

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

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

FOR THE YEAR ENDED JUNE 30, 2010

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

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

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

FOR THE YEAR ENDED JUNE 30, 2010

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Financial Statement Report

The University's financial statement report for the year ended June 30, 2010, which includes the report of independent auditors, management discussion and analysis, financial statements and notes, supplementary information, and the independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of basic financial statements performed in accordance with *Government Auditing Standards* has been issued separately.

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

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

FOR THE YEAR ENDED JUNE 30, 2010

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

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

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**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY**

**AGENCY OFFICIALS
CHICAGO STATE UNIVERSITY**

President	Dr. Wayne Watson (10/1/09 to present)
Acting President	Dr. Sandra Westbrooks (7/1/09 to 9/30/09)
Provost and Senior V.P. of Academic and Student Affairs	Dr. Sandra Westbrooks
Vice President of Administration and Finance	Mr. Glenn Meeks (11/16/09 to present)
Interim Vice President Administration and Financial Affairs	Ms. Louise Williams (7/16/09 to 11/15/09)
Interim Vice President Administration and Financial Affairs	Dr. Dean Justman (to 7/15/09)
Associate V.P. of Finance and Administration/Controller	Mr. Edward Lannon (1/16/10 to present)
Director of Accounting	Mr. John Frizzell (to 5/25/10)
Associate Director of Accounting	Ms. Louise Williams
Chief Internal Auditor	Mr. Ken Clow (6/7/10 to present)
Director of Internal Audit	Mr. John Meehan (to 3/31/10)

University offices are located at:

9501 South Martin Luther King Drive
Chicago, IL 60628

Wayne Watson, Ph.D.
President



Telephone: 773 / 995-2400
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9501 S. King Drive / ADM 313
Chicago, Illinois 60628-1598

March 10, 2011

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

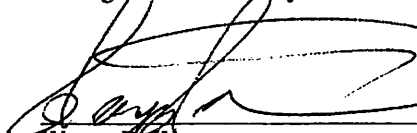
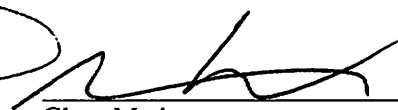

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of Chicago State University. We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of Chicago State University's compliance with the following assertions during the year ended June 30, 2010. Based on this evaluation, we assert that during the year ended June 30, 2010, Chicago State University has materially complied with the assertions below.

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

Very truly yours,

Chicago State University


Wayne D. Watson
President
Glenn Meeks
Vice President of Administration
Patrick B. Cage
General Counsel

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY**

COMPLIANCE REPORT

SUMMARY

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

ACCOUNTANTS' REPORTS

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

SUMMARY OF FINDINGS

<u>Number of</u>	<u>Current Report</u>	<u>Prior Report</u>
Findings	41	13
Repeated findings	11	7
Prior recommendations implemented or not repeated	2	13

Details of findings are presented in a separately tabbed report section of this report.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FINDINGS (GOVERNMENT AUDITING STANDARDS)

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
10-1	21	Financial Statement Adjustments	Material Weakness
10-2	25	Noncompliance with Unclaimed Property Act and Write Off of Accounting Errors	Material Weakness
10-3	27	Inaccurate Financial Reporting for the University Auxiliary Facilities System Revenue Bond Fund	Material Weakness / Material Noncompliance
10-4	28	Purchasing Card Procedures	Significant Deficiency

FINDINGS (FEDERAL COMPLIANCE)

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
10-5	30	Inappropriate Costs Charged to U.S. Aid Program	Material Weakness / Material Noncompliance
10-6	32	Noncompliance with Department of Energy Grant Requirements	Significant Deficiency / Noncompliance

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY**

COMPLIANCE REPORT

SUMMARY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS (FEDERAL COMPLIANCE) (Continued)

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
10-7	34	Research and Development Cluster Reporting	Material Weakness / Scope Limitation
10-8	36	Student Financial Assistance not Reconciled on a Monthly Basis	Material Weakness / Noncompliance
10-9	38	Inadequate Controls over Preparation of a Complete and Accurate Schedule of Expenditures of Federal Awards	Material Weakness / Noncompliance
10-10	40	Costs Charged to Research and Development Cluster	Significant Deficiency / Noncompliance
10-11	42	Financial Aid Awarded to Ineligible Student	Significant Deficiency / Noncompliance
10-12	43	Return of Title IV Funds	Significant Deficiency / Noncompliance
10-13	45	Documentation of Student Eligibility	Significant Deficiency / Noncompliance
10-14	46	Suspension and Debarment	Material Weakness / Noncompliance
10-15	48	Untimely Payment of Student Refunds	Significant Deficiency / Noncompliance
10-16	49	Inadequate Controls Over Reporting	Material Weakness / Noncompliance
10-17	51	Inadequate Cash Management Procedures	Significant Deficiency / Noncompliance
10-18	53	Controls Over Reporting	Significant Deficiency / Noncompliance
10-19	55	Student Financial Aid Credited to Students' Accounts Early	Significant Deficiency / Noncompliance
10-20	56	Disbursement to Ineligible Student	Significant Deficiency / Noncompliance
10-21	57	Inaccurate Completion of the Fiscal Operations Report	Significant Deficiency / Noncompliance
10-22	58	Drug Free Workplace	Significant Deficiency / Noncompliance

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY**

COMPLIANCE REPORT

SUMMARY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS (FEDERAL COMPLIANCE) (Continued)

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
10-23	60	Notification of Disbursements of Loan Proceeds	Significant Deficiency / Noncompliance
10-24	61	Disclosure Regarding Lobbying Activities	Significant Deficiency / Noncompliance
10-25	62	Research and Development Cluster Subrecipient Monitoring	Significant Deficiency / Noncompliance
10-26	63	Completion and Graduation Rates	Significant Deficiency / Noncompliance
10-27	64	Inadequate Control Procedures to Notify Pass-Through Grantors of Audit Results	Significant Deficiency / Noncompliance
10-28	66	Data Collection Form	Significant Deficiency / Noncompliance

FINDINGS (STATE COMPLIANCE)

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
10-29	67	Inadequate Controls Over Convocation Center Expenditures	Material Weakness / Noncompliance
10-30	69	Procurement and Contract Documentation	Material Weakness / Noncompliance
10-31	71	Inadequate Controls Over Contracting Procedures	Material Weakness / Noncompliance
10-32	74	Inadequate Controls Over Student Registration and Billing	Significant Deficiency / Noncompliance
10-33	75	Subsidies Between Accounting Entities	Significant Deficiency / Noncompliance
10-34	76	Voucher Processing Errors	Significant Deficiency / Noncompliance
10-35	78	Invoices Submitted for Reimbursement from State Appropriations	Significant Deficiency / Noncompliance
10-36	80	Time Sheets not Maintained in Compliance with State Officials and Employees Ethics Act	Significant Deficiency / Noncompliance

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY**

COMPLIANCE REPORT

SUMMARY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS (STATE COMPLIANCE (Continued))

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
10-37	81	Inadequate Support for Quarterly Summary of Accounts Receivable	Significant Deficiency / Noncompliance
10-38	83	Noncompliance with Campus Security Enhancement Act of 2008	Significant Deficiency / Noncompliance
10-39	85	Noncompliance with the Public University Tuition Statement Act	Significant Deficiency / Noncompliance
10-40	86	Elective Course in Physical Education not Required for All Teachers	Significant Deficiency / Noncompliance
10-41	87	Computer Security Weaknesses	Significant Deficiency / Noncompliance

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

10-1	21	Financial Statement Adjustments	Material Weakness / Noncompliance
10-2	25	Noncompliance with Unclaimed Property Act and Write Off of Accounting Errors	Material Weakness / Noncompliance
10-4	28	Purchasing Card Procedures	Significant Deficiency / Noncompliance

PRIOR FINDINGS NOT REPEATED

A	89	Voucher Processing Errors	Noncompliance Significant Deficiency
B	89	Inaccurate Locally Held Funds Reporting	Noncompliance Significant Deficiency
C	89	Noncompliance with Illinois Human Rights Act	Noncompliance Significant Deficiency

STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY

COMPLIANCE REPORT

SUMMARY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with University personnel at an exit conference on March 4, 2011. Attending were:

Representing Chicago State University

President
Vice President of Administration and Finance
Provost and Senior Vice President Academic &
Student Affairs
Interim Associate Vice President Sponsored Programs
Chief Internal Auditor
Assistant Chief Internal Auditor
Associate Vice President of Administration and Finance/
Controller
Chief Information Officer
Finance Special Projects
Assistant Director – Financial Aid
Interim Director of Purchasing

Dr. Wayne Watson
Mr. Glenn Meeks

Dr. Sandra Westbrooks
Dr. Yvonne Harris
Mr. Ken Clow
Ms. Deborah Muhammad

Mr. Edward Lannon
Ms. Ce Cole Dillon
Mr. John Meehan
Mr. Jim Lucke
Ms. Janielle Graham

Representing Borschneck, Pelletier & Co.

Partner
Manager
Staff Accountant
IT Specialist

Mr. Paul A. Pelletier, CPA
Mr. Robert Sikma, CPA
Ms. Kristin Stojcevski
Mr. James Flanagan

Representing the Office of the Auditor General

Audit Manager
IS Audit Manager

Mr. Thomas L. Kizziah, CPA
Ms. Kathleen Devitt, C.I.S.A.

Responses to the recommendations were provided by Mr. Edward Lannon in a correspondence dated March 9, 2011.

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

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have examined Chicago State University's compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the year ended June 30, 2010. The management of Chicago State University is responsible for compliance with these requirements. Our responsibility is to express an opinion on Chicago State University's compliance based on our examination.

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

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about Chicago State University's compliance with those requirements listed in the first paragraph of this report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Chicago State University's compliance with specified requirements.

In our opinion, Chicago State University complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the year ended June 30, 2010. However, the results of our procedures disclosed instances of noncompliance, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings and questioned costs as findings 10-1, 10-2, 10-4 and 10-29 through 10-41.

Internal Control

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

A *deficiency* in an entity's 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 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. We consider the deficiencies in internal control over compliance as described in the accompanying schedule of findings and questioned costs as findings 10-1, 10-2, and 10-29 through 10-31 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as findings 10-4, 10-32 through 10-41 to be significant deficiencies.

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

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

Supplementary Information for State Compliance Purposes

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the business-type activities of Chicago State University and its discretely presented component unit, collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2010, and have issued our report thereon dated March 10, 2011. Our report was modified to include reference to other auditors and to emphasize corrections of prior period errors. The accompanying supplementary information, as listed in the table of contents as Supplementary Information for State Compliance Purposes, is presented for purposes of additional analysis and is not a required part of the basic financial statements of Chicago State University. The 2010 Supplementary Information for State Compliance Purposes, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2010 taken as a whole.

The University's financial statements for the year ended June 30, 2009 were audited by other auditors whose report thereon dated February 16, 2010 expressed unqualified opinions on the respective financial statements of the business-type activities and the discretely presented component unit. In a separately issued report dated February 16, 2010 on the 2009 supplementary information, the other auditors stated

that, in their opinion, such information, except that portion marked "unaudited", on which they expressed no opinion, was fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2009, taken as a whole.

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

Borschmann, Pelletier & Co.

March 10, 2011

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

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the business-type activities of Chicago State University and its discretely presented component unit, collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2010, which collectively comprise Chicago State University's basic financial statements and have issued our report thereon dated March 10, 2011. Our report was modified to include a reference to other auditors and to emphasize corrections of prior period errors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the University's discretely presented component unit, as described in our report on the University's financial statements. This report does not include the results of the other auditors' 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, we considered Chicago State University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements and not for the purpose of expressing an opinion on the effectiveness of Chicago State University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Chicago State University's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and another deficiency that we consider to be a significant deficiency.

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. We consider the deficiencies described in findings 10-01, 10-02, and 10-03 in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency or 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. We consider the deficiency described in finding 10-04 in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Chicago State University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as finding 10-3.

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

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

Borschmann, Pelletier & Co.

March 10, 2011

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM, ON INTERNAL CONTROL
OVER COMPLIANCE, AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS IN
ACCORDANCE WITH OMB CIRCULAR A-133

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have audited Chicago State University's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Chicago State University's major federal programs for the year ended June 30, 2010. Chicago State University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Chicago State University's management. Our responsibility is to express an opinion on Chicago State University's compliance based on our audit.

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

We did not audit Chicago State University's compliance with the requirements governing the repayments special tests and provisions compliance requirement in accordance with the Student Financial Assistance Cluster: Federal Perkins Loan program as described in the Compliance Supplement. We also did not test Chicago State University's compliance with the requirements governing the student status changes special tests and provisions compliance requirement in accordance with the Student Financial Assistance Cluster: Federal Direct Student Loan and Federal Family Education Loan programs as described in the Compliance Supplement. Those requirements govern functions performed by University Accounting Service, LLC (UAS) and National Student Clearinghouse (NSC). Since we did not apply auditing procedures to satisfy ourselves as to compliance with those requirements, the scope of work was not sufficient to enable us to express, and we do not express, an opinion on compliance with those requirements. UAS's compliance with the requirements governing the functions that it performs for Chicago State University for the year ended June 30, 2010 was examined by the accountants for the servicer in accordance with the U.S. Department of Education's Audit Guide, *Audits of Federal Student Assistance Programs at Participating Institutions and Institution Servicers*. NSC's compliance with the requirements governing the functions that it performs for Chicago State University for the year ended June 30, 2010 was examined by the accountants for the servicer in accordance with the U.S. Department of Education's Audit Guide, *Audits of Federal Student Assistance Programs at Participating Institutions and Institution Servicers*. Our report does not include the results of the accountants for the servicer examinations of UAS's and NSC's compliance with such requirements.

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

Qualifications (Scope Limitation)

Chicago State University was unable to provide us with a complete listing of reports that were required to be filed for its Research and Development Cluster nor were we able to obtain sufficient documentation to satisfy ourselves as to Chicago State University's compliance with the reporting requirement for its Research and Development Cluster. (See Finding Code No. 10-7.)

Qualifications (Noncompliance)

As described in Finding 10-5 in the accompanying schedule of findings and questioned costs, Chicago State University did not comply with requirements regarding allowable costs / cost principles that are applicable to its U.S. AID Foreign Assistance for Programs Overseas (Textbook and Learning Materials) program. Compliance with such requirements is necessary, in our opinion, for the Chicago State University to comply with the requirements applicable to the identified major programs.

In our opinion, except for the noncompliance described in the preceding paragraph, Chicago State University complied, in all material respects, with the 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, 2010. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as findings 10-6 and 10-8 through 10-28.

Internal Control Over Compliance

The management of Chicago State University is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Chicago State University's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Chicago State University's internal control over compliance.

Requirements governing the repayments special tests and provisions compliance requirement of the Student Financial Assistance Cluster: Federal Perkins Loan program as described in the Compliance Supplement are performed by UAS. Requirements governing the student status changes special tests and provisions compliance requirement of the Student Financial Assistance Cluster: Federal Direct Student Loan and Federal Family Education Loan programs as described in the Compliance Supplement are performed by NSC. Internal control over compliance related to such functions for the year ended June 30, 2010 was reported on by accountants for the servicers in accordance with the U.S. Department of Education's Audit Guide, *Audits of Federal Student Assistance Programs at Participating Institutions and Institution Servicers*. Our report does not include the results of the accountants' for the servicers testing of UAS' and NSC' internal control over compliance related to such functions.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as findings 10-5, 10-7, 10-8, 10-9, 10-14, and 10-16 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies in internal over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as findings 10-6, 10-10 through 10-13, 10-15, and 10-17 through 10-28 to be significant deficiencies.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the business-type activities of Chicago State University and its discretely presented component unit, collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2010, which collectively comprise Chicago State University's basic financial statements and have issued our report thereon dated March 10, 2011. Our report was modified to include a reference to other auditors and to emphasize corrections of prior period errors. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Chicago State University's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, agency management, (include those charged with governance such as the governing board if applicable) 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.

Borschneck, Pelletier & Co.

March 10, 2011

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: unqualified opinions

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? X yes no

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

Name of Federal Program or Cluster	CFDA No.	Type of Auditors' Report on Compliance
Student Financial Aid Cluster		Unqualified
Federal Supplemental Educational Opportunity Grants	84.007	
Federal Family Education Loans	84.032	
Federal Work Study Program	84.033	
ARRA Federal Work Study Program	84.033	
Federal Perkins Loan Program	84.038	
Federal Pell Grant Program	84.063	
Federal Direct Student Loans Program	84.268	
Academic Competitiveness Grants	84.375	
National Science and Mathematics Access to Retain Talent Grants	84.376	
Teacher Education Assistance for College and Higher Education Grants	84.379	
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925	
ARRA - Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.721	
State Fiscal Stabilization Funds Cluster		Unqualified
ARRA - SFSF Education Fund	84.394	
ARRA - SFSF Government Services Fund	84.397	
Research & Development Cluster		Qualified (scope limitation)
Basic Scientific Research	12.431	
Development of Fuel Cells for Mobile Robotics Systems	12.XXX	
Development of Solar Cells I Systems	12.XXX	
Biological Sciences	47.074	

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I. SUMMARY OF AUDITORS' RESULTS (Continued)

<u>Name of Federal Program or Cluster</u>	<u>CFDA No.</u>	<u>Type of Auditors' Report on Compliance</u>
Education and Human Resources	47.076	
ARRA - Trans- NSF Recovery Act Research Support	47.082	
Child Health and Human Development Extramural Research	93.865	
ARRA - Trans NIH Recovery Act Research Training	93.701	
Biomedical Research and Research Training	93.859	
Strengthening Minority- Serving Institutions	84.382	Unqualified
TANF Cluster		
Temporary Assistance for Needy Families	93.558	Unqualified
U.S. Agency For International Development		
USAID Foreign Assistance for Programs Overseas	98.XXX	Qualified
U.S. Department of Energy		
Office of Science Financial Assistance Program	81.049	Unqualified
Dollar threshold used to distinguish between type A and type B programs:		\$ <u>433,480</u>
Auditee qualified as low-risk auditee?		<u> </u> yes <u> x </u> no

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CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS

10-1 FINDING: FINANCIAL STATEMENT ADJUSTMENTS

Chicago State University (University) did not perform accounting reconciliations of certain receivables, payables, prepaid expenses, and capital assets at the end of the current accounting period. We also noted errors reported in prior reporting periods that resulted in prior period adjustments recorded by the University.

We noted the following matters that the University posted as prior period adjustments:

- Construction in progress as of June 30, 2009 was understated by \$687,555. The University made the entry to correct this item in the prior period.
- The University had written off \$928,193 of old stale dated checks that it had determined were not valid liabilities of the University. The University wrote these off to other income, thereby misstating its current year revenues. We brought this matter the University's attention and they corrected the entry by restating the beginning net assets.
- The University had not reconciled its student payable account. Upon further review, it was noted that the account's liability was overstated. It included several very old entries related to unclaimed stale checks which had never been corrected. We further noted another liability account that included additional stale dated checks. The University recorded entries totaling \$142,657 to remove these erroneous entries and liabilities.
- During our review of miscellaneous accounts payable, it was noted that the account had not been reconciled and included a liability to the CSU Foundation of \$100,000. This had been written off by the Foundation several years prior. The University made the entry to correct this item in the prior period.

We also noted the following financial statement matters:

- The University did not use a reasonable methodology for estimating an allowance for doubtful accounts for its student loans and student accounts. After bringing this to the attention of the University, they revised their estimates and posted adjustments that increased the student account allowance by \$796,268 and the student loan allowance by \$121,563.
- During our review of Auxiliary Enterprise revenues and expenses, we noted a sharp decline in revenues and expenses. Upon investigation, we were told that the food service revenues and expenses for students in University housing had been removed (or netted out) from the accounting records. The University posted an adjustment to gross up those revenues and expenses of \$1,204,693.
- The University had not reconciled its accounting records to the records maintained by its third party service organization that services the University's Federal Perkins Loan program and its former Nursing Student Loan Program. The University's general ledger reflected a net loan balance of \$1,731,920. The detail loan balance per the service organization was \$1,663,661. After bringing this matter to the University's attention, the University investigated the difference further and posted adjustments to the financial statements totaling \$66,732. An adjustment of \$1,527 was not recorded by the University.
- We reviewed the detail provided for third party accounts receivable at June 30, 2010. We noted that the detail records had not been reconciled to the general ledger. After further investigation by the University, it was determined that the receivable balance was over-stated. The University made an entry of \$412,372 to write down the balance to the detail.

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CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS

10-1 FINDING: FINANCIAL STATEMENT ADJUSTMENTS (Continued)

- We noted that the University had not reconciled the program and fiscal records related to its Student Financial Assistance Program accounts. Our reconciliations indicated that grant receivables were understated by \$24,438 and accounts payable to students were understated by \$106,991. The University subsequently posted the adjustment.
- Our review of the accounts payable detail identified two items (included as debits to accounts payable) that should have been recorded as a prepaid expense (\$89,474) and another item (\$100,473) that should not have been recorded (was not incurred until fiscal year 2011). After these items were brought to the attention of the University, an entry was made to correct accounts payable.
- We reviewed the activity of the University's institutional loans. We noted that there had been no activity in this loan receivable account since 1997. After bringing this to the University's attention, it was determined that the University did not have any supporting documentation detailing these loans. The University posted an entry of \$65,856 to write-off these loans that could not be collected.
- We reviewed the detail of the bookstore payable account and noted that the account had not been reconciled by the University. Upon further review of the account, the University discovered that the liability had been recorded in two liability accounts. The University corrected the financial statements by making a \$95,299 adjustment to ensure that it was only recorded once.
- The detailed accounts payable listing provided by the University included a vendor called "Unreconciled". The University had no idea whom these amounts were payable to or if they were payable. The University wrote off these balances totaling \$55,675.
- We noted the University had recorded an entry of \$584,923 to buildings and commenced depreciation (\$14,074) on the asset; however, this asset was architectural fees for a proposed new building construction. Building construction has not yet commenced or been abandoned so the fees should continue to be carried as a non-depreciable capital asset until it is either abandoned or placed in service. The University recorded an entry after the auditors brought the matter to the University's attention.
- While reviewing the capital assets activity of the University, we noted that the \$293,691 loss on disposal of capital assets was posted to an expense account. The entry caused the expenses to be over-stated and the loss on disposal of assets to be under-stated. The University corrected the entry after the auditors brought the matter to their attention.
- The University did not correctly record the current portion of its capital lease payable. The annual payment was due by June 30, 2010, but it was paid on October 15, 2010. This resulted in two annual payments being due as the University's current portion. After bringing this to the attention of the University, an entry of \$100,883 was made to correct the current and long term portion.
- We noted a \$4,924 miscellaneous accounts payable related to a program that has not existed at the University for many years. The University wrote off the payable.
- During our voucher testing, we also noted \$139,180 of vouchers charged to fiscal year 2010 that should have been recorded in the June 30, 2009 accounts payable. The University did not record this proposed adjustment.

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CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS

10-1 FINDING: FINANCIAL STATEMENT ADJUSTMENTS (Continued)

After being informed that the University was making these entries, we inquired whether the University obtained the necessary approvals from the Attorney General's Office to write off the receivables that exceeded \$1,000 and performed the other procedures required by the Uncollectible State Claims Act. We were informed that they had not as of the date of our inquiry.

According to accounting principles generally accepted in the United States of America (GAAP) an error in recognition, measurement, presentation or disclosure in financial statements resulting from an oversight at the time the financial statements were prepared is a misstatement, that if material, either individually or in the aggregate, would result in an adverse audit opinion on the financial statements. Correction of an error in previously issued financial statements discovered subsequent to their issuance should be reported as a prior-period adjustment, the cumulative effect reflected in the carrying amount of assets and liabilities as of the beginning of the first period presented. In addition, the entity should disclose the effect of the correction of the error. Therefore, such adjustments should not affect current year revenue or expenditure amounts. The University adjusted the current year financial statements and made a prior period adjustment to correct the errors.

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

Additionally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University establish and maintain a system or systems of internal fiscal and administrative controls which shall provide assurance that revenues, expenditures, and transfers of assets, resources or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial reports. The Uncollectible State Claims Act (30 ILCS 205) requires the University to obtain approval from the Attorney General to write off claims of \$1,000 or more after having pursued all reasonable means of collection.

University management stated that they are in the process of cleaning up certain accounts on its books and has been assisted in this effort through the audit testing. The approval of the Attorney General had not been requested earlier due to a focus on completing the financials and the audit.

Failure to perform regular account reconciliations resulted in inaccurate accounting records. Using inaccurate accounting records to prepare the financial statements increases the likelihood that financial statements may be materially misstated. (Finding Code No. 10-1)

RECOMMENDATION

We recommend that the University enhance its procedures to ensure that accounting records are properly reconciled and evaluated and allow for the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America.

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CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS

10-1 FINDING: FINANCIAL STATEMENT ADJUSTMENTS (Continued)

UNIVERSITY RESPONSE

The University agrees with the recommendation and will make every effort to comply to the greatest extent of its resources. Management notes that most of the exceptions cited relate to omissions in prior years which were somehow overlooked for a long time and expects that resources will need to be managed very carefully, which it intends to do, in order to avoid similar problems from recurring.

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CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS

10-2 FINDING: NONCOMPLIANCE WITH UNCLAIMED PROPERTY ACT AND WRITE OFF OF ACCOUNTING ERRORS

Chicago State University (University) did not fully comply with the Uniform Disposition of Unclaimed Property Act (Act) and recorded a prior period adjustment for old accounting errors.

After the completion of each calendar year, the University transfers its old outstanding checks to a liability account and removes them from its bank reconciliation. During our audit, we noted that these liability accounts (that were included in the accounts payable balance) contained stale dated checks which had never been cashed. Some of these checks were issued over eleven years ago. The balance of checks older than 7 years old that remained as a liability on the University's Statement of Net Assets as of June 30, 2010 was \$148,552.

We also noted that the University wrote off approximately \$1,071,000 of stale checks that were payable to businesses and individuals that it believes were not valid liabilities of the University. The University recorded a prior period adjustment to its 2009 net assets to remove these liabilities. Although we concur that most of these stale checks were likely the result of accounting errors, the University still has a due diligence requirement to investigate each one of these stale dated checks, and comply with the Act.

Good business practices would require procedures to monitor outstanding items during reconciliations of cash on a timely basis and determine the proper disposition of stale checks promptly. The canceling of outstanding checks and transfer to a liability does not aid this process.

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

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

University officials stated the expectation of the new management coming on board in mid FY10 was that checks older than the seven-year holding period under the Unclaimed Property Act would need to be remitted to the State Treasurer at the next regular reporting date of November 1, 2010 or otherwise disposed of prior to that date.

The other concern was the high dollar amount of the stale-dated check liability at almost \$2 million. The expectation was that reporting and remitting stale-dated checks by the next regular reporting date and decreasing the liability dramatically would remove the conditions that led to the finding. However, according to University officials, due to the provisions of the Act regarding the seven-year holding period and the annual filing date versus the different timeframe of the University's fiscal year, it was not possible to avoid the finding for FY10. In addition, through expending the effort to review a

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CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS

10-2 FINDING: NONCOMPLIANCE WITH UNCLAIMED PROPERTY ACT AND WRITE OFF OF ACCOUNTING ERRORS (Continued)

tremendous quantity of stale-dated checks that were not reviewed in prior years, it was determined that a significant portion were not true liabilities or valid claims and were primarily the result of accounting errors in previous years.

Failure to review unclaimed monies could result in noncompliance with the Act. (Finding Code Nos. 10-2, 09-1, 08-4 and 07-12)

RECOMMENDATION

We recommend that the University continue its evaluation of stale checks and comply with the requirements of the Act.

UNIVERSITY RESPONSE

The University agrees with the recommendation and will make every effort to comply to the greatest extent of its resources.

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CHICAGO STATE UNIVERSITY
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CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS

10-3 FINDING: INACCURATE FINANCIAL REPORTING FOR THE UNIVERSITY AUXILIARY FACILITIES SYSTEM REVENUE BOND FUND

Chicago State University (University) did not properly report financial information of the University Auxiliary Facilities System Revenue Bond Fund (System).

During our testing of financial statements of the System, we noted that the University did not have a proper system to ensure that the reporting for the System was done correctly and consistently. After inquiries by the auditor, the University made a correction to the beginning net assets in the amount of \$2,571,589 which related to a \$2,306,469 overstatement of cash, a \$23,714 understatement of accounts receivable, and a \$288,834 understatement of accounts payable. (This adjustment is unrelated to the prior period adjustments described in Note 16 in the Notes to the Financial Statements and in Finding 10-1.)

The bond indenture for the System requires the University to keep proper books of records and accounts in which complete and correct entries will be made of all expenditures for maintaining, operating and repairing the System and all income and revenues collected therefrom. It also requires the University to prepare financial statements reflecting in reasonable detail the financial condition of the University and the operations of the System in accordance with generally accepted accounting principles.

University officials stated that the accounting system captured all the transactions of the auxiliary activities; however, the financial reports are not generated automatically and had to be manually prepared from extracted reports. Fund financial statements are prepared for auxiliary entities using fund accounting and auxiliary financial statements are prepared applying the provisions of GASB Statement No. 35. There was no reconciliation of the fund balances of the fund financial statements to the net asset balances reported in the System's financial statements in prior years which caused the improper reporting.

The inaccurate financial reporting is a violation of the Revenue Bond Indenture and may impair decision making abilities of the bondholders or anyone else who may be relying on this information. (Finding Code No. 10-3)

RECOMMENDATION

We recommend the University ensure that proper financial reporting is achieved to ensure that bond holders have proper financial information for the University and the System in accordance with generally accepted accounting principles.

UNIVERSITY RESPONSE

The University agrees with the recommendation. It became apparent that the reporting performed in previous years was inaccurate and commingled data from non Revenue Bond sources in the fixed assets component which distorted the reporting and misstated the beginning net assets. The University intends to improve the reporting going forward to ensure compliance with the applicable financial reporting requirements.

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CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS

10-4 FINDING: PURCHASING CARD PROCEDURES

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

During 2010, the University made net purchases totaling \$907,098 with its purchasing cards. During our testing of 40 purchasing card transactions totaling \$73,212 for expenditures for services, travel, commodities, and equipment, we noted the following:

- Nineteen (48%) transactions totaling \$63,488 exceeded the single transaction limit of \$1,000.
- Two (5%) transactions totaling \$968 were for purchases involving labor or services.
- All of the 40 transactions were not coded to the general ledger in a timely manner. The transactions were coded to the accounting system between 30-95 days after the transaction was posted in the payment system.

During our review of all of the cardholder agreements (three) still open, we noted the following:

- 1 (33%) of the cardholder agreements was noted to have been signed (as cardholder) and approved (as fiscal officer) by the same individual.
- 1 (33%) of the cardholder agreements was noted to have been signed by the cardholder in July 2009, but was not approved by the fiscal officer until July 2010.
- All of the cardholder agreements failed to include the official date of training on the cardholder agreement.

We selected and tested four monthly billing statements for three card holders and noted the following:

- 3 (25%) of the statements tested exceeded the monthly spending limit of \$15,000.

The University Purchasing Card Policy and Procedures Manual Section 4.1 states that the Cardholders's single transaction limit is \$1,000 and the monthly spending limit is \$15,000. Section 4.4 requires the cardholder to review daily/weekly transactions and reallocate each charge to the appropriate University account number. Section 7.1 of the manual lists prohibited transactions which include services involving labor.

The University Purchasing Card Policy and Procedures Manual Section 16.2 states that employees must complete the Procurement Card Agreement and have it approved by the Fiscal Officer, and not engage in stringing of successive purchases to avoid the single transaction limit. Section 3.2.3 requires that the Cardholder and Approving Official must attend a training session.

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

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CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS

10-4 FINDING: PURCHASING CARD PROCEDURES (Continued)

University officials stated the \$1,000 limit was intended for individual P-card users only, whereas the Purchasing and Physical Plant card holders were intended as exceptions because they were making purchases on behalf of the University at large. Similarly, the monthly spending limit was not intended to be \$15,000 since two cards were intended to be used to make purchases for the University at large. A revised policy was prepared to account for the limits but it had not been posted on the web site. The purchases involving labor were unintended exceptions. The timing of posting to the ledger is due to batch processing after the month in question has ended as the University does not consider it efficient to post transactions throughout the month on a piece-meal basis. Rather, all posting is done following the month to facilitate reconciliation to the monthly invoice from the bank. The other exceptions noted occurred during the transition to new management at the University. New management has reemphasized adherence to written policies and training sessions have been offered to the University at large and the number of cardholders has been kept to a minimum.

Lack of adherence to procedures for use of purchasing cards could result in misappropriation of state funds. (Finding Code Nos. 10-4, 09-3, and 08-8)

RECOMMENDATION

We recommend that the University re-evaluate its Purchasing Card Policies and Procedures Manual to determine if existing policies are still appropriate for the changes that have been made to the program. After re-evaluation, we recommend the University adhere to its Purchasing Card Policy and Procedures Manual.

UNIVERSITY RESPONSE

The University agrees with the recommendation and has revised its Purchasing Card Policies to more clearly reflect its intended business practices.

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CURRENT FINDINGS – FEDERAL COMPLIANCE

10-5 FINDING: INAPPROPRIATE COSTS CHARGED TO U.S. AID PROGRAM

Federal Department: United States Agency for International Development

CFDA Numbers: 98.

Program Name: Textbook and Learning Materials Program

Questioned Cost: \$22,820 known (projected \$115,817 calculated as follows: \$22,820 (error noted in sample) / \$175,809 (sample size) X \$892,275 (total program expenditures))

Award numbers: RLA-A-00-09-00036-00, RLA-A-00-05-00072-00

Chicago State University (University) did not comply with the compliance requirements related to its award from the United States Agency for International Development (USAID).

We examined 27 expenditures totaling \$175,809, and noted the following:

- Four expenditures (15%) included charges for unnecessary or unreasonable expenses. These charges were for roaming costs for a cellular phone (\$7,271), purchase of additional airline tickets because the travelers were unaware of the check-in procedures on tickets already purchased (\$6,800), and medication for a traveler (\$126). (Questioned cost \$14,197)
- One expenditure (4%) included charges (\$7,123) that were incurred prior to the period of availability for the program that was charged. (Questioned cost \$7,123)
- One reimbursement request (4%) included charges for a \$350 utility bill; however, no receipt or vendor invoice was attached to the reimbursement request. (This questioned cost is also part of the \$7,123)
- One expenditure (4%) was a travel advance in the amount of \$1,500. The traveler indicated that receipts were submitted to the former program director, but no formal travel voucher or reconciliation of actual expenses was completed by the traveler. (Questioned cost \$1,500)
- Two expenditures (8%) included charges (\$2,446) that related to the prior fiscal year.
- One expenditure (4%) was not mathematically accurate. The University underpaid the vendor by \$10.

OMB Circular A-21 section C part 3 states that a cost may be considered reasonable if the nature of the goods or services acquired or applied, and the amount involved therefore, reflect the action that a prudent person would have taken under the circumstances prevailing at the time the decision to incur the cost was made. Major considerations involved in the determination of the reasonableness of the cost are: whether or not the cost is of a type generally recognized as necessary for the operation of the institution or the performance of the sponsored agreement. Section C, part 4 states that a cost is allocable to a sponsored agreement if it is incurred solely to advance the work under the sponsored agreement.

OMB Circular A-110 Section 28 states that where a funding period is specified, a recipient may charge to the grant only allowable costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency.

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

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CURRENT FINDINGS – FEDERAL COMPLIANCE

10-5 FINDING: INAPPROPRIATE COSTS CHARGED TO U.S. AID PROGRAM (Continued)

OMB Circular A-110 requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure that only allowable costs are charged to Federal programs.

University officials stated the Office of Grants and Research experienced a strain on its resources while a former Director transitioned out of service in FY10. During this time the oversight, monitoring and follow up in regard to compliance with grant requirements was not at an optimum level until a new Director could be brought on board to make the intended improvements in grants administration. A new Director is now in place and is focused on restoring ongoing improvements and efficiencies in grants administration.

Failure to comply with Federal requirements may result in disallowed program costs and jeopardize future Federal funding. Failure to charge expenditures to the correct fiscal year results in incorrect reporting. (Finding Code Nos. 10-5, 09-4, 08-9, 07-5, 06-3, 05-1, 04-01, 03-1)

RECOMMENDATION

We recommend the University improve its procedures to ensure that the University complies with requirements applicable to its Federally funded programs. We also recommend that the University report their expenditures in the correct fiscal year.

UNIVERSITY RESPONSE

The University agrees with the recommendation. Sponsored Programs will establish policies and procedures to ensure compliance with our Federal funded program regulations and reporting of expenditures in the correct fiscal years. A new management team for the USAID-TLMP Grant has been installed and a system of internal controls has been implemented to ensure that all expenditures and reporting are in compliance with the USAID, State of Illinois and University guidelines. All expenditures will be reviewed for proper approval, supporting documentation and prompt payment.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

CURRENT FINDINGS – FEDERAL COMPLIANCE

10-6 FINDING: NONCOMPLIANCE WITH DEPARTMENT OF ENERGY GRANT REQUIREMENTS

Federal Department: Department of Energy

CFDA Numbers: 81.049

Program Name: Office of Science Financial Assistance Program

Questioned Cost: \$937 known (projected \$1,153 calculated as follows: \$937 (error noted in sample) / \$224,710 (sample size) X \$276,465 (total program expenditures))

Award Number: DE-FG02-08CH11480

Chicago State University (University) did not fully comply with the compliance requirements related to its grant from the Department of Energy (DOE).

We examined 10 expenditures totaling \$224,710, and noted the following unallowable costs:

- One (10%) travel expenditure (\$1,304) for an employee attending a science conference included hotel charges for a room upgrade. The total additional amount charged to the program for the room upgrade (including taxes) totaled \$44.
- The University charged retirement benefits of \$893 to the program. However, the award document specifically disallows indirect costs and fringe benefits.
- The University initially could not locate or provide documentation for one (10%) of the expenditures (\$14,280) that was requested in August 2010. The University finally provided the documentation on March 3, 2011.

We asked the University for their records of real property and equipment acquired by the program and was informed by the University there was none for the current year. We noted that the University had spent \$256,321 for architectural services in the current year. After our inquiry, the University subsequently reclassified these architectural services as part of construction in progress on their financial statements.

We examined the only procurement for this program and noted the following:

- The contract amendment/renewal had not been signed by the University or the Contractor.

Our review of progress and financial reports submitted for this program noted the following:

- The Federal Cash Transactions Report (SF-272) had not been completed by the University. After our inquiry, the University submitted a single report for the period January 1, 2008 to June 30, 2010. The grant agreement specifically requires quarterly reporting.
- The University did not submit their progress reports on a timely basis. Three separate reports were submitted between 37 – 129 days after the due date. Additionally, the University was able to provide us with copies of these progress reports; however, they did not have any evidence of having submitted these reports to DOE, and resent all the reports on August 17, 2010 to ensure that DOE received the required reports.

The Notice of Financial Assistance Award (Award) part 4 of the special terms and conditions specifically states that indirect costs and fringe benefits are not reimbursable for this program.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

CURRENT FINDINGS – FEDERAL COMPLIANCE

10-6 FINDING: NONCOMPLIANCE WITH DEPARTMENT OF ENERGY GRANT REQUIREMENTS (Continued)

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

Good business practices require that contracts be reduced to writing and executed by both parties prior to the commencement of services.

The Notice of Financial Assistance Award (Award) requires the University to submit an SF-272 on a quarterly basis within 30 days of the end of the reporting period. The Award also requires the University to submit Progress Reports on a quarterly basis within 30 days of the end of the reporting period.

OMB Circular A-110 Section 21(b) states “Recipients’ financial management systems shall provide for ... (3) Effective control over and accountability for all funds, property, and other assets... (7) Accounting records including cost accounting records that are supported by source documentation.” Section 2 of Circular A-110 defines property as real property, equipment, intangible property and debt instruments.

OMB Circular A-110 requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure that only allowable costs are charged to Federal programs, that required reports are promptly submitted, and that the costs of real property and equipment acquired with Federal funds be properly recorded.

University officials stated the Office of Grants and Research experienced a strain on its resources while a former Director transitioned out of service in FY10. During this time the oversight, monitoring and follow up in regard to compliance with grant requirements was not at an optimum level until a new Director could be brought on board to make the intended improvements in grants administration. A new Director is now in place and is focused on restoring ongoing improvements and efficiencies in grants administration.

Failure to comply with Federal requirements may result in disallowed program costs and jeopardize future Federal funding. Failure to promptly furnish requested documentation delays the audit process. (Finding Code No. 10-6)

RECOMMENDATION

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

UNIVERSITY RESPONSE

The University agrees with the recommendation. Sponsored Programs will establish the appropriate controls to ensure compliance with our Federally funded program regulations and requirements.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

CURRENT FINDINGS – FEDERAL COMPLIANCE

10-7 FINDING: RESEARCH AND DEVELOPMENT CLUSTER REPORTING

Federal Department:	National Science Foundation Department of Defense National Institutes of Health
CFDA Numbers:	12., 12.431, 47.074, 47.076, 47.082, 93.865, 93.701, 93.859
Program Name:	Research and Development Cluster
Questioned Cost:	None

Chicago State University (University) did not fully comply with compliance requirements of reporting applicable to its Research and Development Cluster programs. We noted the following:

Our testing of reporting by the University identified the following:

- The University was unable to provide the auditors a complete listing of reports that were required to be submitted for the Research & Development Cluster programs. (This has been reported as a scope limitation.)
- One report submitted under the American Recovery and Reinvestment Act was missing required data. The report was missing the recipient's account number.

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

The Implementing Guidance for Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009, published by the Office of the President, requires various items to be included on submitted reports. Included in those requirements is the recipient's account number.

OMB Circular A-110 requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure that complete and accurate reports are submitted and that all documents are retained.

University officials stated the Office of Grants and Research experienced a strain on its resources while a former Director transitioned out of service in FY10. During this time the oversight, monitoring and follow up in regard to compliance with grant requirements was not at an optimum level until a new Director could be brought on board to make the intended improvements in grants administration. A new Director is now in place and is focused on restoring ongoing improvements and efficiencies in grants administration.

Failure to comply with Federal requirements resulted in noncompliance with Federal regulations, a scope limitation for the audit and could jeopardize future Federal funding. (Finding Code No. 10-7)

RECOMMENDATION

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

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

CURRENT FINDINGS – FEDERAL COMPLIANCE

10-7 FINDING: RESEARCH AND DEVELOPMENT CLUSTER REPORTING (Continued)

UNIVERSITY RESPONSE

The University agrees with the recommendation. Sponsored Programs will establish policies, procedures and controls to ensure compliance with our Federally funded program regulations and requirements.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

CURRENT FINDINGS – FEDERAL COMPLIANCE

10-8 FINDING: STUDENT FINANCIAL ASSISTANCE NOT RECONCILED ON A MONTHLY BASIS

Federal Department:	U.S. Department of Education U.S. Department of Health & Human Services
CFDA Numbers:	84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 84.376, 84.375, 93.925
Program Name:	Student Financial Assistance Cluster
Questioned Cost:	\$ 71,356

Chicago State University (University) did not reconcile its student financial assistance awards and expenditures on a monthly basis.

We requested the University provide us with their monthly reconciliations of program and fiscal records related to all programs of their Student Financial Assistance Cluster. The University could not provide us with any reconciliations of program and fiscal records.

Therefore, we compared the University's program records and fiscal records and noted the following differences:

- For the Federal PELL Grant Program (PELL) – The program records indicated total PELL awards were \$17,487,399 and the fiscal records reported expenditures of \$17,557,217. This results in questioned costs of \$69,818.
- For the Federal Work Study Program (FWS) – The program records indicated FWS awards of \$564,988 and the fiscal records reported expenditures of \$534,296.
- For the Federal Supplemental Educational Opportunity Grants Program (SEOG) – The program records indicated total SEOG awards of \$328,298 and the fiscal records reported expenditures \$328,598. The University made an entry of \$300 to reverse a student's aid in fiscal year 2011. This results in questioned costs of \$300 for fiscal year 2010.
- For the Scholarships for Health Professions Students from Disadvantaged Backgrounds Program (SDS) – The program records indicated total SDS awards of \$54,449 and the fiscal records reported expenditures \$54,687. This results in questioned costs of \$238.
- For the Teacher Education Assistance for College and Higher Education Grants Program (TEACH - The program records indicated total TEACH awards of \$126,358 and the fiscal records reported expenditures \$127,358. The University made an entry to reverse a student's aid of \$1,000 in fiscal year 2011. This results in questioned costs of \$1,000 for fiscal year 2010.
- For the Federal Perkins Loan Program – Prior to adjustment, the University's general ledger showed outstanding loans of \$1,731,920 at June 30, 2010. The University's Perkins Loan servicer reported outstanding loans of \$1,663,661 as of June 30, 2010. The University subsequently posted an adjustment of \$66,732 to write down its outstanding loan balance as of June 30, 2010, but did not record an adjustment for the remaining \$1,527.

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

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

CURRENT FINDINGS – FEDERAL COMPLIANCE

10-8 FINDING: STUDENT FINANCIAL ASSISTANCE NOT RECONCILED ON A MONTHLY BASIS (Continued)

OMB Circular A-110 requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure that the program records are reconciled to the fiscal records on a monthly basis.

University officials stated the Sponsored Research department has been performing ongoing monthly reconciliations and analyses with the full intent of meeting the requirement of monthly reconciliation on federally funded programs. The University was not aware that those reconciliations were just reconciling the expenditures recorded in the general ledger to receipts recorded in the general ledger (both fiscal records). In addition, the Financial Aid Department performs ongoing monthly reconciliations between University financial aid data and related U.S. Department of Education records on a student by student basis. The exceptions cited above are caused by inadequate tools for matching data among the Financial Aid system, the student accounts and the general ledger including timing differences among these systems and reports generated in these systems that are not well coordinated for consistency in reporting between system modules as well as insufficient training and simple human error. In general, awards have first been disbursed to student accounts in advance of the related funds being drawn down from the U.S. Department of Education's GAPS web site and the University typically is in a net receivable position with respect to the U.S. Department of Education. If there is an instance to the contrary on a specific program, it is due to the inadequacies described above.

Failure to properly reconcile program and fiscal records is a violation of Federal regulations and could result in a loss of Federal funding. (Finding Code Nos. 10-8, 09-5, and 08-12)

RECOMMENDATION

We recommend the University properly reconcile all student financial awards and cost allowances to the University's fiscal records for each student financial assistance program on a monthly basis.

UNIVERSITY RESPONSE

The University agrees with the recommendation. Sponsored Programs will work closely with Finance and Financial Aid to establish interdepartmental policies, procedures and controls to ensure monthly reconciliation of all student financial awards and cost allowances to the University's fiscal records.

STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
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FOR THE YEAR ENDED JUNE 30, 2010

CURRENT FINDINGS – FEDERAL COMPLIANCE

10-9 FINDING: INADEQUATE CONTROLS OVER PREPARATION OF A COMPLETE AND ACCURATE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal Department:	Department of Education Department of Health and Human Services Department of Defense National Science Foundation National Institutes of Health U.S. Agency for International Development Department of Energy Department of Agriculture Department of Housing and Urban Development National Aeronautics and Space Administration National Endowment for the Humanities Department of Justice
CFDA Numbers:	Various (See Schedule of Expenditures of Federal Awards)
Program Name:	Student Financial Assistance Cluster Research and Development Cluster State Fiscal Stabilization Funds Cluster Strengthening Minority-Serving Institutions TANF Cluster Textbook and Learning Material Program Office of Science Financial Assistance Program Minority Science and Engineering Improvement Special Education TRIO Cluster Health Careers Opportunity Program Family Planning – Service Delivery Improvement Research Grants Health Careers Opportunity Program Head Start Cluster Child and Adult Care Food Program Child Nutrition Cluster Interest Subsidy Science NASA Students Pursuing Academic and Career Excellence Youth Gang Prevention
Questioned Cost:	None

Chicago State University (University) did not prepare a complete and accurate Schedule of Expenditures of Federal Awards (SEFA).

The University provided the auditors its “Final” SEFA on October 14, 2010. The Notes to the SEFA were provided on December 16, 2010. We tested the accuracy and completeness of the SEFA provided and noted the following:

- The Federal Direct Loan Program (\$3,469,287) was missing from the SEFA and the Notes to the SEFA.
- The State Fiscal Stabilization Funds Cluster (\$3,451,674) was missing from the SEFA. An interest subsidy that the University has received on an annual basis (since approximately 1971) from the Department of Housing and Urban Development of \$55,812 was missing from the SEFA.

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CURRENT FINDINGS – FEDERAL COMPLIANCE

10-9 FINDING: INADEQUATE CONTROLS OVER PREPARATION OF A COMPLETE AND ACCURATE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

- A pass thru program from with a Catalogue of Federal Domestic Assistance (CFDA) number of 47.476 was identified as being part of the Student Financial Aid (SFA) Cluster. There is no such program that is part of the SFA Cluster.
- American Reinvestment and Recovery Act (ARRA) funds were not identified as such.
- Incorrect CFDA numbers were reported for 3 programs. An incorrect pass-through award number was reported for one program.
- Two programs were identified as being funded by the National Aeronautics and Space Administration, but were actually funded by the Department of Defense.
- One pass thru award was found to not be separately identified.

OMB Circular A-133 section 300(d) requires the University to prepare a SEFA in accordance with section 310. Section 310 identifies the required elements of the SEFA. Each individual Federal program should be listed by Federal agency. Any awards received from a pass-through entity should be identified by the name of the pass-through entity and the corresponding pass-through numbering system. Awards in the form of loans must be included on the face of the SEFA or in the related notes.

ARRA requires expenditures of ARRA funds to be separately identified on the SEFA. New part 176 of CFR Title 2 [2 CFR part 176(b)] states that the separate reporting of Recovery Act awards should be accomplished by including the prefix "ARRA-" with the name of the federal program on the schedule.

OMB Circular A-110 requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure that a complete and accurate SEFA is prepared.

All the above errors were brought to the attention of the University and they were asked to correct their SEFA. The final corrected SEFA was provided on December 28, 2010.

University officials stated this was an oversight during a period of heavy workload.

Failure to prepare a complete and accurate SEFA prevents the University from having an audit properly performed in accordance with OMB Circular A-133, which may result in the suspension of Federal funding. (Finding Code No. 10-9)

RECOMMENDATION

We recommend the University improve its controls over financial reporting so that it can prepare a complete and accurate SEFA.

UNIVERSITY RESPONSE

The University agrees with the recommendation. Sponsored Programs will improve its internal controls over financial reporting to ensure the preparation of a complete and accurate SEFA report.

**STATE OF ILLINOIS
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

CURRENT FINDINGS – FEDERAL COMPLIANCE

10-10 FINDING: COSTS CHARGED TO RESEARCH AND DEVELOPMENT CLUSTER

Federal Department:	National Science Foundation Department of Defense National Institutes of Health
CFDA Numbers:	12., 12.431, 47.074, 47.076, 47.082, 93.865, 93.701, 93.859
Program Name:	Research and Development Cluster
Questioned Cost:	\$94 known (\$40,608 projected calculated as follows: \$94 (error noted in sample) / \$12,636 (sample size) X \$5,458,746 (total R&D expenditures))

Chicago State University (University) did not fully comply with compliance requirements of allowable costs/cost principles applicable to its Research and Development Cluster programs. We noted the following:

We tested 25 expenditures totaling \$12,636 and noted the following:

- One travel voucher (\$267) that was submitted for reimbursement was approved by the supervisor prior to being signed by the traveler. (No questioned cost.)
- Two expenditures for indirect costs used an incorrect indirect cost rate. (The questioned cost was \$1).
- One payroll expenditure (\$371) was charged to the program using a 66.67% time and effort rate. However, the effort certification report completed by the employee and signed by the employee's supervisor indicated that only 50% of the employee's time should be charged to the program. (The questioned cost was \$93).

OMB Circular A-21, 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. The University uses a plan confirmation method in which the employee or principal investigator confirms the allocation of time spent on the program.

OMB Circular A-21, Section G.4 provides for the use of predetermined rates for facilities and administrative costs (indirect costs). Section G.7. requires these fixed rates to be used for the life of the sponsored agreement.

OMB Circular A-110 requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure that only allowable costs are charged to the Federal program.

University officials stated the Office of Grants and Research experienced a strain on its resources while a former Director transitioned out of service in FY10. During this time the oversight, monitoring and follow up in regard to compliance with grant requirements was not at an optimum level until a new Director could be brought on board to make the intended improvements in grants administration. A new Director is now in place and is focused on restoring ongoing improvements and efficiencies in grants administration.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

CURRENT FINDINGS – FEDERAL COMPLIANCE

10-10 FINDING: COSTS CHARGED TO RESEARCH AND DEVELOPMENT CLUSTER (Continued)

Failure to comply with Federal requirements may result in disallowed program costs and jeopardize future Federal funding. (Finding Code No. 10-10)

RECOMMENDATION

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

UNIVERSITY RESPONSE

The University agrees with the recommendation. Sponsored Programs will establish the mechanism and improve upon policies and procedures to retain the necessary supporting documentation to substantiate expenditures funded by Federal programs.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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CURRENT FINDINGS – FEDERAL COMPLIANCE

10-11 FINDING: FINANCIAL AID AWARDED TO INELIGIBLE STUDENT

Federal Department: U.S. Department of Education

CFDA Numbers: 84.379

Program Name: Teacher Education Assistance for College and Higher Education Grants (TEACH)

Questioned Cost: \$1,000 known (projected \$63,679 calculated as follows: \$1000 (error noted in sample) / \$2,000 (sample size) X \$127,358 (total TEACH expenditures))

Chicago State University (University) did not ensure that all students receiving TEACH Grants met eligibility requirements as determined by the U.S. Department of Education (ED).

We tested 60 students that received student financial assistance (2 students in our sample received TEACH grants). We noted that the University awarded \$1,000 to a student that did not meet the eligibility requirements pertaining to grade point average.

The Code of Federal Regulations (34 CFR 686.11(a)(v)(A)(2)) requires students to have a cumulative grade point average of at least 3.25 on a 4.0 scale as of the most recently completed payment period.

OMB Circular A-110 requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure that eligibility requirements have been satisfied.

University officials stated the University is aware of one student only who did not meet the grade point average eligibility requirement. In this case, the human error was that the staff person looked at a semester grade point average of 4.0 versus the cumulative grade point average as required by the criteria. This error was subsequently corrected and the award was reversed from the student's account in fiscal year 2011.

Awarding aid to an ineligible student resulted in noncompliance with the eligibility requirements and may result in a loss of future Federal funding. (Finding Code No. 10-11)

RECOMMENDATION

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

UNIVERSITY RESPONSE

The University agrees with the recommendation. Expenditures under this award program will be reviewed for proper supporting documentation.

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CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

CURRENT FINDINGS – FEDERAL COMPLIANCE

10-12 FINDING: RETURN OF TITLE IV FUNDS

**Federal Department: U.S. Department of Education
CFDA Numbers: 84.038, 84.033, 84.007, 84.063, 84.268, 84.379, 84.376, 84.032, 84.375
Program Name: Student Financial Assistance Cluster
Questioned Cost: Undetermined**

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

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

- One student’s (2%) refund (\$3,913) was not returned to ED until questioned by the auditor. (352 days after the withdrawal determination was made.)
- A refund for another student who never attended classes (\$668) was not returned to ED.
- Three (5%) students’ refunds (\$8,092) were returned from 47 days to 180 days after the withdrawal determination was made.
- Twenty three (38%) refund calculations were incorrect because the University did not use the correct withdrawal date or used an incorrect number of days for the semester.
- For 15 students (25%), the University returned student loan funds to the lender when it was not required to do so.

The above items resulted in a net over-refund to ED and/or lenders of \$31,846.

The Code of Federal Regulations states:

- (34 CFR 668.22 (j)(1)) - The University must return the amount of Title IV funds no later than 45 days after the date of determination of a student’s withdrawal.
- (34 CFR 668.22 (b)(1) thru (2) – The student’s withdrawal date is the last date of academic attendance as determined by the University’s attendance records.
- (34 CFR 668.21 (a)(1) – For a student who does not begin attendance in a payment period of enrollment, the University must refund all Title IV funds credited to the student’s account.
- (34 CFR 668.22 (f) – the refund percentage is calculated by dividing the total number of calendar days in the payment period into the number of calendar days attended up to the student’s withdrawal date.

OMB Circular A-110 requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure that “Return of Title IV Funds” are calculated properly and remitted timely.

University officials stated the return calculation error was a result of not including a Sunday in the count of days which was an atypical human error. The rules on return calculations give schools some allowance to set their own policies in order to comply with policies set by a state or other outside agencies. The University processes thousands of transactions related to student financial aid. The exceptions noted were not detected in as timely a manner as desired. Had resources and conditions been at optimum levels, the University believes these exceptions would more likely have been avoided.

**STATE OF ILLINOIS
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CURRENT FINDINGS – FEDERAL COMPLIANCE

10-12 FINDING: RETURN OF TITLE IV FUNDS (Continued)

Failure to complete accurate refund calculations and timely remit Title IV funds may jeopardize future Federal funding. (Finding Code No. 10-12)

RECOMMENDATION

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

UNIVERSITY RESPONSE

The University agrees with the recommendation. The Office of Student Financial Aid and the Office of the Registrar will work closely to ensure withdrawals are processed in a timely manner and the Office of Student Financial Aid will begin using the U.S. Department of Education's "Return to Title IV Funds on the Web" system to perform withdrawal of aid calculations.

**STATE OF ILLINOIS
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CURRENT FINDINGS – FEDERAL COMPLIANCE

10-13 FINDING: DOCUMENTATION OF STUDENT ELIGIBILITY

Federal Department: Department of Health and Human Services (Passed through from the Illinois Department of Human Services (IDHS))
CFDA Numbers: 93.558
Program Name: Temporary Assistance for Needy Families (TANF)
Questioned Cost: \$988 known (projected \$2,258 calculated as follows: \$988 (error noted in sample) / \$58,639 (sample size) X \$134,022 (total TANF expenditures))
Award Number: 81X6464000

Chicago State University (University) did not adequately document that all students were eligible for financial assistance prior to making payments on their accounts.

During our testing of 40 students that received financial assistance from the program, we noted that the University awarded \$988 of assistance to a student that did not apply for Federal student financial aid which is a prerequisite for receiving TANF assistance. The University was also unable to document that the student's income was below 200% of the Federal poverty level.

The Code of Federal Regulations (45 CFR 263.2(b)(3)) requires individuals to be financially eligible according to the appropriate income and resource standards established by the State and contained in the TANF plan. The TANF Special Project Program Manual published by the Illinois Department of Human Services states that to be eligible for a TANF scholarship award, the student applying for assistance must have depleted all possible financial assistance available to them (including MAP, PELL, and SEOG), and requires the completion and filing of a FAFSA. The student's income (based on family size) must be below 200% of the Federal poverty level.

OMB Circular A-110 requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure that all eligibility requirements have been satisfied and documented.

University officials stated this was a processing oversight within a department having a reduced staffing level and was not a typical occurrence.

Failure to properly determine and document student eligibility prior to awarding scholarships may resulted in known questioned costs of \$988. (Finding Code No. 10-13)

RECOMMENDATION

We recommend the University properly document student eligibility prior to awarding scholarships.

UNIVERSITY RESPONSE

The University agrees with the recommendation. TANF has now been assigned for administration to the Office of Student Financial Aid. Expenditures under this award program will be reviewed for proper supporting documentation.

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CURRENT FINDINGS – FEDERAL COMPLIANCE

10-14 FINDING: SUSPENSION AND DEBARMENT

Federal Department:	National Science Foundation Department of Defense National Institutes of Health U.S. Department of Energy U.S. Agency for International Development
CFDA Numbers:	12., 47.074, 47.076, 93.701, 93.859, 81.049, 98.
Program Name:	Research and Development Cluster Textbook and Learning Materials Office of Science Financial Assistance Program
Questioned Cost:	None identified

Chicago State University (University) did not have adequate controls to ensure that vendors had not been suspended and debarred from participating in contracts funded by Federal awards.

While obtaining an understanding of University's internal controls over compliance applicable to Federal award programs, we determined that the University did not have any internal controls related to suspension and debarment until December 2009 (when the University's standard contract was revised to include a certification by the vendor related to suspension and debarment). We tested twelve contracts totaling \$6,394,425 and noted the following:

- None of the contracts tested included a vendor certification stating that the vendor was not suspended or debarred.
- None of the vendors were included on the Excluded Parties List System.

The Code of Federal Regulations (2 CFR 215 Appendix A) prohibits the University from contracting (if the amount is equal to or expected to exceed \$25,000) with parties on the government-wide Excluded Parties List.

The Code of Federal Regulations (2 CFR 180.300) requires the University to perform additional procedures to ensure that vendors are not debarred and suspended prior to entering into a covered transaction. Those procedures include:

- Checking the Excluded Parties List System; or
- Collecting a certification from that person; or
- Adding a clause or condition to the covered transaction with that person.

OMB Circular A-110 requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure that vendors and subrecipients are not suspended or debarred.

University officials stated the intent has been to include significant vendors in grant proposals in order to allow the granting agency to review up front the vendors the University intends to use. Due to resource issues, more complete testing of vendor debarment and suspension has not been possible on a consistent basis.

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CURRENT FINDINGS – FEDERAL COMPLIANCE

10-14 FINDING: SUSPENSION AND DEBARMENT (Continued)

Failure to ensure that vendors are not suspended or debarred increases the risk that the University may be conducting business with an unauthorized vendor. The Federal Agency may disallow costs related to this vendor, debar or suspend the University, or annul or terminate the transaction. (Finding Code No. 10-14)

RECOMMENDATION

We recommend the University implement controls to ensure that each vendor engaged in a covered transaction is not suspended or debarred from Federal award programs.

UNIVERSITY RESPONSE

The University agrees with the recommendation. Sponsored programs will work closely with Legal and Purchasing to implement the necessary internal controls to ensure that every vendor that is engaged in a covered transaction has not been suspended or debarred from Federal award programs.

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CURRENT FINDINGS – FEDERAL COMPLIANCE

10-15 FINDING: UNTIMELY PAYMENT OF STUDENT REFUNDS

Federal Department:	U.S. Department of Education
CFDA Numbers:	84.038, 84.033, 84.007, 84.063, 84.268, 84.379, 84.376, 84.032, 84.375
Program Name:	Student Financial Assistance Cluster
Questioned Cost:	None

Chicago State University (University) did not pay credit balances resulting from the application of student financial aid to the students in a timely manner.

During our testing of 60 student's financial assistance awards, we noted that 22 students (one student had 2 credit balances during the fiscal year) (37%) were paid the credit balance on their account late. The credit balances (totaling \$90,592) were refunded between 15 and 37 days (1 to 23 days late) after the credit balance appeared on their student account.

The Code of Federal Regulations (34 CFR 668.164(e)) requires the University to pay the credit balance resulting from the application of student financial aid directly to the parent or student no later than 14 days after the balance occurred or 14 days after the first day of class of a payment period (whichever is later).

OMB Circular A-110 requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure that credit balances on students' accounts are refunded within 14 days of credit origination.

University officials stated the Bursar position turned over twice in fiscal year 2010. Also, new management discovered that schedules were not appropriately set to ensure compliance with the 14-day rule for making refunds of Title IV funds to students. The current Bursar has established proper student refund schedules in order to comply with the applicable Federal regulations.

Failure to timely pay credit balances on student accounts results in noncompliance with Federal regulations and could jeopardize future Federal funding. (Finding Code No. 10-15)

RECOMMENDATION

We recommend the University properly monitor student accounts and improve procedures to refund all credit balances within the 14 day time limit in accordance with the Federal regulation.

UNIVERSITY REPOSE

The University agrees with the recommendation. Previous management did not establish a system and schedule to facilitate the issuance of student refunds within the 14-day window required by the federal regulations. Effective with the Spring 2010 term a new schedule was established with the specific aim of complying with the Federal regulations and the 14-day rule for the initial refund distribution at the beginning of each term. A new Bursar took office in October 2010 and established a weekly refund schedule intended to continue compliance with the 14-day rule on an ongoing basis.

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CURRENT FINDINGS – FEDERAL COMPLIANCE

10-16 FINDING: INADEQUATE CONTROLS OVER REPORTING

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

CFDA Numbers: 98.

Program Name: Textbook & Learning Materials Program

Questioned Cost: Undetermined

Award Numbers: RLA-A-00-09-00036-00, RLA-A-00-05-00072-00

Chicago State University (University) did not have adequate procedures to ensure that reports were properly and timely filed and that special contract terms & provisions were followed.

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

- The University could not provide any documentation that the final performance report for the project that ended August 31, 2009 had been submitted. The University does have a copy of the report, and does not know if the report was submitted.
- The University did not submit two quarterly performance reports for the periods ended December 31, 2009 (due January 30, 2010) and August 31, 2009 (due September 30, 2009).
- The University submitted the August 31, 2009 quarterly financial report on October 16, 2009 (1 day late).
- The University submitted the Activity Identification and Design Report on April 26, 2010. The report was due December 17, 2009 (130 days late).
- The University could not provide documentation for the base amounts used to calculate indirect costs reported on 2 of its financial status reports. On its report for the period ended August 31, 2009, the University reported a base amount for claiming indirect costs that was \$29,227 less than the actual costs. On its report for the period ended March 31, 2010, the University reported a base amount that was \$1,681 greater than the Federal share of expenses incurred. In both cases, the University was backing into a base amount to report by taking the recorded indirect costs and dividing by the indirect cost rate for the program.

The Agreement also requires the University to submit final reports within 60 days after the completion of the program. Quarterly performance reports are to be submitted within 30 calendar days after the close of the quarter. Quarterly financial reports are to be submitted within 45 calendar days after the close of the quarter. The Activity Identification and Design Report was required to be submitted 90 days after the signing of the Cooperative Agreement, which was signed September 18, 2009.

OMB Circular A-110 section 53 requires the University to retain financial records, supporting documents, statistical records and all other records pertinent to an award for a period of three years from the date of submission of the final expenditure report.

OMB Circular A-110 requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure that reporting is accurate and requirements are complied with.

University officials stated the Office of Grants and Research experienced a strain on its resources while a former Director transitioned out of service in FY10. Also, there was a break in service for the Principal Investigator of the U.S. Aid program. The Office of Grants and Research was unable to implement intended improvements in grants management and reporting until a new Director could be

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10-16 FINDING: INADEQUATE CONTROLS OVER REPORTING (Continued)

brought on board to achieve the desired ongoing improvements in grants administration. A new Director is now in place and is focused on restoring ongoing improvements and efficiencies in grants administration.

Failure to ensure that the reporting requirements are complied with may jeopardize future federal funding. (Finding Code No. 10-16)

RECOMMENDATION

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

UNIVERSITY RESPONSE

The University agrees with the recommendation. Sponsored Program will establish and improve upon policies and procedures to ensure that the reporting requirements for all Federal award programs are met in a timely fashion.

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CURRENT FINDINGS – FEDERAL COMPLIANCE

10-17 FINDING: INADEQUATE CASH MANAGEMENT PROCEDURES

Federal Department:	Department of Education Department of Health and Human Services Department of Defense National Science Foundation National Institutes of Health U.S. Agency for International Development Department of Energy
CFDA Numbers:	Various
Program Name:	Student Financial Assistance Cluster Research and Development Cluster State Fiscal Stabilization Funds Cluster Strengthening Minority-Serving Institutions TANF Cluster Textbook and Learning Material Program Office of Science Financial Assistance Program
Questioned Cost:	None
Awards where exceptions were identified:	HRD-0413000-008, DUE-0856827, HRD-0904024

Chicago State University (University) did not have adequate procedures to ensure that Federal funds were expended prior to being reimbursed by the federal agency.

The University operates all of its directly funded Federal programs on a reimbursement basis. We tested 72 requests for reimbursement of federal funds and noted 3 (4%) requests for reimbursement that exceeded the amount of cumulative expenditures incurred less award receipts to date. The excess funds drawn resulting from these 3 reimbursement requests totaled \$154,890. As of June 30, 2010, these excesses cash draws had been corrected by the University.

The Code of Federal Regulations (31 CFR 205.12(b)(5)) states reimbursable funding means that the grantor transfers federal funding to the University, after the University has paid out the funds for the program's purposes.

OMB Circular A-110 requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure that reimbursement based programs request reimbursements only after having incurred allowable expenses.

University officials stated the over-reimbursements caused via excess draw down of funds by the University were as of an interim month and the cumulative draw downs/reimbursements did match the cumulative expenditures as of the fiscal year end at June 30, 2010. The over-reimbursements were due to miscalculations made possible by timing differences, cutoffs and similar complexities during interim periods and are exceptions rather than the rule.

Failure to ensure that Federal funds reimbursement requests are based upon cumulative program expenditures in excess of prior receipts may result in the University owing interest to the Federal awarding agencies and could result in a loss of future Federal funding. (Finding Code 10-17)

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CURRENT FINDINGS – FEDERAL COMPLIANCE

10-17 FINDING: INADEQUATE CASH MANAGEMENT PROCEDURES (Continued)

RECOMMENDATION

We recommend the University improve its procedures and ensure that all reimbursement requests are based on cumulative program expenditures in excess of program receipts.

UNIVERSITY RESPONSE

The University agrees with the recommendation. Sponsored Programs will establish and improve upon policies and procedures to ensure compliance with our Federally funded program regulations and reporting of expenditures in the correct fiscal years.

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CURRENT FINDINGS – FEDERAL COMPLIANCE

10-18 FINDING: CONTROLS OVER REPORTING

**Federal Department: Department of Education
CFDA Numbers: 84.382
Program Name: Strengthening Minority-Serving Institutions
Questioned Cost: None known
Award Number: P382A080007**

Chicago State University (University) did not retain supporting documentation for reports submitted to the grantor.

We examined the only report submitted during the audit period for the above program and noted the following:

- The annual performance report submitted on July 16, 2009 reported expenditures for the period of \$216,791. The University did not retain documentation for the amount reported. The University printed its general ledger for the period which showed expenditures totaling \$217,289 (difference of \$489)
- The annual performance report indicated that an attachment was included with the original submission. The University was unable to provide the auditors with a copy of what was included in the attachment.

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

OMB Circular A-110 requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure that appropriate documentation of reported information be retained.

University officials stated the Office of Grants and Research experienced a strain on its resources while a former Director transitioned out of service in FY10. During this time the oversight, monitoring and follow up in regard to compliance with grant requirements was not at an optimum level until a new Director could be brought on board to make the intended improvements in grants administration. A new Director is now in place and is focused on restoring ongoing improvements and efficiencies in grants administration.

Failure to maintain adequate documentation of the expenditure and performance reports results in a lack of proper accountability, a possible refunding of Federal funds, and may jeopardize future Federal funding. (Finding Code No. 10-18)

RECOMMENDATION

We recommend the University ensure that documentation is retained to support each report submitted to the grantor.

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CURRENT FINDINGS – FEDERAL COMPLIANCE

10-18 FINDING: CONTROLS OVER REPORTING (Continued)

UNIVERSITY RESPONSE

The University agrees with the recommendation. Sponsored Programs will establish the mechanism and improve upon policies and procedures to retain the necessary supporting documentation for reporting to all funding agencies.

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CURRENT FINDINGS – FEDERAL COMPLIANCE

10-19 FINDING: STUDENT FINANCIAL AID CREDITED TO STUDENTS' ACCOUNTS EARLY

<u>Federal Department:</u>	U.S. Department of Education
<u>CFDA Numbers:</u>	84.007, 84.063
<u>Program Name:</u>	Federal Pell Grant Program Federal Supplemental Educational Opportunity Grants
<u>Questioned Cost:</u>	None

Chicago State University (University) credited student accounts with federal funding earlier than allowed by the Department of Education's regulations.

We tested 60 students and noted that 28 students (47%) received federal funds 12-17 days (2-7 days early) prior to the first day of classes.

The Code of Federal Regulations (34 668.164(f)) states that the earliest an institution may disburse title IV funds to a student or parent is 10 days before the first day of classes for a payment period.

OMB Circular A-110 requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure that Federal assistance is not released to students or credited to their accounts earlier than 10 days before classes begin.

University officials stated this was an oversight which occurred when other aid year awards were still being processed which in turn led to the mistaken inclusion of some awards from the current aid year awards.

Failure to properly administer Federal funds results in noncompliance with Federal regulations and could jeopardize future Federal funding. Finding Code No. 10-19)

RECOMMENDATION

We recommend the University implement procedures to ensure that Federal funds are not disbursed or credited to a student's account prior to 10 days before the first day of classes.

UNIVERSITY RESPONSE

The University agrees with the recommendation. Federal funds will not be released to student accounts prior to 10 days before the first day of classes.

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CURRENT FINDINGS – FEDERAL COMPLIANCE

10-20 FINDING: DISBURSEMENT TO INELIGIBLE STUDENT

<u>Federal Department:</u>	U.S. Department of Education
<u>CFDA Numbers:</u>	84.063
<u>Program Name:</u>	Federal Pell Grant Program
<u>Questioned Cost:</u>	None

Chicago State University (University) distributed a Federal Pell Grant (Pell) to a student that was ineligible at the time of disbursement.

During our testing of 60 students, it was noted one student received a Pell grant in the amount of \$2,675 for the fall semester on August 7, 2009. However, upon further investigation, it was noted that the student had sent a letter to the Admissions Office of the University stating that they were not going to attend the University for the fall semester. The University returned the Pell funds to the Department of Education on January 14, 2010.

The Code of Federal Regulations (34 CFR 690.75(a)(2)) states that the University may pay a Pell Grant to an eligible student only after it determines that the student is enrolled in an eligible program as an undergraduate student.

OMB Circular A-110 requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure that Pell awards are only made to eligible students.

University officials stated there was a delay in the Financial Aid Department receiving notice of the student's letter of intent not to attend during the Fall semester.

Awarding financial assistance to students who did not attend classes results in noncompliance with Federal regulations, could jeopardize future Federal funding and cause ineligible students to receive funds in error. (Finding Code No. 10-20)

RECOMMENDATION

We recommend that the University improve procedures and ensure that only eligible students receive Pell grants.

UNIVERSITY RESPONSE

The University agrees with the recommendation. The Office of Student Financial Aid, and all administrative offices, will work closely to ensure withdrawals are processed in a timely manner.

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CURRENT FINDINGS – FEDERAL COMPLIANCE

10-21 FINDING: INACCURATE COMPLETION OF THE FISCAL OPERATIONS REPORT

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

Chicago State University (University) did not include all the required information when completing its Fiscal Operations Report (FISAP) relating to the Federal Work Study Program.

During the audit we noted that the University did not complete the information for Federal Work Study related to students employed in community service activities and students employed as reading tutors or in family literacy activities on its FISAP. After bringing this to the University's attention, they revised the FISAP and resubmitted a corrected FISAP on January 10, 2011.

The Code of Federal Regulations (34 CFR 675.19(b)(3)) (Code) requires the University to submit a Fiscal Operations Report plus other information required by the U.S. Department of Education. The Code requires the information to be accurate and timely submitted.

The Code of Federal Regulations (34 CFR 675.18(g)) requires that the University to use at least seven percent of its FWS award to compensate students employed in community service activities. The University must also include at least one reading tutoring project that employs at least one FWS student as reading tutors or include a family literacy project that employs one FWS student in family literacy activities.

OMB Circular A-110 requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure that reports are complete and accurate.

University officials stated these errors occurred as a result of employee oversight.

Failure to properly complete the FISAP is a violation of Federal regulations and could jeopardize future Federal funding. (Finding Code No. 10-21)

RECOMMENDATION

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

UNIVERSITY RESPONSE

The University agrees with the recommendation. Prior to submission, in future years, the FISAP will be reviewed by the Office of Student Financial Aid to ensure inclusion of all required information.

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CURRENT FINDINGS – FEDERAL COMPLIANCE

10-22 FINDING: DRUG FREE WORKPLACE

Federal Department:	Department of Education Department of Health and Human Services Department of Defense National Science Foundation National Institutes of Health U.S. Agency for International Development Department of Energy
CFDA Numbers:	Various
Program Name:	Student Financial Assistance Cluster Research and Development Cluster State Fiscal Stabilization Funds Cluster Strengthening Minority-Serving Institutions TANF Cluster Textbook and Learning Material Program Office of Science Financial Assistance Program
Questioned Cost:	None

Chicago State University (University) did not comply with the requirements of the Drug-Free Schools and Communities Act.

The Drug-Free Schools and Communities Act Amendments of 1989 (Act) (Public Law 101-226) requires the University to annually distribute to each student and employee the following information:

- Standards of conduct that clearly prohibit the unlawful possession, use, or distribution of illicit drugs and alcohol on its property
- Description of the legal sanctions
- Description of health risks
- Description of programs available to students and employees relating to abuse
- Statement regarding sanctions and a description of those sanctions

During our review of University operations, it was noted that the University had no documentation that an annual written distribution of the information above had occurred.

OMB Circular A-110 requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure that students and employees receive an annual notification of the information noted above.

University officials stated the policy on a drug free workplace is in the Student Handbook which is available both online and in hard copy form to all students. In addition, the drug free workplace policy is separately available on the University's web site to all employees and students. The University has been moving to encourage all students and employees to access policies on the web to improve delivery and reduce costs.

Failure to comply with the requirements of the Act results in noncompliance with Federal regulations and could jeopardize future Federal funding. (Finding Code 10-22)

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CURRENT FINDINGS – FEDERAL COMPLIANCE

10-22 FINDING: DRUG FREE WORKPLACE (Continued)

RECOMMENDATION

We recommend the University ensure that a written distribution of the items required in the Act is done on an annual basis.

UNIVERSITY RESPONSE

The University accepts the recommendation and will ensure that a written distribution of the items required in the Act is done on an annual basis.

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CURRENT FINDINGS – FEDERAL COMPLIANCE

10-23 FINDING: NOTIFICATION OF DISBURSEMENT OF LOAN PROCEEDS

Federal Department:	U.S. Department of Education
CFDA Numbers:	84.038, 84.268, 84.032
Program Name:	Federal Perkins Loans Federal Direct Student Loans Federal Family Education Loans
Questioned Cost:	None

Chicago State University (University) did not provide the required notification to students regarding the anticipated date and amount of each disbursement and the student's (or parent's) right to cancel student loans.

Our sample testing of 60 students that received financial assistance included 45 students who received student loans. We noted that none of the students received the required notification regarding the disbursement of loan proceeds.

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

OMB Circular A-110 requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure that students or his/her parents are informed of their rights related to student loans.

University officials stated that although the technical detail of sending notification in writing was not complied with to the letter, the students were counseled and made aware of aid and loan requirements. Financial Aid counselors work closely with students prior to awarding aid and issuing loans. The student is required to accept aid and loans before they are applied to the students' account.

Failure to send the required notification to students regarding the anticipated date and amount of each disbursement and the student's (or parent's) right to cancel student loans results in noncompliance with Federal regulations and could jeopardize future Federal funding. (Finding Code No. 10-23)

RECOMMENDATION

We recommend the University revise its procedures and ensure that all students receive proper written notification of loan proceed disbursements and their rights to cancel such loans in accordance with Federal regulations.

UNIVERSITY RESPONSE

The University agrees with the recommendation. The required notifications are now being sent to all recipients of loans proceeds from all Federal loan programs.

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CURRENT FINDINGS – FEDERAL COMPLIANCE

10-24 FINDING: DISCLOSURE REGARDING LOBBYING ACTIVITIES

Federal Department:	US Department of Education
CFDA Numbers:	Various
Program Name:	All US Department of Education Programs
Questioned Cost:	None

Chicago State University (University) did not comply with the disclosure requirements regarding lobbying activities.

On February 2, 2010, the University entered into a contract with a lobbyist. The contract calls for payments totaling \$99,000 for Federal lobbying services. The University did not file a disclosure form during the fiscal year. After bringing this matter to the attention of the University, a disclosure of lobbying activities was filed on November 29, 2010.

The Code of Federal Regulations (Code) (34 CFR 82.110 (c)) requires a disclosure form to be filed at the end of each calendar quarter in which there is an event that materially affects the accuracy of any previous filed forms. An event includes an increase of \$25,000 or more in the amount paid or expected to be paid for influencing or attempting to influence a covered activity.

OMB Circular A-110 requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure that proper reports are filed to disclose Federal lobbying activities.

University officials stated the University had not used an external lobbyist immediately prior to FY10 and was unfamiliar with the requirement to file quarterly reports and the conditions that cause such a requirement. The University intends to fully comply now that the requirement has been brought to its attention.

Failure to comply with the Federal regulation may jeopardize future Federal funding and also may have fines imposed on the University for not filing proper forms. (Finding Code No. 10-24)

RECOMMENDATION

We recommend the University ensure that a disclosure form is filed for all lobbying activities that meet the criteria in the Code.

UNIVERSITY RESPONSE

The University agrees with the recommendation. The Governmental Affairs office will ensure that quarterly reports are filed as required in regard to lobbying activities and will ensure that the lobbyist completes his/her requirements related to the quarterly report to be filed by the University. The Governmental Affairs office will work collaboratively with the Financial Aid office so that Financial Aid office will have the required information it needs to meet the disclosure requirement on the FISAP report.

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CURRENT FINDINGS – FEDERAL COMPLIANCE

10-25 FINDING: RESEARCH AND DEVELOPMENT CLUSTER SUBRECIPIENT MONITORING

Federal Department:	National Science Foundation
CFDA Numbers:	47.076
Program Name:	Research and Development Cluster
Award numbers:	HRD-0413000, HRD-0833005
Questioned Cost:	None

Chicago State University (University) did not fully comply with compliance requirement of subrecipient monitoring applicable to its Research and Development Cluster programs. We noted the following:

We tested five subrecipients of the University for the current period and noted the University could not provide us with a contract or agreement for one of the subrecipients.

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

OMB Circular A-110 requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure that all contract documentation is retained.

University officials stated the Office of Grants and Research experienced a strain on its resources while a former Director transitioned out of service in FY10. During this time the oversight, monitoring and follow up in regard to compliance with grant requirements was not at an optimum level until a new Director could be brought on board to make the intended improvements in grants administration. A new Director is now in place and is focused on restoring ongoing improvements and efficiencies in grants administration.

Failure to comply with Federal requirements may result in disallowed program costs and could jeopardize future Federal funding. (Finding Code No. 10-25)

RECOMMENDATION

We recommend the University improve its controls to ensure that adequate documentation is retained to support its activity for Federal awards to subrecipients.

UNIVERSITY RESPONSE

The University agrees with the recommendation. Sponsored Programs will establish the mechanism and improve upon policies and procedures for retaining the necessary supporting documentation for all subrecipients' activities that are funded by Federal awards.

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CURRENT FINDINGS – FEDERAL COMPLIANCE

10-26 FINDING: COMPLETION AND GRADUATION RATES

Federal Department:	U.S. Department of Education
CFDA Numbers:	84.007, 84.032, 84.033, 84.038, 84.063, 84.268, 84.379, 84.376, 84.375
Program Name:	Student Financial Assistance Cluster
Questioned Cost:	None

Chicago State University (University) did not comply with the requirement of preparing and making available its completion or graduation rates report.

During the audit, we requested the graduation rate report for the 12 month period ended August 31, 2009 from the University. The University informed us that it had not completed their report on completion or graduation rates. This report should have been available to the public by July 1, 2010.

The Code of Federal Regulations (Code) (34 CFR 668.45 (a)(1) & (5)) requires annual preparation of its completion or graduation rate of its certificate or degree-seeking, first-time, full-time undergraduate students. The rates must be made available no later than July 1 immediately following the 12-month period ending August 31.

OMB Circular A-110 requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure that proper reports are prepared and made available.

University officials stated that, due to turnover and reorganization of the Institutional Research Department, the required information regarding graduation and completion rates was not prepared and was not available to be disclosed for public viewing or otherwise made available to students.

Failure to prepare and make available required reports results in noncompliance with Federal regulations and could jeopardize future Federal funding. (Finding Code No. 10-26)

RECOMMENDATION

We recommend the University prepare and publish its completion or graduation rates no later than July 1.

UNIVERSITY RESPONSE

The University accepts this finding. The statistics from IBHE are currently published going back five years at this link, <http://www.csu.edu/Admissions/admissioninformation.htm> University Demographics. Going forward we will have this data published by July 1 of each year.

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CURRENT FINDINGS – FEDERAL COMPLIANCE

10-27 FINDING: INADEQUATE CONTROL PROCEDURES TO NOTIFY PASS-THROUGH GRANTORS OF AUDIT RESULTS

Chicago State University (University) did not have adequate procedures to ensure compliance with Office of Management and Budget (OMB), Circular A-133's requirement to notify pass-through grantors of the results of the University's audit.

For the year ended June 30, 2009, the University reported expenditures totaling \$3,270,390 from 18 separate Federal awards that were received from pass-through entities. We inquired of the University's Office of Sponsored Programs as to the University's procedures for notifying pass-through grantors of the results of the University's Single Audit. University personnel indicated that they send a copy of the University's audit reports to those pass-through grantors that request a copy. We selected 5 pass-through grants that were reported on the University's fiscal year 2009 Schedule of Expenditures of Federal Awards, and requested to see documentation of the University having notified pass-through grantors of their audit results. The University could not provide such documentation.

OMB Circular A-133 section 320 (e) requires subrecipients of federal funds to notify pass-through entities by either submitting a copy of the reporting package, as defined in section 320(c) to each pass through entity, (required method when the program funding by the pass-through entity has reported findings or questioned costs or reports on the status of prior findings) or (allowed method, when there are no current or prior year findings and questioned costs related to the program funded by the pass-through entity) by providing written notification stating that an audit was done in accordance with OMB Circular A-133, the Schedule of Findings and Questioned Costs disclosed no finding related to the program, and the summary schedule of prior audit findings did not report on the status of prior findings related to the program funded by the pass-through entity.

OMB Circular A-110 requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure that pass through entities are informed of the results of the OMB Circular A-133 audit.

University officials stated the Office of Grants and Research experienced a strain on its resources while a former Director transitioned out of service in FY10. During this time the oversight, monitoring, and follow up in regard to proper notification of audit results to pass-through grantors was not at an optimum level until a new Director could be brought on board to make the intended improvements in grants administration. A new Director is now in place and is focused on restoring ongoing improvements and efficiencies in grants administration.

Failure to adhere to Federal regulations is indicative of an inability to properly administer Federal programs, and could result in the loss of Federal funding. (Finding Code No. 10-27)

RECOMMENDATION

We recommend the University implement procedures to ensure that all pass-through entities are informed of the University's audit results as required by OMB Circular A-133.

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CURRENT FINDINGS – FEDERAL COMPLIANCE

10-27 FINDING: INADEQUATE CONTROL PROCEDURES TO NOTIFY PASS-THROUGH GRANTORS OF AUDIT RESULTS (Continued)

UNIVERSITY RESPONSE

The University agrees with the recommendation. Sponsored Programs will establish a mechanism for informing all pass-through entities of the University's audit results as required by OMB Circular A-133.

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CURRENT FINDINGS – FEDERAL COMPLIANCE

10-28 FINDING: DATA COLLECTION FORM

Chicago State University (University) failed to include its loan programs on its Data Collection Form for Reporting on Audits of States, Local Governments, and Non-Profit Organizations (Form) for the fiscal year ending June 30, 2009.

The University failed to report its two loan programs that are part of its Student Financial Assistance Cluster. The University failed to report \$2,300,294 of Federal Perkins Loans outstanding and \$36,214,385 of Federal Family Education Loan Program awards.

The Federal Audit Clearinghouse's directions for completion of the Form states:

- "Enter the amount of expenditures included in the Schedule of Federal Expenditures of Federal Awards for each Federal program. Note that amounts shall include the value of Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end, regardless of whether such amounts were presented in the Schedule or in a note to the Schedule of Expenditures of Federal Awards."

OMB Circular A-110 requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure that the Form is properly completed.

University officials stated the loans were overlooked because they were not on the face of the Schedule of Expenditures of Federal Awards.

Failure to report the loan programs understated Federal expenditures to the Federal agencies responsible for oversight of the University's programs. (Finding Code No. 10-28)

RECOMMENDATION

We recommend the University ensure that the Form is properly completed.

UNIVERSITY RESPONSE

The University agrees with the recommendation. Sponsored Program will establish internal controls for ensuring that the data collection form is properly completed prior to submission.

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CURRENT FINDINGS – STATE COMPLIANCE

10-29 FINDING: INADEQUATE CONTROLS OVER CONVOCATION CENTER EXPENDITURES

Chicago State University (University) did not have adequate internal control procedures over expenditures and activities of the University's Convocation Center (Center).

Under an agreement dated June 1, 2007, the University engaged a vendor to manage the Center. The agreement calls for the gross ticket receipts for the Center to be deposited into a "Box Office" bank account in the name of the University. All direct event related expenses are then paid from this account and the net revenue is transferred to another "Operating" bank account in the name of the University. The "Operating" account is then used to fund general operating costs of the Center as well as the general operating costs of the vendor relating to the management of the Center. These are University accounts and were under the supervision of a University employee assigned to the Center.

We selected and tested 11 expenditures totaling \$205,138 related to the operations of the Center, we noted the following (some expenditures had several exceptions):

- One contractual service expenditure on a contract totaling \$90,000 (facilities management services) had no evidence of having been competitively procured.
- A second contract totaling \$53,816 (design services) also had no evidence of having been competitively procured and was not signed by the University until a year after the first invoice was submitted.
- Eight expenditures (\$134,185) did not have a completed purchase requisition.
- Three expenditures (\$9,179) had no evidence of approval of the invoice prior to payment.
- Two payments for vendor payrolls (\$17,137) had no evidence of employee timesheets or documented approval for the payment.
- One expenditure (two invoices totaling \$53,816) was not timely paid. These two invoices were paid 380 and 318 days after the invoice date.
- Two expenditures were paid using a check card linked to the "Operating" bank account. These payments amounted to \$6,679.
- One expenditure (\$992) to the University's "Parking" auxiliary activity included parking permits for four University employees and/or contractual employees assigned to the Center.

University policies require a purchase requisition for all purchases and documented approval by fiscal officers prior to payment. The Procurement Code (30 ILCS 500/20-20(c)) allows the chief procurement officer to modify the small purchase maximum established in (a) of this section. The Higher Education Chief Procurement Officer set the maximum small purchase at \$50,000 (44 IL Admin. Code 526.2020). Therefore, the purchase of services (other than professional or artistic services) exceeding \$50,000 are required to be competitively procured. The Architectural, Engineering, and Land Surveying Qualifications Based Selection Act (30 ILCS 535/20 thru 535/45) also requires construction related professional services to be procured through formal qualifications based selection procedures of \$25,000 or more.

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, which shall provide assurance that resources are utilized efficiently, effectively, and in compliance with applicable law.

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CURRENT FINDINGS – STATE COMPLIANCE

10-29 FINDING: INADEQUATE CONTROLS OVER CONVOCATION CENTER EXPENDITURES (Continued)

Effective internal controls should include procedures to ensure that the procurement laws are complied with, that vendor invoices include appropriate approvals prior to payment, that appropriate documentation is retained, that payments are processed in accordance with University policies, and that vendors are paid timely.

University officials stated new management recognized procedural issues with the arrangement and the management contract with an external vendor for running the University's Convocation Center and terminated the contract at the earliest opportunity. This action will allow the University to include the Convocation Center within the standard framework of compliance with all of the University's procedures. The exceptions cited above were directly related to the former arrangement which has now been addressed.

Failure to adhere to University policies increases the likelihood of misappropriation of State funds. Failure to adhere to the competitive selection process of the Procurement Code is a violation of State law. (Finding Code No. 10-29)

RECOMMENDATION

We recommend the University improve its controls over the operations of the Convocation Center and comply with the State law.

UNIVERSITY RESPONSE

The University agrees with the recommendation. A new Events Director has come on board and is managing the Convocation Center. The new Director has committed to complying with all University policies and procedures in the administration of the Convocation Center in FY11 and ongoing.

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CURRENT FINDINGS – STATE COMPLIANCE

10-30 FINDING: PROCUREMENT AND CONTRACT DOCUMENTATION

The University did not comply with the Procurement Code relative to an invitation for bids and an awarded contract.

During our testing of contracts, we noted the following related to the University's procurement of a "data archiving and data cleansing solution":

- We obtained a copy of the "Invitation for Bids". We noted in our review of the solicitation that it did not contain any information relative to how the bids would be evaluated. This procurement should have been procured via "Competitive Sealed Proposals" instead of an "Invitation for Bids".

The University received 4 proposals from vendors. We requested documentation for the University's selection process. We received a copy of the bid opening tabulation dated February 25, 2010 and noted the following:

- The bid tabulation identified one bidder as being rejected. Of the three remaining bidders, all had indicated that they had applied to the Department of Human Rights for a bidder eligibility number.
- We asked the University for documentation of the successful bidder's Department of Human Rights bidder eligibility number. The University could not provide us with any such documentation.
- The tabulation indicated "Applied" for two of the bidders' certification that they had registered with the State Board of Elections. We found a certification in one of these proposals but no certification was included in the other and neither included their certificate of registration. For the proposal which was marked "Yes" for the certification with the Board of Elections registration, we found the certification and the certificate of registration in the hard copy of the proposal, however, it was not found in the electronic copy that the auditors were later provided.
- We also requested the electronic copies (each proposer was required to submit a hard copy and 3 cd's of its proposal to the University) of the proposals submitted by the 3 proposers which were not identified as "bid rejected" above. The University could not locate any of the cd's of the successful proposer. The University then asked the vendor to send the University another copy (which was lacking the certificate of registration with the State Board of Elections) which was identified as "Yes" in the previous bullet point.
- The University selected this third bidder's (the one whose Board of Elections registrations was marked "Yes") revised proposal (\$594,926) even though it was more than \$150,000 higher than the other two bidders. The University later re-negotiated the price to \$478,800.
- No additional evidence of proposal evaluation was provided by the University. Although it was not formally documented, we were informed by University personnel that the successful bidder was the only "qualified bidder".

The Procurement Code (30 ILCS 500) and the higher education administrative rules implementing the Procurement Code (44 IL Admin. Code 526.2010) require the contract to be awarded to the lowest responsible and responsive bidder whose bid meets the requirements set forth in the

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10-30 FINDING: PROCUREMENT AND CONTRACT DOCUMENTATION (Continued)

invitation for bids. The invitation for bids must set forth the criteria to be used to determine the lowest responsive bidder. Written documentation setting forth a basis of non-responsibility is required to be made a part of the procurement file (44 IL Admin. Code 526.2046). The Illinois Human Rights Act (775 ILCS 5/2-101(j)) and higher education administrative rules (44 IL Admin. Code 526.2044) prohibit contracting with vendors who have not obtained a Department of Human Rights bidder eligibility number.

University officials stated the University believed it was following the applicable requirements of the Procurement Code and had every intention of doing so. In consideration of all the information available for decision making, it was the judgment of University officials that the bidder that was ultimately selected provided the most suitable solution to meet the University's objectives for a very important project goal that is projected to have a long term beneficial impact and that the selection was consistent with the procurement requirements. Even though the chosen vendor's bid was higher than two other vendors who were not deemed the most suitable, overall the chosen bidder best matched the requirements and the relative price difference alone cannot be properly compared based on today's cost versus the expected beneficial impact over a significant number of years. In short, the least expensive option could potentially have the greatest opportunity cost over the useful life of the solution.

Failure to maintain appropriate documentation of procurement decisions is a violation of the Procurement Code and the administrative rules. (Finding Code No. 10-30)

RECOMMENDATION

We recommend that the University properly document its procurement decisions as required by the Procurement Code and administrative rules.

UNIVERSITY RESPONSE

The University agrees with the recommendation; has again reviewed the Procurement Code and its own procedures; and has implemented a dual competitive bid review process to ensure compliance with Procurement Code (30 ILCS 500) and the higher education administrative rules implementing the Procurement Code (44 IL Admin. Code 526.2010).

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CURRENT FINDINGS – STATE COMPLIANCE

10-31 FINDING: INADEQUATE CONTROLS OVER CONTRACTING PROCEDURES

Chicago State University (University) did not have adequate control over contracting procedures.

During our testing of 25 contracts totaling \$6,608,224, we noted the following:

- 22 of the 25 contracts (88%) (some contracts had more than one exception) tested did not contain the minimum requirements for written contracts. The following required elements were missing:
 - Contractors address (1 contract)
 - Contract term (1 contract)
 - Signature of the University representative (1 contract)
 - Federal taxpayer identification number (1 contract)
 - Legal status disclosure statement (4 contracts)
 - Certification regarding access to maintained records and rights to audit (1 contract)
 - Certification regarding international boycott (10 contracts)
 - Certification regarding non compliance with the Environmental Protection Act (20 contracts)
 - Certification regarding Procurement of Domestic Products Act (17 contracts)
 - Certification for compliance with required registration with the State Board of Elections (19 contracts)
- Three contracts that exceeded \$250,000 did not have the signature of the Chief Fiscal Officer of the University included on the contract.
- Five contracts (20%), totaling \$2,883,541, were dated and signed by a University official and the vendors. However, the date of the University's or vendors' signature was after the date of the commencement of services according to the contract or invoice. The total amount of services provided prior to the signature dates was not determinable.
- Two contracts (8%) with vendors were paid more than the contracted amount. The vendors were paid an additional \$42,312 and \$5,778 without contract amendments.
- Two contracts (8%), totaling \$1,441,268, were for construction contracts. The University could not provide any evidence that the contractors complied with the requirements of the Illinois Procurement Code relative to construction contractors' participation in apprenticeship and training programs.

During our testing of 1 property lease (the University only has one lease), we noted the following:

- The lease commencement date was prior to the signing of the lease. The lease was signed on September 2, 2008 and the lease commencement date was September 1, 2008.
- The lease was missing the following required elements:
 - Subject to Appropriation Clause
 - Certification regarding compliance with the Environmental Protection Act
 - Certification for compliance with required registration with the State Board of Elections
 - Subcontractor Utilization Statement

The Statewide Accounting Management System (SAMS) (Procedures 15.20.20, 15.20.30, 15.20.35, and 15.20.40) requires each contract to contain the following information (only a portion of the requirements are listed):

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CURRENT FINDINGS – STATE COMPLIANCE

10-31 FINDING: INADEQUATE CONTROLS OVER CONTRACTING PROCEDURES (Continued)

- Contractor's full name and address
- Contract term
- Signature of contractor and authorized University representative
- Contractor's Federal Taxpayer Identification Number and Legal Status Disclosure Certification
- The maximum amount to be paid
- A right to audit records clause
- An International Anti-Boycott certification
- An Environmental Protection Act certification
- A registration with the State Board of Elections certification
- A subcontractor utilization statement

The Illinois Procurement Code requires (30 ILCS 500/20-60) multi-year contracts to include a statement that they are subject to the termination or cancellation in any year for which the General Assembly fails to make an appropriation to make payment.

The Procurement of Domestic Products Act (30 ILCS 517/15) states that each contract awarded by a purchasing agency shall contain the contractor's certification that procured products provided pursuant to the contract or a subcontract shall be manufactured in the United States.

The Finance Act (30 ILCS 105/9.02) requires any contract in the amount of \$250,000 or more in a fiscal year be signed by the University's chief executive officer, chief legal counsel, and chief fiscal officer.

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 expenditures are properly recorded and accounted for to permit the preparation of reliable financial reports and to maintain accountability over the State's resources. This would include controls to ensure that vendors are paid in accordance with the terms of written contracts, and are approved, and executed prior to the start of the contract.

The Illinois Procurement Code (30 ILCS 500/30-22) requires construction contractors, in order to be considered a responsible bidder, to comply with requirements when bidding and must present satisfactory evidence of that it participates in applicable apprenticeship and training programs approved by and registered with the US Department of Labor's Bureau of Apprenticeship and Training.

University officials stated the majority of the exceptions cited in regard to contracts relate to contracts originated under prior senior management who are no longer with the University. They involved use of a contract form that was not timely updated to reflect all mandatory contractual content requirements imposed by Illinois statutes. The new management team is endeavoring to achieve overall compliance with all applicable Illinois statutes and sound business practices related to contracts.

Failure to abide by appropriate contracting procedures may cause the University to make payments that are not authorized and results in noncompliance with State contracting requirements. (Finding Code Nos. 10-31, 09-6, 08-13, 07-9, and 06-12)

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CURRENT FINDINGS – STATE COMPLIANCE

10-31 FINDING: INADEQUATE CONTROLS OVER CONTRACTING PROCEDURES (Continued)

RECOMMENDATION

We recommend that the University establish internal controls to ensure compliance with the Illinois Procurement Code, State Statutes, and the SAMS Manual. We also recommend that the University ensure that all contracts are completed, approved, and executed prior to the start of the contract.

UNIVERSITY RESPONSE

The University agrees with the recommendation. The Legal Affairs department has removed outdated contract forms from the intranet and is conducting quarterly evaluations to determine whether updates to the form contract are required. A revised contract form will be posted on the intranet with notice to the University community as appropriate. Purchasing is ensuring that a dual review occurs for all contracts involved with procurement activities that are received in the department for processing.

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CURRENT FINDINGS – STATE COMPLIANCE

10-32 FINDING: INADEQUATE CONTROLS OVER STUDENT REGISTRATION AND BILLING

Chicago State University (University) allowed students with outstanding balances to register and attend classes in violation of the University's policies and failed to send formal bills to students.

During our audit testing, the University's Bursar informed us that the University did not send any formal bills to students for the Spring semester. The gross student receivable for this semester was \$2,119,941 as of June 30, 2010 as compared to \$1,592,512 for the previous Spring semester as of June 30, 2009.

We also tested 26 students owing the University a total of \$249,144 and noted the following:

- Seven students (27%), with balances totaling \$116,032 were allowed to enroll and take courses even though they had not paid their prior outstanding balances.

The Chicago State University Undergraduate Catalog states "Students must have met all their financial obligations to the University before they are eligible to register for classes unless special arrangements for meeting such obligations have been made with the bursar."

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University establish and maintain a system or systems of internal fiscal and administrative controls which shall provide assurance that revenues, expenditures, and transfers of assets, resources or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial reports. Such controls would ensure that the University enforces their registration policy regarding unmet financial obligations. Such controls would also require procedures to ensure that students are made aware of their account balances.

University officials stated the Bursar position turned over twice in FY10. This accounts for some omissions, including the students in question being allowed to register while having a prior account balance and a gap in billing statements being provided to students.

Allowing students to register for classes without meeting their financial obligations to the University and failure to send formal bills to students results in a violation of University policy and increases the risk that monies due the University will not be collected timely. (Finding Code Nos. 10-32, 09-8)

RECOMMENDATION

We recommend the University follow its procedures as stated in the Catalog and review the controls over billing and ensure that bills are sent to students regularly.

UNIVERSITY RESPONSE

The University agrees with the recommendation. The new Bursar has implemented a hold release process in November, 2010 which includes the documenting of special arrangements with students who have prior unpaid balances in order to facilitate the continuation of their education. The new Bursar has also put in place regular monthly billings which include the required notification regarding the State support to the University which decreases the cost of tuition.

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CURRENT FINDINGS – STATE COMPLIANCE

10-33 FINDING: SUBSIDIES BETWEEN ACCOUNTING ENTITIES

Chicago State University (University) had subsidies between accounting entities (auxiliary enterprises and activities) during the current fiscal year.

During our testing of the University Guidelines, we noted the following 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:

- Student Activities

The Legislative Audit Commission's University Guidelines of 1982, as amended in 1997, states (Chapter III, Section D, Part 1) that "there shall be no subsidies between accounting entities. Subsidies include cash advances and interfund payables/receivables outstanding for more than one year."

University officials stated this matter only came to light at the end of the audit of fiscal year 2009. The University has made it a high priority to prevent or minimize new subsidies and to work toward reducing existing subsidies created in prior fiscal years that necessarily require time, planning, and budgeting to eliminate on account of an accumulation that occurred over multiple years.

The subsidy between accounting entities is a violation of University Guidelines. (Finding Code Nos. 10-33, 09-13)

RECOMMENDATION

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

UNIVERSITY RESPONSE

The University agrees with the recommendation and intends to work on a prospective basis toward elimination of a large deficit which had accumulated in prior years and which was not brought to the attention of prior management for a long time. In FY10, the new management took care not to add to the deficit by monitoring budgets and adhering to fiscal restraint. Due to the magnitude of the deficit, the University realizes it may take several years to eliminate the accumulated deficit.

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CURRENT FINDINGS – STATE COMPLIANCE

10-34 FINDING: VOUCHER PROCESSING ERRORS

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

During our testing of 125 expenditures for Contractual Services, Commodities, Equipment, Telecommunications, and Operation of Automotive Equipment, we noted the following:

- Five invoices (4%), amounting to \$136,733, contained expenditures that were recorded to the incorrect fiscal year. A proposed adjustment was not recorded by the University.
- One invoice (1%), in the amount of \$1,750,000, was paid using a “Direct Payment Voucher”. We noted the approval by the Administrator on the Direct Payment Voucher was made 8 days after the date of the check.
- Six invoices (5%) were not approved for payment in a timely manner. These invoices were approved between 44 and 150 days (14 to 110 days late) after receipt of a proper bill.
- Eight invoices (6%) were not paid in a timely manner. The invoices were paid 63 to 214 days (3 to 154 days late) after the receipt of a proper bill.
- Two invoices (2%) were charged to the incorrect Statewide Accounting Management System (SAMS) code. The invoices for \$37 and \$1,100 were charged to equipment and should have been charged to commodities and contractual services, respectively.
- Three invoices (2%) had approval signatures dated after the check date. These invoices amounted to \$8,073. These invoices were approved 1 day after payment.
- Three invoices (3%) were not mathematically accurate. The University over-paid the vendor by a total of \$24 on these three invoices.
- Seven invoices (6%) were for gasoline purchases that included premium or midgrade gasoline. The premium and midgrade purchases amounted to \$1,658. Two of these invoices were for bulk gasoline purchases to be used on University premises.
- One invoice contained a listing of car washes purchased for University vehicles. This invoice included a total of 70 car washes for 13 vehicles, totaling \$347 for the statement period. The vendor invoice did not identify the dates of any of the car washes and the University was unable to provide any information on the dates either.

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

Prudent business practices require all vouchers be approved (within 30 days of receipt of proper bill) or paid (within 60 days of receipt of proper bill) in a timely manner by University officials.

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

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

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CURRENT FINDINGS – STATE COMPLIANCE

10-34 FINDING: VOUCHER PROCESSING ERRORS (Continued)

The University's Accounting and Finance Policies and Procedures Manual (Procedure 4.3) states prior to the payment of any funds, a voucher should be prepared with supporting evidence and approved.

The Department of Central Management Services rules (44 Ill. Administrative Code 5040.550) state "Purchases of fuel, oil, and related items for the operation of State-owned equipment must be made from the most economical source. Unleaded gasoline (with ethanol blended in, often called gasohol) shall, however, be used where available." Although this rule is not binding on the University, it is still a basis for prudent business practice absent a valid explanation of the need for premium or mid-grade fuels.

University officials stated most of these voucher exceptions occurred under former management including the prior year expenditures which, in and of themselves, do not constitute a material amount for financial reporting purposes and were paid from non-appropriated funds as noted. Current management understands the importance of compliance with the applicable policies and is committed to improved internal controls to reduce or eliminate these kinds of exceptions.

Untimely payments may result in vendors being unwilling to do business with the State. Inaccurate payments, late approval of invoices, lack of supporting documentation to support payments, and purchasing premium and mid-grade gasoline without a need could result in a loss of State funds. Recording expenditures in the incorrect fiscal year results in inaccurate financial statements. Failure to adhere to University policies may result in unintended results. (Finding Code Nos. 10-34, 09-2)

RECOMMENDATION

We recommend that the University improve controls to ensure that expenditures are approved and paid timely, paid accurately, in accordance with University policies, and posted to the correct fiscal year. We further recommend the University only purchase premium and mid-grade gasoline when there is a documented need for higher grade fuel and require appropriate documentation of car washes.

UNIVERSITY RESPONSE

The University agrees with the recommendation. The Accounts Payable department intends to ensure dual review of all transactions occurs and intends to engage other departments to ensure expenditures are charged to the correct fiscal year and comply with University policies and procedures to the greatest extent possible within its resources.

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CURRENT FINDINGS – STATE COMPLIANCE

10-35 FINDING: INVOICES SUBMITTED FOR REIMBURSEMENT FROM STATE APPROPRIATIONS

Chicago State University's (University) submitted invoices for reimbursement from special State appropriations that had nothing to do with the specially funded program.

The General Assembly made the following special appropriations to the University for fiscal year 2010:

- Costs associated with the development, support, or administration of pharmacy practice education or training programs (\$614,000).

All expenditures of the University are initially paid by the University using locally held funds. After expenditure, the University then submits vouchers to the Office of the Comptroller to request reimbursement from State appropriated funds. We selected 10 of the 62 vouchers submitted by the University to the Office of the Comptroller to request reimbursements from appropriated funds for expenditures that had previously been paid from University funds. We noted:

- Eight of the 10 reimbursements tested were charged to the special appropriations noted above. Two of those reimbursement requests, totaling \$75,052, included vendor invoices attached to the vouchers (to support the reimbursement request) that had nothing to do with the special appropriation that was charged. We specifically noted the following; the University submitted its payment (\$31,500) to students attending other State universities for stipends in the Minority Internship Program, cleaning of humidifiers in the library (\$2,625), payments for natural gas supplied to the University (\$15,659), payments for food (\$4,100), payment for advertising (\$18,000), and payments for computer software support (\$3,168). None of these charges had anything to do with the pharmacy program.

SAMS procedure 11.10.20 states that "the appropriations made by the General Assembly specify the purposes for which the public funds of the State may be expended." Included in Public Act 96-0046, the University was awarded a special appropriation for the purposes of costs associated with the development, support, or administration of pharmacy practice education or training programs.

University officials stated the specific applicable pharmacy expenditure documents were not available in time for the August 23, 2010 deadline date for submission of vouchers to the Office of the Comptroller to obtain reimbursement from the State appropriation. The Office of the Comptroller requires copies of the actual paid vouchers in order to qualify for reimbursement. The University swapped other expenditures in order not to lose the appropriated dollars which it could ill afford to lose. According to the University, it did incur and pay actual expenditures that fully qualified for the appropriation but was unable to submit them by the deadline. In all other respects, the University met the requirements to submit for reimbursement of the budgeted appropriation. In addition, the Office of the Comptroller has not returned or objected to the vouchers in question as it typically does in the case of ineligibility conditions on vouchers.

The failure to submit proper reimbursement requests is a violation of the State's appropriation process. (Finding Code No. 10-35)

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

CURRENT FINDINGS – STATE COMPLIANCE

**10-35 FINDING: INVOICES SUBMITTED FOR REIMBURSEMENT FROM STATE APPROPRIATIONS
(Continued)**

RECOMMENDATION

We recommend the University submit the proper documentation of actual program expenditures when requesting reimbursement from its special appropriations.

UNIVERSITY RESPONSE

The University agrees with the recommendation. Financial Affairs has begun contacting other departments and notifying them to complete their appropriated expenditures as early as possible so that vouchers can be prepared and submitted to the Office of the Comptroller by the deadline in accordance with the specified purpose for which appropriations have been approved.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

CURRENT FINDINGS – STATE COMPLIANCE

10-36 FINDING: TIME SHEETS NOT MAINTAINED IN COMPLIANCE WITH STATE OFFICIALS AND EMPLOYEES ETHICS ACT

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

Of the 25 employees that were selected for testing, we noted the following:

- 3 (12%) employees submitted timesheets; however, they only reported days off.
- 12 (48%) employees did not complete time sheets.

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

University officials stated that, due to a full range of improvement projects that have been identified, it was not feasible to make improvements to timekeeping in FY10, so the time and attendance reporting has continued according to past practice. In addition, the faculty union contract precludes time and attendance reporting on the part of faculty in all the State universities including Chicago State University. The new administration plans to improve time keeping to a more automated method for as many employees and employee classes as possible in calendar 2011.

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

RECOMMENDATION

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

UNIVERSITY RESPONSE

The University requires all offices to have a time sheet sign-in in order to track employee time reporting in an effort to comply with the Ethics Act. The Faculty Union representing the State of Illinois Public University System has decided not to comply with the Act.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

CURRENT FINDINGS – STATE COMPLIANCE

10-37 FINDING: INADEQUATE SUPPORT FOR QUARTERLY SUMMARY OF ACCOUNTS RECEIVABLE

Chicago State University (University) did not maintain adequate supporting documentation for its Quarterly Summary of Accounts Receivable Forms C-97, C-98, and C-99 (C-97, C-98, or C-99).

The University completed quarterly C-97 reports for 3 funds. During our testing we noted the following:

- Current Restricted
 - For the first quarter – The University did not maintain supporting documentation to support the increase in accounts receivable (totaling \$13,292,000) for the quarter and collections (totaling \$10,014,000) for the quarter.
 - For the second quarter – The University did not maintain supporting documentation for the State accounts receivable (\$789,000) for the quarter. Also, the University reported on the C-98, the number of accounts greater than 90 days past due and greater than \$1,000 as 16 when the supporting documentation showed 15.
- Loans Funds
 - For the first quarter – The University did not maintain documentation to support the adjustment of (\$21,000).
 - For the second quarter – The University did not maintain documentation to support the adjustment of \$2,000. Also, the C-98 report was not mathematically accurate.
 - For the third quarter – The University did not maintain documentation to support the adjustment of \$12,000.
 - For the fourth quarter – The University did not maintain documentation to support the adjustment of (\$12,000).

The Statewide Accounting Management System (SAMS 26.30.10) states “the accounts receivable reports....provide a summary of the status of the State’s receivables and related collections activity.”

Good business practice would dictate that reports should be completed based upon information contained in the University’s accounting system and appropriate documentation be maintained to support the reports filed.

University officials stated the causes differ for the restricted reports which relate to grants versus unrestricted and loan funds which are not grants. In regard to the grants, there are significant receivables that must be reported for aging purposes based on a labor intensive, non-automated process which is more prone to clerical error. As regards the loan funds, there is again a labor intensive process and an adjustment line item was not explained when the reports were submitted. The accountant preparer has gone back over the year FY10 reports and has fully explained the adjustment line items and will continue to do so going forward.

Maintaining proper documentation is important to support the accuracy of reports filed with the State Comptroller. (Finding Code Nos. 10-37, 09-9)

RECOMMENDATION

We recommend the University establish procedures for maintaining supporting documentation for required reports and forms.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

CURRENT FINDINGS – STATE COMPLIANCE

**10-37 FINDING: INADEQUATE SUPPORT FOR QUARTERLY SUMMARY OF ACCOUNTS RECEIVABLE
(Continued)**

UNIVERSITY RESPONSE

The University agrees with the recommendation. Sponsored Programs will work closely with Finance to establish a mechanism for retaining the necessary supporting documentation and ensure that reports and forms filed with the State Comptroller are complete and accurate.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

CURRENT FINDINGS – STATE COMPLIANCE

10-38 FINDING: NONCOMPLIANCE WITH CAMPUS SECURITY ENHANCEMENT ACT OF 2008 (ACT)

Chicago State University (University) did not develop a complete Campus Violence Prevention Plan or Emergency Response Plan.

The University developed an Emergency Response Guide in February 2009. The plan did not contain much of the information required by the Act.

The Act (110 ILCS 12/20) states that “Each higher education institution is required to do the following:

(1) develop a National Incident Management System-compliant, all-hazards, emergency response plan in partnership with the institution's county or major municipal emergency management official, report the plan to this official, and have training and exercises for the plan annually at a minimum; and

(2) develop an inter-disciplinary and multi-jurisdictional campus violence prevention plan, including coordination of and communication among all available campus and local mental health and first response resources as well as communication with governmental agencies and school districts contiguous to the higher education institution's boundaries, in partnership with the institution's county or major municipal emergency management official, report the plan to this official, and have training and exercises for the plan annually at a minimum. The campus violence prevention plan shall include the development and implementation of a campus violence prevention committee and campus threat assessment team.”

University officials stated the University has been working on updating its compliance with the Campus Security Enhancement Act and is currently holding regular weekly meetings with a goal of being compliant within the first half of the new fiscal year. Unfortunately, due to the demands of this effort and the strain on resources, it was not possible to achieve compliance within fiscal year 2010.

Failure to comply with state mandates could result in the University being unprepared in the event of a disaster and results in noncompliance with the Campus Security Enhancement Act. (Finding Code Nos. 10-38, 09-12).

RECOMMENDATION

We recommend that the University develop an emergency response plan and a campus violence prevention plan that comply with the Campus Security Enhancement Act of 2008. Further, we recommend that the University file the plan with the Illinois Emergency Management Agency in accordance with the Act.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

CURRENT FINDINGS – STATE COMPLIANCE

**10-38 FINDING: NONCOMPLIANCE WITH CAMPUS SECURITY ENHANCEMENT ACT OF 2008 (ACT)
(Continued)**

UNIVERSITY RESPONSE

The University accepts the recommendation. The University is still engaged in a review and revision process of its emergency response plan “How to Stay Safe” and its violence prevention plan “How to Prevent Violence” as well as conducting ongoing meetings of its Alcohol, other Drugs and Violence Prevention Committee as required by the Campus Security Enhancement Act of 2008. These activities are nearing completion. In addition, the University has been conducting annual training exercises as required by the Act. The University is working diligently toward the successful status of having met all of its targets for compliance including documenting its efforts appropriately so that authorized external parties may be able to verify the University’s compliance. In addition, the University will communicate with county, major municipal emergency managers and Illinois Emergency Management Agency regional coordinators regarding its planning and training processes.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

CURRENT FINDINGS – STATE COMPLIANCE

10-39 FINDING: NONCOMPLIANCE WITH THE PUBLIC UNIVERSITY TUITION STATEMENT ACT

Chicago State University (University) did not include the specific language on student's invoices to comply with the requirements of the Public University Tuition Statement Act (Act).

We obtained a student invoice for the month of July 2009 and June 2010. We noted that the July 2009 statement contained the language as required by statute; however, the June 2010 statement did not.

The Act (110 ILCS 63/15), states that the University is required to include specific language regarding the amount of tuition subsidy received from the State of Illinois on the student's tuition bill or other statement of tuition charges.

University officials stated the Bursar is responsible for issuance of student invoices. The former Bursar left the University in late 2009. The new Bursar who prepared the June 2010 invoices was unfamiliar with the Public University Tuition Statement Act and did not include the language required by the statute on the invoices.

Failure to comply with the mandate may result in students not knowing that a portion of their tuition is being underwritten by the State of Illinois. (Finding Code No. 10-39)

RECOMMENDATION

We recommend that the University comply with the Act.

UNIVERSITY RESPONSE

The University agrees with the recommendation. The required language was added to all student invoices after it was brought to the attention of the Bursar.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

CURRENT FINDINGS – STATE COMPLIANCE

10-40 FINDING: ELECTIVE COURSE IN PHYSICAL EDUCATION NOT REQUIRED FOR ALL TEACHERS

Chicago State University (University) did not comply with the requirements of the School Code (Code) that requires all elementary teacher graduates to have completed a course in the teaching of physical education and training.

We selected and tested all 9 students that graduated with a major in elementary education during fiscal year 2010. We noted that 1 student had not completed a course in the teaching of physical education and training.

The School Code (105 ILCS 5/27-9) states that curriculum in all State universities shall contain courses in methods and materials of physical education and training for teachers. No student or elementary school teacher shall be graduated from such a university until they have had a minimum of one course in methods and materials in the teaching of physical education and training.

University officials stated this exception was due to an oversight.

Failure to require all elementary teaching majors to complete a course in teaching of physical education and training results in noncompliance with the School Code. (Finding Code No. 10-40)

RECOMMENDATION

We recommend that the University comply with the requirements of the Code and require all elementary teachers to complete the required course.

UNIVERSITY RESPONSE

The University agrees with the recommendation. The College of Education addressed this finding in fall 2010 by making a curriculum change to add PE 2040. Effective the spring 2011 term, all elementary education majors are required to take PE 2040—Health and Physical Education for Elementary Teachers.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

CURRENT FINDINGS – STATE COMPLIANCE

10-41 FINDING: COMPUTER SECURITY WEAKNESSES

The University had not established adequate controls over some aspects of its computer environment. We reviewed the University's computer environment and noted the following weaknesses:

- Programmers had access to production systems.
- Most programmers never had to change their passwords.
- Passwords for student accounts never expired.
- The University's Computer Usage Policies are posted on the University website; however, only new employees were required to read and acknowledge the acceptance of these policies by signing an agreement form.

The University had over five million dollars invested in computer software and hardware. Many of the University systems, such as financial aid, purchasing, accounting and student records, are critical to its daily operations and functions and contain sensitive and confidential information such as employees' and students' social security numbers as well as health information.

University programmers had access to the production environment without compensating controls. These access rights would allow them to add, change or delete records in the University's administrative systems. Programming staff should generally be limited to accessing only the information specifically required to complete their assigned system development projects.

University procedures required that all accounts must have passwords of a certain length and be changed on a regular basis; however, we noted that multiple accounts, including students and some programmers, were set to "never expire." Therefore, passwords listed as "never expire" were not required to be changed on a periodic basis per University procedures.

University employees were required to sign an Acceptable Computer Use policy, however the implementation of this policy began during the last school year with only new employees. In addition, students are not required to sign the policy.

University officials stated that there was only one staff member dedicated to monitoring and maintaining the system security applications and equipment. During the fiscal year, security responsibilities had to be shifted because this employee was on military assignment in Afghanistan.

Generally accepted information technology guidance endorses the development of well-designed and well-managed controls to protect computer systems and data. Effective computer security controls provide for safeguarding, securing, and controlling access to hardware, software, and the information stored in the computer system.

Failure to establish adequate security policies and procedures increases the risk that information assets and resources may not be adequately protected from unauthorized or accidental disclosure, modification and destruction. Without implementation of consistent security controls and administrative procedures, there is a greater risk that unauthorized access to University resources may be gained and data destroyed. Once policies and procedures have been established, compliance must be monitored to ensure the University's assets are safeguarded. (Finding Code No. 10-41)

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

CURRENT FINDINGS – STATE COMPLIANCE

**10-41 FINDING: COMPUTER SECURITY WEAKNESSES (Continued)
RECOMMENDATION**

We recommend the University strengthen computer security within its computing environment. Specifically, the University should

- Restrict programmer access to all production programs and data. If the University determines that programmer access in some situations may be necessary, we recommend the University establish and enforce compensating controls to ensure appropriate management oversight.
- Review user access rights on a periodic pro-active basis. This review should include access to systems and data, as well as ensuring appropriate password security parameters are in compliance with University procedures.
- Ensure policies and procedures are communicated to all users and monitored for compliance. In addition, we recommend that all users be required to sign a statement (annually) acknowledging that they understand and agree to comply with the policies.

UNIVERSITY RESPONSE

The University accepts this finding and provides the following response.

1. Programmer access to production systems. By April 1, 2011 CSU will implement a reporting system to report transactions in the production system initiated by the Information Technology Department (ITD), as an interim step. Our long-term solution is to provide better tools for programmers and coordinators to troubleshoot end user problems. Our staffing levels make it prohibitive for programmers and coordinators to go to the desk of each user to help resolve problems.

Programmers and Coordinators need to have remote access to desktops of end users to be able to see the issues that users encounter, and to resolve those issues. With the implementation of Active Directory during the spring term of this year, ITD will be able to roll out remote diagnostics. The programmers and coordinators will be able to provide guidance and troubleshooting directly to the end user remotely.

Further, ITD needs to review the training of end users. Many users only get initial training. ITD needs to implement more on-going training to the end user community to assist in the resolution of this problem.

2. Programmers never had to change their passwords. Fixed February 2011.
3. Student passwords never expire. Fixed February 2011.
4. University Computer Use Policy only given to new employees. Beginning Fall 2012, all employees will be required to execute an annual certification that they have read and agree to the Computer Use Policy. Employees who fail to comply will have their network access removed until they complete the task, and it will be reported as a compliance violation to their manager and HR.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

PRIOR FINDINGS NOT REPEATED – GOVERNMENT AUDITING STANDARDS

A FINDING: Voucher Processing Errors

Chicago State University (University) did not process certain expenditures accurately and did not pay certain expenditures in a timely manner. (Finding Code No. 09-02)

Status – This finding is being repeated in the current year but the classification has changed in the current year to a State compliance finding (Finding 10-34).

PRIOR FINDINGS NOT REPEATED – STATE COMPLIANCE

B FINDING: Inaccurate Locally Held Funds Reporting

Chicago State University (University) could not provide adequate supporting documentation for the Quarterly Locally Held Funds Report. (Finding Code No. 09-07)

Status – Moved to the Immaterial Findings Letter as Finding IM 10-8

Our sample testing did not identify exceptions as significant as the prior year.

C FINDING: Noncompliance with Illinois Human Rights Act

Chicago State University (University) did not comply with the Illinois Human Rights Act (Act) by ensuring employees are aware of the complaint process available through the Illinois Human Rights and that all employees receive training on sexual harassment. The University did not have any monitoring process in place to ensure that all employees received prior training. (Finding Code No. 09-10, 08-18, and 07-16)

Status – Not repeated

Our sample testing did not identify any exceptions during the current year and the University implemented a process to track training.

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

SUMMARY

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

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

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

STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Pass-Through Grantor's Number	Expenditures	Passed- Through to Sub-recipients
STUDENT FINANCIAL ASSISTANCE CLUSTER				
<u>DEPARTMENT OF EDUCATION</u>				
Federal Supplemental Educational Opportunity Grants	84.007		\$ 328,598	\$ -
Federal Family Education Loans (Note 3)	84.032		-	-
Federal Work Study Program	84.033		428,494	-
ARRA - Federal Work Study Program	84.033		102,901	-
Federal Perkins Loan Program (Note 2)	84.038		-	-
Federal Pell Grant Program	84.063		17,557,217	-
Federal Direct Student Loans Program (Note 4)	84.268		-	-
Academic Competitiveness Grant	84.375		41,347	-
National Science and Mathematics Access to Retain Talent Grant	84.376		102,000	-
Teacher Education Assistance for College and Higher Education Grants	84.379		127,358	-
<u>DEPARTMENT OF HEALTH & HUMAN SERVICES</u>				
Scholarships for Health Professions Students from Disadvantaged Backgrounds - SDS Nursing Program	93.925		38,592	-
ARRA - Disadvantaged Backgrounds- SDS OT/Nursing Program	93.721		16,095	-
Total Student Financial Assistance Cluster			18,742,602	-
RESEARCH AND DEVELOPMENT CLUSTER				
<u>DEPARTMENT OF DEFENSE</u>				
Basic Scientific Research <i>Understanding and Exploiting the Microwave Effect for Chemical Synthesis</i>	12.431		177,910	-
Development of Fuel Cells for Mobile Robotic Systems	12.XXX		1,162,213	-
Development of Solar Cell I Systems	12.XXX		774,881	-
Total Department of Defense			2,115,004	-
<u>NATIONAL SCIENCE FOUNDATION</u>				
Biological Sciences <i>MRI: Acquisition of a State of the Art Scanning Electron Microscope</i>	47.074		250,291	-
Passed Through the Chicago Botanic Garden: <i>Integrating Long-term Demographic Data & Repeated Genetic Sampling</i>	47.074	DEB-051608	20,868	-
			271,159	-
Education and Human Resources <i>AMP - Chicago Science Engineering and Math Alliance Support, Mentoring, Accountability, Research and Training: A Sustainable, Thriving Program in Mathematical Sciences Support, Mentorship, Accountability, Responsibility, Training, Education and Research (SMARTER)</i>	47.076		1,781,569	1,197,881
<i>Creating Innovative Physics Learning Environments in the Urban Classroom</i>	47.076		64,554	-
<i>Establishing a Supportive Environment</i>	47.076		112,493	-
	47.076		57,894	-
	47.076		82,026	-
			2,098,536	1,197,881
ARRA - Trans-NSF Recovery Act Research Support <i>Segmental Recombination in the Mouse T Complex</i>	47.082		71,936	-
<i>MRI:R2 Acquisition of a 400 MHz MNR Spectrometer</i>	47.082		334	-
			72,270	-
Total National Science Foundation			2,441,965	1,197,881
<u>NATIONAL INSTITUTES OF HEALTH</u>				
Child Health and Human Development Extramural Research - EARDA	93.865		64,162	-
ARRA - Trans NIH Recovery Act Research Support <i>Minority Biomedical Research Support (MBRS/SCORE)</i>	93.701		51,382	-
Biomedical Research and Research Training <i>Minority Biomedical Research Support (MBRS)</i>	93.859		704,178	-
<i>Conformations of c-type cytochrome self-assembling complexes</i>	93.859		46,268	-
Passed Through Northwestern University <i>MS-Phd Bridge to the Future</i>	93.859	0600-370-R374-1304	35,362	-
Passed Through California State University, San Marcus Foundation <i>MBRS RISE II PROGRAM</i>	93.859	42408	425	-
			786,233	-
			901,777	-
Total National Institutes of Health			5,458,746	1,197,881
Total Research and Development Cluster			5,458,746	1,197,881

STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Pass-Through Grantor's Number	Expenditures	Passed- Through to Sub-recipients
OTHER PROGRAMS				
<u>DEPARTMENT OF EDUCATION</u>				
Minority Science And Engineering Improvement <i>Ensuring Mastery of Mathematics</i>	84.120		46,625	-
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities <i>Combined Priority for Personnel Prep.</i>	84.325		207,857	-
Improving Teacher Quality State Grants Passed Through the Illinois Board of Higher Education: <i>Institutionalization of Chicago Science Van Programs</i>	84.367	08NCLB9 & 07NCLB11	410,689	-
STATE FISCAL STABILIZATION FUNDS CLUSTER				
Passed Through the State of Illinois ARRA - SFSF Education Fund	84.394		1,034,294	-
ARRA - SFSF Government Services Fund	84.397		2,417,380	-
Total State Fiscal Stabilization Funds Cluster			3,451,674	-
TRIO CLUSTER				
TRIO - Student Support Services	84.042		224,611	-
TRIO - Talent Search	84.044		218,111	-
TRIO - Upward Bound <i>Project Fame/Upward Bound</i>	84.047		461,095	-
<i>Project Fame/Upward Bound II</i>	84.047		289,853	-
			750,948	-
TRIO - Educational Opportunity Centers Total TRIO Cluster	84.066		339,685	-
			1,533,355	-
Strengthening Minority-Serving Institutions <i>Raising Expectations</i>	84.382		562,788	-
<i>Predominantly Black Institutions (Graduate)</i>	84.382		269,195	-
			831,983	-
Total Department of Education			6,482,183	-
<u>DEPARTMENT OF HEALTH & HUMAN SERVICES:</u>				
TANF Cluster				
Temporary Assistance for Needy Families (TANF) State Programs Passed Through the Illinois Department of Human Services <i>TANF Special Projects</i>	93.558	81X6464000	134,022	-
Health Careers Opportunity Program Passed Through University of Illinois @ Chicago <i>Saturday College Program</i>	93.822	1D18HP13628-01-00	47,476	-
Family Planning Service Delivery Improvement Research Grants <i>Youth Empowerment Program</i>	93.974		78,025	-
Health Careers Opportunity Program: Passed Through the University of Illinois at Chicago: Six Week Summer Health Careers Opportunity Program	93.822	5D18HP02992-050	136	-
Head Start Cluster				
Head Start				
Passed Through the City of Chicago <i>Head Start/PCFD</i>	93.600	P O#10753, 4640	268,422	-
<i>Early Head Start Program</i>	93.600	P O#377, 9724	133,903	-
<i>Head Start Collaboration & Services</i>	93.600	P O # 432, & 9723	363,085	-
<i>Head Start Developing Communities Project</i>	93.600	P O # 9723, & 9724	121,525	-
			886,935	-
ARRA - Head Start Passed Through the City of Chicago <i>Head Start/Q1 Program</i>	93.708		2,507	-
Total Head Start Cluster			889,442	-
Total Department of Human and Human Services			1,149,101	-

STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Pass-Through Grantor's Number	Expenditures	Passed- Through to Sub-recipients
<u>U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT</u>				
USAID Foreign Assistance for Programs Overseas <i>Textbook and Learning Material Program</i>	98.XXX		892,275	-
Total U.S. Agency for International Development			892,275	-
<u>DEPARTMENT OF AGRICULTURE</u>				
Child and Adult Care Food Program Passed Through the Illinois Board of Education <i>Child & Adult Care Food Program</i>	10.558	14-016-315P-00/4226	43,358	-
Child Nutrition Cluster Summer Food Service Program for Children Passed Through the Illinois Board of Education <i>Summer Food Service Program for Children</i>	10.559	14-016-315P-00/4225	11,687	-
Total Department of Agriculture			55,045	-
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Interest Subsidy Total Department of Housing and Urban Development	14.XXX		55,812	-
			55,812	-
<u>NATIONAL AERONAUTICS AND SPACE ADMINISTRATION</u>				
Science Passed Through University of Illinois @ Urbana-Champaign <i>Space Grant Consortium</i>	43.001	2005-03386-11	33,752	-
Passed Through Somona State University <i>Using the Global Telescope Network</i>	43.001	SA 104812	10,682	-
<i>Using the Big Ideas in Cosmology to Teach</i>	43.001	SA 105797	11,370	-
			55,804	-
NASA Students Pursuing Academic and Career Excellence Passed Through Spelman College: <i>Visualization in Math and Science</i>	43.XXX	NCC8-227	11,988	-
Total National Aeronautics and Space Administration			67,792	-
<u>NATIONAL ENDOWMENT FOR THE HUMANITIES</u>				
Promotion of the Humanities_Public Programs <i>Soul of a People: Voices from the Writers' Project</i>	45.164		1,930	-
Total National Endowment for the Humanities			1,930	-
<u>U. S. DEPARTMENT OF ENERGY</u>				
Office of Science Financial Assistance Program <i>CSU Technology Center Planning & Design</i>	81.049		276,465	-
Total U.S. Department of Energy			276,465	-
<u>U. S. DEPARTMENT OF JUSTICE</u>				
Youth Gang Prevention Passed Through Scholarship & Guidance Assoc.: <i>The Gang Reduction Intervention Program</i>	16.544		10,000	-
Total U.S. Department of Justice			10,000	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 33,191,951	\$ 1,197,881

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

1. BASIS OF PRESENTATION

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

2. LOANS OUTSTANDING

The University had the following loan balances outstanding at June 30, 2010. These loan balances are not included in the federal expenditures presented in the schedule.

PERKINS LOAN FUND

The Perkins Loan receivable from program inception through the year ended June 30, 2010 totaled \$2,359,119. Loan advances for the year ended June 30, 2010 totaled \$79,672. Interest income on loans totaled \$9,841 and other income totaled \$374.

3. FEDERAL FAMILY EDUCATION LOAN PROGRAM (FFELP)

The University approved \$43,516,561 in FFELP Loans (Stafford Subsidized - \$18,754,131, Stafford Unsubsidized - \$24,017,752, Parent Loans [Plus] - \$317,568, and Graduate Plus - \$427,110).

4. WILLIAM D. FORD FEDERAL DIRECT LOAN PROGRAM

During fiscal year 2010, the University participated in the William D. Ford Federal Direct Student Loan Program sponsored by the U.S. Department of Education. Neither the loans nor the related activity have been reflected in the Schedule of Expenditures of Federal Awards for the year ended June 30, 2010.

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

During the year ended June 30, 2010, the University's students or their parents were awarded the following loans:

Direct Unsubsidized Loans	\$1,994,826
Direct Subsidized Loans	1,353,130
Direct Parent Plus Loans	63,544
Direct Graduate Plus Loans	<u>57,787</u>
Total:	<u>\$3,469,287</u>

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
APPROPRIATIONS FOR FISCAL YEAR 2010**

FOURTEEN MONTHS ENDED AUGUST 31, 2010

	Appropriations (Net After Transfers)	Expenditures Through June 30, 2010	Lapse Period Expenditures (July 1-Aug 31)	Total Expenditures	Balances Lapsed
GENERAL REVENUE FUND (001)					
Public Act 96-0114					
Ordinary and Contingent Expense	\$ 38,660,300				
Personal Services		\$ 33,980,200	\$ -	\$ 33,980,200	
Social Security		420,900	-	420,900	
Group Insurance		1,024,000	-	1,024,000	
Contractual Services		2,756,041	-	2,756,041	
Travel		4,200	-	4,200	
Commodities		20,290	-	20,290	
Equipment and Library Books		102,555	9,000	111,555	
Telecommunications		240,366	-	240,366	
Operation of Automotive Equipment		1,123	1,928	3,051	
Awards and Grants		5,000	-	5,000	
Permanent Improvements		94,697	-	94,697	
Total Ordinary and Contingent Expense	38,660,300	38,649,372	10,928	38,660,300	-
Personal Services - ARRA	2,417,400	2,417,380	-	2,417,380	20
Personal Services - ARRA	1,034,300	1,034,294	-	1,034,294	6
Total General Revenue Fund (001)	42,112,000	42,101,046	10,928	42,111,974	26
GENERAL PROFESSIONS DEDICATED FUND (022)					
Public Act 96-0046					
Pharmacy Practice Education Training	614,000	373,999	240,001	614,000	-
Total General Professions Dedicated Fund (022)	614,000	373,999	240,001	614,000	-
TOTAL APPROPRIATIONS	\$ 42,726,000	\$ 42,475,045	\$ 250,929	\$ 42,725,974	\$ 26

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

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

**FOR THE YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE TOTALS FOR 2009)**

	<u>2010</u>	<u>2009</u>
	<u>PUBLIC ACT 96-0046, 96-0114</u>	<u>PUBLIC ACT 95-0731, 95-0732, 95-0733, 95-0734</u>
GENERAL REVENUE FUND (001)		
APPROPRIATIONS	\$ 42,112,000	\$ 42,112,000
EXPENDITURES		
Ordinary and Contingent Expenses		
Personal Services	33,980,200	36,310,548
Social Security	420,900	288,158
Group Insurance	1,024,000	512,000
Contractual Services	2,756,041	1,989,489
Travel	4,200	9,149
Commodities	20,290	9,818
Equipment and Library Books	111,555	125,042
Telecommunications	240,366	195,622
Operations of Automotive Equipment	3,051	942
Awards and grants	5,000	68,432
Permanent Improvements	94,697	-
Doctor of Education in Ed. Leadership	-	150,000
Convocation Center Operation & Maintenance	-	1,000,000
Projects to Improve Retention	-	400,000
Personal services - ARRA	2,417,380	-
Personal services - ARRA	1,034,294	-
Total expenditures	<u>42,111,974</u>	<u>41,059,200</u>
Lapsed balances	<u>26</u>	<u>1,052,800</u>
GENERAL PROFESSIONS DEDICATED FUND (022)		
APPROPRIATIONS	<u>614,000</u>	<u>614,000</u>
EXPENDITURES		
Pharmacy Practice Education Training		
Total expenditures	<u>614,000</u>	<u>614,000</u>
Lapsed balances	<u>-</u>	<u>-</u>
GRAND TOTAL		
APPROPRIATIONS	42,726,000	42,726,000
EXPENDITURES	<u>42,725,974</u>	<u>41,673,200</u>
TOTAL LAPSED BALANCES	<u>\$ 26</u>	<u>\$ 1,052,800</u>

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
COMPARATIVE SCHEDULE OF INCOME FUND REVENUES AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2010
(With comparative totals for the year ended June 30, 2009)**

	2010	2009
INCOME FUND REVENUES		
Tuition Revenue	\$ 36,836,657	\$ 29,439,617
Laboratory Fee	229,551	218,530
Late Registration Fee	21,256	100,296
NSF Check Fee	2,331	2,095
Deferred Payment Fee	41,421	37,582
Graduation Fee-Undergraduate	17,560	13,335
Graduation Fee-Graduate	6,086	5,825
Transcript Fee	88,681	86,716
Application Fee	147,939	175,995
Interest Income	14,776	102,618
Miscellaneous Other Income	672,742	37,405
TOTAL INCOME FUND REVENUES	\$ 38,079,000	\$ 30,220,014
INCOME FUND EXPENDITURES		
Personal Services	\$ 16,738,516	\$ 16,058,907
SURS Retirement	1,397	2,726
Social Security	391,508	491,136
CMS Group Insurance	-	512,000
Contractual Services	4,360,126	6,539,290
Travel	384,700	196,002
Commodities	1,207,468	1,361,769
Equipment and Library Books	1,008,151	763,522
Telecommunications	303,644	107,979
Operation of Automotive Equipment	76,518	32,576
Permanent Improvements	209,875	187,975
Awards, Grants, and Matching Funds	422,677	276,262 *
Tuition and Fee Waivers	2,671,515	2,718,033 *
Other Expenditures	2,421,015	1,182,978 *
TOTAL INCOME FUND EXPENDITURES	\$ 30,197,110	\$ 30,431,155 *

* Prior year expenditures were restated to include awards and grants, tuition and fee waivers and other expenditures.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF CHANGES IN STATE PROPERTY
FOR THE YEAR ENDED JUNE 30, 2010**

(In thousands)

	Beginning Balance at June 30, 2009	Additions	Retirements	Reclassifications	Net Transfers (CDB)	Ending Balance at June 30, 2010
Land	\$ 9,611	\$ -	\$ -	\$ -	\$ -	\$ 9,611
Site Improvements **	12,099	14	-	30	-	12,143
Buildings and Building Improvements **	177,085	929	-	857	-	178,871
Equipment **	38,163	2,416	(1,912)	(212)	-	38,455
Capital Lease Assets	375	404	-	-	-	779
Intangible Assets	-	399	-	-	-	399
Library Books	11,005	378	-	-	-	11,383
Construction In-Progress*	2,208	185	-	(675)	803	2,521
TOTAL	\$ 250,546	\$ 4,725	\$ (1,912)	\$ -	\$ 803	\$ 254,162

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

* Beginning balance for Construction In-Progress has been restated to correct an error in the prior year schedule. See footnote #16 in the financial statements

** Beginning balance has been reclassified to correct prior period misclassifications.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
ANALYSIS OF SIGNIFICANT VARIATIONS IN REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010**

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

	<u>Balance FY 10</u>	<u>Balance FY 09</u>	<u>\$ Difference</u>	<u>%</u>
REVENUES				
STATE AND LOCAL GRANTS AND CONTRACTS: The variance is primarily due to decreases in major grant awards, including the City of Chicago, \$1.4 million, Chicagoland Regional College Program, \$1.75 million, Evidence Based Trauma grant, \$413 thousand and several other over \$180 thousand each.	\$ 4,792,609	\$ 9,480,143	\$ (4,687,534)	-49%
EXPENSES				
RESEARCH: The variation is mainly due to increases of \$516 thousand for contractual services, \$279 thousand in other personnel expenses, \$197 thousand in bad debts expense, \$131 thousand for equipment, and the elimination of a \$500 thousand offset that occurred in fiscal year 2009.	\$ 4,219,192	\$ 2,607,597	\$ 1,611,595	62%
PUBLIC SERVICES: Expenses decreased primarily due to a \$1.4 million drop in Headstart programs, a \$437 thousand decrease in Evidence-Based Trauma, a \$278 thousand decrease in the Prekindergarten Program, a \$244 thousand decrease in Transitional College Preparatory Program, a \$78 thousand decrease in Project Fame/Upward Bound Program and a \$55 thousand decrease in the Jazz Harvest Jazz Band grant.	\$ 5,573,365	\$ 8,099,153	\$ (2,525,788)	-31%
STUDENT SERVICES: The variance here represents decreases of \$1.75 million in Chicagoland Regional College Program, \$804 thousand in Athletics, and a \$590 thousand decrease in Textbook and Learning Material grant.	\$ 8,122,443	\$ 12,282,348	\$ (4,159,905)	-34%
SCHOLARSHIP AND FELLOWSHIP: The increase is primarily due to increased PELL awards of \$4.9 million with several large offsets in the opposite direction.	\$ 11,445,302	\$ 8,722,355	\$ 2,722,947	31%
AUXILIARY SERVICES: Variance is primarily due to increased expenses in Housing of \$728 thousand, increases in University Center of \$292 thousand and in Convocation Center of \$186 thousand offset by decreases in Bookstore of \$251 thousand, Physical Plant Service of \$133 thousand, Child Care of \$117 thousand and Parking of \$116 thousand plus other lesser changes.	\$ 2,856,109	\$ 2,311,469	\$ 544,640	24%
ON BEHALF STATE FRINGE BENEFITS: Expenses in this category increased by \$5.2 million following a four-year trend of increases in retirement expenses.	\$ 24,519,164	\$ 19,345,061	\$ 5,174,103	27%
OTHER NON OPERATING REVENUES, EXPENSES, GAINS OR LOSSES				
STATE FRINGE BENEFITS: Variance represents increased On Behalf State Fringe Benefits paid by the State.	\$ 24,519,164	\$ 19,345,061	\$ 5,174,103	27%
FEDERAL NONOPERATING GRANTS: The Federal Pell Grant awards increased and there was an increase in student head count.	\$ 17,508,026	\$ 12,532,270	\$ 4,975,756	40%
INVESTMENT INCOME (LOSS): Declining interest rates and lower cash balances resulted in the decline in this category.	\$ 24,676	\$ 125,945	\$ (101,269)	-80%
INTEREST ON CAPITAL ASSET - RELATED DEBT: Increase was the result of an over \$300 thousand reversal of excess accrued interest expense related to the settled Siemens performance contract in FY2009.	\$ (954,917)	\$ (664,240)	\$ (290,677)	44%

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
COMPARATIVE SCHEDULE OF CASH, TEMPORARY CASH INVESTMENTS,
AND INVESTMENTS - AT MARKET VALUE
AS OF JUNE 30, 2010
(With Comparative Totals as of June 30, 2009)**

	<u>2010</u>	<u>2009</u>
By Depository		
Cash and temporary cash investments:		
Cash	\$ -	\$ 320
Citibank , Chicago, Illinois, Money Market Account	398,836	257,926
Bank of America, Chicago, Illinois, Money Market Account	6,588	11,875
Checking accounts:		
Shore Bank, Chicago, Illinois, Depository Account	624,346	587,061
Shore Bank, Chicago, Illinois, ECA Account	15,700	1,500
Shore Bank, Chicago, Illinois, Checking Account	606	49,219
Shore Bank, Chicago, Illinois, HHS Account	20,538	79,758
Citibank, Chicago, Illinois, Vendor Disbursement Account	1,977,773	-
Citibank, Chicago, Illinois, Student Disbursement Account	122,278	-
Citibank, Chicago, Illinois, Various ACH	291,876	226,289
Citibank, Chicago, Illinois, Direct Loans	-	405
Citibank, Chicago, Illinois, TMS Account	8,983	7,146
Chase, Chicago, Illinois, Payroll Account	252,951	73,910
Harris Bank, Chicago, Illinois, HUD Account	202,279	174,920
The Illinois Funds, Springfield, Illinois, Clearing Fund	5,464,457	2,804,089
The Illinois Funds, Springfield, Illinois, Payroll Fund	23,584	1,223,454
Bank of America, Chicago, Illinois, Checking	(30)	23,368
Bank of America, Chicago, Illinois, Ticketmaster	56,523	13,652
Seaway National Bank, Chicago Illinois, Checking	245,064	-
Highland Community Bank, Chicago, Illinois, Checking	250,000	-
Temporary cash investments -		
Seaway Bank, Chicago Illinois, Bond Revenue Proceeds	-	259
Total Cash and Cash Equivalents	<u>\$ 9,962,352</u>	<u>\$ 5,535,151</u>
By Fund		
Unrestricted current funds	\$ 12,746,108	\$ 7,742,225
Restricted current funds	(2,544,782)	(1,554,190)
Loan funds	60,935	(43,204)
Plant Funds	(488,865)	(809,689)
Agency Funds	188,956	200,009
Total Cash and Cash Equivalents	<u>\$ 9,962,352</u>	<u>\$ 5,535,151</u>

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
ANALYSIS OF SIGNIFICANT VARIATIONS IN ASSET AND LIABILITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2010**

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

	<u>Balance FY10</u>	<u>Balance FY09</u>	<u>\$ Difference</u>	<u>% Difference</u>
<u>ASSETS</u>				
<i>Cash and cash equivalents:</i> The increase is mainly due to increased tuition revenues.	\$ 9,962,352	\$ 5,535,151	\$ 4,427,201	80%
<i>Balance in State Appropriation:</i> The balance increased due to timing of expenditure processing and slow reimbursements from the State of Illinois for FY 2010 appropriations.	\$ 7,691,533	\$ 2,041,650	\$ 5,649,883	277%
<i>Accounts Receivable:</i> The variation is mainly due to decreases in grant receivables such as \$1.75 million in the Chicagoland Regional College Program, \$688 thousand in Headstart, \$500 thousand in Douglas Hall renovation, \$367 thousand in Evidence-Based Trauma Practice and an increase in the allowance for bad debts of \$729 thousand, partly offset by increases in other items.	\$ 10,230,824	\$ 14,056,098	\$ (3,825,274)	-27%
<i>Prepaid Expenses and Other Assets:</i> The decrease is due to the discontinuation of a Convocation Center contract; a SURMA insurance prepayment; and the removal of a construction deposit for the Convocation Center.	\$ 375,464	\$ 528,849	\$ (153,385)	-29%
<i>Loans and notes receivable, net:</i> The variance is due to Nursing Loan and Institutional Loans being written off as audit adjustments; also due to writing off part of Perkins Loans and increasing the allowance for doubtful accounts.	\$ 778,198	\$ 1,009,481	\$ (231,283)	-23%
<u>LIABILITIES</u>				
<i>Deferred Revenue:</i> The variance is due to the allocation of summer tuition revenue between fiscal years and truing up (summer term receivables collected to the summer term revenue recognized) of accounts receivable.	\$ 849,303	\$ 1,134,328	\$ (285,025)	-25%
<i>Capital Lease Payable:</i> Capital leases payable increased due to a new capital lease of computer equipment partially offset by payments on the existing leases.	\$ 554,773	\$ 208,979	\$ 345,794	165%

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
ANALYSIS OF SIGNIFICANT LAPSE PERIOD EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2010**

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

	<u>Lapse Period Expenditures</u>	<u>Total Expenditures</u>	<u>%</u>
<u>GENERAL REVENUE FUND (001)</u>			
Operation of Automotive Equipment	\$ 1,928	\$ 3,051	63%
Payments for gasoline, oil and antifreeze expenditures which were paid locally by 6/30/10 were submitted to the Comptroller's office in the lapse period for reimbursement.			
<u>GENERAL PROFESSIONS DEDICATED FUND (022)</u>			
Pharmacy Practice Education Training	\$ 240,001	\$ 614,000	39%
Payments for contractual services, commodities, equipment, telecommunications and operation of auto equipment which were paid locally by 6/30/10 were submitted to the Comptroller's office in the lapse period for reimbursement.			

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
ANALYSIS OF ACCOUNTS RECEIVABLE
AS OF JUNE 30, 2010
(With Comparative Totals as of June 30, 2009)**

Balance Sheet at June 30 of	<u>2010</u>	<u>2009</u>	<u>Change</u>
Accounts Receivable (Net)			
Current Unrestricted Fund	\$ 5,727,969	\$ 6,143,102	\$ (415,133)
Current Restricted Fund	4,502,855	7,912,996	(3,410,141)
Total Accounts Receivable (Net)	<u>\$ 10,230,824</u>	<u>\$ 14,056,098</u>	<u>\$ (3,825,274)</u>
Accounts Receivable - All Funds at Gross	\$ 14,663,342	\$ 16,499,795	\$ (1,836,453)
Less: Allowance for Uncollectible Accounts	<u>(4,432,518)</u>	<u>(2,443,697)</u>	<u>(1,988,821)</u>
Total Accounts Receivable (Net)	<u>\$ 10,230,824</u>	<u>\$ 14,056,098</u>	<u>\$ (3,825,274)</u>
Aging of Current Unrestricted Fund			
Current (less than one year)	\$ 4,186,244	\$ 3,086,334	\$ 1,099,910
One year past due	1,740,478	2,196,035	(455,557)
Two years past due	1,753,240	1,273,861	479,379
Three years past due	1,150,060	926,694	223,366
Older than three years past due	1,298,534	1,071,944	226,590
Total Current Unrestricted Fund-Gross	<u>\$ 10,128,556</u>	<u>\$ 8,554,868</u>	<u>\$ 1,573,688</u>
Balance Sheet - Current Unrestricted Fund (Net)	\$ 5,727,969	\$ 6,143,102	\$ (415,133)
Allowance for Uncollectible Accounts	<u>(4,400,587)</u>	<u>(2,411,766)</u>	<u>(1,988,821)</u>
TOTAL CURRENT UNRESTRICTED FUND-GROSS	<u>\$ 10,128,556</u>	<u>\$ 8,554,868</u>	<u>\$ 1,573,688</u>

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF SOURCES AND APPLICATIONS OF
INDIRECT COST RECOVERIES
FOR THE YEAR ENDED JUNE 30, 2010**

SOURCES:

Federal funds	\$ 995,097
State funds	115,029
Local and private funds	4,663
Other sources	45,211
Total Sources	<u>1,160,000</u>

APPLICATIONS:

Compensation and benefits	142,589
Contractual	570,116
Travel	9,768
Commodities	29,946
Equipment	40,732
Other expenses	493,526
Total Applications	<u>1,286,677</u>

Excess (Deficit) of Sources Over Applications	<u>(126,677)</u>
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FUND BALANCE, BEGINNING OF YEAR	<u>175,047</u>
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FUND BALANCE, END OF YEAR	<u>\$ 48,370</u>
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**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2010**

AGENCY FUNCTIONS AND PLANNING

Chicago State University (University) is governed by the Chicago State University Board of Trustees which is comprised of seven members appointed by the Governor with the advice and consent of the State Senate. There is also one voting student member elected by the student body. Three board members have five-year appointments and the other four have a three-year term. The student is elected for a one year term.

The 2006 Chicago State University Strategic Plan, *Building on Tradition: Repositioning the University for Excellence in the New Century*, contains the strategic plan and the context for planning. The goals, sub goals, strategies, names of responsible persons and assessment indicators, and the mission statement and University vision are incorporated into this document. The original planning process was initiated in 2004 by the Strategic Planning Committee and eight task forces. The plan will guide the University for the next five to seven years.

Chicago State University - Mission

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

To accomplish its mission, the University is committed to:

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

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2010**

AGENCY FUNCTIONS AND PLANNING (continued)

Chicago State University Vision Statement

Chicago State University is a comprehensive, metropolitan, communiversity committed to its evolution as a center of academic excellence and aspires to be a doctoral granting institution of higher learning. The University is dedicated to maintaining a culturally diverse community of scholars engaged in the collaborative creation and dissemination of knowledge. Placing its students first, CSU prepares its graduates to meet the challenges of the 21st century.

By the year 2010:

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

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2010**

AGENCY FUNCTIONS AND PLANNING (continued)

University Head and Location

The current President of the University is Dr. Wayne Watson whose office is located at:

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

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
ANALYSIS OF OPERATIONS
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(UNAUDITED)**

Average Number of Employees

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

	<u>2010</u>	<u>2009</u>
Faculty and Staff	903	982
Students	<u>253</u>	<u>272</u>
TOTAL	<u><u>1,156</u></u>	<u><u>1,254</u></u>

Comparative Enrollment Statistics

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

	<u>2010</u>	<u>2009</u>
Head Count:		
Undergraduate	5,276	4,855
Graduate	<u>1,767</u>	<u>1,533</u>
TOTAL	<u><u>7,043</u></u>	<u><u>6,388</u></u>
Institutional cost per student	<u><u>\$ 6,814</u></u>	<u><u>\$ 6,631</u></u>
Credit Hours:		
Undergraduate	129,594	120,353
Graduate	<u>30,957</u>	<u>25,590</u>
TOTAL	<u><u>160,551</u></u>	<u><u>145,943</u></u>

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Comparative Enrollment Statistics (Continued)

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

Chicago State University Enrollment Summary '00-10:

<u>Term</u>	<u>Undergraduates</u>	<u>Graduates</u>	<u>Total</u>
Fall '00	5,060	1,854	6,914
Fall '01	5,140	1,939	7,079
Fall '02	4,979	2,179	7,158
Fall '03	4,904	2,136	7,040
Fall '04	4,867	1,968	6,835
Fall '05	5,160	1,971	7,131
Fall '06	5,167	1,868	7,035
Fall '07	5,217	1,593	6,810
Fall '08	5,211	1,609	6,820
Fall '09	5,398	1,837	7,235
Fall '10	5,675	1,687	7,362

Chicago State University Enrollment Demographics - Fall '10:

<u>Category</u>	<u>Number</u>	<u>Percent</u>
Full-time	4,566	62.0%
Part-time	2,796	38.0%
Male	2,200	29.9%
Female	5,162	70.1%
Freshman	1,288	17.5%
Sophomores	1,021	13.9%
Juniors	1,564	21.2%
Seniors	1,770	24.0%
Other Undergraduates	32	0.4%
Graduates	1,687	22.9%

Credit Hour Production - Fall '09 and Spring '10:

<u>College</u>	<u>2010 Credit Hours</u>
Pharmacy	6,170
Arts & Science	50,873
Business	15,699
Education	26,875
Nursing	20,690
Special Programs	22,327
Undecided/Undeclared	3,575
TOTAL	146,209

STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
ANALYSIS OF OPERATIONS
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(UNAUDITED)

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

	<u>2010</u>		<u>2009</u>	
	<u>Total Costs</u>	<u>Total Semester Cost Per Full-Time Equivalent</u>	<u>Total Costs</u>	<u>Total Semester Cost Per Full-Time Equivalent</u>
Direct salary	\$ 19,830,717	\$ 1,952	\$ 17,349,709	\$ 1,708
Indirect instruction	1,999,943	197	1,796,720	177
Departmental research	1,102,529	108	977,020	96
Departmental overheads	6,454,463	636	6,516,457	642
College or school overheads	2,226,917	219	2,998,790	295
Subtotal of Department and College Cost	<u>31,614,569</u>	<u>3,112</u>	<u>29,638,696</u>	<u>2,918</u>
Overhead support unique to college costs	5,988,916	590	4,737,827	467
All other academic support	5,981,003	589	5,952,354	586
Student services	3,503,504	345	3,582,802	353
Institutional support	12,308,785	1,212	12,648,315	1,245
Subtotal of Department and College Costs with University Overheads	<u>59,396,777</u>	<u>5,848</u>	<u>56,559,994</u>	<u>5,569</u>
Operation and maintenance of physical plant	<u>9,812,745</u>	<u>966</u>	<u>10,788,647</u>	<u>1,062</u>
TOTAL OF ALL COSTS	<u><u>\$ 69,209,522</u></u>	<u><u>\$ 6,814</u></u>	<u><u>\$ 67,348,641</u></u>	<u><u>\$ 6,631</u></u>

Note1: Direct salary total cost for FY10 was determined by assuming a 0.143% increase based on the percentage of increase from FY08 to FY09.

Note 2: All other total costs for FY10 were determined by using a three year average.

Note 3: Total semester cost per full-time equivalent was based on FY09 approximate average of .0099% of total cost.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
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EMERGENCY PURCHASES

The University made the following emergency purchases during FY10:

- Purchase of a new computer processor (\$396,066) due to the failure of the old processor and to modernize the back-up system.
- Renovation of two biology laboratories (\$173,000) in order to have ready for fall semester.

ILLINOIS FIRST PROGRAMS

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

Received from: Illinois Department of Commerce and Economic Opportunity

<u>Grant No.</u>	<u>Original Grant Amount</u>	<u>Amount expended in FY 10</u>
00-126003	\$10,000,000	\$25,461

This project was completed during FY 10.

BOOKSTORE INFORMATION (Unaudited)

The University had a contract with a bookstore for the period from June 1, 2000 through May 31, 2008.

The contract with the bookstore had the following terms:

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

The bookstore contract was renewed for five years, effective July 1, 2010.

During FY 10 the bookstore had gross revenue of \$3,283,268. The University received commissions of \$291,910, and the University spent a total of \$60,552. The bookstore has been given exclusive rights to sell books on campus.

**STATE OF ILLINOIS
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ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2010**

SCHEDULE OF FEDERAL EXPENDITURES, NONFEDERAL EXPENDITURES, AND NEW LOANS
(expressed in thousands)

Schedule A - Federal Financial Component

Total Federal Expenditures Reported on SEFA schedule	\$ 33,192
Total New Loans made not included on SEFA Schedule	47,066
Amount of Federal Loan Balances at Beginning of the Year (not included on the SEFA schedule and continued compliance required)	2,300
Other noncash Federal Award Expenditures (not included on SEFA schedule)	-
Total Schedule A	<u>\$ 82,558</u>

Schedule B - Total Financial Component

Total Operating Expenses (From Financial Statements)	\$ 133,397
Total Nonoperating Expenses (From Financial Statements)	955
Total new loans made	47,066
Amount of Federal Loan Balances at Beginning of the Year	2,300
Other noncash Federal award expenditures	-
Total Schedule B	<u>\$ 183,718</u>

Schedule C

		<u>Percent</u>
Total Schedule A	\$ 82,558	44.9%
Total Non-Federal Expenses	<u>\$ 101,160</u>	<u>55.1%</u>
Total Schedule B	<u>\$ 183,718</u>	<u>100.0%</u>

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

**STATE OF ILLINOIS
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(UNAUDITED)**

SCHEDULE OF DEGREES CONFERRED

The University conferred degrees during the years ended June 30, 2010 and 2009 as follows:

	<u>2010</u>	<u>2009</u>
Bachelors Degrees	701	711
Post-Baccalaureate Certificates	-	4
Masters Degrees	282	309
Doctoral	1	2
Total Degrees conferred	<u>984</u>	<u>1,026</u>

**STATE OF ILLINOIS
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(UNAUDITED)**

SCHEDULE OF TUITION AND FEE WAIVERS - UNDERGRADUATE

(in thousands of dollars)

	<u>Tuition</u>		<u>Fees</u>	
	<u>Number of Waivers</u>	<u>Value of Waivers</u>	<u>Number of Waivers</u>	<u>Value of Waivers</u>
<u>MANDATORY WAIVERS</u>				
(SUBTOTAL)	321	\$ 653.6	248	\$ 85.1
General Assembly	24	72.1	24	21.1
ROTC	38	98.8	-	-
Children of Employees	29	70.4	-	-
Senior Citizens	6	6.5	-	-
Illinois Veterans Grants (IVG)	199	259.0	199	61.0
Illinois National Guard	14	81.5	14	1.7
Prisoners of War/MIA	11	65.3	11	1.3
<u>DISCRETIONARY WAIVERS</u>				
(SUBTOTAL)	223	\$ 729.4	96	\$ 49.7
Faculty/Administrators (non-civil service)	5	9.4	5	1.9
Civil Service	91	213.7	91	47.8
Academic/Other Talent	16	44.0	-	-
Athletic	25	136.0	-	-
Gender Equity in Intercollegiate Athletics	37	199.9	-	-
Student Need - Special Programs	49	126.4	-	-
TOTAL	<u>544</u>	<u>\$ 1,383.0</u>	<u>344</u>	<u>\$ 134.8</u>

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
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FOR THE YEAR ENDED JUNE 30, 2010
(UNAUDITED)**

SCHEDULE OF TUITION AND FEE WAIVERS - GRADUATE

(in thousands of dollars)

	<u>Tuition</u>		<u>Fees</u>	
	<u>Number of Waivers</u>	<u>Value of Waivers</u>	<u>Number of Waivers</u>	<u>Value of Waivers</u>
<u>MANDATORY WAIVERS</u>				
<u>(SUBTOTAL)</u>	<u>69</u>	<u>\$ 117.5</u>	<u>66</u>	<u>\$ 20.3</u>
Teacher/Special Education	9	25.8	9	5.6
General Assembly	3	10.6	3	2.3
Children of Employees	1	2.6	-	-
Senior Citizens	2	2.0	-	-
Illinois Veterans Grants (IVG)	49	49.7	49	11.7
Illinois National Guard	3	12.2	3	0.3
Prisoners of War/MIA	2	14.6	2	0.4
<u>DISCRETIONARY WAIVERS</u>				
<u>(SUBTOTAL)</u>	<u>161</u>	<u>\$ 261.3</u>	<u>99</u>	<u>\$ 48.6</u>
Faculty/Administrators (non-civil service)	55	63.9	45	27.8
Civil Service	44	86.7	44	16.4
Student Need - Special Programs	9	27.0	-	-
Cooperating Professionals	31	35.7	10	4.4
Teaching Assistants	22	48.0	-	-
TOTAL	<u>230</u>	<u>\$ 378.8</u>	<u>165</u>	<u>\$ 68.9</u>

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES
UNIVERSITY REPORTING IN ACCORDANCE WITH UNIVERSITY GUIDELINES
FOR THE YEAR ENDED JUNE 30, 2010**

The Auditor General requires that certain special data for audits of universities, specified in a memorandum dated July 25, 1983, be presented. The following information lettered (a) through (u), is provided in response to that requirement of the "University Guidelines - 1982 (As Amended 1997)". Our audit was made for the purposes described on pages 4-5 and 43-44 of our financial audit report and pages 11-18 of our compliance examination report, and would not necessarily disclose all situations which might be at variance with the following statements.

COMPLIANCE FINDINGS

- (a) We identified a violation of University Guidelines for the year ended June 30, 2010 regarding subsidies between accounting entities. See finding 10-33.

INDIRECT COST REIMBURSEMENTS

- (b) Refer to page 104 of this report for the sources and applications of indirect cost reimbursements for the year ended June 30, 2010.
- (c) Refer to page 119 of this report for calculation of allowable indirect cost carryforward and required remittances to the Income Fund.

TUITION CHARGES AND FEES

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

AUXILIARY ENTERPRISES, ACTIVITIES AND ACCOUNTING ENTITIES

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

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

Auxiliary Enterprises:

University Facilities System Revenue Bond Fund:

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

Parking Facilities:

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

Health Services:

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

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SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES
UNIVERSITY REPORTING IN ACCORDANCE WITH UNIVERSITY GUIDELINES
FOR THE YEAR ENDED JUNE 30, 2010**

Activities:

Public Services:

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

Activities Services:

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

Revenues and expenditures are offset against each other and reported net in the University's separately issued financial statements. This entity includes the following services with revenues resulting from user charges:

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

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

Providing teaching and instruction aids to students and departments.

Providing telecommunication and mailing services.

Providing and coordinating office machine maintenance service.

Student Activities:

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

Contract Courses:

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

Plant Fund Assets:

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

- (f) Refer to pages 121-124 of this report for financial statements of each accounting entity.
- (g) Refer to page 120 for calculations of current excess funds for each entity.
- (h) Auxiliary Enterprises and Activities received no support from appropriated State funds.
- (i) A Statement of Revenue, Expenses, and Changes in Net Assets for the bond indenture required accounts is presented on page 39 of the financial audit report.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES
UNIVERSITY REPORTING IN ACCORDANCE WITH UNIVERSITY GUIDELINES
FOR THE YEAR ENDED JUNE 30, 2010**

- (j) We noted an issue related to the reporting of the University Auxiliary Facilities System Revenue Bond Fund. See Finding 10-3. As adjusted, the accounting conforms to the terms of the bond issue.
- (k) The University established a Development Reserve in 1992 with the approval of the Board of Governors System to fund the planning costs associated with the construction of the Student Center and Residence Hall. The funding source was generated by an increase to student mandatory fees as approved by student referendum.

UNIVERSITY RELATED ORGANIZATIONS

- (l) The University recognizes the Chicago State University Foundation (Foundation) as a University Related Organization. There are no organizations considered by the University to be "Independent Organizations" as defined in Section VII of "University Guidelines – 1982 (As Amended 1997)".
- (m) The University did not receive cash payments from the Foundation for services provided. However, the Foundation provided direct support to the University as illustrated on page 125 of this report.
- (n) The University provided funds (primarily in the form of services) of approximately \$73,085 to the Foundation for the year ended June 30, 2010.
- (o) There are no cumulative unreimbursed subsidies from the University or appropriated funds to the Foundation.
- (p) There is no debt financing provided by the Foundation.

OTHER TOPICS

- (q) Refer to page 100 for the Schedule of Cash, Temporary Cash Investments, and Investments as of June 30, 2010.
- (r) Income from the investment of pooled funds is regularly allocated and credited to the original sources of the funds.
- (s) Refer to pages 108, 109, and 110 for student enrollment and cost statistics.
- (t) Neither the University or the Foundation has purchased any real estate during the year ended June 30, 2010.
- (u) There are no certificates of participation (COPS) or participation in lease or purchase arrangements involving COPS for the year ended June 30, 2010.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES
FOR THE YEAR ENDED JUNE 30, 2010**

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

CALCULATION SHEET FOR INDIRECT COST CARRYFORWARD

Current Available Funds	
Cash and cash equivalents	\$ 421,640
Allowable Indirect Cost Carryforward	
Indirect cost reimbursements allocated for expenditure for the fiscal year completed (\$925,000 @ 30%)	277,500
Unallocated Reimbursements - the lesser of actual unallocated indirect cost reimbursement or 10% of total indirect cost allocations.	92,500
Encumbrances and Current Liabilities	<u>358,109</u>
Total Allowable Indirect Cost Carryforward (Sum of Lines 2, 3 and 4)	<u>728,109</u>
AMOUNT TO BE REMITTED TO THE INCOME FUND	<u><u>NONE</u></u>

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY**

**SCHEDULE OF EXCESS FUNDS CALCULATION BY ENTITY AS REQUIRED BY 1982 UNIVERSITY GUIDELINES (1997 AMENDED)
FOR THE YEAR ENDED JUNE 30, 2010**

	AUXILIARY ENTERPRISES				ACTIVITIES				
	Bond Revenue	Parking	Student Health	Total Auxiliary Enterprises	Public Services	Activity Services	Student Activities	Continuing Education	Total Activities
1. Current available funds									
Add:									
Cash and cash equivalents	\$ 3,013,337	\$ 886,795	\$ 490,305	\$ 4,390,437	\$ 1,075,128	\$ 3,441,201	\$ (2,869,228)	\$ 875,913	\$ 2,523,014
Total current available funds	A. 3,013,337	886,795	490,305	4,390,437	1,075,128	3,441,201	(2,869,228)	875,913	2,523,014
2. Working capital allowance									
Add:									
Highest month's expenditures	2,043,711	141,719	870,841	3,056,271	136,262	2,357,855	1,228,528	52,341	3,774,986
Encumbrances and current liabilities paid in lapse period	475,931	3,348	1,462,954	1,942,233	19,942	951,921	85,140	8,071	1,065,074
Deferred income / Refundable deposits	843	2,498	-	3,341	-	-	-	-	-
Allowance for restoring inventory to normal level	-	-	-	-	-	53,606	-	-	53,606
Allowance for sick leave / vacation payouts	118,495	87,703	31,152	237,350	18,863	32,444	15,301	7,355	73,963
Working capital allowance	B. 2,638,980	235,268	2,364,947	5,239,195	175,067	3,395,826	1,328,969	67,767	4,967,629
3. Current excess funds:									
Deduct B from A and enter here	C. \$ 374,357	\$ 651,527	\$ (1,874,642)	(848,758)	\$ 900,061	\$ 45,375	\$ (4,198,197)	\$ 808,146	(2,444,615)
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. -					-
Enter the algebraic sum of C and D and remit the amount due, if any, for deposit in the Income Fund				\$ -					\$ -

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

STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES
AS OF JUNE 30, 2010

BALANCE SHEETS - ENTITIES

(With Comparative Totals as of June 30, 2009)

	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	2010	2009
CURRENT UNRESTRICTED FUND ASSETS:									
Cash and cash equivalents	\$ 3,013,337	\$ 886,795	\$ 490,305	\$ 1,075,128	\$ 3,441,201	\$ -	\$ 875,913	\$ 9,782,679	\$ 8,072,747
Accounts receivable, net	35,311	-	360,883	12,924	328,622	226,153	-	963,893	673,480
Prepaid expenses	-	-	-	3,299	124,766	8,136	-	136,201	158,873
Other assets	93,825	-	-	-	-	-	-	93,825	93,825
Inventories	-	-	-	-	53,606	-	-	53,606	95,066
TOTAL ASSETS	\$ 3,142,473	\$ 886,795	\$ 851,188	\$ 1,091,351	\$ 3,948,195	\$ 234,289	\$ 875,913	\$ 11,030,204	\$ 9,093,991
CURRENT UNRESTRICTED FUND LIABILITIES AND FUND BALANCE:									
Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,869,228	\$ -	\$ 2,869,228	\$ 3,445,303
Accounts payable	236,556	1,123	714,757	13,696	665,617	11,062	6,996	1,649,807	722,070
Deposits	-	-	-	-	-	-	-	-	1,803
Deferred revenue	-	2,498	-	-	-	-	-	2,498	24,033
Accrued compensated absences	118,495	87,703	31,152	18,863	32,444	15,301	7,355	311,313	256,253
Fund balances (deficit), unrestricted	2,787,422	795,471	105,279	1,058,792	3,250,134	(2,661,302)	861,562	6,197,358	4,644,529
TOTAL LIABILITIES AND FUND BALANCE	\$ 3,142,473	\$ 886,795	\$ 851,188	\$ 1,091,351	\$ 3,948,195	\$ 234,289	\$ 875,913	\$ 11,030,204	\$ 9,093,991
PLANT FUNDS ASSETS:									
Cash and cash equivalents	\$ -	\$ 66,203	\$ -	\$ -	\$ 83,160	\$ 54,849	\$ -	\$ 204,212	\$ 204,212
Investments	-	-	-	-	-	-	-	-	259
Investment in plant:									
Buildings & Improvements	24,848,970	925,741	-	1,908	-	19,536	274	25,796,429	25,714,104
Furniture and equipment	4,268,598	726,877	-	249,171	304,839	188,979	-	5,738,464	5,089,372
TOTAL ASSETS	\$ 29,117,568	\$ 1,718,821	\$ -	\$ 251,079	\$ 387,999	\$ 263,364	\$ 274	\$ 31,739,105	\$ 31,007,947
PLANT FUNDS LIABILITIES AND FUND BALANCE:									
Accounts payable	\$ 1,090,161	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 189,899	\$ 1,280,060	\$ 526,446
Bond payable	18,295,000	-	-	-	-	-	-	18,295,000	19,185,000
Premium on bonds	303,162	-	-	-	-	-	-	303,162	325,618
Fund balances(deficit):	9,429,245	1,718,821	-	251,079	387,999	263,364	(189,625)	11,860,883	10,970,883
TOTAL LIABILITIES AND FUND BALANCE	\$ 29,117,568	\$ 1,718,821	\$ -	\$ 251,079	\$ 387,999	\$ 263,364	\$ 274	\$ 31,739,105	\$ 31,007,947

STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES
FOR THE YEAR ENDED JUNE 30, 2010

STATEMENT OF REVENUES, EXPENDITURES AND TRANSFERS
CURRENT UNRESTRICTED FUNDS

(with comparative totals for the Year Ended June 30, 2009)

	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	2010	2009
REVENUES:									
Operating	\$ 3,328,608	\$ 1,005,602	\$ 65,389	\$ 292,708	\$ 2,421,309	\$ 293,771	\$ 192,202	\$ 7,599,589	\$ 8,687,260
Student fees	2,411,122	-	428,211	87,886	2,681,568	1,830,519	-	7,439,306	7,566,911
Other	-	-	-	29,524	70,418	4,310	519	104,771	167,574
TOTAL REVENUES	<u>5,739,730</u>	<u>1,005,602</u>	<u>493,600</u>	<u>410,118</u>	<u>5,173,295</u>	<u>2,128,600</u>	<u>192,721</u>	<u>15,143,666</u>	<u>16,421,745</u>
EXPENDITURES:									
Cost of sales	-	-	-	-	198,445	-	-	198,445	746,986
Personal services	1,303,295	911,644	339,260	289,297	1,287,084	870,805	167,618	5,169,003	5,066,572
Expended for plant	174,479	-	14,896	-	541,682	4,867	-	735,924	755,888
Commodities	118,855	13,697	26,047	14,360	760,562	109,608	1,783	1,044,912	519,546
Contractual services	2,036,895	8,795	65,503	96,787	1,481,157	360,174	8,047	4,057,358	5,653,493
Other (travel, telecommunications, excess funds refunds, fund transfers)	116,682	34,054	3,882	1,365	117,193	208,535	-	481,711	961,414
TOTAL EXPENDITURES	<u>3,750,206</u>	<u>968,190</u>	<u>449,588</u>	<u>401,809</u>	<u>4,386,123</u>	<u>1,553,989</u>	<u>177,448</u>	<u>11,687,353</u>	<u>13,703,899</u>
TRANSFERS OUT:									
Principal and interest	1,903,482	-	-	-	-	-	-	1,903,482	2,147,505
Total Transfers Out	<u>1,903,482</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,903,482</u>	<u>2,147,505</u>
TOTAL EXPENDITURES AND TRANSFERS OUT	<u>5,653,688</u>	<u>968,190</u>	<u>449,588</u>	<u>401,809</u>	<u>4,386,123</u>	<u>1,553,989</u>	<u>177,448</u>	<u>13,590,835</u>	<u>15,851,404</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND TRANSFERS OUT	<u>\$ 86,042</u>	<u>\$ 37,412</u>	<u>\$ 44,012</u>	<u>\$ 8,309</u>	<u>\$ 787,172</u>	<u>\$ 574,611</u>	<u>\$ 15,273</u>	<u>\$ 1,552,831</u>	<u>\$ 570,341</u>

STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES
FOR THE YEAR ENDED JUNE 30, 2010

STATEMENT OF CHANGES IN FUND BALANCES
CURRENT UNRESTRICTED FUNDS

(With Comparative Totals for the Year Ended June 30, 2009)

	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	2010	2009
REVENUES	\$ 5,739,730	\$ 1,005,602	\$ 493,600	\$ 410,118	\$ 5,173,295	\$ 2,128,600	\$ 192,721	\$ 15,143,666	\$ 16,421,745
EXPENDITURES:									
Educational and general	-	-	449,588	401,809	4,386,123	1,553,989	177,448	6,968,957	9,519,601
Auxiliary enterprise	3,750,206	968,190	-	-	-	-	-	4,718,396	4,184,298
Total Expenditures	<u>3,750,206</u>	<u>968,190</u>	<u>449,588</u>	<u>401,809</u>	<u>4,386,123</u>	<u>1,553,989</u>	<u>177,448</u>	<u>11,687,353</u>	<u>13,703,899</u>
TRANSFERS:									
Principal and interest	(1,903,482)	-	-	-	-	-	-	(1,903,482)	(2,147,505)
Total Transfers Out	<u>(1,903,482)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,903,482)</u>	<u>(2,147,505)</u>
Net Increase (Decrease) in Fund Balance	86,042	37,412	44,012	8,309	787,172	574,611	15,273	1,552,831	570,341
Fund Balance (Deficit), Beginning of Year	<u>2,701,380</u>	<u>758,059</u>	<u>61,267</u>	<u>1,050,483</u>	<u>2,462,962</u>	<u>(3,235,913)</u>	<u>846,289</u>	<u>4,644,527</u>	<u>4,074,186</u>
FUND BALANCE (DEFICIT) END OF YEAR	<u>\$ 2,787,422</u>	<u>\$ 795,471</u>	<u>\$ 105,279</u>	<u>\$ 1,058,792</u>	<u>\$ 3,250,134</u>	<u>\$ (2,661,302)</u>	<u>\$ 861,562</u>	<u>\$ 6,197,358</u>	<u>\$ 4,644,527</u>

STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SPECIAL DATA REQUIREMENTS FOR THE AUDITS OF UNIVERSITIES
FOR THE YEAR ENDED JUNE 30, 2010

STATEMENT OF CHANGES IN FUND BALANCES
PLANT FUNDS

(With Comparative totals for the Year Ended June 30, 2009)

	Auxiliary Enterprises		Activities				Total All Entities (Memorandum Only)	
	University Facilities Revenue Bond Fund	Parking Facilities	Public Services	Activities Services	Student Activities	Continuing Education	2010	2009
REVENUES AND OTHER ADDITIONS:								
Interest Income	\$ 36	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36	\$ 407
Expended for plant	-	-	-	-	-	-	-	211,897
Retirement of debt	890,000	-	-	-	-	-	890,000	855,000
Total Revenues and Other Additions	<u>890,036</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>890,036</u>	<u>1,067,304</u>
EXPENDITURES AND OTHER DEDUCTIONS:								
Principal and interest on debt	1,822,057	-	-	-	-	-	1,822,057	6,520,651
Other deductions	81,461	-	-	-	-	-	81,461	687,334
Total Expenditures and Other Deductions	<u>1,903,518</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,903,518</u>	<u>7,207,985</u>
TRANSFERS IN:								
Principal and interest	1,903,482	-	-	-	-	-	1,903,482	2,647,505
Total Transfers In (Out)	<u>1,903,482</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,903,482</u>	<u>2,647,505</u>
Net Increase (Decrease) in Fund Balance	890,000	-	-	-	-	-	890,000	(3,493,176)
Fund Balance (Deficit), Beginning of Year	<u>8,539,245</u>	<u>1,718,821</u>	<u>251,079</u>	<u>387,999</u>	<u>263,364</u>	<u>(189,625)</u>	<u>10,970,883</u>	<u>14,464,059</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 9,429,245</u>	<u>\$ 1,718,821</u>	<u>\$ 251,079</u>	<u>\$ 387,999</u>	<u>\$ 263,364</u>	<u>\$ (189,625)</u>	<u>\$ 11,860,883</u>	<u>\$ 10,970,883</u>

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES
FOR THE YEAR ENDED JUNE 30, 2010**

SUMMARY OF FOUNDATION CASH SUPPORT TO THE UNIVERSITY

The Chicago State University Foundation (Foundation) is considered a University-related organization under section VI of the University guidelines. Its contractual relationship to the University is described in "related party transactions", Note 9 of the Foundation's financial statements. During the current fiscal year, the University provided administrative support services valued at \$73,085 to the Foundation. The contract requires the Foundation to provide the University with fund-raising and other services. These services resulted in the Foundation's unrestricted expenditures described below, which qualify as "reimbursements" to the University in the University guidelines computation. Current year Foundation-restricted expenditures, which do not qualify as "reimbursements", are also described below.

Expenditures Considered Unrestricted for
Purposes of the Guidelines Computation:

Totally Unrestricted	\$ 158,665
Restricted Only as to College or Department	<u>373,875</u>
Total Funds Considered Unrestricted	<u>532,540</u>

Expenditures Considered Restricted for
Purposes of the Guideline Computations:

Given for Scholarships	<u>275,674</u>
Total Funds Considered Restricted	<u>\$ 275,674</u>

TOTAL FUNDS PROVIDED BY THE FOUNDATION TO SUPPORT THE UNIVERSITY	<u>\$ 808,214</u>
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