Library books	13,111	149	-	-	13,260
Construction in progress	21,003	988	-	(8,341)	13,650
Total	\$ 284,032	\$ 2,435	\$ (1,173)	\$ -	\$ 285,294

Notes:

- (a) This Schedule has been reconciled to Quarterly Reports of State Property submitted to the State Comptroller.
- (b) This summary schedule was prepared using State property records required by the Illinois Administrative Code. The capitalization policy in the Code is different than the capitalization policy established by the Office of the Comptroller for financial reporting in accordance with generally accepted accounting principles.

State of Illinois
Chicago State University
Fiscal Schedules and Analysis
For the Years Ended June 30, 2016 and 2015

SCHEDULE 6

Schedule of Cash Receipts (Treasury Held Fund)

	<u>2016</u>	<u>2015</u>
Chicago St Univ Ed Improvement Fund 223		
Cash transfer from State Gaming Fund 129	\$ 1,600,000	\$ 1,600,000
Interest deposited directly into the State Treasury	7,475	5,496
Total receipts	<u>\$ 1,607,475</u>	<u>\$ 1,605,496</u>

**Reconciliation Schedule of Cash Receipts to
Deposits Remitted to the State Comptroller**

SCHEDULE 7

	<u>2016</u>	<u>2015</u>
Chicago St Univ Ed Improvement Fund 223		
Receipts per University records	\$ 1,607,475	\$ 1,605,496
Plus deposits in transit, beginning of year	-	3,000,000
Less deposits in transit, end of year	-	-
Deposits per Comptroller	<u>\$ 1,607,475</u>	<u>\$ 4,605,496</u>

SCHEDULE 8

**State of Illinois
Chicago State University
Analysis of Significant Variations in Revenues and Expenses
For the Year Ended June 30, 2016**

A comparative schedule of significant variations in operating and nonoperating revenues and expenses (at least \$200,000 and 20% of the previous year) for the fiscal years ended June 30, 2016 and June 30, 2015 are shown below:

ACCOUNTS	FISCAL YEAR ENDED JUNE 30,		INCREASE (DECREASE)	
	2016	2015	AMOUNT	%
OPERATING REVENUES:				
State and local grants and contracts	\$3,198,762	\$2,506,513	\$ 692,249	28%
OPERATING EXPENSES:				
Research	3,083,243	2,325,552	757,691	33%
Public service	1,328,302	936,499	391,803	42%
Student services	5,539,644	7,594,711	(2,055,067)	(27%)
Institutional support	9,390,878	11,925,039	(2,534,161)	(21%)
NONOPERATING REVENUES (EXPENSES):				
State appropriations	21,707,300	38,008,893	(16,301,593)	(43%)
State nonoperating grants	2,505,197	5,515,213	(3,010,016)	(55%)
Other nonoperating expenses	(1,500,000)	-	(1,500,000)	100%
Capital appropriations	2,032,760	14,322,576	(12,289,816)	(86%)
Capital grants and gifts	-	568,561	(568,561)	(100%)

University management provided the following explanations for the significant variations identified above.

State and local grants and contracts

The increase in revenue is due to the recognition of income from Chicago Regional College Program (CRCP) program (approximately \$1.27 million) in Fiscal Year (FY) 2016, whereas none in FY 2015, due to program administered by the Foundation. The increase is also due to increased funding in the Intelligence and Cybersecurity program (approximately \$140,000); offset by a decrease in grants related to Evidence Trauma programs (approximately \$810,000) which were transferred prior to FY 2016 yearend.

**State of Illinois
Chicago State University
Analysis of Significant Variations in Revenues and Expenses (Continued)
For the Year Ended June 30, 2016**

Research

Increase in expenses due to increased funding in two main programs; Bridge to Doctor (\$592,000) and LSAMP - Senior Level (\$240,000), offset by elimination of Alliance for Minority program (\$77,000).

Public service

Increase in costs related to utilizing more State appropriation (\$221,000), plus new restricted research grant (\$555,000), offset by a decrease of \$328,000 in unrestricted funding.

Student services

Reduction in expenses was mainly a result of reducing costs associated with the Local Income fund due to the State budget crisis and reduction in student enrollment. Salary costs were reduced by \$1 million, employee travel by \$141,000 and contractor related travel by \$514,000.

Institutional support

Change was due to approximate \$768,000 decrease in wage related costs, as a result of the reduction in staff during the year, coupled with \$412,000 reduction in indirect cost recovery charges. There was also a decrease in legal and marketing/advertising expenses of about \$145,000 and \$180,000, respectively, due to the reduction in expenditures in general, as a result of budget crisis. Further, accrual of grant funds to be paid back to the grantors totaling to about \$728,000 was reversed due to further negotiation or settlement.

State appropriations

Represents the decrease in approved appropriations from the State for FY 2016, as the continuing budget crisis resulted in less funding.

State nonoperating grants

The decrease was due to reduction in State funding of MAP grants in FY 2016.

Other nonoperating expenses

The increase was due to an accrual of the University's share in the awarded judgement in favor of the plaintiff in an ongoing lawsuit.

**State of Illinois
Chicago State University
Analysis of Significant Variations in Revenues and Expenses (Continued)
For the Year Ended June 30, 2016**

Capital appropriations

The decrease in expenses was due to \$8.4 million reduction in CDB funded capital projects along with the \$3 million reduction in Douglas Hall renovation funding.

Capital grants and gifts

Due to the continuing reduction in State funding, no funds were received or allocated to this area in FY 2016.

State of Illinois

SCHEDULE 9

Chicago State University

**Comparative Schedule of Cash, Temporary Cash Investments,
and Investments - at Market Value**

For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
By Depository		
Cash and temporary cash investments:		
Cash on hand	\$ 30,788	\$ 31,038
Cash equity with the State Treasurer	1,608,491	524,043
Seaway Bank, Chicago, Illinois, Illinois Funds	46	-
Citibank , Chicago, Illinois, Money Market Account	2,465,946	13,286,268
Checking accounts:		
Citibank, Chicago, Illinois, Vendor Disbursement Account	529,394	(3,712)
Citibank, Chicago, Illinois, Student Disbursement Account	31,811	125,751
Citibank, Chicago, Illinois, Various ACH	200,140	55,706
Citibank, Chicago, Illinois, TMS Account	83,214	61,399
Chase, Chicago, Illinois, Payroll Account	671,855	56,472
The Illinois Funds, Springfield, Illinois, Clearing Fund	14,476,506	8,478,273
Seaway National Bank, Chicago, Illinois, Checking	209,632	9,219
Seaway National Bank, Chicago, Illinois, Cougar Card	172,858	803,119
Seaway National Bank, Chicago, Illinois, Cashier's Depository	249,402	583,216
Total cash and cash equivalents	<u>20,730,083</u>	<u>24,010,792</u>
Certificate of deposit		
Highland Community Bank, Chicago, Illinois	-	250,000
Total certificate of deposit	<u>-</u>	<u>250,000</u>
Total cash and cash equivalents by depository	<u>20,730,083</u>	<u>24,260,792</u>
By Fund		
Unrestricted current funds	19,831,789	20,181,995
Restricted current funds	1,967,726	5,138,062
Loan funds	31,027	10,534
Plant funds	(1,255,887)	(1,251,016)
Agency funds	155,428	181,217
Total cash and cash equivalents by fund	<u>\$ 20,730,083</u>	<u>\$ 24,260,792</u>

SCHEDULE 10

**State of Illinois
Chicago State University
Analysis of Significant Variations in Account Balances
For the Year Ended June 30, 2016**

A comparative schedule of significant variations in account balances (at least \$200,000 and 20% of the previous year) for the fiscal years ended June 30, 2016 and June 30, 2015 are shown below:

ACCOUNTS	FISCAL YEAR ENDED JUNE 30,		INCREASE (DECREASE)	
	2016	2015	AMOUNT	%
ASSETS:				
Cash equity with State Treasurer	\$1,608,491	\$ 524,043	\$ 1,084,448	207%
Certificate of deposits - restricted	–	250,000	(250,000)	(100%)
Balance in State appropriation	24,879	5,541,430	(5,516,551)	(100%)
Prepaid expenses and other assets	267,953	564,964	(297,011)	(53%)
Cash and cash equivalents-restricted	2,154,181	5,138,062	(2,983,881)	(58%)
Other noncurrent assets	–	269,813	(269,813)	(100%)
LIABILITIES:				
Unearned revenue	2,605,908	3,873,633	(1,267,725)	(33%)
Accrued compensated absences	2,962,118	4,539,108	(1,576,990)	(35%)
NET POSITION:				
Restricted for:				
Expendable - capital projects	437,237	127,209	310,028	244%
Unrestricted	10,020,284	16,071,937	(6,051,653)	(38%)

University management provided the following explanations for the significant variations identified above.

Cash equity with State Treasurer

The increase in the balance at year end was due to the Fiscal Year (FY) 2016 budget impasse, in which the University was not able to submit vouchers for reimbursement until the FY 2016 budget was passed during the lapse period.

Certificate of deposits - restricted

The University deposited funds into a certificate of deposit during FY 2015 and redeemed it during the FY 2016.

**State of Illinois
Chicago State University
Analysis of Significant Variations in Account Balances (Continued)
For the Year Ended June 30, 2016**

Balance in State appropriation

Balance in the State appropriation decreased due to a reduced lag in the time for voucher payments in FY 2016 as compared to FY 2015. In the month of April 2016, the Comptroller's Office reimbursed the University within one day of submitting \$19.9 million in vouchers after the enacting of a FY 2016 budget.

Prepaid expenses and other assets

The decrease is mainly due to the exhaustion of prepaids related to Local Income fund (\$126,000) and Education Improvement fund (\$87,000), along with a net return of \$97,000 of security deposits realized from changing food service providers in FY 2016.

Cash and cash equivalents-restricted

Restricted cash decreased as funds were used on construction projects relating to Douglas Hall.

Other noncurrent assets

The decrease represents the elimination of a previously held deposit of \$269,000 with the State University Risk Management Association (SURMA) for insurance coverage.

Unearned revenue

The decline in unearned revenue was due to the University earning revenue from various grants (net change of \$846,000) and the reduced unearned tuition (\$421,000) due to decline in enrollment.

Accrued compensated absences

The decrease was due to approximately \$1.7 million in payouts during FY 2016 as a result of significant staff layoffs.

Net position, restricted for, expendable - capital projects

The significant increase in capital projects pertains mainly to grants received from CDB relating to the Douglas Hall renovation project.

Net position, unrestricted

The significant decrease in unrestricted net position pertains mainly to reduced appropriation from the State.

SCHEDULE 11

**State of Illinois
Chicago State University
Analysis of Significant Lapse Period Spending
For the Year Ended June 30, 2016**

An explanation was obtained for lapse period expenditures for Fiscal Year 2016 that accounted for more than 20% and \$200,000 of the total expenditures for the fiscal year.

	<u>Lapse Period Expenditures</u>	<u>Total Expenditures</u>	<u>% of Lapse Expenditures</u>
CHICAGO ST UNIV ED IMPROVEMENT (223)			
Any expenses incurred	\$ 1,600,000	\$ 1,600,000	100%

Payments for awards and grants paid locally by June 30, 2016 and submitted to the Comptroller's Office in the lapse period for reimbursement.

SCHEDULE 12

**State of Illinois
Chicago State University
Analysis of Accounts Receivable
June 30, 2016 and 2015**

Balance Sheet at June 30 of	<u>2016</u>	<u>2015</u>	<u>Change</u>
Accounts Receivable (Net)			
Current unrestricted funds	\$ 1,980,467	\$ 2,107,653	\$ (127,186)
Current restricted funds	4,911,156	3,710,213	1,200,943
Total accounts receivable (net)	<u>\$ 6,891,623</u>	<u>\$ 5,817,866</u>	<u>\$ 1,073,757</u>
Accounts receivable at gross less allowance for uncollectible accounts were as follows:			
Accounts receivable - all funds, at gross	\$ 18,870,156	\$ 17,134,330	\$ 1,735,826
Less: allowance for uncollectible accounts	(11,978,533)	(11,316,464)	(662,069)
Total accounts receivable (net)	<u>\$ 6,891,623</u>	<u>\$ 5,817,866</u>	<u>\$ 1,073,757</u>
Aging of Current Unrestricted Funds			
Current (less than one year)	\$ 2,350,917	\$ 2,129,138	\$ 221,779
One year past due	936,808	1,398,460	(461,652)
Two years past due	1,213,804	896,339	317,465
Three years past due	807,812	1,684,024	(876,212)
Older than three years past due	8,582,043	7,246,284	1,335,759
Total current unrestricted funds - gross	<u>13,891,384</u>	<u>13,354,245</u>	<u>537,139</u>
Allowance for uncollectible accounts	<u>(11,910,917)</u>	<u>(11,246,592)</u>	<u>(664,325)</u>
Balance sheet - current unrestricted funds (net)	<u>\$ 1,980,467</u>	<u>\$ 2,107,653</u>	<u>\$ (127,186)</u>

The University processes student accounts receivable through the Bursar Office. Monthly statements are processed for all students. If the balance on the account exceeds \$4.99 and payment is not received by the due date, academic transcripts are not released. Students with past due balances exceeding \$200 are not permitted to register for future terms.

Students who are no longer enrolled and have an account balance continue to receive monthly statements. Accounts with balances less than \$5.00 are not subject to collection efforts due to the costs associated with the collection process. All accounts with balances over \$5.00 are sent three collection notices by the Bursar Office. For those with a balance of \$100 or more, if the account is not paid in full by the due date of the third collection notice, the debt is subject to offset through the State Comptroller's Office, as well as to collection notices, telephone contacts and attorney/collection agency placement.

SCHEDULE 13**State of Illinois
Chicago State University
Schedule of Sources and Applications of
Indirect Cost Recoveries
For the Year Ended June 30, 2016**

	2016
SOURCES	
Federal funds	\$ 751,955
State funds	6,836
Local and private funds	3,537
	<hr/>
Total sources	762,328
	<hr/>
APPLICATIONS	
Compensation and benefits	301,568
Contractual	57,388
Travel	2,436
Commodities	7,554
Equipment	16,250
Other Expenses	55,367
	<hr/>
Total applications	440,563
	<hr/>
EXCESS OF SOURCES OVER APPLICATIONS	321,765
	<hr/>
TRANSFERS	
Transfers to other funds	(163,202)
	<hr/>
EXCESS OF SOURCES OVER APPLICATIONS AFTER TRANSFERS	158,563
	<hr/>
FUND BALANCE, BEGINNING OF YEAR	354,909
	<hr/>
FUND BALANCE, END OF YEAR	\$ 513,472
	<hr/> <hr/>

SCHEDULE 14

**State of Illinois
Chicago State University
Schedule of Federal Expenditures, Nonfederal Expenses and New Loans
For the Year Ended June 30, 2016
(in thousands)**

Schedule A - Federal Financial Component

Total federal expenditures reported on SEFA schedule	\$	69,063	
Total new loans made not included on SEFA schedule		-	*
Amount of federal loan balances at beginning of the year (not included on the SEFA schedule and continued compliance is required)		-	*
Other noncash federal award expenditures (not included on SEFA schedule)		-	*
Total Schedule A	\$	69,063	

Schedule B - Total Financial Component

Total operating expenses (from financial statements)	\$	130,742	
Total nonoperating expenses (from financial statements)		645	
Total new loans made		49,982	
Amount of federal loan balances at beginning of the year		1,729	
Total Schedule B	\$	183,098	

Schedule C

Total Schedule A	\$	69,063	37.7%
Total nonfederal expenses		114,035	62.3%
Total Schedule B	\$	183,098	100.0%

* Loan amounts are included on SEFA schedule.

Note: These schedules are used to determine the University's single audit costs in accordance with the Uniform Guidance.

**State of Illinois
Chicago State University
Analysis of Operations (Unaudited)
For the Year Ended June 30, 2016**

University Functions and Planning Program (Unaudited)

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. Originally, the plan was to guide the University until 2015 but the Board approved the resolution extending the plan to 2016 to allow the new President to review and make decisions about next steps. In addition to the strategic plan, the University utilizes an annual planning process called Planning, Measurement and Effectiveness (PME) to implement and monitor the effectiveness of the strategic plan. Every unit in the University is involved in this planning and monitoring process.

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 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

State of Illinois
Chicago State University
Analysis of Operations (Unaudited) (Continued)
For the Year Ended June 30, 2016

University Functions and Planning Program (Unaudited) (Continued)

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.

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 Interim President of the University is Mr. Cecil Lucy whose office is located at:

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

State of Illinois
Chicago State University
Analysis of Operations (Unaudited) (Continued)
For the Year Ended June 30, 2016

Budget Impasse Disclosures (Unaudited)

Payment of Fiscal Year (FY) 2016 Costs in Future Fiscal Years

Article 74 of Public Act 99-0524 authorized the University to pay FY 2016 costs using the University's FY 2017 appropriations for operational expenditures. The following chart shows the University's plan to expend its FY 2017 appropriations to cover its FY 16 costs:

Outstanding FY 2016 Invoices			
<u>Fund</u>	<u>Fund Name</u>	<u>Number</u>	<u>Dollar Value</u>
007	Education Assistance Fund	6	\$ 12,590,000

Alternative Financing in Lieu of Appropriations and Programs to Address Untimely Payment to Vendors (Unaudited)

Transactions Involving the Illinois Finance Authority

The University and its vendors did not participate in alternative financing in lieu of enacted appropriations involving the Illinois Finance Authority during the FY 2016.

Transactions Involving the Vendor Payment Program and Vendor Support Initiative Program

None of the University's vendors participated in the Vendor Payment Program (VPP) or the Vendor Support Initiative Program (VSI) during FY 2016.

Interest Costs on Fiscal Year 2016 Invoices (Unaudited)

Prompt Payment Interest Costs

The University did not incur any prompt payment interest due to vendors under the State Prompt Payment Act (30 ILCS 540). The University's vendors were paid from funds and accounts that are ineligible for prompt payment interest due to vendors under the Act.

State of Illinois
Chicago State University
Analysis of Operations (Unaudited) (Continued)
For the Year Ended June 30, 2016

Average Number of Employees (Unaudited)

Average number of Chicago State University employees during the years ended June 30, 2016:

	<u>2016</u>	<u>2015</u>
Faculty and staff	663	794
Students	<u>247</u>	<u>231</u>
Total	<u>910</u>	<u>1,025</u>

Comparative Enrollment Statistics (Unaudited)

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

	<u>2016</u>	<u>2015</u>
Head Count:		
Undergraduate	3,143	3,554
Graduate	<u>1,299</u>	<u>1,264</u>
Total	<u>4,442</u>	<u>4,818</u>
Credit Hours:		
Undergraduate	75,685	86,879
Graduate	<u>28,294</u>	<u>27,976</u>
Total	<u>103,979</u>	<u>114,855</u>

State of Illinois
Chicago State University
Analysis of Operations (Unaudited) (Continued)
For the Year Ended June 30, 2016

Comparative Enrollment Statistics (Unaudited) (Continued)

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

Chicago State University Enrollment Summary 2002-2016

<u>Term</u>	<u>Undergraduates</u>	<u>Graduates</u>	<u>Total</u>
Fall 2002	4,979	2,179	7,158
Fall 2003	4,904	2,136	7,040
Fall 2004	4,867	1,968	6,835
Fall 2005	5,160	1,971	7,131
Fall 2006	5,167	1,868	7,035
Fall 2007	5,217	1,593	6,810
Fall 2008	5,211	1,609	6,820
Fall 2009	5,398	1,837	7,235
Fall 2010	5,675	1,687	7,362
Fall 2011	5,280	1,602	6,882
Fall 2012	4,618	1,489	6,107
Fall 2013	4,340	1,361	5,701
Fall 2014	3,912	1,299	5,211
Fall 2015	3,461	1,306	4,767
Fall 2016	2,352	1,226	3,578

Chicago State University Enrollment Demographics - Fall 2016

<u>Category</u>	<u>Number</u>	<u>Percent</u>
Full-time	1,898	53.0%
Part-time	1,680	47.0%
Male	1,210	33.8%
Female	2,368	66.2%
Freshman	265	7.4%
Sophomores	336	9.4%
Juniors	709	19.8%
Seniors	1,039	29.0%
Other Undergraduates	3	0.1%
Graduates	1,226	34.3%

Credit Hour Production - Entire Academic Year

<u>College</u>	<u>Credit Hours</u>
Pharmacy	11,926
Arts & Science	46,964
Business	12,450
Education	10,606
Health Sciences	16,948
Special Programs	3,630
Undecided/Undeclared	1,455
Total	<u>103,979</u>

State of Illinois
Chicago State University
Analysis of Operations (Unaudited) (Continued)
For the Year Ended June 30, 2016

Comparative Schedule of Unrestricted Current Funds
Expenditures Per Full-Time Equivalent Students (Unaudited)

	2016		2015	
	Total Costs	Total Semester Cost Per Full-Time Equivalent*	Total Costs	Total Semester Cost Per Full-Time Equivalent*
Direct salary	\$ 18,124,483	\$ 2,448	\$ 23,514,115	\$ 2,900
Indirect instruction	771,990	104	754,292	93
Departmental research	486,264	66	136,202	17
Departmental overheads	2,991,186	404	3,115,432	384
College or school overheads	6,372,925	861	6,637,640	819
Subtotal of department and college costs	28,746,848	3,883	34,157,681	4,213
Overhead support unique to college costs	1,326,679	179	1,376,924	170
All other academic support	5,741,216	775	5,978,841	738
Student services	4,006,336	541	4,809,157	593
Institutional support	4,619,599	624	4,632,361	571
Subtotal University overheads	15,693,830	2,119	16,797,283	2,072
Total department and college costs with University overheads	44,440,678	6,002	50,954,964	6,285
Operation and maintenance of physical plant	10,678,899	1,442	11,116,864	1,371
Total costs	\$ 55,119,577	\$ 7,444	\$ 62,071,828	\$ 7,656

NOTE:

* 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 (Unaudited) (Continued)
For the Year Ended June 30, 2016

Emergency Purchases (Unaudited)

The University did not make any emergency purchases during Fiscal Year (FY) 2016.

Illinois First Projects (Unaudited)

The University did not have any projects under the Illinois First program.

Bookstore Information (Unaudited)

The University has a contract with a bookstore for the period July 1, 2010 through June 30, 2015. The contract has not been extended, as it is still being negotiated. The University was operating under the same terms as the old contract until a new contract is signed. The contract with the bookstore has the following terms:

1. 9.10% of all gross revenues up to \$3,000,000; and
2. 11.10% of all gross revenues over \$3,000,000 with
3. A minimum guaranteed commission of \$175,000.

During the FY 2016, the bookstore had gross revenue of \$1,281,812 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 (Unaudited) (Continued)
For the Year Ended June 30, 2016

Schedule of Degrees Conferred (Unaudited)

The University conferred degrees during the years ended June 30, 2016 and 2015, as follows:

	<u>2016</u>	<u>2015</u>
Bachelor's degrees	602	661
Post-baccalaureate certificates	4	1
Master's degrees	249	216
Doctoral	9	7
Professional (Pharm D)	<u>85</u>	<u>63</u>
Total degrees conferred	<u>949</u>	<u>948</u>

State of Illinois
Chicago State University
Analysis of Operations (Unaudited) (Continued)
For the Year Ended June 30, 2016

Schedule of Tuition and Fee Waivers (Unaudited)

Undergraduate

	Tuition Waived		Fees Waived	
	Number of Recipients *	Value of Waivers (In Thousands)	Number of Recipients *	Value of Waivers (In Thousands)
MANDATORY WAIVERS				
(SUBTOTAL)	166	\$ 789.1	12	\$ 13.1
ROTC	13	71.2	6	2.3
DCFS	6	41.8	6	10.8
Children of Employees	25	70.1	-	-
Senior Citizens	15	48.4	-	-
Illinois Veterans Grant (IVG)**	74	362.8	-	-
Illinois National Guard***	22	140.1	-	-
Prisoners of War/MIA***	11	54.7	-	-
DISCRETIONARY WAIVERS				
(SUBTOTAL)	196	761.8	53	48.9
Faculty/Administrative (non-civil service)	1	3.5	1	0.6
Civil Service	52	150.6	52	48.3
Athletic	37	210.7	-	-
Gender Equity in Intercollegiate Athletics	25	251.3	-	-
Student Need-Special Programs	81	145.7	-	-
TOTAL	362	\$ 1,550.9	65	\$ 62.0

Graduate

MANDATORY WAIVERS				
(SUBTOTAL)	53	\$ 184.1	15	\$ 15.0
Teacher Special Education	15	50.8	15	15.0
Senior Citizens	6	16.6	-	-
Illinois Veterans Grant (IVG)**	32	116.7	-	-
DISCRETIONARY WAIVERS				
(SUBTOTAL)	70	181.5	60	53.1
Faculty/Administrative (non-civil service)	29	59.7	29	24.4
Civil Service	30	82.5	30	28.2
Cooperating Professionals	1	0.9	1	0.5
Teaching Assistants	10	38.4	-	-
TOTAL	123	\$ 365.6	75	\$ 68.1

* Unduplicated

** Illinois Veterans Grants (ISAC), Illinois National Guard Grants (ISAC), and POW/MIA Scholarships (Department of Veterans Affairs). Include only the waived (unfunded) portion of these grants.

*** Other waiver categories must be approved by the Board of Higher Education prior to reporting.

State of Illinois
Chicago State University
Analysis of Operations (Unaudited) (Continued)
Special Data Requirements for Audits of Universities (Unaudited)
For the Year Ended June 30, 2016

University Reporting in Accordance with University Guidelines (Unaudited)

In accordance with an Office of the Auditor General, July 25, 2000, memorandum entitled “Matters Regarding University Audits” (Memorandum), certain supplemental data is required to be reported for University audits. The table below cross references the memorandum requirements (indicated by number and letter paragraph references) to the Chicago State University (University) financial statements and audit reports for the year ended June 30, 2016, where such special data is found.

Compliance Findings

13(a) A finding of noncompliance with University Guidelines for the year ended June 30, 2016 was noted, see finding 2016-011.

Indirect Cost Reimbursements

13(b) A statement of sources and applications of indirect cost reimbursements is included in this report on page 68.

13(c) The University’s calculation sheet for indirect cost carry-forward is included in this report on page 84. The excess funds were deposited to the Income Fund within 45 days after the end of the lapse period.

Tuition, Charges and Fees

13(d) There were no diversions of tuition revenues to auxiliary enterprise operations identified during the financial audit and compliance examination of the University for the year ended June 30, 2016.

Auxiliary Enterprises, Activities and Accounting Entities

13(e) Identification of each specific accounting entity and description of the sources of revenue and purpose of each are presented on pages 82 through 83.

13(f) Entity financial statements are presented on pages 86 through 89 of this report. The entity financial statements should be read in conjunction with University’s audited financial statements for the year ended June 30, 2016.

State of Illinois
Chicago State University
Analysis of Operations (Unaudited) (Continued)
Special Data Requirements for Audits of Universities (Unaudited)
For the Year Ended June 30, 2016

University Reporting in Accordance with University Guidelines (Unaudited) (Continued)

- 13(g) The University's calculations of current excess funds are presented in this report on page 85. The excess funds were deposited to the Income Fund within 45 days after the end of the lapse period.
- 13(h) The University Auxiliary Enterprises and activities received no support from appropriated State funds.
- 13(i) A Statement of Revenue, Expenses and Changes in Net Position for the bond indenture required accounts is presented on page 46 of the financial audit report.
- 13(j) There were no violations of the bond covenants identified during the financial audit and compliance examination of the University for the year ended June 30, 2016.
- 13(k) As of June 30, 2016, the University did not have a noninstructional facilities reserve account.

University Related Organizations

- 13(l) The University recognizes the Chicago State University Foundation and The University Foundation at Chicago State (collectively the "Foundation") as University Related Organizations. There are no organizations considered by the University to be "Independent Organizations" as defined in Section VII of "University Guidelines - 1982 (as amended 1997)."
- 13(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 90 of this report.
- 13(n) The University provided funds (primarily in the form of services) of approximately \$210,000 to the Foundation for the year ended June 30, 2016.
- 13(o) There were no cumulative unreimbursed subsidies from the University or appropriated funds to the Foundation for the year ended June 30, 2016.
- 13(p) There was no debt financed by the Foundation in Fiscal Year 2016.

State of Illinois
Chicago State University
Analysis of Operations (Unaudited) (Continued)
Special Data Requirements for Audits of Universities (Unaudited) (Continued)
For the Year Ended June 30, 2016

University Reporting in Accordance with University Guidelines
(Unaudited) (Continued)

Other Topics

- 13(q) The Comparative Schedule of Cash, Temporary Cash Investments, and Investments – at Market Value is presented in this report on page 63.
- 13(r) Income from investments of pooled funds has been allocated and credited to the original sources of the funds.
- 13(s) A schedule of costs per full-time equivalent student is presented on page 75 of this report.
- 13(t) The University or the Foundation did not purchase any real estate with an acquisition cost in excess of \$250,000 that was not funded by a separate, specific appropriation from the General Assembly.
- 13(u) There were no certificates of participation (COPS) or participation in lease or purchase arrangements involving COPS for the year ended June 30, 2016.

Other Schedules for Universities

- 13(v) The Comparative Schedule of Income Fund Revenues and Expenditures is presented on page 57 of this report.
- 13(w) The Schedule of Tuition and Fee Waivers is presented on page 78 of this report.

State of Illinois
Chicago State University
Analysis of Operations (Unaudited) (Continued)
Special Data Requirements for Audits of Universities (Unaudited) (Continued)
For the Year Ended June 30, 2016

Auxiliary Facilities, Activities, and Accounting Entities (Unaudited)

To comply with University Guidelines adopted by the State of Illinois Legislative Audit Commission in 1982, the Chicago State University (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.

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.

State of Illinois
Chicago State University
Analysis of Operations (Unaudited) (Continued)
Special Data Requirements for Audits of Universities (Unaudited) (Continued)
For the Year Ended June 30, 2016

Auxiliary Facilities, Activities, and Accounting Entities (Unaudited)
(Continued)

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 businesses.

State of Illinois
Chicago State University
Analysis of Operations (Unaudited) (Continued)
Special Data Requirements for Audits of Universities (Unaudited) (Continued)
For the Year Ended June 30, 2016

Schedule of Indirect Cost Funds to be Deposited into the University
Income Fund as Required by 1982 University Guidelines
(As Amended 1997) (Unaudited)

Calculation Sheet for Indirect Cost Carry-Forward

Current Available Funds	
Cash and cash equivalents	\$ 686,199
	<hr/>
Less: Allowable Indirect Cost Carryforward:	
Allocated Reimbursements - Indirect cost reimbursements allocated for expenditure for the fiscal year completed (\$610,000 @ 30%)	183,000
Unallocated Reimbursements - the lesser of actual unallocated indirect cost reimbursement or 10% of total indirect cost allocations	61,000
Encumbrances and Current Liabilities	12,040
	<hr/>
Total Allowable Indirect Cost Carryforward	256,040
	<hr/>
Amount to be Remitted to the Income Fund	\$ 430,159
	<hr/> <hr/>

State of Illinois
Chicago State University
Analysis of Operations (Unaudited) (Continued)
Special Data Requirements for Audits of Universities (Unaudited) (Continued)
For the Year Ended June 30, 2016

Schedule of Excess Funds Calculation by Entity as Required by 1982 University Guidelines (1997 Amended) (Unaudited)

	AUXILIARY ENTERPRISES					ACTIVITIES					
	Bond Revenue	Parking	Student Health	Auxiliary Enterprises	Public Services	Activity Services	Student Activities	Continuing Education	Total Activities		
1. Current available funds				Total							
Add:											
Cash and cash equivalents	\$2,316,424	\$ 736,430	\$ 487,683	\$ 3,540,537	\$ 1,026,767	\$ 3,774,132	\$ (3,477,408)	\$ 638,089	\$ 1,961,580		
Total current available funds	A. 2,316,424	736,430	487,683	3,540,537	1,026,767	3,774,132	(3,477,408)	638,089	1,961,580		
2. Working capital allowance											
Add:											
Highest month's expenditures	303,006	83,272	43,384	429,662	88,894	495,523	533,737	-	1,118,154		
Encumbrances and current liabilities paid in lapse period	216,549	81,604	12,236	310,389	6,616	599,152	150,670	4,136	760,574		
Deferred income / Refundable deposits	7,477	104	1,760	9,341	1,361	8,940	8,797	-	19,098		
Allowance for sick leave / vacation payouts	59,677	25,152	39,783	124,612	12,291	72,180	51,318	-	135,789		
Working capital allowance	B. 586,709	190,132	97,163	874,004	109,162	1,175,795	744,522	4,136	2,033,615		
3. Current excess funds:											
Deduct B from A and enter here	C. \$1,729,715	\$ 546,298	\$ 390,520	2,666,533	\$ 917,605	\$ 2,598,337	\$ (4,221,930)	\$ 633,953	(72,035)		
4. Calculation of income fund remittance:											
An entity may offset excess capital or current funds within the entity											
Enter the amount to be offset, if any, here	D. (1,985,561)	(272,484)	(21,470)	(2,279,515)	(195)	(210,202)	(6,127)	(476)	(217,000)		
Enter the algebraic sum of C and D and remit the amount due, if any, for deposit in the Income Fund				\$ 387,018					\$ (289,035)		

State of Illinois
Chicago State University
Analysis of Operations (Unaudited) (Continued)
Special Data Requirements for Audits of Universities (Unaudited) (Continued)
For the Year Ended June 30, 2016

BALANCE SHEETS (UNAUDITED)
(with comparative totals as of June 30, 2015)

	Auxiliary Enterprises						Total All Entities (Memorandum Only)	
	University			Activities			2016	2015
	Facilities	Student Health Services	Public Services	Activities Services	Student Activities	Continuing Education		
CURRENT UNRESTRICTED FUND ASSETS:								
Cash and cash equivalents	\$ 2,316,424	\$ 736,430	\$ 487,683	\$ 1,026,767	\$ 3,774,132	\$ -	\$ 638,089	\$ 8,979,525
Accounts receivable, net	126,419	-	67,762	2,283	102,150	47,286	-	345,900
Prepaid expense	56,280	-	1,418	-	37,737	2,646	-	98,081
Other assets	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	19,361	-	-	19,361
TOTAL ASSETS	2,499,123	736,430	556,863	1,029,050	3,933,380	49,932	638,089	9,442,867
CURRENT UNRESTRICTED FUND LIABILITIES AND FUND BALANCE:								
Bank overdraft	-	-	-	-	-	3,477,408	-	3,477,408
Accounts payable	63,829	18,536	1,546	-	162,422	60,372	4,136	310,841
Unearned revenue	7,477	104	1,760	1,361	8,940	8,797	-	28,439
Accrued compensated absences	59,677	25,152	39,783	12,291	72,180	51,318	-	106,507
Fund balances (deficit), unrestricted	2,368,140	692,638	513,774	1,015,398	3,689,838	(3,547,963)	633,953	265,445
TOTAL LIABILITIES AND FUND BALANCE	\$ 2,499,123	\$ 736,430	\$ 556,863	\$ 1,029,050	\$ 3,933,380	\$ 49,932	\$ 638,089	\$ 9,442,867
PLANT FUNDS ASSETS:								
Investment in plant:								
Buildings and improvements	26,540,918	547,406	-	-	343,378	116,077	-	27,547,779
Furniture and equipment	504,215	525,217	107,350	6,375	6,788,708	171,347	15,585	8,118,797
TOTAL ASSETS	27,045,133	1,072,623	107,350	6,375	7,132,086	287,424	15,585	35,666,576
PLANT FUNDS LIABILITIES AND FUND BALANCE:								
Bank overdraft	1,360,209	-	-	-	-	-	-	1,360,209
Accounts payable	53,369	-	-	-	-	-	-	53,369
Bond payable	12,000,000	-	-	-	-	-	-	12,000,000
Premium on bonds	168,423	-	-	-	-	-	-	168,423
Fund balances:								
Restricted - funded capital reserves	13,463,132	1,072,623	107,350	6,375	7,132,086	287,424	15,585	22,084,575
TOTAL LIABILITIES AND FUND BALANCE	27,045,133	1,072,623	107,350	6,375	7,132,086	287,424	15,585	35,666,576

State of Illinois
Chicago State University
Analysis of Operations (Unaudited) (Continued)
Special Data Requirements for Audits of Universities (Unaudited) (Continued)
For the Year Ended June 30, 2016

STATEMENT OF REVENUES, EXPENDITURES AND TRANSFERS - CURRENT UNRESTRICTED FUNDS (UNAUDITED)
(with comparative totals For the Year Ended June 30, 2015)

	Auxiliary Enterprises					Activities			Total All Entities (Memorandum Only)	
	University Facilities		Student Health Services		Public Services		Student Activities		Continuing Education	
	Revenue Bond Fund	Parking Facilities	Student Health Services	Public Services	Activities Services	Student Activities	Continuing Education	2016	2015	
REVENUES:										
Operating	\$ 2,610,682	\$ 732,589	\$ 36,683	\$ 200,942	\$ 805,139	\$ 685,040	\$ 34,307	\$ 5,105,382	\$ 6,208,275	
Student fees	1,584,709	-	471,352	20,723	2,482,704	1,841,146	-	6,400,634	6,507,089	
Other	-	-	-	-	330	-	-	330	183,205	
TOTAL REVENUES	4,195,391	732,589	508,035	221,665	3,288,173	2,526,186	34,307	11,506,346	12,898,569	
EXPENDITURES:										
Cost of sales	27,040	26,931	766	-	82,705	81,142	-	218,584	171,644	
Personal services	883,858	474,960	332,183	144,575	1,235,228	1,035,518	-	4,106,322	5,119,875	
Expended for plant	1,750	3,048	-	-	205,366	1,065	-	211,229	748,231	
Commodities	22,679	3,844	4,535	428	105,308	163,417	-	300,211	615,969	
Contractual services	995,672	24,428	30,852	109,583	960,106	1,383,920	-	3,504,561	4,012,013	
Other (travel, telecommunications)	55,333	69,170	40	-	205,945	272,883	-	603,371	762,305	
TOTAL EXPENDITURES	1,986,332	602,381	368,376	254,586	2,794,658	2,937,945	-	8,944,278	11,430,037	
TRANSFERS OUT:										
Principal and interest	1,845,004	-	-	-	-	-	-	1,845,004	1,842,752	
TOTAL EXPENDITURES AND TRANSFERS OUT	3,831,336	602,381	368,376	254,586	2,794,658	2,937,945	-	10,789,282	13,272,789	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND TRANSFERS OUT	\$ 364,055	\$ 130,208	\$ 139,659	\$ (32,921)	\$ 493,515	\$ (411,759)	\$ 34,307	\$ 717,064	\$ (374,220)	

State of Illinois
Chicago State University
Analysis of Operations (Unaudited) (Continued)
Special Data Requirements for Audits of Universities (Unaudited) (Continued)
For the Year Ended June 30, 2016

STATEMENT OF CHANGES IN FUND BALANCES - CURRENT UNRESTRICTED FUNDS (UNAUDITED)
 (with comparative totals For the Year Ended June 30, 2015)

	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	2016	2015	
REVENUES	\$ 4,195,391	\$ 732,589	\$ 508,035	\$ 221,665	\$ 3,288,173	\$ 2,526,186	\$ 34,307	\$ 11,506,346	\$ 12,898,569	
EXPENDITURES:										
Auxiliary enterprise	1,986,332	602,381	368,376	254,586	2,794,658	2,937,945	-	8,944,278	11,430,037	
TRANSFERS:										
Transfer out	(1,845,004)	-	-	-	-	-	-	(1,845,004)	(1,842,752)	
NET INCREASE (DECREASE) IN FUND BALANCES	364,055	130,208	139,659	(32,921)	493,515	(411,759)	34,307	717,064	(374,220)	
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	2,004,084	562,429	374,114	1,048,318	3,196,323	(3,136,203)	599,646	4,648,711	5,022,931	
FUND BALANCE (DEFICIT), END OF YEAR	\$ 2,368,139	\$ 692,637	\$ 513,773	\$ 1,015,397	\$ 3,689,838	\$ (3,547,962)	\$ 633,953	\$ 5,365,775	\$ 4,648,711	

State of Illinois
Chicago State University
Analysis of Operations (Unaudited) (Continued)
Special Data Requirements for Audits of Universities (Unaudited) (Continued)
For the Year Ended June 30, 2016

STATEMENT OF CHANGES IN FUND BALANCES - PLANT FUNDS (UNAUDITED)
(with comparative totals for the year ended June 30, 2015)

	Auxiliary Enterprises						Activities		Total All Entities (Memorandum Only)	
	University						Student Activities	Continuing Education	2016	2015
	Facilities	Parking Facilities	Health Services	Public Services	Activities Services	Activities				
REVENUES AND OTHER ADDITIONS										
Interest income	\$ 50	\$ -	\$ -	\$ -	\$ 245	\$ -	\$ -	\$ 295	\$ 6	
Expended for plant	1,750	3,048	-	-	205,366	1,065	-	211,229	748,231	
Retirement of debt	1,180,000	-	-	-	-	-	-	1,180,000	1,120,000	
TOTAL REVENUES AND OTHER ADDITIONS	1,181,800	3,048	-	-	205,611	1,065	-	1,391,524	1,868,237	
EXPENDITURES AND OTHER DEDUCTIONS										
Principal and interest on debt	1,820,302	-	-	-	-	-	-	1,820,302	1,820,302	
Property disposals and net transfers	12,113	8,035	864	-	70,443	1,678	-	93,133	235,011	
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	1,832,415	8,035	864	-	70,443	1,678	-	1,913,435	2,055,313	
MANDATORY TRANSFERS:										
Transfer in	1,845,004	-	-	-	-	-	-	1,845,004	1,842,752	
NET INCREASE (DECREASE) IN FUND BALANCES	1,194,389	(4,987)	(864)	-	135,168	(613)	-	1,323,093	1,655,676	
FUND BALANCES, BEGINNING OF YEAR	12,268,743	1,077,610	108,214	6,375	6,996,918	288,037	15,585	20,761,482	19,105,806	
FUND BALANCES, END OF YEAR	\$ 13,463,132	\$ 1,072,623	\$ 107,350	\$ 6,375	\$ 7,132,086	\$ 287,424	\$ 15,585	\$ 22,084,575	\$ 20,761,482	

State of Illinois
Chicago State University
Analysis of Operations (Unaudited) (Continued)
Special Data Requirements for Audits of Universities (Unaudited) (Continued)
For the Year Ended June 30, 2016

Summary of Foundation Cash Support to the University (Unaudited)

The Chicago State University Foundation and The University Foundation at Chicago State (collectively the “Foundation”) is considered a University-related organization under section VI of the University guidelines. Its contractual relationship to the University is described in Note 13 - “Related Party Transactions” of the University’s financial statements. During the current fiscal year, the University provided administrative support services valued at \$210,000 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	
University Guidelines computations:	
Totally unrestricted	\$ 47,092
Restricted only as college or department	<u>349,783</u>
Total funds considered unrestricted	<u>396,875</u>
Expenditures considered restricted for purposes of the	
University Guidelines computations:	
Given for scholarships	<u>125,695</u>
Total funds considered restricted	<u>125,695</u>
Total funds provided by the Foundation to support the University	<u>\$ 522,570</u>