

**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, 2011

**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, 2011

TABLE OF CONTENTS

	<u>Page No.</u>
Table of Contents	1
Agency Officials	4
Management Assertion Letter	5
Compliance Report	
Summary	6
Accountants' Reports	
Independent Accountants' Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes	12
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 <i>Government Auditing Standards</i>	15
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	17
Schedule of Findings and Questioned Costs	
Summary of Auditors' Results	20
Current Findings – <i>Government Auditing Standards</i>	22
Current Findings – Federal Compliance and Questioned Costs	29
Current Findings – State Compliance	74
Prior Findings Not Repeated	91

Financial Statement Report

The University's financial statement report for the year ended June 30, 2011, 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, 2011

TABLE OF CONTENTS

	<u>Page No.</u>
Supplementary Information for State Compliance Purposes	
Summary	96
Fiscal Schedules and Analysis	
Schedule of Expenditures of Federal Awards	97
Notes to the Schedule of Expenditures of Federal Awards	100
Schedule of Appropriations, Expenditures and Lapsed Balances	101
Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances	102
Comparative Schedule of Income Fund Revenues and Expenditures	103
Schedule of Changes in State Property	104
Analysis of Significant Variations in Revenues and Expenses	105
Comparative Schedule of Cash, Temporary Cash Investments, and Investments - at Market Value	106
Analysis of Significant Variations in Asset and Liability Accounts	107
Analysis of Significant Lapse Period Expenditures	108
Analysis of Accounts Receivable	109
Schedule of Sources and Applications of Indirect Cost Recoveries	110
Analysis of Operations	
Agency Functions and Planning Program	111
Average Number of Employees (Unaudited)	114
Comparative Enrollment Statistics (Unaudited)	114
Comparative Schedule of Unrestricted Current Fund Expenditures per Full-time Equivalent Students (Unaudited)	116
Emergency Purchases	117
Illinois First Projects	117
Bookstore Information (Unaudited)	117
Schedule of Federal Expenditures, Nonfederal Expenses and New Loans	118
Schedule of Degrees Conferred (Unaudited)	119
Schedule of Tuition and Fee Waivers (Unaudited)	120

**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, 2011

TABLE OF CONTENTS

	<u>Page No.</u>
Special Data Requirements for Audits of Universities	
University Reporting in Accordance With University Guidelines	122
Schedule of Indirect Cost Funds to be Deposited into the University	
Income Fund as Required by 1982 University Guidelines (1997 Amended)	125
Schedule of Excess Funds Calculation by Entity as required by	
1982 University Guidelines (1997 Amended)	126
Entities' Financial Statements	
Balance Sheets	127
Statement of Revenues, Expenditures and Transfers –	
Current Unrestricted Funds	128
Statement of Changes in Fund Balances – Current Unrestricted Funds	129
Statement of Changes in Fund Balances– Plant Funds	130
Summary of Foundation Cash Support to the University	131

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY**

AGENCY OFFICIALS

President	Dr. Wayne Watson
Provost and Senior V.P. of Academic and Student Affairs	Dr. Sandra Westbrooks
Vice President of Administration and Finance	Mr. Glenn Meeks
Associate V.P. of Administration and Finance	Ms. Maricela Aranda (8/8/11 to Present)
Associate V.P. of Administration and Finance	Mr. Larry Pinkelton (8/16/11 to Present)
Associate V.P. of Finance and Administration/Controller	Mr. Edward Lannon (to 3/31/11)
Director of Accounting/Controller	Mr. Edward Lannon (4/1/11 to Present)
Associate Director of Accounting	Ms. Louise Williams
Chief Internal Auditor	Mr. Ken Clow

University offices are located at:

9501 South Martin Luther King Drive
Chicago, IL 60628



March 2, 2012

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

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

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of Chicago State University. We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of Chicago State University's compliance with the following assertions during the year ended June 30, 2011. Based on this evaluation, we assert that during the year ended June 30, 2011, Chicago State University has materially complied with the assertions below.


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

Yours very truly,

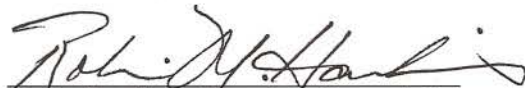
Chicago State University



Dr. Wayne Watson, President



Glenn Meeks, Vice President of Administration and Finance



Robin Hawkins, Associate 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 or disclaimers. However, the Report does include a qualification for compliance.

SUMMARY OF FINDINGS

<u>Number of</u>	<u>Current Report</u>	<u>Prior Report</u>
Findings	34	41
Repeated findings	22	11
Prior recommendations implemented or not repeated	19	2

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>
11-1	22	Suspended Academic Policy Resulted in Overstated Liability on the Financial Statements	Significant Deficiency
11-2	25	Inaccurate Accounting for Participation in Public Entity Risk Pool	Significant Deficiency
11-3	27	Inaccurate Accounting of Accrued Compensated Absences	Significant Deficiency

FINDINGS (FEDERAL COMPLIANCE)

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
11-4	29	Head Start Subrecipient	Material Weakness / Material Noncompliance
11-5	32	Noncompliance with Requirements Applicable to the Strengthening Minority-Serving Institutions Program	Material Weakness / Material 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>
11-6	35	Inadequate Controls over Preparation of a Complete and Accurate Schedule of Expenditures of Federal Awards	Material Weakness / Noncompliance
11-7	38	Student Financial Aid Awarded to Students at an Unapproved Location	Material Weakness / Noncompliance
11-8	39	Student Financial Assistance Not Reconciled on a Monthly Basis	Material Weakness / Noncompliance
11-9	41	Return of Title IV Funds	Significant Deficiency / Noncompliance
11-10	43	U.S. Aid Program	Significant Deficiency / Noncompliance
11-11	45	Costs Charged to Research and Development Cluster	Significant Deficiency / Noncompliance
11-12	47	Suspension and Debarment	Material Weakness / Noncompliance
11-13	49	Late Submission of Loan Documents	Significant Deficiency / Noncompliance
11-14	51	Notification of Disbursement	Significant Deficiency / Noncompliance
11-15	53	Financial Aid Awarded to Ineligible Student	Significant Deficiency / Noncompliance
11-16	55	Retention of Perkins Loan Records	Significant Deficiency / Noncompliance
11-17	56	Drug Free Workplace	Significant Deficiency / Noncompliance
11-18	58	Exit Counseling	Significant Deficiency / Noncompliance
11-19	59	Completion and Graduation Rate Disclosures	Significant Deficiency / Noncompliance
11-20	61	Untimely Payment of Student Refunds	Significant Deficiency / Noncompliance
11-21	63	Use of Outdated Promissory Note	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>
11-22	64	Inadequate Controls Over Reporting	Significant Deficiency / Noncompliance
11-23	66	Controls Over Reporting for the Family and Community Violence Prevention Program	Significant Deficiency / Noncompliance
11-24	68	Research and Development Cluster Reporting	Significant Deficiency / Noncompliance
11-25	70	Inaccurate Completion of the Fiscal Operations Report	Significant Deficiency / Noncompliance
11-26	72	Noncompliance with Department of Energy Grant Requirements	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 Federal Compliance.

11-1	22	Suspended Academic Policy Resulted in Overstated Liability on the Financial Statements	Significant Deficiency / Noncompliance
------	----	--	--

FINDINGS (STATE COMPLIANCE)

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
11-27	74	Inadequate Controls Over Property and Equipment	Material Weakness / Material Noncompliance
11-28	77	Inadequate Controls Over Contracting Procedures	Material Weakness / Noncompliance
11-29	81	Voucher Processing Errors	Significant Deficiency / Noncompliance
11-30	84	Inadequate Controls Over "Incomplete" Grade Process	Significant Deficiency / Noncompliance
11-31	85	Inadequate Support for Quarterly Summary of Accounts Receivable	Significant Deficiency / Noncompliance
11-32	87	Subsidies Between Accounting Entities	Significant Deficiency / Noncompliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY**

COMPLIANCE REPORT

SUMMARY

FINDINGS (STATE COMPLIANCE) (Continued)

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
11-33	88	Time Sheets not Maintained in Compliance with State Officials and Employees Ethics Act	Significant Deficiency / Noncompliance
11-34	89	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.

11-1	22	Suspended Academic Policy Resulted in Overstated Liability on the Financial Statements	Significant Deficiency / Noncompliance
11-2	25	Inaccurate Accounting for Participation in Public Entity Risk Pool	Significant Deficiency / Noncompliance
11-3	27	Inaccurate Accounting of Accrued Compensated Absences	Significant Deficiency / Noncompliance

PRIOR FINDINGS NOT REPEATED

A	91	Financial Statement Adjustments
B	91	Noncompliance with the Unclaimed Property Act and Write-Off of Accounting Errors
C	91	Inaccurate Financial Reporting for the University Auxiliary Facilities System Revenue Bond Fund
D	91	Purchasing Card Procedures
E	92	Documentation of Student Eligibility
F	92	Inadequate Cash Management Procedures
G	92	Student Financial Aid Credited to Student's Accounts Early
H	92	Disbursement to Ineligible Student
I	93	Disclosure regarding Lobbying Activities
J	93	Research and Development Cluster Subrecipient Monitoring

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY**

COMPLIANCE REPORT

SUMMARY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

PRIOR FINDINGS NOT REPEATED (Continued)

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
K	93	Inadequate Control Procedures to Notify Pass-Through Grantors of Audit Results
L	93	Data Collection Form
M	94	Inadequate Controls Over Convocation Center Expenditures
N	94	Procurement and Contract Documentation
O	94	Inadequate Controls Over Student Registration and Billing
P	94	Invoices Submitted for Reimbursement from State Appropriations
Q	95	Noncompliance with Campus Security Enhancement Act
R	95	Noncompliance with the Public University Tuition Statement Act
S	95	Elective Course in Physical Education Not Required for all Teachers

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY**

COMPLIANCE REPORT

SUMMARY

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with University personnel at an exit conference on February 22, 2012. Attending were:

Representing Chicago State University

Chairman, Board of Trustees
Vice-Chairman, Board of Trustees
President
Vice President of Administration and Finance
Provost and Senior Vice President Academic &
Student Affairs
Interim Associate Vice President Sponsored Programs
Chief Internal Auditor
Director of Accounting / Controller
Director of Compliance
Vice President of Enrollment Management
Chief of Police and University Services
Associate Vice President of Administration & Finance

Mr. Gary L. Rozier
Ms. Zaldwaynaka Scott
Dr. Wayne Watson
Mr. Glenn Meeks

Dr. Sandra Westbrooks
Dr. Yvonne Harris
Mr. Ken Clow
Mr. Edward Lannon
Ms. Carla Davis
Ms. Angela M. Henderson
Mr. Ronnie Watson
Mr. Lawrence Pinkelton

Representing Borschneck, Pelletier & Co.

Partner
Manager

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

Representing the Office of the Auditor General

Audit Manager

Mr. Thomas L. Kizziah, CPA

Responses to the recommendations were provided by Mr. Glenn Meeks in a correspondence dated February 29, 2012.

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

Honorable William G. Holland
Auditor General
State of Illinois

and

Board of Trustees
Chicago State University

Compliance

As Special Assistant Auditors for the Auditor General, we have examined Chicago State University's compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the year ended June 30, 2011. The management of Chicago State University is responsible for compliance with these requirements. Our responsibility is to express an opinion on Chicago State University's compliance based on our examination.

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

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

As described in finding 11-27 in the accompanying schedule of findings and questioned costs, Chicago State University did not comply with requirements of the State Property Control Act. Compliance with such requirements is necessary, in our opinion, for the Chicago State University to comply with the requirements listed in the first paragraph of this report.

In our opinion, except for the noncompliance described in the preceding paragraph, Chicago State University complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the year ended June 30, 2011. 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 11-1 through 11-3 and 11-28 through 11-34.

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.

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 described in the accompanying schedule of findings and questioned costs 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 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 11-27 and 11-28 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 11-1 through 11-3, 11-29 through 11-34 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, a component unit of the State of Illinois, as of and for the year ended June 30, 2011, which collectively comprise Chicago State University's basic financial statements, and have issued our report thereon dated March 2, 2012. Our report was modified to include reference to other auditors. 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 2011 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, 2011 taken as a whole.

We have also previously audited, in accordance with auditing standards generally accepted in the United States, Chicago State University's basic financial statements for the year ended June 30, 2010. In our report dated March 10, 2011, we expressed unqualified opinions on the respective financial statements of the business-type activities of Chicago State University and its discretely presented component unit. In our opinion, the 2010 Supplementary Information for State Compliance Purposes, except for the portion marked "unaudited" is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2010, 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, 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.

A handwritten signature in cursive script that reads "Borschneck, Robert" followed by a stylized flourish.

March 2, 2012

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

Honorable William G. Holland
Auditor General
State of Illinois

and

Board of Trustees
Chicago State University

As Special Assistant Auditors for the Auditor General, we have audited 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, 2011, which collectively comprise Chicago State University's basic financial statements and have issued our report thereon dated March 2, 2012. Our report was modified to include a reference to other auditors. 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

Management of the Chicago State University is responsible for establishing and maintaining effective 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.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in findings

11-1, 11-2, and 11-3 in the accompanying schedule of findings that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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.

A handwritten signature in cursive script that reads "Borschneck, Pelletier & Co." The signature is written in dark ink and is positioned above the date.

March 2, 2012



Certified Public Accountants & Consultants

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

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

and

Board of Trustees
Chicago State University

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, 2011. 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 student loan repayments special tests and provisions compliance requirement in accordance with the Student Financial Assistance Cluster: Federal Perkins Loan program as described in the Compliance Supplement. We also did not test Chicago State University's compliance with the requirements governing the enrollment reporting special tests and provisions compliance requirement in accordance with the Student Financial Assistance Cluster: Federal Direct Student Loan and Federal Family Education Loan programs as described in the Compliance Supplement. Those requirements govern functions performed by 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 performed for Chicago State University for the year ended June 30, 2011 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 performed for Chicago State University for the year ended June 30, 2011 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 NSCs compliance with such requirements.

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 (Noncompliance)

As described in Finding 11-4 in the accompanying schedule of findings and questioned costs, Chicago State University did not have appropriate internal controls and did not monitor the subrecipient of its Head Start Cluster program. Compliance with such requirement is necessary, in our opinion, for the Chicago State University to comply with the requirements applicable to the identified major program.

As described in Finding 11-5 in the accompanying schedule of findings and questioned costs, Chicago State University did not comply with requirements regarding activities allowed or unallowed, allowable costs / cost principles, and period of availability that are applicable to its Strengthening Minority-Serving Institutions 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 program.

In our opinion, except for the noncompliance described in the preceding paragraphs, 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, 2011. 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 11-1, and 11-6 through 11-26.

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 student loan repayments special tests and provisions compliance requirement of the Student Financial Assistance Cluster: Federal Perkins Loan program as described in the Compliance Supplement are performed by UAS. Requirements governing the enrollment reporting special tests and provisions compliance requirement of the Student Financial Assistance Cluster: Federal Direct Student Loan and Federal Family Education Loan programs as described in the Compliance Supplement are performed by NSC. Internal control over compliance related to such functions for the year ended June 30, 2011 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 11-4, 11-5, 11-6, 11-7, 11-8, and 11-12 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 11-1, 11-9 through 11-11 and 11-13 through 11-26 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, 2011, which collectively comprise Chicago State University's basic financial statements and have issued our report thereon dated March 2, 2012. Our report was modified to include a reference to other auditors. 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, 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.



March 2, 2012

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: unqualified opinions

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA No.</u>	<u>Type of Auditors' Report on Compliance</u>
Student Financial Assistance Cluster		Unqualified
Federal Supplemental Educational Opportunity Grants	84.007	
Federal Work Study Program	84.033	
Federal Perkins Loan Program	84.038	
Federal Pell Grant Program	84.063	
Federal Direct Student Loans Program	84.268	
Academic Competitiveness Grants	84.375	
National Science and Mathematics Access to Retain Talent (SMART) Grants	84.376	
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379	
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925	
ARRA - Scholarships for Disadvantage Students	93.407	
Head Start Cluster		Qualified
Head Start	93.600	
ARRA – Head Start	93.708	
Research & Development Cluster		Unqualified
Basic Scientific Research	12.431	
Development of Fuel Cells for Mobile Robotics Systems	12.XXX	
Development of Solar Cell I Systems	12.XXX	
Mathematical and Physical Sciences	47.049	
Biological Sciences	47.074	

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

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 Support	93.701	
Biomedical Research and Research Training	93.859	
Strengthening Minority- Serving Institutions	84.382	Qualified
TANF Cluster		
Temporary Assistance for Needy Families	93.558	Unqualified
U.S. Agency For International Development		
USAID Foreign Assistance for Programs Overseas	98.XXX	Unqualified
U.S. Department of Health & Human Services		
Family and Community Violence Prevention Program	93.910	Unqualified

Dollar threshold used to distinguish between type A and type B programs: \$ 443,067

Auditee qualified as low-risk auditee? yes x no

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS

11-1 FINDING: SUSPENDED ACADEMIC POLICY RESULTED IN OVERSTATED LIABILITY ON THE FINANCIAL STATEMENTS

Federal Department:	U.S. Department of Education
CFDA Numbers:	84.063, 84.268
Program Name:	Student Financial Assistance Cluster (Federal Pell Grant Program) (Federal Direct Loan Program)
Questioned Cost:	\$21,668 (known)

Chicago State University (University) had multiple policies addressing the requirement for a student's Satisfactory Academic Progress. As a result of a misapplication of the academic policy that had been suspended, the University determined that there were overawards made to students totaling \$740,030. The University recorded this as an adjustment to their financial statements. These adjustments included a \$134,836 reduction in receivables, a \$605,194 increase in liabilities, and revenue and expenses adjustments netting to \$740,030.

In August 2011, the Department of Education (ED) requested the University to look into and report back to ED, as to whether the University improperly awarded Federal aid to students during the past four years.

The University's enrollment management department was assigned responsibility to address possible overawards made to students and report back on the issue. Based on an academic standing policy in the University's 2008 – 2010 Undergraduate Catalog (a similar policy was in place in the University's on-line 2010 – 2012 Undergraduate Catalog until it was amended in July, 2011) which could lead to a student's dismissal from the University for poor scholarship, the University calculated Federal and Illinois MAP overawards to 126 unduplicated students from fiscal years 2008 through 2011 of \$740,030. The University's internal audit department was asked to verify the results determined by enrollment management.

In October 2011, the University reported the results of this analysis back to ED and recorded various entries on the University financial statements to record these results. In December of 2011, it was determined that the policy used for this analysis had in fact been suspended by previous administrations of the University since June 2008. We were provided various memos and communications that support that this policy had been suspended and that students were no longer being dismissed from the University for poor scholarship.

In order to satisfy ourselves with the University's compliance relative to its Student Financial Assistance Cluster and the accuracy of the entries recorded on the University's financial statements, we performed the following procedures:

- On December 22, 2011, we contacted ED to discuss the inquiry and the University's response noted above. ED confirmed that they had received the University's initial submission noted above but had not received any further communications from the University regarding the matter. ED also verified that there are no Federal requirements that require the University to dismiss students for poor scholarship, so if the University suspended their policy, it is acceptable as long as the University was complying with the satisfactory academic progress requirements governing the awarding of Federal student financial aid noted in Code of Federal Regulations (34 CFR 668.34, 668.32(f), and 668.16(e)).

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS

11-1 FINDING: SUSPENDED ACADEMIC POLICY RESULTED IN OVERSTATED LIABILITY ON THE FINANCIAL STATEMENTS (Continued)

- We verified that the University's policy governing satisfactory academic progress for the awarding Federal student financial aid complied with the requirements of the Code of Federal Regulations that were in place during fiscal year 2011.
- We selected a sample of 20 students from the 126 students identified by the University above as students who improperly received aid. Based on the suspension of the policy requiring dismissal for poor scholarship and application of the policy for awarding of Federal student financial aid alone, we noted two students who received a total of \$28,992 (of which \$21,668 was aid awarded in fiscal year 2011) of Federal student financial aid and \$4,160 of Illinois MAP awards when they were not eligible. Extrapolation of the improper aid noted in our sample to the population identified by the University resulted in an estimated total improper aid awarded of \$103,685. We proposed adjustments totaling \$636,345 to correct the adjustments that were made by the University on its financial statements.
- As part of our single audit testing and financial audit testing, we tested 65 students at random that received Federal student financial aid during fiscal year 2011, noting no students who would be ineligible for aid due to lack of satisfactory academic progress.

Generally accepted accounting principles requires the University to record assets, liabilities, revenue and expenses when they occur.

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 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 and statistical reports and to maintain accountability over the State's resources.

Prudent business practices would require the University to establish, publish and enforce policies that have a bearing on the students attending (or considering attending) the University.

University officials stated the new University administration discovered that students were not being dismissed according to the academic standing policy. Upon review of what was thought to be the current academic standing policy, the President gave a directive that effective spring 2011, the policy was to be enforced and students dismissed accordingly. The University's enrollment management and internal audit departments reviewed student data from July, 2007 through June, 2011. The result of the analysis was that \$740,030 had been awarded to students who did not meet the guidelines of the academic policy. That review was based on the perception that the academic standing policy noted above had not been properly executed. The University administration later discovered that the academic standing policy had actually been suspended years earlier. At this point it was too late to revise the financial statements.

Failure to effectively communicate policies to employees hinders the ability of University employees to properly perform their tasks, resulted in inaccurate financial reporting, and miscommunications with Federal awarding agencies that could lead to a loss in Federal funding. (Finding Code No. 11-1)

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS

11-1 FINDING: SUSPENDED ACADEMIC POLICY RESULTED IN OVERSTATED LIABILITY ON THE FINANCIAL STATEMENTS (Continued)

RECOMMENDATION

We recommend the University improve its administrative controls to ensure that policies are clearly stated, communicated and enforced. We further recommend the University report accurate amounts on their financial statements and submit a revised analysis to ED.

UNIVERSITY RESPONSE

The University had two policies addressing satisfactory academic progress: academic standing and financial assistance. The academic standing policy had been suspended by previous University administrations since academic year 2007/2008 and it resulted in no students being dismissed for poor scholarship. The current administration moved immediately (Spring 2011) to reinstate the academic standing policy requiring the dismissal of students for poor scholarship. An estimation regarding the number of students who may have been over-awarded in the four academic years was reported on the financial statements. The University's internal investigation led to the discovery of the suspended academic standing policy and another review of student records was completed. As a result, a revised analysis was submitted to the Department of Education in January 2012 showing that twenty students had been over-awarded over the four academic years totaling \$122,852 and thirteen students had been over-awarded MAP awards from the Illinois Student Assistance Commission totaling \$20,151. The University accepts the recommendation.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS

11-2 FINDING: INACCURATE ACCOUNTING FOR PARTICIPATION IN PUBLIC ENTITY RISK POOL

Chicago State University (University) did not properly account for its participation in the State Universities Risk Management Association (SURMA) in accordance with accounting principles generally accepted in the United States of America (GAAP).

The University has been a member of SURMA since its inception on February 1, 1996. SURMA was created as a successor to the Board of Governors' Self-Insurance Liability Program. SURMA was initially funded by the surplus of the Board of Governors' Self-Insurance Liability Program upon its termination (treated as capital contributions of the original participants), as well as additional contributions which were assessed to the members. The SURMA members are Chicago State University, Eastern Illinois University, Governors State University, Northeastern Illinois University, and Western Illinois University. Each university has an employee appointed as a member to the SURMA Board.

While all past payments made by the University to SURMA have been recorded to prepaid insurance and amortized over the term of the current insurance policies, the capital contributions to SURMA have not been recorded as an asset on the books of the University. The University's share of the excess capital contributions to SURMA was \$268,783 and \$265,475 as of June 30, 2011 and June 30, 2010, respectively. SURMA's bylaws state that in the event of termination, if there are surplus funds available, such surplus shall be distributed to the then-existing members in the same proportion that each existing member's contributions over the immediately previous five years were in proportion to the contributions of all members. Similar provisions also apply to members who elect to withdraw (if approved by the remaining participants) prior to the termination of SURMA. An adjusting entry was proposed to the University to correct this error, which the University did not record.

Further, we noted the University did not adequately monitor SURMA to ensure SURMA underwent a timely annual audit of fiscal year 2010 to provide assurance as to the accuracy of financial information required to be reported by the University.

Governmental Accounting Standards Board (GASB) Interpretation No. 4 - *Accounting and Financial Reporting for Capitalization Contributions to Public Entity Risk Pools* was issued in February 1996 with an effective date of periods beginning after June 15, 1996. It states, "A capitalization contribution to a public entity risk pool with transfer or pooling of risk should be reported as a deposit if it is probable that the contribution will be returned to the entity upon either the dissolution of or approved withdrawal from the pool. An entity's determination that a return of the contribution is probable should be based on the provisions of the pooling agreement and an evaluation of the pool's financial capacity to return the contribution."

Further, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University to establish and maintain a system of fiscal and administrative controls to ensure resources are properly recorded and accounted for to permit the preparation of accounts, reliable financial and statistical reports, and to maintain accountability over the State's resources.

University officials stated the SURMA By-Laws were adopted cooperatively by the five universities formerly under the Board of Governors and SURMA. The member universities have been operating under those By-Laws since 1995, prior to the issuance of GASB Interpretation No. 4. The condition

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS

**11-2 FINDING: INACCURATE ACCOUNTING FOR PARTICIPATION IN PUBLIC ENTITY RISK POOL
(Continued)**

found is the result of SURMA's failure to review and revise the By-Laws and the member institutions' interpretation that the return of the funds is not probable and hence the failure to record the related accounting entries, as pointed out in the new audit finding this year.

Failure to adequately monitor SURMA's activities and properly account for the University's participation in SURMA resulted in an understatement of assets on the University's financial statements. (Finding Code No. 11-2)

RECOMMENDATION

We recommend the University implement controls to monitor the activities of SURMA and properly account for its participation in SURMA in accordance with GAAP.

UNIVERSITY RESPONSE

The University agrees with the finding and will implement controls to monitor the activities of SURMA and properly account for its participation in SURMA in accordance with GAAP.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS

11-3 FINDING: INACCURATE ACCOUNTING OF ACCRUED COMPENSATED ABSENCES

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

We compared 100% of the employees' accrued sick leave days/hours as of June 30, 2011 to June 30, 2010 in order to ensure that there were not any increases in accrued vested sick days/hours for any employees. Since January 1, 1998, sick time no longer vests and should not be accrued as a compensated absence by the University. We noted 17 employees in which the accrued sick leave days/hours payable at June 30, 2010 was zero but a balance was present at June 30, 2011. The University had inadvertently left the employees off of the 2010 listing. We also noted another employee in which the number of days had been transposed in the schedule. The schedule included the following:

<u>Sick time payable at June 30, 2010</u>	<u>Sick time payable at June 30, 2011</u>
103.40 days (correct amount)	130.40 days (incorrect amount)

These understatements of vested sick time at June 30, 2010 understated the accrued leave liability for the year ending June 30, 2010 and overstated the fiscal year 2011 expenses by approximately \$159,473. The overstatement of the June 30, 2011 accrual overstated the liability and expense by \$8,591. An adjusting entry was proposed to correct the misstatement.

We also tested a sample of 30 employees to determine if the University was properly accounting for leave time earned and used. The University maintains manual records to track employee leave days/hours. We noted one employee was shorted 8 hours of sick time. Once brought to the University's attention, the records were corrected.

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

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

University officials stated that the current process utilizes a paper card system. The errors noted were clerical errors inherent to this manual system.

Failure to properly accumulate accrued leave records and calculate liabilities related to accrued compensated absences may cause errors in compensation to employees and results in inaccurate financial statements. (Finding Code No. 11-3)

RECOMMENDATION

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

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS

11-3 FINDING: INACCURATE ACCOUNTING OF ACCRUED COMPENSATED ABSENCES (Continued)

UNIVERSITY RESPONSE

The current process is manual and paper based. The corrective action will include employee re-training and the acquisition of an automated platform that will calculate and track these balances going forward. The manual process has been modified to include additional oversight and review until the implementation of an automated process. The automated process is scheduled to be in effect July 1, 2012.

Chicago State University's new administrative leadership is committed to achieving operational excellence through an enhanced commitment to process improvement, systems automation and a strengthened infrastructure. The University accepts the recommendation as stated.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – FEDERAL COMPLIANCE

11-4 FINDING: HEAD START SUBRECIPIENT

Federal Department:	Department of Health and Human Services
CFDA Numbers:	93.600
Program Name:	Head Start Cluster
Questioned Cost:	\$119,336 (includes \$110,309 in payments to the subrecipient and \$9,027 in indirect costs charged on those payments)
Passthrough Entity:	City of Chicago
Award Number:	18396

Chicago State University (University) did not have appropriate internal controls to monitor the compliance of the subrecipient of its Head Start Cluster program. We noted the following:

- We requested the University to describe how it monitors the activities and compliance of the subrecipient of its Head Start Cluster program. We were informed that when the invoice of the subrecipient is received, it is approved by the program director and is paid. No other monitoring procedures (such as obtaining audit reports, performing site visits to review financial and programmatic records and observe operations, or reviewing subrecipient reports) are performed.
- We examined the subrecipient award and contract and noted that there was no evidence that the following information was communicated to the subrecipient:
 - CFDA number and program title
 - Award name
 - Name of the Federal Awarding Agency
 - Determination if the award was for research and development
 - Requirements imposed on subrecipient by Federal laws, regulations, and the provisions of contracts or grant agreements as well as any supplemental requirements imposed by the pass-through entity.
- We noted that the contract did not include any required Federal certifications.
- The University did not have adequate procedures to ensure that in-kind matching amounts reported were adequately substantiated by supporting documentation. The University reported the following in-kind matching on its report to the grantor:

<u>Line Item</u>	<u>Amount Reported</u>
Contractual/Professional	\$43,000
Rental Space	\$10,000

We noted that the subrecipient’s monthly invoices to the University all say the following:

- “In-kind services, Catholic Charities, Chicago State University, Henry Booth House, Ada S. McKinley, Chicago Youth Centers, and Church of God (\$17,666)”

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – FEDERAL COMPLIANCE

11-4 FINDING: HEAD START SUBRECIPIENT (Continued)

When we requested documentation supporting the amounts reported by the University, we were provided a large report consisting of numerous “In-kind Monthly Service Forms” of 5 individuals which made up the Contractual/Professional. All 5 of these individuals appear to be employees of the subrecipient or related entities. There was also no documentation to support the \$10,000 reported as rental space.

OMB Circular A-133 Section 400(d)(1)) requires each pass through entity to inform the subrecipient of the CFDA title and number, award name and number, award year, if the award is R&D, and the name of the Federal awarding entity. Section 400(d)(2) requires the pass through entity to advise subrecipients of requirements imposed on them by Federal laws, regulations, and the provisions of contracts or grant agreements as well as any supplemental requirements imposed by the pass-through entity. Section 400(d)(3) requires the pass through entity to monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals were achieved. OMB Circular A-110 Section 48 (e) requires the University to include specific procurement provisions in their subaward agreements.

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.

In addition, the University’s internal controls over the approval of expenditures did not operate as designed for the invoices received from the subrecipient of its Head Start Cluster program. The University’s internal controls over activities allowed/unallowed and allowable costs/cost principles include the review and approval by the fiscal officer of all program charges prior to payment. During our testing, we noted:

- One expenditure (\$48,128) was not approved by the fiscal officer until 10 days after the check was prepared and the check cleared the bank two days before it was ever approved for payment.

OMB Circular A-133 Section 300(b) requires the University to “Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.”

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 1) subrecipients are properly informed of all requirements and that compliance with those requirements are properly monitored, 2) that appropriate documentation is retained and reported accurately, 3) that invoices are approved prior to payment.

University officials stated the subcontractor noted was appointed by the City of Chicago and not chosen by Chicago State University. The previous Associate Vice President of Sponsored

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – FEDERAL COMPLIANCE

11-4 FINDING: HEAD START SUBRECIPIENT (Continued)

Programs, who was still employed by the University as a consultant for the Office of Grants and Research Administration through March 31, 2011, stated that all that was required by the University was signatures approving the invoices and that all supporting documentation required for subrecipient monitoring was sent directly to the City of Chicago by the subcontractor.

Failure to comply with Federal requirements may result in disallowed program costs and could jeopardize future Federal funding. Failure to adhere to proper internal controls may result in inappropriate charges to the program. (Finding Code No. 11-4)

RECOMMENDATION

We recommend the University comply with the Federal regulations and improve its controls to ensure that appropriate information is provided to all subrecipients, that all subrecipients are properly monitored, and all relevant documentation is obtained and retained.

UNIVERSITY RESPONSE

Sponsored Programs has worked closely with Legal and Labor Affairs to improve policies and procedures for reviewing and approving contracts and amendments. As part of those improvements, Sponsored Programs has hired a Post-Grants and Compliance administrator who will provide oversight and work with fiscal officers and principle investigators on active Federal and State funded contracts and subcontracts. Oversight will involve staff training on relevant grant processes. In addition, the administrator will provide a review and evaluation of the scope of work and obtaining relevant documentation to support and validate the subcontractor's funded activities. The University agrees with the recommendation.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – FEDERAL COMPLIANCE

11-5 FINDING: NONCOMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE STRENGTHENING MINORITY-SERVING INSTITUTIONS PROGRAM

Federal Department:	Department of Education
CFDA Numbers:	84.382
Program Name:	Strengthening Minority-Serving Institutions
Award Numbers:	P382D090004 / P382A080007
Questioned Cost:	\$9,796 known (\$221,565 projected - calculated as follows: \$9,796 (error noted in sample) / \$41,945 (sample size) X \$948,708 (total expenditures))

Chicago State University (University) did not fully comply with compliance requirements of activities allowed and unallowed, allowable costs/cost principles, period of availability of Federal funds, and reporting applicable to the Strengthening Minority-Serving Institution program. We noted the following:

We tested 25 expenditures totaling \$41,945 and noted the following:

- Two expenditures (8%) were not in accordance with the program regulations. One charge (\$7,500) was for tour guide services for 16 students and 2 staff participants in New Orleans. The tours were to include: cultural night in New Orleans, plantation tour, city tour, swamp tour, D Day Museum, and African American Museum. The other charge (\$390) was for the purchase of 10 IPAD cases. These charges do not meet the criteria of allowable activities or charges for this program. (The questioned costs were \$7,890).

The Higher Education Act of 1965 (Title VII Section 724(d)(4)) states that program funds may be used for: “scholarships, fellowships, and other financial assistance for needy graduate students to permit enrollment of the students in, and the completion of, a masters degree in mathematics, engineering, the physical sciences, computer science, information technology, nursing, allied health, or other scientific disciplines in which African Americans are underrepresented.” The tours in New Orleans and the IPAD cases do not meet this criteria.

- One payroll expenditure (\$1,944) was charged to the program using a 100% time and effort rate. However, the effort certification report completed by the employee and signed by the employee’s supervisor for that month indicated that only 75% of the employee’s time should be charged to the program. (The questioned cost was \$486).
- One payroll expenditure (\$901) was charged to the program using a 16.67% time and effort rate. However, the effort certification report completed by the employee and signed by the employee’s supervisor for that month indicated that only 13% of the employee’s time should be charged to the program. (The questioned cost was \$198).

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 indicated that it uses the plan confirmation method in which the employee or principal investigator confirms the allocation of time spent on the program. The University indicated that no adjustments were made to the charges based on the confirmations.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – FEDERAL COMPLIANCE

11-5 FINDING: NONCOMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE STRENGTHENING MINORITY-SERVING INSTITUTIONS PROGRAM (Continued)

- One payroll expenditure (\$1,222 for the pay period May 1 to May 15, 2011) was incurred after the period of availability of the award. Award P382A080007 expired on March 31, 2011, but the University continued to charge costs to the award. (The questioned cost was \$1,222). The Department of Education awarded the University \$1,084,211 to fund award P382A080007 for the period October 1, 2008 through March 31, 2011. We noted that the University charged cumulative expenditures of \$1,137,869 to this award program. The University overexpended the award by \$53,658. The University will not be able to receive a cost reimbursement from the Department of Education for the overexpended amount.

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.

We examined the only 2 reports that were required to be submitted during the audit period for the above awards and noted the following:

- The final performance report for award P382A080007 submitted for the period October 1, 2008 to March 31, 2011 reported the budgeted expenditures instead of actual expenditures. The total budget for the project was \$1,084,211 and the total expenditures recorded for the project were \$1,137,869 (the University overexpended the award by \$53,658). The University indicated on the report that it was for the period from October 1, 2008 until September 30, 2010 instead of the correct performance period indicated above.
- The annual performance report for award P382D090004 was submitted for the period September 1, 2010 to June 24, 2011 and reported incorrect amounts for total expenditures. The previous budget period reported amounts spent of \$500,000, (this amount was the budget for the period) when the actual amount expended was \$400,919. The current budget period shows an amount expended of \$397,754, when the actual amount was \$397,282.

The instructions for the performance report (final and annual) require the University to report expenditures for allowable grant obligations incurred during the period. The University did not retain documentation to support the financial information reported.

OMB Circular A-110 Section 51 (a) states that "Recipients are responsible for monitoring each project, program, subaward, function or activity supported by the award." 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."

University officials stated that time and effort reports were not properly reconciled to payroll records during the time period in question. The trip to New Orleans for students to present the posters of their research was an allowable cost, however, the additional costs for the tours should not have been charged to the program. The charge subsequent to the period of availability was due to a

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – FEDERAL COMPLIANCE

11-5 FINDING: NONCOMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE STRENGTHENING MINORITY-SERVING INSTITUTIONS PROGRAM (Continued)

clerical error and led to the overexpenditure of the project. The University officials further stated that, unlike submitting grant proposals that require permission from the institution, fiscal officers have had the flexibility to submit their performance reports directly to the grantor.

Failure to comply with Federal requirements may result in disallowed program costs and jeopardize future Federal funding. (Finding Code Nos. 11-5, 10-18)

RECOMMENDATION

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

UNIVERSITY RESPONSE

Sponsored Programs will work closely with Legal and Labor Affairs to improve upon the policies and procedures for reviewing and approving contracts and amendments. As part of those improvements, Sponsored Programs has hired a Post-Grant and Compliance Administrator who will provide oversight and work with fiscal officers and principle investigators on active Federal and State funded contracts and subcontracts. Oversight will involve staff training on relevant grant processes. The Office of Grants and Research Administration (OGRA) has implemented new procedures for three-month closeouts and quarterly reconciliations. All approvals for expenses have been transferred from the grant accountants to the Post-Grant and Compliance Administrator and VPA of Sponsored Programs. The University agrees with the recommendation.

STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

CURRENT FINDINGS – *FEDERAL COMPLIANCE*

11-6 **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 Agriculture Department of Housing and Urban Development National Aeronautics and Space Administration Department of Energy Department of Justice Department of Health and Human Services Centers for Disease Control and Prevention Corporation for National & Community Services Small Business Administration
CFDA Numbers:	Various (See Schedule of Expenditures of Federal Awards)
Program Name:	Student Financial Assistance Cluster Research and Development 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 - Personnel Development to Improve Services and Results for Children with Disabilities Improving Teacher Quality State Grants TRIO Cluster Minority Health and Health Disparities Research Health Careers Opportunity Program Family Community and Violence Prevention Program Head Start Cluster Child Care and Development Block Grant Child Nutrition Cluster Interest Subsidy Science Edward Byrne Memorial Justice Assistance Grant Program ARRA - Prevention and Wellness – Communities Putting Prevention to Work Funding Opportunities Announcement Learn and Serve America_Higher Education Small Business Development Centers
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 November 8, 2011. The Notes to the SEFA were provided on November 9, 2011. We tested the accuracy and completeness of the SEFA provided and noted the following:

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – FEDERAL COMPLIANCE

11-6 FINDING: INADEQUATE CONTROLS OVER PREPARATION OF A COMPLETE AND ACCURATE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

- A pass thru program with a Catalogue of Federal Domestic Assistance (CFDA) number of 93.575 was identified as being part of the Head Start Cluster. There is no such program that is part of the Head Start Cluster.
- An incorrect CFDA number was reported for one program.
- Two programs passed awards through to sub-recipients (\$195,373) that were not reported.
- The Federal Pell Grant Program (CFDA 84.063) and Federal Work Study (CFDA 84.033) did not include the administrative cost allowances charged to the program in the amount reported on the SEFA.
- One program listed under the Student Financial Assistance Cluster had the title “Federal Financial Aid Program” and was reported under CFDA 84.063. This item was actually a portion of the subsequent expenditures of the administrative cost allowance revenue that was charged to the Federal Pell Grant Program and the Federal Work Study Program.
- The Notes to the SEFA did not properly report the balance of Federal Perkins Loans outstanding at year end.

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 and CFDA number. Any awards passed through to sub recipients should be identified. For programs included in Clusters, individual Federal programs within each cluster should be listed. The outstanding balances of loans or loan guarantees at year end should be disclosed in the SEFA or the Notes to the SEFA.

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 November 29, 2011.

University officials stated that the conditions cited in this finding were the result of miscalculations and clerical errors. Since then a plan for redistribution of responsibilities and duties has been developed and is in the process of implementation.

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 Nos. 11-6, 10-9)

RECOMMENDATION

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

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – *FEDERAL COMPLIANCE*

11-6 FINDING: INADEQUATE CONTROLS OVER PREPARATION OF A COMPLETE AND ACCURATE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

UNIVERSITY RESPONSE

The University agrees with the recommendation. Sponsored Programs has established new policies and procedures to ensure compliance with Federally funded program regulations and reporting of expenditures in current fiscal years. Sponsored Programs accountants will report to the Chief Fiscal Officer and all fiscal reports will be approved by the Chief Fiscal Officer.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – FEDERAL COMPLIANCE

11-7 FINDING: STUDENT FINANCIAL AID AWARDED TO STUDENTS AT AN UNAPPROVED LOCATION

Federal Department:	U.S. Department of Education U.S. Department of Health and Human Services
CFDA Numbers:	84.007, 84.033, 84.038, 84.063, 84.268, 84.375, 84.376, 84.379, 93.925, 93.407
Program Name:	Student Financial Aid Cluster
Questioned Cost:	\$212,679 known

Chicago State University (University) awarded student financial aid to students at an unapproved location.

Our testing of the United States Department of Education School Participation Management Division, Eligibility and Certification Approval Report disclosed that 1 offsite location, where Chicago State University provides education courses, was not approved prior to providing services at that location. The University provided a listing of students receiving financial aid at this location totaling \$212,679.

The Code of Federal Regulations (34 CFR 600.20(c)(1)) requires that any institution that wishes to expand the scope of its eligibility and certification and disburse Title IV funds must apply to the Secretary of Education and wait for approval to add a location at which the institution offers 50% or more of an education program.

University officials stated that they were unaware of the provision that requires the University to apply to the Secretary of Education for approval to add the above-referenced offsite location.

Failure to properly get locations approved by the Department of Education may jeopardize future Federal funding. (Finding Code No. 11-7).

RECOMMENDATION

We recommend the University seek approval from the Department of Education for any locations where education programs are offered, prior to offering classes at these locations.

UNIVERSITY RESPONSE

The University has responded immediately to the recommendation. The appropriate action has been taken as evidenced by the submission of required Change Request forms to offer off-site degree programs to the Higher Learning Commission (HLC). Effective February 3, 2012, the University has received response letters from HLC staff indicating positive recommendations for offering all of the off-site degree programs. The HLC Change Panel will present these recommendations at the March 19, 2012 Institutional Actions Council Meeting. Once presented, these approvals will be forwarded to the Department of Education as recommended. In addition, the appropriate Corrective Action Plan has been developed to ensure compliance.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – FEDERAL COMPLIANCE

11-8 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, 93.407
Program Name:	Student Financial Assistance Cluster
Questioned Cost:	Undetermined

Chicago State University (University) did not reconcile its student financial assistance (SFA) 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 provided us with reconciliations for Federal Direct Loan and Federal PELL, however all reconciliations were prepared after the end of the fiscal year and there was no evidence that records had been reconciled throughout the year. No reconciliations of the other SFA awards were provided. Although a reconciliation of Federal PELL was provided, certain information used in the reconciliation could not be verified and agreed to external records.

The U.S. Department of Education’s “The Blue Book: *Accounting, Recordkeeping and Reporting by Postsecondary Educational Institutions Participating in the Federal Student Aid Programs*” requires the University to perform monthly reconciliations of program records, fiscal records and draw downs.

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 monthly reconciliations of the program and fiscal records related to all programs of the Student Financial Assistance Cluster cannot be the sole responsibility of one department; rather, it requires the coordinated efforts of Financial Affairs, Grants and Student Financial Aid. After the end of the fiscal year, Financial Affairs fully reconciled the Federal Direct Loan and PELL programs which account for the bulk of the Federal awards to students. This task requires a distribution of work between departments which inhibited the completion of this task.

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. 11-8, 10-8, 09-5, and 08-12)

RECOMMENDATION

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

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – *FEDERAL COMPLIANCE*

11-8 FINDING: STUDENT FINANCIAL ASSISTANCE NOT RECONCILED ON A MONTHLY BASIS (Continued)

UNIVERSITY RESPONSE

Sponsored Programs has established new written policies and procedures to ensure compliance with our Federally funded program regulations and reporting of expenditures in the current fiscal year. Staff has been trained and provided copies of the new procedures. Sponsored Programs accountants will report to the Chief Fiscal Officer and all fiscal reports will be approved by the Chief Fiscal Officer. A Grants and Finance Accounting Specialist has been hired who will work closely with the Office of Financial Aid and Finance to reconcile student financial aid on a monthly basis. The University agrees with the recommendation.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – FEDERAL COMPLIANCE

11-9 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, 84.375
Program Name:	Student Financial Assistance Cluster
Questioned Cost:	\$8,873 known (projected \$52,942 calculated as follows: \$8,873 (error noted in sample) / 60 (withdrawals in sample) X 358 (total withdrawals))

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

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

- For two students (3%), the University calculated the return of Title IV Funds as if the student attended class; however the class rosters indicated that the student never attended. All of the aid disbursed to the student should have been refunded to ED.
- Seventeen (28%) refund calculations were incorrect because the University did not use the correct withdrawal date and/or used an incorrect tuition amount.

The above items resulted in an amount still due to ED of \$8,873.

The Code of Federal Regulations states:

- (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 (g)(ii)(2)) – Institutional charges are tuition, fees, room and board and other educationally related expenses assessed by the institution.

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 that crucial staff members of the registrar’s office retired and new staff was not fully trained on existing procedures. As a result, the dates used to calculate the refunds were based on the date that the registrar’s office received notice of the withdrawal instead of the date that the withdrawal process was initiated by the student.

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

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – *FEDERAL COMPLIANCE*

11-9 FINDING: RETURN OF TITLE IV FUNDS (Continued)

RECOMMENDATION

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

UNIVERSITY RESPONSE

Mandatory training has been scheduled for all impacted offices. Performance metrics are being put in place immediately to monitor compliance of staff. The review and update of the business process will occur to increase efficiencies. The University accepts the recommendation.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – FEDERAL COMPLIANCE

11-10 FINDING: U.S. AID PROGRAM

**Federal Department: United States Agency for International Development
CFDA Numbers: 98.
Program Name: Textbook and Learning Materials Program
Questioned Cost: None noted
Award numbers: RLA-A-00-09-00036-00**

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

We examined 25 expenditures totaling \$1,076,529 and 7 contracts totaling \$5,541,125 and noted the following:

- Two expenditures (8%) included charges (\$15,627) that related to the prior fiscal year.

We examined all of the procurements for this program and noted the following:

- Two contracts were not executed timely and the University incurred expenses for services performed by the vendor (totaling \$7,892) prior to the signing of the contract.

The Illinois Procurement Code (30 ILCS 500/20-80(d)) (Code) states “Vendors shall not be paid for any goods that were received or services that were rendered before the contract was reduced to writing and signed by all necessary parties.” This amendment of the Code became effective July 1, 2010.

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

OMB CIRCULAR A-110 section 21 (b) requires the recipient’s financial management system to provide for accurate, current and complete disclosure of the financial results of each Federally-sponsored project or program.

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 charges are recorded in the appropriate accounting period and all applicable laws and regulations are complied with.

University officials stated most of these expenditure exceptions occurred as a result of business practices and a culture prevalent under former management which are still in process of being addressed and rectified.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – *FEDERAL COMPLIANCE*

11-10 FINDING: U.S. AID PROGRAM (Continued)

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. 11-10, 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 all requirements applicable to its Federally funded programs. We also recommend that the University report their expenditures in the correct fiscal year.

UNIVERSITY RESPONSE

Sponsored Programs has established new policies and procedures to ensure compliance with our Federally funded program regulations and reporting of expenditures in current fiscal years. New procedures include training of accounting staff on grant processes. Sponsored Programs accountants will report to the Chief Fiscal Officer and all fiscal reports will be approved by the Chief Fiscal Officer. The University agrees with the recommendation.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – FEDERAL COMPLIANCE

11-11 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, 47.049, 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 allowable costs/cost principles applicable to its Research and Development Cluster programs. We noted the following:

We tested 25 expenditures totaling \$563,155 and noted the following:

- One expenditure (\$17,816) was a contract for preventative maintenance services that was not signed by the University until January 5, 2011; however, the contracted service period began on October 1, 2010. (No questioned cost)
- Three expenditures (12%) included charges (\$1,078) that related to the prior fiscal year. (No questioned cost)
- One expenditure (4%) for payroll to a student (\$570) was not approved by appropriate fiscal officer of the program. (No questioned cost)

The Illinois Procurement Code (30 ILCS 500/20-80(d)) (Code) states “Vendors shall not be paid for any goods that were received or services that were rendered before the contract was reduced to writing and signed by all necessary parties.” This amendment of the Code became effective July 1, 2010.

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

The University Administration and Finance Policies and Procedures Manual Section 9.3 states that the fiscal officer is responsible for signing the student’s time sheet.

OMB CIRCULAR A-110 section 21 (b) requires the recipient’s financial management system to provide for accurate, current and complete disclosure of the financial results of each Federally-sponsored project or program.

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 charges are recorded in the appropriate accounting period and all applicable laws and regulations are complied with.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – *FEDERAL COMPLIANCE*

11-11 FINDING: COSTS CHARGED TO RESEARCH AND DEVELOPMENT CLUSTER (Continued)

University officials stated most of these voucher exceptions occurred as a result of business practices and a culture prevalent under former management which are still in process of being addressed and rectified.

Failure to comply with Federal requirements may result in disallowed program costs and jeopardize future Federal funding. (Finding Code Nos. 11-11, 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

Sponsored Programs has established new policies and procedures to ensure compliance with our Federally funded program regulations and reporting of expenditures in the current fiscal year. Sponsored Programs accountants will report to the Chief Fiscal Officer and all fiscal reports will be approved by the Chief Fiscal Officer. Sponsored Programs will work closely with Legal and Labor Affairs to improve upon the mechanisms, policies and procedures for reviewing and approving contracts and amendments. As part of those improvements, Sponsored Programs has hired a Post-Grant and Compliance Administrator who will provide oversight and work with fiscal officers and principle investigators on active federal and state funded contracts and subcontracts. Oversight includes training of staff on grant processes. The University agrees with the recommendation.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – FEDERAL COMPLIANCE

11-12 FINDING: SUSPENSION AND DEBARMENT

Federal Department:	National Science Foundation Department of Defense National Institutes of Health U.S. Agency for International Development Department of Health and Human Services
CFDA Numbers:	12., 12.431, 47.049, 47.074, 47.076, 47.082, 93.865, 93.701, 93.859, 93.910 98., 93.600, 93.708
Program Name:	Research and Development Cluster Textbook and Learning Materials Family Community and Violence Prevention Program Head Start Cluster (passed through from City of Chicago)
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.

We made inquiries of University personnel to obtain an understanding of the University's internal controls relative to suspension and debarment of vendors. We observed evidence that the University added a clause in its standard contract in December of 2009; however, contracts in place prior to December of 2009 did not have the clause and few were amended to include it when renewed. We examined 13 covered transactions of the above programs that totaled \$6,632,266 and noted the following:

- Four of the contracts tested totaling \$863,943 did not include a vendor certification stating that the vendor was not suspended or debarred and did not include a clause or condition relative to suspension and debarment. The University also did not examine the Excluded Parties List to determine if these vendors were suspended or debarred.

We examined the Excluded Parties List System and determined that none of the vendors identified were included on the list.

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

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – FEDERAL COMPLIANCE

11-12 FINDING: SUSPENSION AND DEBARMENT (Continued)

program compliance requirements. Effective internal controls should include procedures to ensure that vendors and subrecipients are not suspended or debarred.

University officials stated that the University's form contract was revised by the legal department in 2009 to include the required federal debarment and suspension language. The contracts referenced above were multi-year form contracts which were drafted prior to 2009 and entered into pursuant to grant agreements. The older multi-year contracts (that did not contain the updated language) were inadvertently automatically renewed.

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 Nos. 11-12, 10-14)

RECOMMENDATION

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

UNIVERSITY RESPONSE

The University accepts responsibility for this audit finding. We have implemented processes to ensure that all of our contracts including those that are executed pursuant to a grant renewal contain all the required certifications.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – FEDERAL COMPLIANCE

11-13 FINDING: LATE SUBMISSION OF LOAN DOCUMENTS

Federal Department:	U.S. Department of Education
CFDA Numbers:	84.268, 84.038
Program Name:	Student Financial Assistance Cluster (Federal Direct Student Loan) (Federal Perkins Loan)
Questioned Cost:	None noted

Chicago State University (University) did not timely submit loan disbursements to the U.S. Department of Education (ED) and did not report a loan to the University's Federal Perkins Loan Servicer (FPLS).

Our sample testing of 60 students that received financial assistance included 56 students who received Federal Direct Student Loans and 2 students who received Federal Perkins Loans. We noted the following:

- We noted that the University reported the Federal Direct Student Loan originations for all 56 of the students in our sample. However, during our review of Program reconciliations, we noted 1 student who had loan originations on August 20, 2010 and January 9, 2011; but the University did not report them to ED until July 5, 2011 (147 and 289 days late).
- For one student receiving a Federal Perkins Loan, we noted that the University had not transmitted the loan disbursement to the FPLS as of October 31, 2011.

The Code of Federal Regulations (34 CFR 685.301(e)(2)) states that the University must submit the initial disbursement record for a loan to ED no later than 30 days following the date of the initial disbursement. The University must submit subsequent disbursement records, including adjustment and cancellation records, to ED no later than 30 days following the date of disbursement, adjustment, or cancellation is made.

The University's Federal Perkins Loan Procedures states that the Collection Specialist will transmit each disbursed loan to the University's FPLS.

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 loan originations are reported to ED and the FPLS in a timely manner.

University officials stated this was an isolated incident. Fiscal year 2011 was our first full year with Direct Loans. When the error was discovered on July 5, 2011, it was corrected immediately.

University officials also stated the transmission of the Federal Perkins loan was delayed due to the departure of the previous Federal Perkins Loan administrator.

Failure to timely submit Federal Direct Student Loan originations to ED is a violation of Federal regulations and could result in a loss of Federal funding. Failure to transmit Federal Perkins Loan originations to the FPLS may result in the University failing to collect on the loan. (Finding Code No. 11-13)

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – *FEDERAL COMPLIANCE*

11-13 FINDING: LATE SUBMISSION OF LOAN DOCUMENTS (Continued)

RECOMMENDATION

We recommend the University timely submit all loan originations to ED and the University's FPLS.

UNIVERSITY RESPONSE

The Office of Financial Aid and the Office of Financial Affairs have established documented policies and procedures to ensure compliance. Staff have been trained on the new procedures. Performance metrics are established and will be tied to employee evaluations. Software to assist in Direct Loan reconciliation has been updated and Direct Loans are reconciled monthly. The renewal of the Contract with the University's Federal Perkins Loan Servicer has been renewed and the University is now working closely with the FPLS to ensure that all paperwork is up to date. The University agrees with the recommendation.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – FEDERAL COMPLIANCE

11-14 FINDING: NOTIFICATION OF DISBURSEMENT

Federal Department:	U.S. Department of Education
CFDA Numbers:	84.268, 84.379
Program Name:	Federal Direct Student Loans Teacher Education Assistance for College and Higher Education Grants (TEACH)
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 or TEACH grants.

Our sample testing of 60 students that received financial assistance included 56 students who received student loans. We noted that none of the students received the required notification regarding the disbursement of loan proceeds. Two of these students also received TEACH grants. Neither of these students received the required notification regarding disbursement and cancellation options related to the TEACH grants.

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 or TEACH grants 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 and TEACH grants.

University officials stated the notices to the students were not sent, due to oversight.

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 or TEACH grants results in noncompliance with Federal regulations and could jeopardize future Federal funding. (Finding Code Nos. 11-14, 10-23)

RECOMMENDATION

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

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – *FEDERAL COMPLIANCE*

11-14 FINDING: NOTIFICATION OF DISBURSEMENT (Continued)

UNIVERSITY RESPONSE

The Office of Financial Aid has established policies and procedures to ensure compliance. The documented process reflecting the required change from the previous year was not fully communicated to staff that should have been able to submit notifications of disbursements in the absence of the financial aid director. Staff have been trained on the new process. Staff accountability has been determined, and performance metrics are being connected to employee evaluations. The University agrees with the recommendation.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – FEDERAL COMPLIANCE

11-15 FINDING: FINANCIAL AID AWARDED TO INELIGIBLE STUDENT

Federal Department:	U.S. Department of Education
CFDA Numbers:	84.379
Program Name:	Student Financial Assistance Cluster (Teacher Education Assistance for College and Higher Education Grants (TEACH))
Questioned Cost:	\$2,000 known (projected \$5,331 calculated as follows: \$2000 (error noted in sample) / \$72,656 (sample size) X \$193,656 (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).

During our testing of a sample of 60 students receiving student financial assistance, we noted that two students received TEACH grants. One of these students had a calculated GPA of 3.253521 as of the end of the Fall, 2010 term. But the student also had a grade of “Incomplete” as of that time. That student’s grade of “Incomplete” was subsequently removed and the student’s TEACH aid was rescinded for the Spring, 2011 term on the same day that the matter was brought to the University’s attention.

As a result of that condition, we decided to expand our testing of GPA eligibility for TEACH grant recipients and selected an additional sample of 22 students to ensure that the University was adhering to the regulations. We noted the following:

- One student received an award (\$2,000) when they did not meet the eligibility requirements pertaining to grade point average.
- We were unable to determine the eligibility for one additional student due to a grade of “Incomplete”. The University was unable to provide a copy of the student’s Incomplete Grade Request & Contract.

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 that the awarding of the Teach Grant to an ineligible student was an oversight. The University’s inability to locate the incomplete records is a result of the strain placed on the resources of the registrar’s office during the transition that occurred due to the retirement of its former Director and two staff members.

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 Nos. 11-15, 10-11)

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – *FEDERAL COMPLIANCE*

11-15 FINDING: FINANCIAL AID AWARDED TO INELIGIBLE STUDENT (Continued)

RECOMMENDATION

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

UNIVERSITY RESPONSE

The Office of the Registrar and Office of Financial Aid have established policies and procedures to ensure compliance. The policy relating to the awarding of TEACH Grants has been amended to read "If a student has an incomplete grade ("I"), the student will not be considered for a TEACH Grant, for any semester, until the "I" has changed to a regular letter grade. Staff has been trained and are familiar with the new policy and procedures. The University agrees with the recommendation.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – FEDERAL COMPLIANCE

11-16 FINDING: RETENTION OF PERKINS LOAN RECORDS

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

Chicago State University (University) did not retain records of cancellation and deferment requests under the Federal Perkins Loan (FPL) program.

We tested 15 students that were awarded a cancellation or deferment during the fiscal year. The University was unable to provide us with documentation of the request for cancellation or deferment for 10 (67%) of the students.

The Code of Federal Regulations (34 CFR 674.19(e)(3)(ii)) states that the University must retain repayment records, including cancellation and deferment requests for at least three years from the date on which a loan is assigned to the Secretary, canceled or repaid.

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' cancellation and deferment requests are retained for the required retention period.

University officials stated the Collections Department at CSU went through a staffing transition at the end of fiscal year 2011 and early 2012 that resulted in some documents being inadvertently misfiled and unable to be located.

Failure to maintain the required records result in non-compliance with the Federal regulation and could result in the loss of Federal funding. (Finding Code No. 11-16)

RECOMMENDATION

We recommend the University maintain the required documents in accordance with the Federal regulations.

UNIVERSITY RESPONSE

The University has hired sufficient staff to manage the Perkins Loan program and is working diligently to ensure all policies and procedures are being followed. Staff have been trained and are familiar with the policies and procedures when processing transactions related to the loan program. The University agrees with the recommendation.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – FEDERAL COMPLIANCE

11-17 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
CFDA Numbers:	Various (see summary of auditors' results)
Program Name:	Student Financial Assistance Cluster Research and Development Cluster Strengthening Minority-Serving Institutions TANF Cluster Textbook and Learning Material Program Family community and Violence Prevention Program Head Start Cluster
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 for students attending the University.

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 that they believed that they were in compliance by publicizing the University's Drug and Alcohol policy in an annual student handbook that is made available on the University's website. Going forward the University will take a more proactive approach in disseminating the policy to the student body.

Failure to comply with the requirements of the Act results in noncompliance with Federal regulations and could jeopardize future Federal funding. (Finding Code Nos. 11-17, 10-22)

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – *FEDERAL COMPLIANCE*

11-17 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 believed that we were in compliance by publicizing the University's Drug and Alcohol policy in an annual student handbook which is made available on the University's website. However, the University accepts the recommendation and going forward the University will ensure that within two to three weeks of each academic term a communication disseminating the policy is sent to the student body.

The communication will come from the Office of Student Affairs and a calendar will be created identifying the types of communications and approximate dates the communications should be generated. Staff training has been completed.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – FEDERAL COMPLIANCE

11-18 FINDING: EXIT COUNSELING

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

Chicago State University (University) could not provide evidence of conducting exit counseling for Federal Perkins Loan (FPL) recipients who were no longer attending the University.

We tested 10 students that exited the University and were in the initial 9 month grace period during the fiscal year. The University was unable to provide us with documentation that an exit interview had been performed for 5 (50%) of the students.

The Code of Federal Regulations (34 CFR 674.42(b)) states an institution must ensure that exit counseling is conducted with each borrower either in person, by audiovisual presentation, or by interactive electronic means. The exit counseling must inform the student of the average anticipated monthly repayment amount based on the student's indebtedness and explain to the borrower various options for repayment.

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

University officials stated the Collections Department at Chicago State University went through a staffing transition at the end of fiscal year 2011 and early 2012 and as a result the performance of exit counseling was inconsistent.

Failure to conduct exit counseling or retain documentation of exit counseling could result in the loss of Federal funding. (Finding Code No. 11-18)

RECOMMENDATION

We recommend the University conduct and retain documentation of the required exit counseling in accordance with Federal regulations.

UNIVERSITY RESPONSE

The University has hired sufficient staff to manage the Perkins Loan program and is working diligently to ensure all policies and procedures are being followed. Staff have been trained and are familiar with the policies and procedures when processing transactions related to the loan program. The University agrees with the recommendation.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – FEDERAL COMPLIANCE

11-19 FINDING: COMPLETION AND GRADUATION RATE DISCLOSURES

Federal Department:	U.S. Department of Education
CFDA Numbers:	84.007, 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 properly disclose all required completion and graduation rate information to enrolled students and prospective students.

During our testing of the Student Financial Assistance Cluster, the University was unable to provide us with any evidence that the following were disclosed or made available to enrolled students and prospective students:

- 1) The placement of, and types of employment obtained, by graduates of the University's degree programs, and
- 2) The types of graduate and professional education in which graduates of the University's four year degree program enroll.

We also noted that the completion or graduation rate information that was made available did not provide all the disaggregated information required by the Federal regulations.

The Code of Federal Regulations (34 CFR 668.41 (d)) requires disclosures to be made available for enrolled or prospective students. An institution must make available to any enrolled student or prospective student through appropriate publications, mailings or electronic media information concerning ...

- (4) The institution's completion or graduate rate and, if applicable, its transfer-out rate.
- (5) The placement of, and types of employment obtained by, graduates of the institution's degree or certificate programs.
- (6) The types of graduate and professional education in which graduates of the institution's four-year degree programs enroll.

The Code of Federal Regulations (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.

The Code of Federal Regulations (34 CFR 668.45 (a)(6)(i)) states completion or graduation rate information must be disaggregated by gender, by each major racial and ethnic subgroup (as defined in IPEDS), by recipients of a Federal Pell Grant, by recipients of a Federal Family Education Loan or Federal Direct Loan who did not receive a Federal Pell Grant, and by recipients of neither a Federal Pell Grant nor a Federal Family Education Loan or a Federal Direct Loan if the number of students in such group or with such status is sufficient to yield statistically reliable information and reporting will not reveal personally identifiable information about an individual 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

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – FEDERAL COMPLIANCE

11-19 FINDING: COMPLETION AND GRADUATION RATE DISCLOSURES (Continued)

program compliance requirements. Effective internal controls should include procedures to ensure that the University makes all required disclosures available by the applicable deadlines.

University officials stated, the Office of Institutional Research and Academic Evaluation (IR&AE), lost its entire full-time staff in December 2010 and there was no previous record regarding the disclosure of this information. Further, information on the placement and employment of graduates and the type of graduate and professional education of four-year degree program graduates had not been systematically collected by the prior IR&AE staff.

University officials also stated that although graduation rates were posted this year, they were not disaggregated by gender, race/ethnicity, nor financial assistance status (i.e., receipt or non-receipt of Pell Grant status, Federal Direct Loan, etc.). There was no record or previous practice of this type of disaggregation. As such, IR&AE staff were unaware of the extensive disclosure requirements and has developed action plans to insure that the information will be published on the University's website.

Failure to prepare and make available all required completion and graduation rate information results in noncompliance with Federal regulations and could jeopardize future Federal funding. It also may hinder the ability of students and prospective students to make an informed decision on their choice of educational institution. (Finding Code Nos. 11-19, 10-26)

RECOMMENDATION

We recommend the University prepare and make available all required information to students and prospective students in accordance with Federal regulations.

UNIVERSITY RESPONSE

The University will comply with the Federal regulations of completion and graduation rate disclosures. The Office of Institutional Research and Academic Evaluation have been completely re-staffed and an action plan has been developed to ensure that this information, in the required format, will be disclosed on our website. The University agrees with the recommendation.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – FEDERAL COMPLIANCE

11-20 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, 84.375
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 two students (3%) were paid the credit balance on their account late. The University made partial refunds of the students' credit balances within the 14 day requirement, but the remaining credit balances (totaling \$1,336) were refunded between 16 and 43 days (2 to 29 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 that the automated refund process was run within the 14 day timeframe for the current semester. However, it appeared that these two students had outstanding balances due from prior terms that were not investigated by the prior Bursar. Once these accounts were investigated by the current Bursar, the credit balances were correctly refunded to the student, but not within the 14 day time limit.

Failure to timely pay credit balances on student accounts results in noncompliance with Federal regulations and could jeopardize future Federal funding. (Finding Code Nos. 11-20, 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.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – *FEDERAL COMPLIANCE*

11-20 FINDING: UNTIMELY PAYMENT OF STUDENT REFUNDS (Continued)

UNIVERSITY REPOSENSE

The Auto Refunding of Credit Amounts Process (TSRRFND) is a four step process that is run on a weekly basis using a population selection to identify all accounts with a credit balance. To ensure that all credit balances resulting from the application of student financial aid is paid to students in a timely manner, all departments responsible for payments and/or charges to student accounts will work together and adhere to deadlines that coincide with the Federal regulations. Staff have been trained and are familiar with the revised process. The University accepts the recommendation.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – FEDERAL COMPLIANCE

11-21 FINDING: USE OF OUTDATED PROMISSORY NOTE

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

Chicago State University (University) did not use the correct promissory note issued by the Department of Education (ED).

We tested 61 students that received student financial assistance. We tested 2 students who received a Federal Perkins Loan. For both students, we noted that the University was using an outdated promissory note. The promissory note that the students signed stated that they expired on June 30, 2009.

The Code of Federal Regulations (34 CFR 674.31(a)) states “An institution may use only the promissory note that the Secretary provides.” ED issued a new promissory note on September 28, 2009. Dear College Letter CB-09-07 requires the use of the new master promissory note (expiring on August 31, 2012) for any loans after December 31, 2009.

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 current promissory notes are used.

University officials stated that the June 30, 2009 promissory note form looked nearly identical to the August 31, 2012 form and University personnel inadvertently used the older form.

Use of an outdated master promissory note results in noncompliance with the Federal regulations and could result in a loss of future Federal funding. (Finding Code No. 11-21)

RECOMMENDATION

We recommend the University use the most current master promissory notes prescribed by ED.

UNIVERSITY RESPONSE

Steps have been taken to prevent this from happening again that include staffing changes, staff training and disposal of outdated forms. In addition the Collections department is looking at automating the form process which will prevent this type of error in the future. The University accepts the recommendation.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – FEDERAL COMPLIANCE

11-22 FINDING: INADEQUATE CONTROLS OVER REPORTING

**Federal Department: United States Agency for International Development (USAID)
CFDA Number: 98.
Program Name: Textbook & Learning Materials Program
Questioned Cost: None noted
Award Numbers: RLA-A-00-09-00036-00**

Chicago State University (University) did not have adequate procedures to ensure that accurate reports were filed.

We tested one of the four quarterly reports of the USAID program and noted the following:

- The University could not provide documentation for the base amount used to calculate indirect costs reported on its financial status report for the period ended September 30, 2010. The University backed in to a base amount on its report by taking the recorded indirect costs and dividing by the indirect cost rate for the program. However, excess indirect costs of \$135 had been charged as of that point in time resulting in the indirect cost base being overstated by \$1,681. This appears to be the same error that was noted in the prior year finding for the report for the period ended March 31, 2010.
- The University incorrectly reported the amount of cash receipts received by the program on the federal cash transaction report for the period ended September 30, 2010. The amount reported was \$1,513,714, when the general ledger showed the University had received \$1,514,181 (a difference of \$467).
- The University incorrectly reported its cost share on the September 30, 2010 financial status report. The University reported \$861,642 of cost sharing to date. That amount was the budgeted amount through that date. The correct amount to have been reported as of that date was \$728,914.
- The September 30, 2010 financial status report did not present the proper dates for the current period. The period covered by the report was for the quarter July 1, 2010 to September 30, 2010. The however the report indicated it was for the period September 1, 2009 to September 30, 2010.

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.

University officials stated a grant accountant made a series of calculation and clerical errors. The accountant was relying on an automated setup for indirect cost calculation in the accounting system; however, the calculation was incorrect and it was not verified by the accountant for accuracy. The reliance on the erroneous indirect cost value caused the federal share and the base to be incorrect

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – *FEDERAL COMPLIANCE*

11-22 FINDING: INADEQUATE CONTROLS OVER REPORTING (Continued)

on the financial status report for the period ended September 30, 2010. University officials indicated that corrective action has been taken.

Failure to ensure that the Federal financial reports are accurate may jeopardize future Federal funding. (Finding Code Nos. 11-22, 10-16)

RECOMMENDATION

We recommend the University improve its procedures to ensure that Federal financial reports contain accurate information.

UNIVERSITY RESPONSE

The University agrees with the recommendation. Sponsored Programs has established new policies and procedures to ensure compliance with our Federally funded program regulations and reporting of expenditures in current fiscal years. Sponsored Programs accountants will report to the Chief Fiscal Officer and all fiscal reports will be approved by the Chief Fiscal Officer.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – FEDERAL COMPLIANCE

11-23 FINDING: CONTROLS OVER REPORTING FOR THE FAMILY AND COMMUNITY VIOLENCE PREVENTION PROGRAM

Federal Department:	Department of Health and Human Services
CFDA Number:	93.910
Program Name:	Family and Community Violence Prevention Program
Questioned Cost:	N/A
Award Number:	1YEPMP090039

Chicago State University (University) did not have adequate procedures to ensure that reports submitted to the grantor were properly completed.

We examined the only financial report (Financial Status Report) submitted during the audit period for the above program and noted the following:

- The report was prepared for a 13 month period instead of the award budget period. The period covered by the report was September 1, 2009 to September 30, 2010. The correct reporting period should have been September 1, 2009 to August 31, 2010. All expenditures were reported for a 13 month period instead of a 12 month period.
- The University also reported the incorrect indirect cost rate on the report. According to the award agreement (and confirmed by the Department of Health and Human Services), the University asked for an indirect cost rate of 17.5% for the initial budget period. The University reported and charged a rate of 20%.

The Notice of Grant Award requires the University to submit a Financial Status Report within 90 days after the expiration of the budget period. The budget period was from September 1, 2009 to August 31, 2010.

The instructions to the Financial Status Report require the University to enter the indirect cost rate that was in effect during the reporting period. That rate per the Notice of Grant Award was approximately 17.5%.

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 accurate data is reported.

University officials stated that, in a transitional environment within the Office of Grants and Research Administration and the overabundance of duties that were placed upon the grant accountant, the accountant made a series of miscalculations and clerical errors. Since then, a plan for redistribution of responsibilities and duties has been developed and is in the process of implementation. University officials indicated that corrective action has been taken.

Failure to ensure that the reporting requirements are complied with may jeopardize future federal funding. (Finding Code No. 11-23)

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – *FEDERAL COMPLIANCE*

11-23 FINDING: CONTROLS OVER REPORTING FOR THE FAMILY AND COMMUNITY VIOLENCE PREVENTION PROGRAM (Continued)

RECOMMENDATION

We recommend the University implement procedures to ensure that the information reported in its financial status reports is complete and accurate.

UNIVERSITY RESPONSE

The University agrees with the recommendation. Sponsored Programs has established new policies and procedures to ensure compliance with our Federally funded program regulations and reporting of expenditures in current fiscal years. Sponsored Programs accountants will report to the Chief Fiscal Officer and all fiscal reports will be approved by the Chief Fiscal Officer.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – FEDERAL COMPLIANCE

11-24 FINDING: RESEARCH AND DEVELOPMENT CLUSTER REPORTING

Federal Department:	Department of Defense National Science Foundation National Institutes of Health
CFDA Numbers:	12., 12.431, 47.074, 47.076, 47.049, 47.082, 93.865, 93.701, 93.859
Program Name:	Research and Development Cluster (Cluster)
Questioned Cost:	None noted
Award Numbers:	W911NF-08-1-0407 W911W6-06-D-0012

Chicago State University (University) did not have adequate procedures to ensure that reports submitted to the grantor were properly completed.

We examined a sample of 25 reports submitted for the Cluster and noted the following:

- One Federal fiscal report (SF 425) reported the indirect costs in excess of those allowed by the award agreement. During the fiscal year, the University charged indirect costs to the program at a rate of 44.8%. However, this particular award limited indirect costs to 35.0%. Subsequent to the filing of the report, the Project Director noted the error and informed the Office of Grants and Research Administration. The cumulative expenditures for indirect costs and total costs charged to the program were overstated by \$29,989 on the report. The accounting records were adjusted to reflect the appropriate indirect cost rate (so there are no questioned costs), but the report has not been revised.
- The Contractor Manpower Reporting for an award was completed on January 7, 2011. However, the report was due to Office of Naval Research by October 31, 2010 (68 days late).

The award/contract with the United States Army states under special terms and conditions "Pursuant to Section 8115 of the Defense Appropriations Act of 2008, no funds made available under that act may be used to pay indirect costs that exceed thirty-five percent of the total amount of the agreement for basic research."

The Contractor Manpower Reporting Application Frequently Asked Questions states that the deadline to enter data for the report is October 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 information reported is accurate and timely.

University officials stated a grant accountant made a series of calculation and clerical errors. The accountant was relying on an automated setup for indirect cost calculation in the University's accounting system; however, the calculation was incorrect and it was not verified by the accountant for accuracy. The reliance on the erroneous indirect cost rate caused the indirect cost and total costs to be incorrect on the financial status report for the period ended 06/30/2011. Prior to January 1, 2011, mechanisms were not in place to monitor late reporting. The Office of Grants and Research Administration now have in place an operational calendar to monitor progress report submissions.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – *FEDERAL COMPLIANCE*

11-24 FINDING: RESEARCH AND DEVELOPMENT CLUSTER REPORTING (Continued)

Failure to ensure that the reporting requirements are complied with may jeopardize future Federal funding. (Finding Code Nos. 11-24, 10-7)

RECOMMENDATION

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

UNIVERSITY RESPONSE

The University agrees with the recommendation. Sponsored Programs has established new policies and procedures to ensure compliance with our Federally funded program regulations and reporting of expenditures in the current fiscal year. Sponsored Programs accountants will report to the Chief Fiscal Officer and all fiscal reports will be approved by the Chief Fiscal Officer. The Office of Grants and Research Administration (OGRA) is establishing protocols for monitoring reporting requirements. The Pre-Grant and Contract Administrator has established a spreadsheet for working with fiscal officers and their reporting requirements.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – FEDERAL COMPLIANCE

11-25 FINDING: INACCURATE COMPLETION OF THE FISCAL OPERATIONS REPORT

<u>Federal Department:</u>	U.S. Department of Education
<u>CFDA Numbers:</u>	84.033, 84.063, 84.038
<u>Program Name:</u>	Student Financial Assistance Cluster (Federal Work Study Program) (Federal Perkins Loans Program) (Federal Pell Grant Program)
<u>Questioned Cost:</u>	None

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

We noted that the following inconsistencies on the FISAP:

	<u>Reported on FISAP</u>	<u>Per detail obtained from University</u>
Total Federal Pell Grant expenditures for the 2010-2011 award year (Part II, Line 23(a))	\$20,700,369	\$20,706,588
Federal Perkins Loans – Loans Advanced to Students during 2010-2011 (Part III, Line B7)	\$83,767	\$83,326
Federal Share of Federal work Study used for Reading Tutors (Part V, Line H28)	\$6,000	\$4,030

The Code of Federal Regulations (34 CFR 674.19(d)(2)) (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.

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 that the employee that prepared the portion of the FISAP that pertained to the Federal Work Study, inadvertently listed the amount that was awarded to the student and not the amount actually earned which resulted in the \$1,970 difference. Regarding the Federal Perkins Loan advances, the \$441 discrepancy occurred as a result of an audit adjustment that the University made in January of 2011 after the final FISAP for FY10 had already been filed. This adjustment was recognized on this year's FISAP in order to achieve the correct cumulative total loans issued. The difference in the Federal Pell Grant Expenditures was due to a calculation error which resulted in the \$6,219 difference.

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

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – *FEDERAL COMPLIANCE*

11-25 FINDING: INACCURATE COMPLETION OF THE FISCAL OPERATIONS REPORT (Continued)

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

We have trained staff and hired additional staff, including the Director of Compliance to review the FISAP before it is submitted. The University agrees with the recommendation.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – FEDERAL COMPLIANCE

11-26 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: none (University adjusted its 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 scanned the general ledger for this grant program and noted that it included an expenditure for retirement benefits in the amount of \$548. However, the award document specifically disallows indirect costs and fringe benefits. After this was brought to the University's attention by the auditor, the University corrected the entry to ensure final reporting was correct.

We inquired whether there were any procurements in the current year for this program and noted the following:

- We were provided with a single contract. The contract was not signed by the University until April 29, 2011; however, the contract states that this contract term "shall begin on December 1, 2010 and end April 30, 2011. If the date of full execution of this contract (signature by both parties) is later than the beginning date stated above, the date of full execution shall be considered the beginning of the term. Contractor shall not supply any goods or services prior to full execution of this contract. Work performed prior to execution of contract will result in nonpayment by the University." The University later informed us that this contract was not a new contract but was intended to be an extension of a previous contract amendment. Instead of writing an amendment to the previous contract amendment, they mistakenly wrote a new contract. As was reported last year, the first contract amendment was not signed by the University or the Contractor and was to have expired on August 31, 2010.
- The Contractor invoiced the University for \$36,666 on September 9, 2010 (paid on December 7, 2010). The University was also invoiced for services of \$3,409 on February 8, 2011 (paid on June 24, 2011) and \$18,625 on April 29, 2011 (paid on August 26, 2011).

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.

The Illinois Procurement Code (30 ILCS 500/20-80(d)) states: "Vendors shall not be paid for any goods that were received or services that were rendered before the contract was reduced to writing and signed by all necessary parties."

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

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

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – FEDERAL COMPLIANCE

11-26 FINDING: NONCOMPLIANCE WITH DEPARTMENT OF ENERGY GRANT REQUIREMENTS (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 grant accountant did not review the grant guidelines of the grant in question which precluded the application of fringe benefits. In addition, the grant file was incomplete and the Office of Grants and Sponsored Programs was unaware that there was no signed contract in place relative to this grant.

Failure to comply with Federal requirements may result in disallowed program costs and jeopardize future Federal funding. (Finding Code Nos. 11-26, 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 work closely with Legal and Labor Affairs to improve policies and procedures for reviewing and approving contracts and amendments. As part of those improvements, Sponsored Programs has hired a Post-Grant and Compliance Administrator who will provide oversight on active federal and state funded contracts and subcontracts.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – STATE COMPLIANCE

11-27 FINDING: INADEQUATE CONTROLS OVER PROPERTY AND EQUIPMENT

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

We reviewed the University's property inventory certification as of March 31, 2011 that was submitted to the Department of Central Management Services (DCMS). The inventory certification to DCMS reported 1,840 items (\$3,808,329) of equipment that could not be located by the University. These assets were acquired by the University over the past 39 fiscal years. Included in this missing equipment were approximately 950 computers, servers, CPUs, or other electronic storage devices. In addition, the University did not perform a detailed assessment and therefore was unable to determine whether the missing computers contained confidential information.

In performing our tests of University equipment, we found 8 exceptions with the 92 (9%) items that were sampled. The following exceptions were noted:

- Four items with a cost of \$21,153 were assigned a tag number and were included on the property control listing, but they had no tag affixed.
- Two items with a cost of \$9,659 could not be located by the University. These items consisted of a robotics chassis, and a tablet computer. (The tablet computer was reported as stolen after the auditors requested to see it.)
- One item with a cost of \$106,175 was removed from the property control records. This item was a book drop and sorter for the new library that was purchased new in 2006, but was never put into service by the University due to software conflicts. In the current fiscal year, the University returned the item to the vendor for a \$15,000 credit on future expenditures.
- One item (a fan) with a cost of \$544 was located in a different location than listed on the property control records.

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

University officials stated that the missing equipment was discovered by the University as a result of requiring fiscal officers to verify and attest to property items assigned to their departments. The University further stated that tags do occasionally fall off of equipment and equipment is loaned between departments and sometime goes unreported. The book drop and sorter was purchased several years ago. After receipt of the asset, it was determined that the asset did not function as represented. After an onsite assessment was completed, the decision was made to abandon any further attempts to make the unit operational.

Unlocated equipment and inaccurate property control records results in incorrect accounting information and could cause unnecessary equipment expenditures. Failure to maintain accurate locations for inventory purposes and not properly tagging University assets could lead to misappropriation of University assets. Failure to know what sort of data may have resided on computer equipment could put personal or proprietary information at risk. (Finding Code No. 11-27)

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – STATE COMPLIANCE

11-27 FINDING: INADEQUATE CONTROLS OVER PROPERTY AND EQUIPMENT (Continued)

RECOMMENDATION

We recommend the University locate the missing equipment. We also recommend the University perform a detailed assessment to determine if any of the missing computers contained confidential information. We further recommend that the University adhere to its procedures and ensure that the property and equipment records are properly maintained and updated when necessary.

UNIVERSITY RESPONSE

The University's inventory certification to DCMS reported 1,840 items that could not be located. This represents approximately 1% of the total assets under the control of Chicago State University. These assets carried a net book value of **\$402,900** and were originally acquired over a 39 year period. The table below summarizes original acquisition cost over this period for the unlocated assets submitted in the DCMS report and the total acquisition cost for the fiscal year:

Years	Original Cost Unlocated Equip.	Qty	Total Acquisition Cost All Equipment for FY
FY2011	\$ 14,082	10	\$ 8,817,609
FY2010	\$ 199,125	166	\$ 4,678,330
FY2009	\$ 359,415	199	\$ 7,735,441
FY2008	\$ 304,852	165	\$ 10,695,890
FY2007	\$ 567,287	264	\$ 15,045,734
FY2006	\$ 423,765	98	\$ 36,253,698
FY2005	\$ 153,541	117	\$ 19,824,079
FY2004	\$ 178,952	106	\$ 11,520,717
FY2003	\$ 117,428	57	\$ 9,940,138
FY2002	\$ 222,468	134	\$ 8,211,226
FY1972 - 2001	\$ 1,267,414	524	\$ 130,256,954
Grand Total	\$ 3,808,329	1840	\$ 262,979,815

Subsequent to the DCMS report, Chicago State University developed a plan to dedicate additional resources to identify the location of these assets. To date the University has located 702 (38%) of the 1,840 assets originally reported as unlocated. The University will retain an outside audit firm to verify the located items. The net book value of the remaining assets to be located is **\$40,232**. Further detail indicates 93% of the assets acquired during fiscal years 2010 and 2011 (the current administration) have been located. The net book value associated with the remaining 7% (12 assets) is zero. The table below details the current state of assets to be located by year of acquisition, original costs and associated quantity:

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – STATE COMPLIANCE

11-27 FINDING: INADEQUATE CONTROLS OVER PROPERTY AND EQUIPMENT (Continued)

Years	Original Cost Unlocated Equip.	Qty	Total Acquisition Cost All Equipment for FY
FY2011	\$ -	0	\$ 8,817,608.55
FY2010	\$ 18,602.38	12	\$ 4,678,330.27
FY2009	\$ 129,368.79	112	\$ 7,735,440.81
FY2008	\$ 81,039.77	65	\$ 10,695,889.63
FY2007	\$ 197,605.79	114	\$ 15,045,733.70
FY2006	\$ 67,200.12	49	\$ 36,253,697.51
FY2005	\$ 100,020.47	96	\$ 19,824,079.26
FY2004	\$ 109,328.44	86	\$ 11,520,716.85
FY2003	\$ 73,766.70	51	\$ 9,940,137.62
FY2002	\$ 156,234.20	84	\$ 8,211,226.33
FY1972--2001	\$ 1,081,470.66	469	\$ 130,256,954.17
Grand Total	\$ 2,014,637.32	1138	\$ 262,979,814.70

In response to this finding, the University accepts all recommendations as stated and has taken steps to enhance the control environment by establishing a corrective action plan. Key components of this plan include strengthening procedures around the initial assignment of assets to employees, conducting spot audits of departments charged with oversight of University property, expanding resources dedicated to validating the location of an asset prior to any employee separation and holding employees personally liable for University property assigned to them. Chicago State University's new administrative leadership is committed to establishing a culture of accountability in its property control policies.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – STATE COMPLIANCE

11-28 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 \$4,125,909, we noted the following:

- 13 of the 25 contracts (52%) (some contracts had more than one exception) tested did not contain the minimum requirements for written contracts. The following required elements were missing:
 - Appropriation Contingency Clause (7 contracts)
 - Certification regarding bribery (5 contracts)
 - Certification regarding debt delinquency (5 contracts)
 - Certification regarding drug free workplace (5 contracts)
 - Certification regarding non-compliance with the Environmental Protection Act (10 contracts)
 - Certification regarding prohibited bidders and contractors (6 contracts)
 - Certification regarding Illinois use tax (6 contracts)
 - Certification regarding international boycott (8 contracts)
 - Certification regarding access to maintained records and rights to audit (5 contracts)
 - Certification of compliance with the required registration with the State Board of Elections (9 contracts)
 - Legal status disclosure statement (1 contract)
 - Federal taxpayer identification number of the contractor (5 contracts)
 - Certification of compliance with the Child Labor Act (7 contracts)
 - Certification that the contractor is not barred from doing business due to a felony conviction (5 contracts)
 - Certification that products provided pursuant to the contract were manufactured in the United States (Procurement of Domestic Products Act) (7 contracts)
 - Certification that no foreign-made materials, equipment or supplies furnished to the University were produced in whole or in part by forced labor, convict labor or indentured labor under penal sanction (6 contracts)
 - Statement as to whether a subcontractor may or will be utilized (4 contracts)
 - Signature of the University representative (7 contracts)
 - Signature of Contractor (5 contracts)
- Two contracts (8%), totaling \$459,612, 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 approved by and registered with the United States Department of Labor's Bureau of Apprenticeship and Training.
- One contract totaling \$436,892 did not have the signature of the Chief Fiscal Officer or the Chief Legal Counsel of the University included on the contract.
- One contract amendment (\$350,000 increase) exceeded the \$250,000 threshold which requires approval by the Board of Trustees. The University could not provide evidence that the amendment was approved by the Board of Trustees.
- Four contracts (16%), totaling \$853,362, were executed by a University official and the vendors. However, the date of the University's or vendors' signature was after the date of the

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – STATE COMPLIANCE

11-28 FINDING: INADEQUATE CONTROLS OVER CONTRACTING PROCEDURES (Continued)

commencement of services according to the contract or invoice. The total amount of services provided prior to execution for three of the contracts totaled \$293,137. The fourth contract (which was executed in mid-October of 2010) was an annual software maintenance agreement covering July 1, 2010 to June 30, 2011.

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 execution of the lease. The lease was signed on October 15, 2010 and the lease commencement date was September 16, 2010. Two payments totaling \$600 (September 27, 2010 and October 8, 2010) were made prior to execution of the lease.
- The individual who signed the lease on behalf of the University was not an authorized University representative.
- The lease was missing the following required elements:
 - Certification regarding bribery
 - Certification that the lessor is not barred from doing business due to a debt owed to the State
 - Certification regarding non-compliance with the Environmental Protection Act
 - Certification regarding Illinois Use Tax
 - Certification that the lessor is not barred from doing business due to a felony conviction
 - Certification of compliance with the required registration with the State Board of Elections
 - Right to audit records clause
 - Required disclosures of owners and beneficiaries
 - Lessor's Federal Taxpayer Identification Number

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):

- Signature of contractor and authorized University representative
- Contractor's Federal Taxpayer Identification Number and Legal Status Disclosure Certification
- 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
- A bribery clause certification
- A debt delinquency certification
- A drug free workplace certification
- A prohibited bidders and contractors certification
- An Illinois use tax certification
- A child labor act certification

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – STATE COMPLIANCE

11-28 FINDING: INADEQUATE CONTROLS OVER CONTRACTING PROCEDURES (Continued)

- A forced labor act certification
- A felons certification

The Illinois Procurement Code (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 Code (30 ILCS 500/50-35) requires bidders (and subcontractors) to file a financial disclosure form with any bid or offer with an annual value of more than \$25,000. The Code (30 ILCS 500/20-80(d)) also states that vendors shall not be paid for any goods that were received or services that were rendered before the contract was reduced to writing and signed by all necessary parties.

The Procurement of Domestic Products Act (30 ILCS 517/15) states that each contract awarded by a purchasing agency shall contain the contractors 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 Chicago State University Administrative and Finance Policies and Procedures Manual (Procedure 6.1) requires purchases of \$250,000 or more to be approved by the Board of Trustees.

The Illinois Procurement Code (30 ILCS 500/30-22) requires construction contractors, in order to be considered a responsible bidder on a construction contract, to comply with applicable requirements when bidding and must present satisfactory evidence of that compliance, including participation 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 that the purchase orders used in some of the past transactions did not include all the certifications and elements noted above. In addition, several changes within the purchasing department personnel and to the purchasing processes were made during the fiscal year. Many of the exceptions noted occurred prior to those changes.

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. 11-28, 10-31, 09-6, 08-13, 07-9, and 06-12)

RECOMMENDATION

We recommend that the University enhance its internal controls to ensure compliance with the Illinois Procurement Code, State Statutes, the SAMS Manual, and University policies.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – STATE COMPLIANCE

11-28 FINDING: INADEQUATE CONTROLS OVER CONTRACTING PROCEDURES (Continued)

UNIVERSITY RESPONSE

The University agrees with the recommendation. Our legal department has implemented processes to ensure that all of its contracts including lease agreements are timely executed by the appropriate person and that any and all contracts contain all the required certifications. Our purchasing department will review each contract to ensure compliance with both state and federal procurement standards. Our purchasing department has implemented a weekly process to ensure all contracts/purchase orders are timely filed with the Office of the State Comptroller according to the Illinois Procurement Code (30 ILCS 500/20-80(b)).

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – STATE COMPLIANCE

11-29 FINDING: VOUCHER PROCESSING ERRORS

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

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

- Three invoices (2%), amounting to \$14,383, contained expenditures that were recorded to the incorrect fiscal year.
- Eleven invoices (9%) were not approved for payment in a timely manner. These invoices were approved between 34 and 134 days (4 to 104 days late) after receipt of a proper bill.
- Two invoices (2%) were not dated by the receiving officer; therefore, a determination could not be made on whether or not the invoice was approved for payment timely.
- Nine invoices (7%) were not paid in a timely manner. The invoices were paid 69 to 155 days (9 to 95 days late) after the receipt of a proper bill.
- Three invoices (2%) were charged to the incorrect Statewide Accounting Management System (SAMS) code. The invoices had charges for \$3,703, \$49 and \$22 that were charged to commodities, operation of automotive equipment, and operation of automotive equipment, respectively and should have been charged to contractual services, commodities and commodities, respectively.
- Three invoices (2%) were for gasoline purchases that included premium or midgrade gasoline. The premium and midgrade purchases amounted to \$492. One of these invoices was for bulk gasoline purchases to be used on University premises.
- One invoice (1%) was for an advance of funds for team travel in the amount of \$1,043. The traveler returned \$563 of unspent funds to the University. There were no receipts attached to the reconciliation supporting the expenditures of \$480.
- Five invoices (4%) were for advances of funds for team travel. Reconciliations were completed for each invoice; however, for three of the advances which had unspent funds totaling \$319, there was no evidence provided that the unspent advance funds had been returned to the University. The two remaining advances had unspent funds totaling \$180 which were refunded to the University 162 and 182 days after the date for which they were advanced.
- Two invoices (2%) were advances of funds for team travel in the amount of \$552 and \$250. There was no reconciliation completed or receipts submitted documenting the expenditure of the \$552. There was no reconciliation completed and only \$69 of receipts submitted documenting the expenditure of the \$250.

We also tested another 150 Federal expenditures and 10 expenditures of the University's Convocation Center and noted the following:

- Nine invoices (6%) were not approved for payment in a timely manner. These invoices were approved between 35 and 165 days (5 to 135 days late) after receipt of a proper bill.
- Two invoices (1%) were not dated by the receiving officer; therefore, a determination could not be made on whether or not the invoice was approved for payment timely.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – STATE COMPLIANCE

11-29 FINDING: VOUCHER PROCESSING ERRORS (Continued)

- Thirteen invoices (8%) were not paid in a timely manner. The invoices were paid 65 to 323 days (5 to 263 days late) after the receipt of a proper bill.

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

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 as a result of business practices and a culture prevalent under former management which are still in process of being addressed and rectified.

Untimely payments may result in vendors being unwilling to do business with the State. Late approval of invoices, lack of reconciliations and receipts to account for advances, 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. (Finding Code Nos. 11-29, 10-34, 09-2)

RECOMMENDATION

We recommend the University improve controls to ensure that expenditures are approved and paid timely, are posted to the correct fiscal year, and that advances are reconciled and properly accounted for. We further recommend the University only purchase premium and mid-grade gasoline when there is a documented need for higher grade fuel.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – STATE COMPLIANCE

11-29 FINDING: VOUCHER PROCESSING ERRORS (Continued)

UNIVERSITY RESPONSE

The University accepts the recommendation as stated that addresses timeliness of expenditure payment, along with proper posting and reconciliation. We have established a corrective action plan that strengthens internal controls over our current process. We are installing an automated accounts payable process that will greatly improve voucher processing with an expected implementation date of July 1, 2012. We will continue to procure gasoline in a cost efficient fashion that properly leverages the operations staff. Our administrative leadership is committed to achieving operational excellence through an enhanced commitment to process improvement, systems automation and a strengthened infrastructure.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – STATE COMPLIANCE

11-30 FINDING: INADEQUATE CONTROLS OVER “INCOMPLETE” GRADE PROCESS

Chicago State University (University) did not follow their policies regarding their “Incomplete” grade process.

During our testing of student financial assistance we noted several students that received a grade of “Incomplete”. This prompted us to review the University’s catalog which states that students who request a grade of incomplete must submit an Incomplete Grade Request and Contract, which requires the student to indicate the reason(s) why she/he was unable to complete the required course work. The student’s instructor must indicate the specific work the student is expected to complete. The instructor must also indicate a default grade to which the “Incomplete” will revert if the student does not complete the work by the end of the subsequent Spring or Fall term. Our testing of 25 students who received an “Incomplete” grade identified 21 (84%) students who failed to submit an Incomplete Grade Request and Contract.

The University’s Undergraduate catalog states “A request for a grade of Incomplete must be initiated by the student and must be submitted to the instructor in writing – using the Incomplete Grade Request and Contract – by the last day of regular classes before the final exam period.”

University officials stated due to losing two key staff members in the Office of the Registrar certain established procedures were not followed.

Failure to adhere to published policies and procedures may result in students being misled about what is fully expected of them and the policies and procedures to follow when they receive and “Incomplete” grade. (Finding Code No. 11-30)

RECOMMENDATION

We recommend the University adhere to or amend its published policy over the “Incomplete” grade process.

UNIVERSITY RESPONSE

The University agrees with the recommendation. The Office of Registrar has redefined the policies and procedures to ensure compliance. These policies include, but are not limited to cross training, consequently ensuring that losing key personnel in the Office of the Registrar, will not affect business practices and maintain established procedures.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – STATE COMPLIANCE

11-31 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 collections within 180 days and collections after 180 days for both the State and Federal/Private revenue sources. All amounts were reported in the collections within 180 days. Also, the University reported the number of accounts with balances for State and Federal/Private as 16 and 55, respectively, when the correct number should have been 13 and 68, respectively.
 - For the second quarter – The University did not maintain supporting documentation to support collections within 180 days and collections after 180 days for both the State and Federal/Private revenue sources. All amounts were reported in the collections within 180 days.
 - For the third quarter – The University did not maintain supporting documentation to support collections within 180 days and collections after 180 days. All amounts were reported in the collections within 180 days for both the State and Federal/Private revenue sources. Also, the University reported the number of accounts with balances for State and Federal/Private as 12 and 55, respectively, when the correct number should have been 14 and 57, respectively.
- Loans Funds
 - For the first quarter – The beginning balance did not match the fourth quarter from prior year (the difference was \$1,000).
- Current Unrestricted
 - For the fourth quarter – The University reported the number of accounts with balances for Student, General, and State revenue sources as 9,129, 80, and 24 when the correct number of accounts should have been 11,277, 87, and 21 for Student, General, and State revenue sources, respectively.

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 that, in a transitional environment within the Office of Grants and Research Administration and the overabundance of duties that were placed upon the grant accountant, the accountant made a series of miscalculations and clerical errors. Since then, a plan for redistribution

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – STATE COMPLIANCE

**11-31 FINDING: INADEQUATE SUPPORT FOR QUARTERLY SUMMARY OF ACCOUNTS RECEIVABLE
(Continued)**

of responsibilities and duties has been developed and is in the process of implementation. University officials indicated that corrective action has been taken.

Maintaining proper documentation is important to support the accuracy of reports filed with the State Comptroller. (Finding Code Nos. 11-31, 10-37, 09-9)

RECOMMENDATION

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

UNIVERSITY RESPONSE

The University agrees with the recommendation. Sponsored Programs has established new policies and procedures to ensure compliance with our Federal funded program regulations and reporting of expenditures in current fiscal years. Sponsored Programs accountants will report to the Chief Fiscal Officer and all fiscal reports will be approved by the Chief Fiscal Officer.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – STATE COMPLIANCE

11-32 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. 11-32, 10-33, 09-13)

RECOMMENDATION

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

UNIVERSITY RESPONSE

The University agrees with the recommendation. Since FY10, we have established fiscal practices to avoid adding materially to a deficit that accumulated over a period of several years. Due to the magnitude of the deficit, we are developing a long-term plan to eliminate the deficit, taking into consideration the challenges that contributed to the finding.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – STATE COMPLIANCE

11-33 FINDING: TIME SHEETS NOT MAINTAINED IN COMPLIANCE WITH STATE OFFICIALS AND EMPLOYEES ETHICS ACT

Chicago State University (University) did not maintain time sheets as required by the State Officials and Employee Ethics Act (Act).

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

- 6 (24%) 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 the University requires all departments to have a time sheet sign-in in order to track employee time; however the University was unaware that the certification of the employee signature was required. The University time sheets have been revised to include the certification language. Additionally, the Faculty Union representing the State of Illinois Public University System refuses to require its members to execute sign in sheets thus causing the University to be out of compliance with the Act.

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

RECOMMENDATION

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

UNIVERSITY RESPONSE

The University agrees with the recommendation. The time-sheet currently used by staff has been revised to incorporate the language required by the statute. However, 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, 2011**

CURRENT FINDINGS – STATE COMPLIANCE

11-34 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.
- Three of ten former employees tested were still listed as active users of the University's computer systems. These three employees had separated from the University from 28 to 58 days prior to the date of our testing.
- 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.

Former employees still had active User Ids which enabled them to access the University's computer systems. We tested ten former employees and found that three still had access to various aspects of the information system commensurate with their former duties. Approximately two months after bringing this issue to the attention of University management, we were able confirm that at least one of these former employees still had access to advisor menus on a University application and could view student records. The University's "Information Security Policy" states "All accounts for staff that separate from the University will be deleted or made inactive immediately."

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

University officials stated the University has been lacking a tool to allow programmer's remote access to users' desktops to allow troubleshooting to be done in a productive way. Furthermore, the termination process requiring communication between the Office of Human Resources and the Department of Information Technology was inefficient and allowed some employees to maintain access to systems. In addition, the University is short staffed in several departments and there have been numerous process changes that have required extensive Information Technology Department support.

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

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS – STATE COMPLIANCE

11-34 FINDING: COMPUTER SECURITY WEAKNESSES (Continued)

provide for safeguarding, securing, and controlling access to hardware, software, and the information stored in the computer system.

Failure to promptly terminate access of separated employees leaves student information and University records at risk of unauthorized use. 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 Nos. 11-34, 10-41)

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.
- Ensure prompt deactivation of user access rights of employees who have separated from the University.
- 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

While programmers will continue to need limited access to the production system until the University has a tool to allow troubleshooting via remote access to users' desktops, CSU has implemented a procedure requiring Departments to request system support in writing.

The University has developed procedures to ensure prompt deactivation of access rights for employees who have separated from the University.

Additionally, beginning Fall 2012, all employees will be required to annually certify that they have read and agreed to the Computer Use Policy. Employees who fail to comply will have their network access revoked until they complete the task, and non-compliance will be reported to their managers and Human Resources. The University accepts the recommendation.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

PRIOR FINDINGS NOT REPEATED

A 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 accounting period. We also noted errors reported in prior reporting periods that resulted in prior period adjustments recorded by the University. (Finding Code No. 10-1)

Status – Not repeated

Our testing indicated that the University performed accounting reconciliations of all material accounts. We did not note any errors related to prior reporting periods.

B FINDING: Noncompliance with the Unclaimed Property Act and Write-Off of Accounting Errors

Chicago State University did not fully comply with the Uniform Disposition of Unclaimed Property Act and recorded a prior period adjustment for old accounting errors. (Finding Code Nos. 10-2, 09-1, 08-4, and 07-12)

Status – Not repeated

Our sample testing did not identify any unclaimed property (held 7 years or more) that was required to be transferred to the State. In addition, we did not identify any adjustments for prior accounting errors made by the University.

C FINDING: Inaccurate Financial Reporting for the University Auxiliary Facilities System Revenue Bond Fund

Chicago State University did not properly report financial information of the University Auxiliary Facilities System Revenue Bond Fund. (Finding Code No. 10-3)

Status – Not repeated

Our testing did not identify errors in the University Auxiliary Facilities System Revenue Bond Fund accounting.

D FINDING: Purchasing Card Procedures

Chicago State University did not process certain expenditures in compliance with its Purchasing Card Policy and Procedures. (Finding Code Nos. 10-4, 09-3, and 08-8)

Status – Moved to Immaterial Findings Letter as Finding IM 11-1

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

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

PRIOR FINDINGS NOT REPEATED

E FINDING: Documentation of Student Eligibility

Chicago State University did not adequately document that all students were eligible for financial assistance (Temporary Assistance for Needy Families) prior to making payments on their accounts. (Finding Code No. 10-13)

Status – Not repeated

Our sample testing did not identify any students that did not have the required documentation prior to making payments on their accounts.

F FINDING: Inadequate Cash Management Procedures

Chicago State University did not have adequate procedures to ensure that Federal funds were expended prior to being reimbursed by the federal agency. (Finding Code No. 10-17)

Status – Not repeated

The University revised their procedures. Our sample testing did not identify any exceptions.

G FINDING: Student Financial Aid Credited to Student's Accounts Early

Chicago State University credited student accounts with federal funding earlier than allowed by the Department of Education's (ED) regulations. (Finding Code No. 10-19)

Status – Not repeated

Our sample testing did not identify any student accounts that were credited with federal funds earlier than permitted by ED's regulations.

H FINDING: Disbursement to Ineligible Student

Chicago State University distributed a Federal Pell Grant (Pell) to a student that was ineligible because they never attended classes. (Finding Code No. 10-20)

Status – Not repeated

Our sample testing did not identify any disbursements of Pell grants to students that were ineligible for not attending classes.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

PRIOR FINDINGS NOT REPEATED

I FINDING: Disclosure regarding Lobbying Activities

Chicago State University did not comply with the disclosure requirements regarding lobbying activities. (Finding Code No. 10-24)

Status – Not repeated

Based on our testing, the University complied with the disclosure requirements by filing the proper disclosure forms.

J FINDING: Research and Development Cluster Subrecipient Monitoring

Chicago State University did not fully comply with compliance requirement of subrecipient monitoring applicable to its Research and Development Cluster programs. (Finding Code No. 10-25)

Status – Not repeated

Our sample testing did not reveal any non-compliance with subrecipient monitoring applicable to the Research and Development Cluster.

K FINDING: Inadequate Control Procedures to Notify Pass-Through Grantors of Audit Results

Chicago State University did not have adequate procedures to ensure compliance with Office of Management and Budget, Circular A-133's requirement to notify pass-through grantors of the results of the University's audit. (Finding Code No. 10-27)

Status – Not repeated

The University revised their procedures. We noted no exceptions in our sample testing.

L FINDING: Data Collection Form

Chicago State 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. (Finding Code No. 10-28)

Status – Not repeated

The University included their loans programs on its Form for the fiscal year ending June 30, 2010.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

PRIOR FINDINGS NOT REPEATED

M FINDING: Inadequate Controls Over Convocation Center Expenditures

Chicago State University did not have adequate internal control procedures over expenditures and activities of the University's Convocation Center (Center). (Finding Code No. 10-29)

Status – Not repeated

Our sample testing did not identify any exceptions related to the Center's expenditures for the fiscal year ending June 30, 2011.

N FINDING: Procurement and Contract Documentation

Chicago State University did not comply with the Procurement Code (Code) relative to an invitation for bids and an awarded contract. (Finding Code No. 10-30)

Status – Not repeated

Our sample testing did not identify any exceptions related to the Code regarding invitations for bids and awarding of contracts.

O FINDING: Inadequate Controls Over Student Registration and Billing

Chicago State 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. (Finding Code Nos. 10-32, 09-8)

Status – Moved to the Immaterial Findings Letter as Finding IM 11-6

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

P FINDING: Invoices Submitted for Reimbursement from State Appropriations

Chicago State University submitted invoices for reimbursement from special State appropriations that had nothing to do with the specially funded program. (Finding Code No. 10-35)

Status – Not repeated

Our sample testing did not identify any exceptions relating to the invoices for reimbursement from special State appropriations.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

PRIOR FINDINGS NOT REPEATED

Q FINDING: Noncompliance with Campus Security Enhancement Act of 2008 (Act)

Chicago State University did not develop a complete Campus Violence Prevention Plan or Emergency Response Plan. (Finding Code Nos. 10-38, 09-12)

Status – Not repeated

During the fiscal year ending June 30, 2011, the University developed a Campus Violence Prevention Plan and an Emergency Operations Plan.

R FINDING: NONCOMPLIANCE WITH THE PUBLIC UNIVERSITY TUITION STATEMENT ACT

Chicago State University did not include the specific language on student's invoices to comply with the requirements of the Public University Tuition Statement Act (Act). (Finding Code No. 10-39)

Status – Moved to the Immaterial Findings Letter as Finding IM 11-12

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

S FINDING: Elective Course in Physical Education Not Required for all Teachers

Chicago State 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. (Finding Code No. 10-40)

Status – Not repeated

Our testing indicated that all elementary teacher graduates had completed a course in the teaching of physical education and 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 (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 1982 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, 2011

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		\$ 462,218	\$ -
Federal Work-Study Program	84.033		485,986	-
Federal Perkins Loan Program (Note 2)	84.038		-	-
Federal Pell Grant Program	84.063		20,770,717	-
Federal Direct Student Loans (Note 4)	84.268		-	-
Academic Competitiveness Grant	84.375		75,982	-
National Science and Mathematics Access to Retain Talent (SMART) Grants	84.376		202,017	-
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379		193,656	-
<u>DEPARTMENT OF HEALTH & HUMAN SERVICES</u>				
Scholarships for Health Professions Students from Disadvantaged Backgrounds - SDS OT/Nursing Program	93.925		63,169	-
ARRA - Scholarships for Disadvantaged Students - SDS OT/Nursing Program	93.407		49,465	-
Total Student Financial Assistance Cluster			22,303,210	-
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		138,341	-
Development of Fuel Cells for Mobile Robotic Systems	12.XXX		264,285	-
Development of Solar Cell I Systems	12.XXX		531,585	-
Total Department of Defense			934,211	-
<u>NATIONAL SCIENCE FOUNDATION</u>				
Mathematical and Physical Sciences <i>RUI: Studies of Relativity</i>	47.049		116,730	-
Passed Through The American Physical Society <i>Phys Tec. Program</i>	47.049	N.A.	5,657	-
			122,387	-
Biological Sciences <i>Electron Microscope</i>	47.074		23,500	-
Education and Human Resources <i>AMP - Chicago Science Engineering and Math Alliance Support, Mentoring, Accountability, Research and Training: A Sustainable, Thriving Program in Mathematical Sciences</i>	47.076		758,305	275,454
<i>Urban Science, Technology, Engineering & Math Talent Expansion Program</i>	47.076		108,690	67,708
<i>Creating Innovative Physics Learning Environments in the Urban Classroom</i>	47.076		190,243	-
<i>Establishing a Supportive Environment</i>	47.076		10,102	-
<i>Using the Context of Nuclear & Particle Physics</i>	47.076		120,437	-
			61,552	-
			1,249,329	343,162
ARRA - Trans-NSF Recovery Act Research Support <i>Segmental Recombination in the Mouse T Complex</i>	47.082		108,528	-
<i>MRI:R2 Acquisition of a 400 MHz MNR Spectrometer</i>	47.082		279,659	-
			388,187	-
Total National Science Foundation			1,783,403	343,162
<u>NATIONAL INSTITUTES OF HEALTH</u>				
Child Health and Human Development Extramural Research - EARDA	93.865		19,900	-
ARRA - Trans-NIH Recovery Act Research Support <i>Minority Biomedical Research Support (MBRS/SCORE)</i>	93.701		40,155	-
Passed Through The University of Chicago <i>Re-engineering Translational Research</i>	93.701	UL 1RR024999-0354	32,639	-
			72,794	-
Biomedical Research and Research Training <i>Minority Biomedical Research Support (MBRS)</i>	93.859		737,770	-
<i>Conformations of c-type cytochrome self-assembling complexes</i>	93.859		77,647	-
Passed Through California State University, San Marcus Foundation <i>MBRS RISE II PROGRAM</i>	93.859	42408	1,086	-
			816,503	-
Total National Institutes of Health			909,197	-
Total Research and Development Cluster			3,626,811	343,162

STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Pass-Through Grantor's Number	Expenditures	Passed- Through to Sub-recipients
OTHER PROGRAMS				
DEPARTMENT OF EDUCATION				
Minority Science And Engineering Improvement <i>Minority Science And Engineering Improvement Program Ensuring Mastery of Mathematics</i>	84.120		27,128	-
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities <i>Combined Priority for Personnel Prep.</i>	84.325		198,762	-
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	92,430	-
TRIO CLUSTER				
TRIO-Student Support Services	84.042		229,732	-
TRIO-Talent Search	84.044		215,159	-
TRIO-Upward Bound <i>Project Fame/Upward Bound</i>	84.047		527,635	-
<i>Project Fame/Upward Bound II</i>	84.047		275,389	-
			803,024	-
TRIO-Educational Opportunity Centers Total TRIO Cluster	84.066		336,719	-
			1,584,634	-
Strengthening Minority-Serving Institutions <i>Raising Expectations</i>	84.382		354,153	-
<i>Predominantly Black Institutions (Graduate)</i>	84.382		594,555	-
			948,708	-
Total Department of Education			2,851,662	-
DEPARTMENT OF HEALTH & HUMAN SERVICES:				
Minority Health and Health Disparities Research Passed Through Pacific Institute for Research & Evaluation <i>HIV/STD Prevention Program</i>	93.307	R01MD004125-02	213,374	-
TANF Cluster Temporary Assistance for Needy Families Passed Through the Illinois Department of Human Services <i>TANF Special Projects</i>	93.558	81X6464000	164,041	-
Health Careers Opportunity Program Passed Through University of Illinois @ Chicago <i>Saturday College Program</i>	93.822	1D18HP13628-01-00	74,378	-
Family and Community Violence Prevention Program <i>Youth Empowerment Program</i>	93.910		421,174	85,064
Head Start Cluster Head Start Passed Through the City of Chicago <i>Head Start/IPCFD</i>	93.600	P O # 18396 - 1, 2	119,336	110,309
<i>Early Head Start Program</i>	93.600	P O # 18137 - 1, 2	137,570	-
<i>Head Start Collaboration & Services</i>	93.600	P O # 18107 - 1, 2, 6	317,433	-
			574,339	110,309
ARRA - Head Start Passed Through the City of Chicago <i>Head Start/Q1 Program</i>	93.708	P O # 18107 - 1, 2, 6	33,952	-
Total Head Start Cluster			608,291	110,309
Child Care and Development Block Grant Passed Through the City of Chicago <i>The Child Care Program</i>	93.575	P O # 18107 - 1, 2, 6	130,909	-
ARRA - Prevention and Wellness - Communities Putting Prevention to Work Funding Opportunities Announcement (FOA) Passed Through Public Health Institute of Metropolitan Chicago <i>ARRA/Communities Putting Prevention to Work</i>	93.724	1U58DP002623-01	19,607	-
Total Department of Health and Human Services			1,631,774	195,373

STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

<u>Federal Grantor/Pass-Through Grantor Program/Grant Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>	<u>Passed- Through to Sub-recipients</u>
<u>U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT</u>				
US AID Foreign Assistance for Programs Overseas <i>Textbook and Learning Material Program</i>	98.XXX		6,335,770	-
Total U.S. Agency for International Development			<u>6,335,770</u>	<u>-</u>
<u>DEPARTMENT OF AGRICULTURE</u>				
Child Nutrition Cluster Summer Food Service Program for Children Passed Through the Illinois State Board of Education <i>Summer Food Service Program for Children</i>	10.559	14-016-315P-00/4225	10,965	-
Total Department of Agriculture			<u>10,965</u>	<u>-</u>
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Interest Subsidy Total Department of Housing and Urban Development	14.XXX		55,812	-
			<u>55,812</u>	<u>-</u>
<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	86,783	-
Passed Through Somona State University <i>Using the Big Ideas in Cosmology to Teach</i>	43.001	SA 105797	45,183	-
Total National Aeronautics and Space Administration			<u>131,966</u>	<u>-</u>
			<u>131,966</u>	<u>-</u>
<u>U. S. DEPARTMENT OF ENERGY</u>				
Office of Science Financial Assistance Program <i>CSU Technology Center Planning & Design</i>	81.049		60,251	-
Total U.S. Department of Energy			<u>60,251</u>	<u>-</u>
<u>U. S. DEPARTMENT OF JUSTICE</u>				
Edward Byrne Memorial Justice Assistance Grant Program Passed Through YMCA of Metro Chicago <i>ARRA/Justice Assistance Grant Program</i>	16.803	JAG	22,520	-
Total U.S. Department of Justice			<u>22,520</u>	<u>-</u>
<u>U. S. Corporation for National & Community Services</u>				
Learn and Serve America_Higher Education Passed Through DePaul University Midwest Campus Compact Stem Consortium	94.005	10LH114084	4,786	-
Total U.S. Corporation for National & Community Services			<u>4,786</u>	<u>-</u>
<u>U. S. Small Business Administration</u>				
Small Business Development Centers Passed Through IL. Dept. of Commerce & Economic Opportunities Greater Southside Small Business Development Center	59.037	11-181176	36,582	-
Total U.S. Small Business Administration			<u>36,582</u>	<u>-</u>
TOTAL EXPENDITURE OF FEDERAL AWARDS			<u>\$ 37,072,109</u>	<u>\$ 538,535</u>

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

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, 2011 for which continuing compliance requirements remain. These loan balances are not included in the federal expenditures presented in the schedule.

FEDERAL PERKINS LOAN PROGRAM

The Perkins Loan receivable from program inception through the year ended June 30, 2011 totaled \$1,690,443. Loan advances for the year ended June 30, 2011 totaled \$83,326. Interest income on loans totaled \$6,951 and other income totaled \$591.

3. FEDERAL FAMILY EDUCATION LOAN PROGRAM (FFELP)

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

4. FEDERAL DIRECT STUDENT LOANS

During fiscal year 2011, 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, 2011.

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

During the year ended June 30, 2011, the University's students or their parents were awarded the following loans:

Direct Unsubsidized Loans	\$33,365,591
Direct Subsidized Loans	24,387,775
Direct Parent Plus Loans	1,421,800
Direct Graduate Plus Loans	<u>1,341,786</u>
Total:	<u>\$60,516,952</u>

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
APPROPRIATIONS FOR FISCAL YEAR 2011**

FOURTEEN MONTHS ENDED AUGUST 31, 2011

	Appropriations (Net After Transfers)	Expenditures Through June 30, 2011	Lapse Period Expenditures (July 1-Aug 31)	Total Expenditures	Balances Lapsed
GENERAL REVENUE FUND (001)					
Public Act 96-0956					
Ordinary and Contingent Expense	\$ 39,485,600				
Personal Services		\$ 34,786,200	\$ -	\$ 34,786,200	
Social Security		420,905	-	420,905	
Group Insurance		1,024,000	-	1,024,000	
Contractual Services		2,962,886	-	2,962,886	
Travel		4,823	-	4,823	
Commodities		22,960	-	22,960	
Equipment and Library Books		118,174	-	118,174	
Telecommunications		36,250	-	36,250	
Operation of Automotive Equipment		3,500	-	3,500	
Permanent Improvements		105,902	-	105,902	
Total Ordinary and Contingent Expense	39,485,600	39,485,600	-	39,485,600	\$ -
Governor's Discretionary	225,000	158,943	63,232	222,175	2,825
Total General Revenue Fund (001)	39,710,600	39,644,543	63,232	39,707,775	2,825
GENERAL PROFESSIONS DEDICATED FUND (022)					
Public Act 96-0956					
Pharmacy Practice Education Training	307,000	54,933	252,067	307,000	-
Total General Professions Dedicated Fund (022)	307,000	54,933	252,067	307,000	-
TOTAL - ALL APPROPRIATIONS	\$ 40,017,600	\$ 39,699,476	\$ 315,299	\$ 40,014,775	\$ 2,825

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, 2011
(WITH COMPARATIVE TOTALS FOR 2010)**

	<u>2011</u>	<u>2010</u>
	<u>PUBLIC ACT</u>	<u>PUBLIC ACT</u>
	<u>96-0956</u>	<u>96-0046, 96-0114</u>
GENERAL REVENUE FUND (001)		
APPROPRIATIONS	\$ 39,710,600	\$ 42,112,000
EXPENDITURES		
Ordinary and Contingent Expenses		
Personal Services	34,786,200	33,980,200
Social Security	420,905	420,900
Group Insurance	1,024,000	1,024,000
Contractual Services	2,962,886	2,756,041
Travel	4,823	4,200
Commodities	22,960	20,290
Equipment and Library Books	118,174	111,555
Telecommunications	36,250	240,366
Operations of Automotive Equipment	3,500	3,051
Awards and grants	-	5,000
Permanent Improvements	105,902	94,697
Personal services - ARRA	-	2,417,380
Personal services - ARRA	-	1,034,294
Governor's Discretionary	222,175	-
Total expenditures	<u>39,707,775</u>	<u>42,111,974</u>
Lapsed balances	<u>2,825</u>	<u>26</u>
GENERAL PROFESSIONS DEDICATED FUND (022)		
APPROPRIATIONS	<u>307,000</u>	<u>614,000</u>
EXPENDITURES		
Pharmacy Practice Education Training		
Total expenditures	<u>307,000</u>	<u>614,000</u>
Lapsed balances	<u>-</u>	<u>-</u>
GRAND TOTAL		
APPROPRIATIONS	40,017,600	42,726,000
EXPENDITURES	<u>40,014,775</u>	<u>42,725,974</u>
TOTAL LAPSED BALANCES	<u>\$ 2,825</u>	<u>\$ 26</u>

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
COMPARATIVE SCHEDULE OF INCOME FUND REVENUES AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2011
(With comparative totals for the year ended June 30, 2010)**

	<u>2011</u>	<u>2010</u>
INCOME FUND REVENUES		
Tuition Revenue	\$ 43,212,875	\$ 36,836,657
Laboratory Fee	247,554	229,551
Late Registration Fee	84,766	21,256
NSF Check Fee	1,495	2,331
Deferred Payment Fee	16,995	41,421
Graduation Fee-Undergraduate	21,005	17,560
Graduation Fee-Graduate	5,875	6,086
Transcript Fee	80,176	88,681
Application Fee	133,088	147,939
Interest Income	10,913	14,776
Miscellaneous Other Income	67,205	672,742
TOTAL INCOME FUND REVENUES	<u><u>\$ 43,881,947</u></u>	<u><u>\$ 38,079,000</u></u>
INCOME FUND EXPENDITURES		
Personal Services	\$ 19,646,960	\$ 16,738,516
SURS Retirement	5,264	1,397
Social Security	421,989	391,508
CMS Group Insurance	126	-
Contractual Services	4,968,157	4,360,126
Travel	230,049	384,700
Commodities	1,274,159	1,207,468
Equipment and Library Books	1,065,680	1,008,151
Telecommunications	542,791	303,644
Operation of Automotive Equipment	47,630	76,518
Permanent Improvements	2,613,321	209,875
Awards, Grants, and Matching Funds	1,152,630	422,677
Tuition and Fee Waivers	2,875,362	2,671,515
Other Expenditures	798,349	2,421,015
TOTAL INCOME FUND EXPENDITURES	<u><u>\$ 35,642,467</u></u>	<u><u>\$ 30,197,110</u></u>

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF CHANGES IN STATE PROPERTY
FOR THE YEAR ENDED JUNE 30, 2011**

(In thousands)

	Beginning Balance at June 30, 2010	Additions	Retirements	Reclassifications	Net Transfers (CDB)	Ending Balance at June 30, 2011
Land	\$ 9,611	\$ -	\$ -	\$ -	\$ -	\$ 9,611
Site Improvements	12,143	-	-	-	-	12,143
Buildings and Building Improvements	178,871	2,981	-	210	-	182,062
Equipment	38,455	2,008	(751)	-	-	39,712
Capital Lease Assets	779	-	-	-	-	779
Intangible Assets	399	-	-	-	-	399
Library Books	11,383	275	-	-	-	11,658
Construction In-Progress	2,521	982	-	(210)	3,323	6,616
TOTAL	\$ 254,162	\$ 6,246	\$ (751)	\$ -	\$ 3,323	\$ 262,980

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

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

This Schedule does not reflect any adjustments that may be necessary for State Property that was reported as unlocated when the physical inventory was conducted in fiscal year 2011. See Finding 11-27 for details.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
ANALYSIS OF SIGNIFICANT VARIATIONS IN REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011**

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

	<u>Balance FY 11</u>	<u>Balance FY 10</u>	<u>\$ Difference</u>	<u>% Difference</u>
REVENUES				
contracts increased 46% primarily due to an increase in revenues from the Textbooks and Learning Materials grant of \$5.4 million. This increase was offset by \$1.2 million decrease in various other grants, including the Alliance for Minority Participation.	\$ 15,360,785	\$ 10,507,573	\$ 4,853,212	46%
STATE AND LOCAL GRANTS AND CONTRACTS: State and local grants and contracts decreased mainly due to decreases in various grants, including City of Chicago programs, \$427 thousand; Institutionalization of Chicago, \$261 thousand; Evidence-Based Trauma, \$98 thousand; and various other programs.	\$ 3,844,820	\$ 4,792,609	\$ (947,789)	-20%
EXPENSES				
ACADEMIC SUPPORT: Academic Support expenses in total decreased \$1.8 million, with the greatest contributor being personal services cost due to lower compensated absences expense. The remaining decrease is in contractual expenditures.	\$ 6,265,881	\$ 8,053,543	\$ (1,787,662)	-22%
STUDENT SERVICES: The increase in Student Services is mainly due to printing expenditures associated with the Ghana Textbooks and Learning Materials Grant, up \$5.4 million. Other increases are widespread across account categories.	\$ 14,718,362	\$ 8,122,443	\$ 6,595,919	81%
OTHER NON OPERATING REVENUES, EXPENSES, GAINS OR LOSSES				
CAPITAL APPROPRIATIONS: Several Capital Development Board projects were in process and turned over to the University in fiscal year 2011. These included roof repairs, asbestos abatement, infrastructure, and other lesser projects.	\$ 3,461,184	\$ 683,790	\$ 2,777,394	406%
LOSS ON DISPOSAL OF CAPITAL ASSETS: The University experienced lower losses on capital asset disposals this fiscal year compared to last.	\$ (44,216)	\$ (258,151)	\$ 213,935	-83%

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
COMPARATIVE SCHEDULE OF CASH, TEMPORARY CASH INVESTMENTS,
AND INVESTMENTS - AT MARKET VALUE
AS OF JUNE 30, 2011
(With Comparative Totals as of June 30, 2010)**

	<u>2011</u>	<u>2010</u>
By Depository		
Cash and temporary cash investments:		
Citibank , Chicago, Illinois, Money Market Account	\$ 45,042	\$ 398,836
Bank of America, Chicago, Illinois, Money Market Account	-	6,588
Checking accounts:		
Urban Partnership Bank, Chicago, Illinois, Depository Account	523,863	624,346
Urban Partnership Bank, Chicago, Illinois, ECA Account	-	15,700
Urban Partnership Bank, Chicago, Illinois, Checking Account	57,452	606
Urban Partnership Bank, Chicago, Illinois, HHS Account	3,182	20,538
Citibank, Chicago, Illinois, Vendor Disbursement Account	470,323	1,977,773
Citibank, Chicago, Illinois, Student Disbursement Account	283,298	122,278
Citibank, Chicago, Illinois, Various ACH	117,661	291,876
Citibank, Chicago, Illinois, TMS Account	407	8,983
Chase, Chicago, Illinois, Payroll Account	107,952	252,951
Harris Bank, Chicago, Illinois, HUD Account	257,439	202,279
The Illinois Funds, Springfield, Illinois, Clearing Fund	5,404,719	5,464,457
The Illinois Funds, Springfield, Illinois, Payroll Fund	23,611	23,584
Bank of America, Chicago, Illinois, Checking	-	(30)
Bank of America, Chicago, Illinois, Ticketmaster	-	56,523
Seaway National Bank, Chicago Illinois, Checking	245,570	245,064
Highland Community Bank, Chicago, Illinois, Checking	249,995	250,000
Fifth Third Bank, Chicago, Illinois, CRCP	1,302	-
Total Cash and Cash Equivalents	<u>\$ 7,791,816</u>	<u>\$ 9,962,352</u>
By Fund		
Unrestricted current funds	\$ 8,479,391	\$ 12,746,108
Restricted current funds	(1,695,238)	(2,544,782)
Loan funds	61,390	60,935
Plant Funds	782,714	(488,865)
Agency Funds	163,559	188,956
Total Cash and Cash Equivalents	<u>\$ 7,791,816</u>	<u>\$ 9,962,352</u>

STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
ANALYSIS OF SIGNIFICANT VARIATIONS IN ASSET AND LIABILITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2011

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

	<u>Balance FY11</u>	<u>Balance FY10</u>	<u>\$ Difference</u>	<u>% Difference</u>
<u>ASSETS</u>				
<i>Cash and cash equivalents:</i> Cash and cash equivalents decreased due to slow reimbursements from State Appropriations.	\$ 7,791,816	\$ 9,962,352	\$ (2,170,536)	-22%
<i>Balance in State Appropriation:</i> The balance in State appropriations increased due to timing of State voucher processing and slow reimbursements from the State of Illinois.	\$ 17,800,065	\$ 7,691,533	\$ 10,108,532	131%
<i>Prepaid Expenses and Other Assets:</i> Prepaid expenses and other assets increased mainly due to the purchase of a subscription for various online educational journals.	\$ 514,040	\$ 375,464	\$ 138,576	37%
<u>LIABILITIES</u>				
<i>Accounts Payable and Accrued Liabilities:</i> The decrease in the current liability for accounts payable is mainly due to a \$1.2 million decrease in Local Income Fund liabilities, \$673 thousand decrease in student health insurance liability, and decreases in the liability for construction in the Douglas Hall and in the Alliance of Minority Participation grant program liabilities.	\$ 6,149,974	\$ 9,361,623	\$ (3,211,649)	-34%
<i>Deferred Revenue:</i> Deferred revenue increased significantly due to a \$1.4 million increase in cash advances for various grant programs and a \$213 thousand increase in deferred tuition & fees.	\$ 2,480,061	\$ 849,303	\$ 1,630,758	192%
<i>Capital Leases Payable:</i> Capital leases payable decreased due to payments made on existing leases.	\$ 370,452	\$ 554,773	\$ (184,321)	-33%

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
ANALYSIS OF SIGNIFICANT LAPSE PERIOD EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2011**

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 PROFESSIONS DEDICATD FUND (022)</u>			
Pharmacy Practice Education Training	\$ 252,067	\$ 307,000	82%
Payments for contractual services, commodities, travel, and equipment which were paid locally by 6/30/11 were submitted to the Comptroller's office in the lapse period for reimbursement. They were submitted in the lapse period due to time constraints in the Business Office.			
<u>GENERAL REVENUE FUND (001)</u>			
Governor's Discretionary	\$ 63,232	\$ 222,175	28%
Payments for personal services, contractual services, commodities, travel, equipment, and operation of autotive equipment which were paid locally by 6/30/11 were submitted to the Comptroller's office in the lapse period for reimbursement. They were submitted in the lapse period due to time constraints in the Business Office.			

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
ANALYSIS OF ACCOUNTS RECEIVABLE
AS OF JUNE 30, 2011
(With Comparative Totals as of June 30, 2010)**

Balance Sheet at June 30 of	<u>2011</u>	<u>2010</u>	<u>Change</u>
Accounts Receivable (Net)			
Current Unrestricted Fund	\$ 6,397,191	\$ 5,727,969	\$ 669,222
Current Restricted Fund	3,638,613	4,502,855	(864,242)
Total Accounts Receivable (Net)	<u>\$ 10,035,804</u>	<u>\$ 10,230,824</u>	<u>\$ (195,020)</u>
Accounts Receivable - All Funds at Gross	\$ 15,261,069	\$ 14,663,342	\$ 597,727
Less: Allowance for Uncollectible Accounts	<u>(5,225,265)</u>	<u>(4,432,518)</u>	<u>(792,747)</u>
Total Accounts Receivable (Net)	<u>\$ 10,035,804</u>	<u>\$ 10,230,824</u>	<u>\$ (195,020)</u>
Aging of Current Unrestricted Fund			
Current (less than one year)	\$ 3,132,797	\$ 4,186,244	\$ (1,053,447)
One year past due	2,617,769	1,740,478	877,291
Two years past due	1,536,654	1,753,240	(216,586)
Three years past due	1,890,321	1,150,060	740,261
Older than three years past due	2,412,984	1,298,534	1,114,450
Total Current Unrestricted Fund-Gross	<u>\$ 11,590,525</u>	<u>\$ 10,128,556</u>	<u>\$ 1,461,969</u>
Balance Sheet - Current Unrestricted Fund (Net)	\$ 6,397,191	\$ 5,727,969	\$ 669,222
Allowance for Uncollectible Accounts	<u>(5,193,334)</u>	<u>(4,400,587)</u>	<u>(792,747)</u>
TOTAL CURRENT UNRESTRICTED FUND-GROSS	<u>\$ 11,590,525</u>	<u>\$ 10,128,556</u>	<u>\$ 1,461,969</u>

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SCHEDULE OF SOURCES AND APPLICATIONS OF
INDIRECT COST RECOVERIES
FOR THE YEAR ENDED JUNE 30, 2011**

SOURCES:

Federal funds	\$ 1,348,847
State funds	115,556
Local and private funds	9,535
Other sources	11,000
Total Sources	<u>1,484,938</u>

APPLICATIONS:

Compensation and benefits	207,629
Contractual	452,448
Travel	8,819
Commodities	173,309
Equipment	37,783
Other expenses	27,902
Total Applications	<u>907,890</u>

Excess (Deficit) of Sources Over Applications	<u>577,048</u>
---	----------------

FUND BALANCE, BEGINNING OF YEAR	<u>48,370</u>
--	---------------

FUND BALANCE, END OF YEAR	<u><u>\$ 625,418</u></u>
----------------------------------	--------------------------

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2011**

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, 2011**

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.

In the near future:

- 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, 2011

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
FOR THE YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

Average Number of Employees

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

	<u>2011</u>	<u>2010</u>
Faculty and Staff	894	903
Students	<u>253</u>	<u>253</u>
TOTAL	<u><u>1,147</u></u>	<u><u>1,156</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>2011</u>	<u>2010</u>
Head Count:		
Undergraduate	5,483	5,276
Graduate	<u>1,720</u>	<u>1,767</u>
TOTAL	<u><u>7,203</u></u>	<u><u>7,043</u></u>
Institutional cost per student	<u><u>\$ 7,216</u></u>	<u><u>\$ 6,814</u></u>
Credit Hours:		
Undergraduate	140,944	129,594
Graduate	<u>34,423</u>	<u>30,957</u>
TOTAL	<u><u>175,367</u></u>	<u><u>160,551</u></u>

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

Comparative Enrollment Statistics (Continued)

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

Chicago State University Enrollment Summary '00-11:

<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
Fall '11	5,280	1,602	6,882

Chicago State University Enrollment Demographics - Fall '11:

<u>Category</u>	<u>Number</u>	<u>Percent</u>
Full-time	4,315	62.7%
Part-time	2,567	37.3%
Male	1,991	28.9%
Female	4,891	71.1%
Freshman	1,048	15.2%
Sophomores	921	13.4%
Juniors	1,373	20.0%
Seniors	1,910	27.8%
Other Undergraduates	28	0.4%
Graduates	1,602	23.3%

Credit Hour Production - Fall '10 and Spring '11:

<u>College</u>	<u>2011 Credit Hours</u>
Pharmacy	9,593
Arts & Science	61,478
Business	18,453
Education	28,453
Nursing	25,905
Special Programs	26,408
Undecided/Undeclared	5,077
TOTAL	175,367

STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2011
(UNAUDITED)

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

	2011		2010	
	Total Costs**	Total Semester Cost Per Full-Time Equivalent***	Total Costs**	Total Semester Cost Per Full-Time Equivalent***
Direct salary *	\$ 22,666,510	\$ 2,232	\$ 19,830,717	\$ 1,952
Indirect instruction	1,942,972	191	1,999,943	197
Departmental research	1,038,524	102	1,102,529	108
Departmental overheads	6,817,516	671	6,454,463	636
College or school overheads	2,449,334	241	2,226,917	219
Subtotal of Department and College Cost	<u>34,914,856</u>	<u>3,437</u>	<u>31,614,569</u>	<u>3,112</u>
Overhead support unique to college costs	5,997,895	590	5,988,916	590
All other academic support	6,012,121	592	5,981,003	589
Student services	3,607,127	355	3,503,504	345
Institutional support	12,330,117	1,214	12,308,785	1,212
Subtotal of Department and College Costs with University Overheads	<u>62,862,116</u>	<u>6,188</u>	<u>59,396,777</u>	<u>5,848</u>
Operation and maintenance of physical plant	10,436,820	1,028	9,812,745	966
TOTAL OF ALL COSTS	<u><u>\$ 73,298,936</u></u>	<u><u>\$ 7,216</u></u>	<u><u>\$ 69,209,522</u></u>	<u><u>\$ 6,814</u></u>

* Direct salary total cost for FY11 was determined by assuming a 0.143% increase based on the percentage of increase from FY09 to FY10.

** All other total costs for FY11 were determined by using a three year average.

*** Total semester cost per full-time equivalent was based on FY10 approximate average of .0099% of total cost.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2011**

EMERGENCY PURCHASES

The University made the following emergency purchases during FY11:

- There was a critical need for a power upgrade in the Information Technology Division (\$436,892).
- There was a critical need to retain the same vendor for telephone repair work, maintenance, and services (\$274,887).

ILLINOIS FIRST PROGRAMS

The University does not have any Illinois First Programs.

BOOKSTORE INFORMATION (Unaudited)

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

1. 9.1% of all gross revenues up to \$3,000,000; and
2. 11.1% of all gross revenues over \$3,000,000

During FY 11 the bookstore had gross revenue of \$3,460,784. The University received commissions of \$324,147, and the University spent a total of \$254,495. The bookstore has been given exclusive rights to sell books on campus.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2011**

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

Schedule A - Federal Financial Component

Total Federal Expenditures Reported on SEFA schedule	\$ 37,072
Total New Loans made not included on SEFA Schedule	60,600
Amount of Federal Loan Balances at Beginning of the Year (not included on the SEFA schedule and continued compliance required)	1,664
Other noncash Federal Award Expenditures (not included on SEFA schedule)	-
Total Schedule A	<u>\$ 99,336</u>

Schedule B - Total Financial Component

Total Operating Expenses (From Financial Statements)	\$ 140,409
Total Nonoperating Expenses (From Financial Statements)	902
Total new loans made	60,600
Amount of Federal Loan Balances at Beginning of the Year	1,664
Other noncash Federal award expenditures	-
Total Schedule B	<u>\$ 203,575</u>

Schedule C

Total Schedule A	\$ 99,336	<u>Percent</u> 48.8%
Total Non-Federal Expenses	<u>\$ 104,239</u>	<u>51.2%</u>
Total Schedule B	<u>\$ 203,575</u>	<u>100.0%</u>

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

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

SCHEDULE OF DEGREES CONFERRED

The University conferred degrees during the years ended June 30, 2011 and 2010 as follows:

	<u>2011</u>	<u>2010</u>
Bachelors Degrees	839	701
Post-Baccalaureate Certificates	-	-
Masters Degrees	243	282
Doctoral	4	1
Total Degrees conferred	<u>1,086</u>	<u>984</u>

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2011
(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)	342	\$ 1,060.5	299	\$ 200.2
General Assembly	18	82.9	18	7.7
ROTC	44	160.5	44	21.8
DCFS	3	21.7	3	5.1
Children of Employees	32	81.8	-	-
Senior Citizens	11	7.5	-	-
Illinois Veterans Grants (IVG)	183	607.6	183	142.5
Illinois National Guard	32	35.0	32	8.2
Prisoners of War/MIA	19	63.5	19	14.9
<u>DISCRETIONARY WAIVERS</u>				
(SUBTOTAL)	317	\$ 861.3	191	\$ 66.6
Faculty/Administrators (non-civil service)	37	11.0	37	2.6
Civil Service	169	189.9	154	64.0
Academic/Other Talent	8	21.0	-	-
Athletic	25	242.0	-	-
Gender Equity in Intercollegiate Athletics	22	234.4	-	-
Student Need - Special Programs	56	163.0	-	-
TOTAL	<u>659</u>	<u>\$ 1,921.8</u>	<u>490</u>	<u>\$ 266.8</u>

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

SCHEDULE OF TUITION AND FEE WAIVERS - GRADUATE

(in thousands of dollars)

	<u>Tuition</u>		<u>Fees</u>	
	<u>Number of Waivers</u>	<u>Value of Waivers</u>	<u>Number of Waivers</u>	<u>Value of Waivers</u>
<u>MANDATORY WAIVERS</u>				
(SUBTOTAL)	<u>74</u>	<u>\$ 275.1</u>	<u>74</u>	<u>\$ 55.0</u>
Teacher/Special Education	11	37.5	11	11.4
General Assembly	4	61.0	4	2.2
Illinois Veterans Grants (IVG)	46	151.9	46	35.6
Illinois National Guard	8	8.8	8	2.1
Prisoners of War/MIA	5	15.9	5	3.7
<u>DISCRETIONARY WAIVERS</u>				
(SUBTOTAL)	<u>173</u>	<u>\$ 229.0</u>	<u>122</u>	<u>\$ 54.8</u>
Faculty/Administrators (non-civil service)	48	51.7	48	21.0
Civil Service	62	72.4	52	21.2
Student Need - Special Programs	3	5.5	-	-
Cooperating Professionals	27	25.9	22	12.6
Teaching Assistants	33	73.5	-	-
TOTAL	<u><u>247</u></u>	<u><u>\$ 504.1</u></u>	<u><u>196</u></u>	<u><u>\$ 109.8</u></u>

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES
UNIVERSITY REPORTING IN ACCORDANCE WITH UNIVERSITY GUIDELINES
FOR THE YEAR ENDED JUNE 30, 2011**

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 42-43 of our financial audit report and pages 12-19 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, 2011 regarding subsidies between accounting entities. See finding 11-32.

INDIRECT COST REIMBURSEMENTS

- (b) Refer to page 110 of this report for the sources and applications of indirect cost reimbursements for the year ended June 30, 2011.
- (c) Refer to page 125 of this report for calculation of allowable indirect cost carryforward and required remittances to the Income Fund.

TUITION CHARGES AND FEES

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

AUXILIARY ENTERPRISES, ACTIVITIES AND ACCOUNTING ENTITIES

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

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

Auxiliary Enterprises:

University Facilities System Revenue Bond Fund:

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

Parking Facilities:

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

Health Services:

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

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES
UNIVERSITY REPORTING IN ACCORDANCE WITH UNIVERSITY GUIDELINES
FOR THE YEAR ENDED JUNE 30, 2011**

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 127-130 of this report for financial statements of each accounting entity.
- (g) Refer to page 126 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 38 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, 2011**

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

UNIVERSITY RELATED ORGANIZATIONS

- (l) The University recognizes the Chicago State University Foundation (Foundation) as a University Related Organization. There are no organizations considered by the University to be "Independent Organizations" as defined in Section VII of "University Guidelines – 1982 (As Amended 1997)".
- (m) The University did not receive cash payments from the Foundation for services provided. However, the Foundation provided direct support to the University as illustrated on page 131 of this report.
- (n) The University provided funds (primarily in the form of services) of approximately \$58,405 to the Foundation for the year ended June 30, 2011.
- (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 106 for the Schedule of Cash, Temporary Cash Investments, and Investments as of June 30, 2011.
- (r) Income from the investment of pooled funds is regularly allocated and credited to the original sources of the funds.
- (s) Refer to pages 114, 115, and 116 for student enrollment and cost statistics.
- (t) Neither the University or the Foundation has purchased any real estate during the year ended June 30, 2011.
- (u) There are no certificates of participation (COPS) or participation in lease or purchase arrangements involving COPS for the year ended June 30, 2011.

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES
FOR THE YEAR ENDED JUNE 30, 2011**

**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	\$ 1,176,317
Allowable Indirect Cost Carryforward	
Indirect cost reimbursements allocated for expenditure for the fiscal year completed (\$1,048,519 @ 30%)	314,556
Unallocated Reimbursements - the lesser of actual unallocated indirect cost reimbursement or 10% of total indirect cost allocations.	104,852
Encumbrances and Current Liabilities	<u>327,968</u>
Total Allowable Indirect Cost Carryforward (Sum of Lines 2, 3 and 4)	<u>747,376</u>
AMOUNT TO BE REMITTED TO THE INCOME FUND	<u><u>428,941</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, 2011**

	<u>AUXILIARY ENTERPRISES</u>				<u>ACTIVITIES</u>				
	<u>Bond Revenue</u>	<u>Parking</u>	<u>Student Health</u>	<u>Total Auxiliary Enterprises</u>	<u>Public Services</u>	<u>Activity Services</u>	<u>Student Activities</u>	<u>Continuing Education</u>	<u>Total Activities</u>
1. Current available funds									
Add:									
Cash and cash equivalents	<u>\$ 2,083,543</u>	<u>\$ 1,331,754</u>	<u>\$ (75,327)</u>	<u>\$ 3,339,970</u>	<u>\$ 1,055,464</u>	<u>\$ 4,333,997</u>	<u>\$ (2,657,923)</u>	<u>\$ 830,844</u>	<u>\$ 3,562,382</u>
Total current available funds	A. 2,083,543	1,331,754	(75,327)	3,339,970	1,055,464	4,333,997	(2,657,923)	830,844	3,562,382
2. Working capital allowance									
Add:									
Highest month's expenditures	2,460,105	169,744	90,926	2,720,775	125,791	2,954,724	1,362,816	30,245	4,473,576
Encumbrances and current liabilities paid in lapse period	436,038	63,808	39,053	538,899	21,971	563,377	208,330	7,494	801,172
Deferred income / Refundable deposits	20,859	976	2,899	24,734	76	165,668	12,754	-	178,498
Allowance for restoring inventory to normal level	-	-	-	-	-	40,094	-	-	40,094
Allowance for sick leave / vacation payouts	<u>89,917</u>	<u>19,962</u>	<u>34,160</u>	<u>144,039</u>	<u>14,757</u>	<u>44,626</u>	<u>29,528</u>	<u>-</u>	<u>88,911</u>
Working capital allowance	B. <u>3,006,919</u>	<u>254,490</u>	<u>167,038</u>	<u>3,428,447</u>	<u>162,595</u>	<u>3,768,489</u>	<u>1,613,428</u>	<u>37,739</u>	<u>5,582,251</u>
3. Current excess funds:									
Deduct B from A and enter here	C. <u>\$ (923,376)</u>	<u>\$ 1,077,264</u>	<u>\$ (242,365)</u>	(88,477)	<u>\$ 892,869</u>	<u>\$ 565,508</u>	<u>\$ (4,271,351)</u>	<u>\$ 793,105</u>	(2,019,869)
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. <u>-</u>					<u>-</u>
Enter the algebraic sum of C and D and remit the amount due, if any for deposit in the Income Fund				<u>\$ -</u>					<u>\$ -</u>

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, 2011

BALANCE SHEETS - ENTITIES

(With Comparative Totals as of June 30, 2010)

	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	2011	2010
CURRENT UNRESTRICTED FUND ASSETS:									
Cash and cash equivalents	\$ 2,083,543	\$ 1,331,754	\$ -	\$ 1,055,464	\$ 4,333,997	\$ -	\$ 830,844	\$ 9,635,602	\$ 9,782,679
Accounts receivable, net	52,436	-	338,748	27,233	371,392	279,661	-	1,069,470	963,893
Prepaid expenses	21,981	-	-	482	118,712	10,000	-	151,175	136,201
Other assets	93,825	-	-	-	-	-	-	93,825	93,825
Inventories	-	-	-	-	40,094	-	-	40,094	53,606
TOTAL ASSETS	\$ 2,251,785	\$ 1,331,754	\$ 338,748	\$ 1,083,179	\$ 4,864,195	\$ 289,661	\$ 830,844	\$ 10,990,166	\$ 11,030,204
CURRENT UNRESTRICTED FUND LIABILITIES AND FUND BALANCE:									
Bank overdraft	\$ -	\$ -	\$ 75,327	\$ -	\$ -	\$ 2,657,923	\$ -	\$ 2,733,250	\$ 2,869,228
Accounts payable	200,213	8,627	25,194	11,576	458,043	106,945	2,001	812,599	1,649,807
Deferred revenue	18,587	976	2,899	76	31,281	12,754	-	66,573	2,498
Accrued compensated absences	89,917	19,962	34,160	14,757	44,626	29,528	-	232,950	311,313
Fund balances (deficit), unrestricted	1,943,068	1,302,189	201,168	1,056,770	4,330,245	(2,517,489)	828,843	7,144,794	6,197,358
TOTAL LIABILITIES AND FUND BALANCE	\$ 2,251,785	\$ 1,331,754	\$ 338,748	\$ 1,083,179	\$ 4,864,195	\$ 289,661	\$ 830,844	\$ 10,990,166	\$ 11,030,204
PLANT FUNDS ASSETS:									
Cash and cash equivalents	\$ 315,831	\$ -	\$ -	\$ -	\$ 83,160	\$ 54,849	\$ -	\$ 453,840	\$ 204,212
Investment in plant:									
Buildings & Improvements	25,180,384	925,740	-	1,908	-	19,536	274	26,127,842	25,796,429
Furniture and equipment	4,524,182	785,265	-	249,171	304,839	188,979	-	6,052,436	5,738,464
TOTAL ASSETS	\$ 30,020,397	\$ 1,711,005	\$ -	\$ 251,079	\$ 387,999	\$ 263,364	\$ 274	\$ 32,634,118	\$ 31,739,105
PLANT FUNDS LIABILITIES AND FUND BALANCE:									
Accounts payable	\$ 74,750	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 189,899	\$ 264,649	\$ 1,280,060
Bond payable	17,365,000	-	-	-	-	-	-	17,365,000	18,295,000
Premium on bonds	280,705	-	-	-	-	-	-	280,705	303,162
Fund balances(deficit):	12,299,942	1,711,005	-	251,079	387,999	263,364	(189,625)	14,723,764	11,860,883
TOTAL LIABILITIES AND FUND BALANCE	\$ 30,020,397	\$ 1,711,005	\$ -	\$ 251,079	\$ 387,999	\$ 263,364	\$ 274	\$ 32,634,118	\$ 31,739,105

STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES
FOR THE YEAR ENDED JUNE 30, 2011

STATEMENT OF REVENUES, EXPENDITURES AND TRANSFERS
CURRENT UNRESTRICTED FUNDS

(with comparative totals for the Year Ended June 30, 2010)

	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	2011	2010
REVENUES:									
Operating	\$ 3,304,563	\$ 1,101,771	\$ 73,444	\$ 329,522	\$ 3,165,778	\$ 717,588	\$ 59,899	\$ 8,752,565	\$ 7,599,589
Student fees	2,473,172	-	451,014	-	3,111,032	2,055,310	-	8,090,528	7,439,306
Other	-	-	-	29,455	175,585	12,000	-	217,040	104,771
TOTAL REVENUES	<u>5,777,735</u>	<u>1,101,771</u>	<u>524,458</u>	<u>358,977</u>	<u>6,452,395</u>	<u>2,784,898</u>	<u>59,899</u>	<u>17,060,133</u>	<u>15,143,666</u>
EXPENDITURES:									
Cost of sales	-	-	-	-	310,883	-	-	310,883	198,445
Personal services	1,173,405	393,404	363,638	276,244	1,703,689	265,038	76,967	4,252,385	5,169,003
Expended for plant	151,039	59,599	3,895	925	419,600	17,650	-	652,708	735,924
Commodities	59,644	38,098	26,764	8,981	568,682	243,244	2,938	948,351	1,044,912
Contractual services	1,908,356	24,420	32,740	66,355	1,469,760	994,731	12,530	4,508,892	4,057,358
Other (travel, telecommunications, excess funds refunds, fund transfers)	220,504	79,532	1,532	8,494	899,670	1,120,422	183	2,330,337	481,711
TOTAL EXPENDITURES	<u>3,512,948</u>	<u>595,053</u>	<u>428,569</u>	<u>360,999</u>	<u>5,372,284</u>	<u>2,641,085</u>	<u>92,618</u>	<u>13,003,556</u>	<u>11,687,353</u>
TRANSFERS OUT:									
Transfer out	3,109,141	-	-	-	-	-	-	3,109,141	1,903,482
Total Transfers Out	<u>3,109,141</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,109,141</u>	<u>1,903,482</u>
TOTAL EXPENDITURES AND TRANSFERS OUT	<u>6,622,089</u>	<u>595,053</u>	<u>428,569</u>	<u>360,999</u>	<u>5,372,284</u>	<u>2,641,085</u>	<u>92,618</u>	<u>16,112,697</u>	<u>13,590,835</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND TRANSFERS OUT	<u>\$ (844,354)</u>	<u>\$ 506,718</u>	<u>\$ 95,889</u>	<u>\$ (2,022)</u>	<u>\$ 1,080,111</u>	<u>\$ 143,813</u>	<u>\$ (32,719)</u>	<u>\$ 947,436</u>	<u>\$ 1,552,831</u>

STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES
FOR THE YEAR ENDED JUNE 30, 2011

STATEMENT OF CHANGES IN FUND BALANCES
CURRENT UNRESTRICTED FUNDS

(With Comparative Totals for the Year Ended June 30, 2010)

	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	2011	2010
REVENUES	\$ 5,777,735	\$ 1,101,771	\$ 524,458	\$ 358,977	\$ 6,452,395	\$ 2,784,898	\$ 59,899	\$ 17,060,133	\$ 15,143,666
EXPENDITURES:									
Educational and general	-	-	428,569	360,999	5,372,284	2,641,085	92,618	8,895,555	6,968,957
Auxiliary enterprise	3,512,948	595,053	-	-	-	-	-	4,108,001	4,718,396
Total Expenditures	<u>3,512,948</u>	<u>595,053</u>	<u>428,569</u>	<u>360,999</u>	<u>5,372,284</u>	<u>2,641,085</u>	<u>92,618</u>	<u>13,003,556</u>	<u>11,687,353</u>
TRANSFERS:									
Transfer out	(3,109,141)	-	-	-	-	-	-	(3,109,141)	(1,903,482)
Total Transfers Out	<u>(3,109,141)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,109,141)</u>	<u>(1,903,482)</u>
Net Increase (Decrease) in Fund Balance	(844,354)	506,718	95,889	(2,022)	1,080,111	143,813	(32,719)	947,436	1,552,831
Fund Balance (Deficit), Beginning 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>
FUND BALANCE (DEFICIT) END OF YEAR	<u>\$ 1,943,068</u>	<u>\$ 1,302,189</u>	<u>\$ 201,168</u>	<u>\$ 1,056,770</u>	<u>\$ 4,330,245</u>	<u>\$ (2,517,489)</u>	<u>\$ 828,843</u>	<u>\$ 7,144,794</u>	<u>\$ 6,197,358</u>

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SPECIAL DATA REQUIREMENTS FOR THE AUDITS OF UNIVERSITIES
FOR THE YEAR ENDED JUNE 30, 2011**

**STATEMENT OF CHANGES IN FUND BALANCES
PLANT FUNDS**

(With Comparative totals for the Year Ended June 30, 2010)

	Auxiliary Enterprises		Activities				Total All Entities (Memorandum Only)	
	University Facilities Revenue Bond Fund	Parking Facilities	Public Services	Activities Services	Student Activities	Continuing Education	2011	2010
REVENUES AND OTHER ADDITIONS:								
Interest Income	\$ 140	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 140	\$ 36
Expended for plant	653,200	4,332	-	-	-	-	657,532	-
Retirement of debt	930,000	-	-	-	-	-	930,000	890,000
Total Revenues and Other Additions	<u>1,583,340</u>	<u>4,332</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,587,672</u>	<u>890,036</u>
EXPENDITURES AND OTHER DEDUCTIONS:								
Principal and interest on debt	1,821,784	-	-	-	-	-	1,821,784	1,822,057
Other deductions	-	12,148	-	-	-	-	12,148	81,461
Total Expenditures and Other Deductions	<u>1,821,784</u>	<u>12,148</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,833,932</u>	<u>1,903,518</u>
TRANSFERS IN:								
Transfer in	3,109,141	-	-	-	-	-	3,109,141	1,903,482
Total Transfers In	<u>3,109,141</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,109,141</u>	<u>1,903,482</u>
Net Increase (Decrease) in Fund Balance	2,870,697	(7,816)	-	-	-	-	2,862,881	890,000
Fund Balance (Deficit), Beginning 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>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 12,299,942</u>	<u>\$ 1,711,005</u>	<u>\$ 251,079</u>	<u>\$ 387,999</u>	<u>\$ 263,364</u>	<u>\$ (189,625)</u>	<u>\$ 14,723,764</u>	<u>\$ 11,860,883</u>

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY
SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES
FOR THE YEAR ENDED JUNE 30, 2011**

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 \$58,405 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	\$ 580,421
Restricted Only as to College or Department	<u>486,301</u>
Total Funds Considered Unrestricted	<u>1,066,722</u>

Expenditures Considered Restricted for
Purposes of the Guideline Computations:

Given for Scholarships	<u>231,987</u>
Total Funds Considered Restricted	<u>\$ 231,987</u>

TOTAL FUNDS PROVIDED BY THE FOUNDATION TO SUPPORT THE UNIVERSITY	<u>\$ 1,298,709</u>
---	----------------------------