

**STATE OF ILLINOIS
CHICAGO STATE UNIVERSITY**

**COMPLIANCE EXAMINATION
(In Accordance with the Single Audit Act and
Applicable Federal Regulations)
FOR THE YEAR ENDED JUNE 30, 2017**

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

**State of Illinois
Chicago State University
Compliance Examination
(In Accordance with the Single Audit Act and Applicable Federal Regulations)
For the Year Ended June 30, 2017**

Table of Contents

	Page
University Officials	1
Management Assertion Letter	2
Compliance Report:	
Summary	3
Independent Accountant’s Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes	7
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	12
Independent Auditor’s Report on Compliance for Each Major Federal Program, on Internal Control Over Compliance, and on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	14
Schedule of Findings and Questioned Costs	
Summary of Auditor’s Results	18
Current Findings - <i>Government Auditing Standards</i>	19
Current Findings - Federal Compliance	29
Current Findings - State Compliance	38
Prior Findings Not Repeated	58

Financial Statement Report:

The University’s financial statement report for the year ended June 30, 2017, which includes the Independent Auditor’s Report, Management’s Discussion and Analysis, Basic Financial Statements and Notes to the Basic Financial Statements, Required Supplementary Information, Supplementary Information, and the Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* has been issued separately.

**State of Illinois
Chicago State University
Compliance Examination
(In Accordance with the Single Audit Act and Applicable Federal Regulations)
For the Year Ended June 30, 2017**

Table of Contents (Continued)

	Schedule	Page
Supplementary Information for State Compliance Purposes:		
Summary.....		60
Fiscal Schedules and Analysis:		
Schedule of Expenditures of Federal Awards.....	1	62
Notes to the Schedule of Expenditures of Federal Awards.....	1	66
Schedule of Net Appropriations, Expenditures and Lapsed Balances Fiscal Year 2017.....	2	67
Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances.....	3	68
Comparative Schedule of Income Fund Revenues and Expenditures.....	4	70
Schedule of Changes in State Property.....	5	71
Schedule of Cash Receipts (Treasury Held Fund) and Reconciliation of Cash Receipts to Deposits Remitted to the State Comptroller	6	72
Comparative Schedule of Cash, Temporary Cash Investments, and Investments - at Market Value.....	7	73
Schedule of Federal Expenditures, Nonfederal Expenses and New Loans.....	8	74
Analysis of Operations (Unaudited):		
University Functions and Planning Program (Unaudited).....		75
Analysis of Significant Variations in Revenues and Expenses (Unaudited).....		77
Analysis of Significant Variations in Account Balances (Unaudited).....		79
Analysis of Significant Lapse Period Spending (Unaudited).....		81
Analysis of Accounts Receivable (Unaudited).....		82
Schedule of Sources and Applications of Indirect Cost Recoveries (Unaudited).....		83
Budget Impasse Disclosures (Unaudited).....		84
Alternative Financing in Lieu of Appropriations and Programs to Address Untimely Payments to Vendors (Unaudited).....		84
Interest Costs on Fiscal Year 2017 Invoices (Unaudited).....		84
Average Number of Employees (Unaudited).....		85
Comparative Enrollment Statistics (Unaudited).....		85
Comparative Schedule of Unrestricted Current Fund Expenditures per Full-Time Equivalent Students (Unaudited).....		87
Emergency Purchases (Unaudited).....		88

**State of Illinois
Chicago State University
Compliance Examination
(In Accordance with the Single Audit Act and Applicable Federal Regulations)
For the Year Ended June 30, 2017**

Table of Contents (Continued)

	Page
Supplementary Information for State Compliance Purposes: (Continued)	
Analysis of Operations (Unaudited):	
Illinois First Projects (Unaudited).....	89
Bookstore Information (Unaudited).....	89
Schedule of Degrees Conferred (Unaudited).....	90
Schedule of Tuition and Fee Waivers (Unaudited).....	91
Special Data Requirements for Audits of Universities (Unaudited):	
University Reporting in Accordance with University Guidelines (Unaudited).....	92
Auxiliary Facilities, Activities, and Accounting Entities (Unaudited).....	95
Schedule of Indirect Cost Funds to be Deposited into the University Income Fund as Required by 1982 University Guidelines (As Amended 1997) (Unaudited).....	97
Schedule of Excess Funds Calculation by Entity as Required by 1982 University Guidelines (As Amended 1997) (Unaudited).....	98
Entities Financial Statements (Unaudited):	
Balance Sheets (Unaudited).....	99
Statement of Revenues, Expenditures and Transfers - Current Unrestricted/Restricted Funds (Unaudited).....	100
Statement of Changes in Fund Balances - Current Unrestricted/Restricted Funds (Unaudited).....	101
Statement of Changes in Fund Balances - Plant Funds (Unaudited).....	102
Summary of Foundation Cash Support to the University (Unaudited).....	103

**State of Illinois
Chicago State University
Compliance Examination
For the Year Ended June 30, 2017**

University Officials

Interim President	Dr. Rachel Lindsey, PhD (04/17/17 to Present) Mr. Cecil B. Lucy, JD, MBA, CPA (09/16/16 to 04/16/17)
President	Dr. Thomas J. Calhoun, Jr. (01/01/16 to 09/15/16)
President Emeritus	Dr. Wayne Watson (12/31/15 to Present)
Provost and Senior V.P. for Academic Affairs	Dr. Angela M. Henderson
Deputy General Counsel	Ms. Stephanie Kelly, Esq. (09/01/17 to Present)
Vice President and General Counsel	Vacant (05/23/17 to 08/31/17) Mr. Patrick B. Cage, Esq. (11/01/09 to 05/22/17)
V.P. of Administration and Finance	Ms. Simone A. Edwards (12/01/17 to Present)
Interim V.P. of Administration and Finance	Ms. Arrilean Patawaran (06/20/17 to 11/30/17) Vacant (06/08/17 to 06/19/17) Mr. Cecil B. Lucy, JD, MBA, CPA (10/01/15 to 10/31/16) (04/17/17 to 06/07/17)
Acting V.P. of Administration and Finance	Mr. Larry D. Owens, CPA (11/01/16 to 04/16/17)
Associate V.P. of Administration and Finance	Ms. Maricela Aranda
Interim Executive Director/Controller	Mr. Larry D. Owens, CPA (06/13/16 to Present)
Chief Internal Auditor	Mr. Michael N. Mayo, CPA

University offices are located at:

9501 South Martin Luther King Drive
Chicago, Illinois 60628

Dr. Rachel W. Lindsey, Ph.D
Interim President



February 26, 2018

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

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Chicago State University. We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the Chicago State University's compliance with the following assertions during the year ended June 30, 2017. Based on this evaluation, we assert that during the year ended June 30, 2017, the Chicago State University has materially complied with the assertions below, except as identified in the Schedule of Findings and Questioned Costs.

- A. The 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. The 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. The 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 the 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 the Chicago State University on behalf of the State or held in trust by the Chicago State University have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Yours truly,

Chicago State University

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SIGNED ORIGINAL ON FILE

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Dr. Rachel Lindsey
Interim President

Ms. Simone A. Edwards
V.P. of Administration and Finance

Ms. Stephanie Kelly
Deputy General Counsel

9501 S. King Drive Chicago, Illinois 60628 773.995.3745

**State of Illinois
Chicago State University
Compliance Examination
For the Year Ended June 30, 2017**

Compliance Report

Summary

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

Accountant’s Report

The Independent Accountant’s Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, but does contain a qualified opinion on compliance and material weaknesses over internal control.

Summary of Findings

Number of	Current Report	Prior Report
Findings	18	15
Repeated findings	8	10
Prior recommendations implemented or not repeated	7	5

Schedule of Findings and Questioned Costs

Item No.	Page	Description	Finding Type
<i>FINDINGS (GOVERNMENT AUDITING STANDARDS)</i>			
2017-001	19	Inadequate Controls over Reporting Restricted Accounts	Material Weakness
2017-002	22	Noncompliance with Bond Covenants	Material Weakness and Material Noncompliance
2017-003	25	Financial Statement Adjustments	Significant Deficiency
2017-004	27	Noncompliance with Unclaimed Property Act	Significant Deficiency
<i>FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE)</i>			
2017-005	29	Federal Perkins Loan Cohort Default Rate Too High	Noncompliance and Significant Deficiency

**State of Illinois
Chicago State University
Compliance Examination
For the Year Ended June 30, 2017**

Schedule of Findings and Questioned Costs (Continued)

FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE)

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
2017-006	31	Lack of Adherence to Controls and Noncompliance with Requirements Applicable to the Research and Development Cluster and Partnerships to STEP-UP in Health Careers Program	Noncompliance and Significant Deficiency
2017-007	35	Lack of Adherence to Controls and Noncompliance with Requirements Applicable to the TRIO Cluster	Noncompliance and Significant Deficiency

FINDINGS (STATE COMPLIANCE)

2017-008	38	Inadequate Procedures over Maintenance of Accounts Payable Master Vendor File	Noncompliance and Significant Deficiency
2017-009	39	Failure to Timely Comply with the Continuing Disclosure Requirement of the Auxiliary Facilities Revenue Bonds	Noncompliance and Significant Deficiency
2017-010	40	Inadequate Controls over Contractual Services Expenditures	Noncompliance and Significant Deficiency
2017-011	43	Subsidies Between Accounting Entities	Noncompliance and Significant Deficiency
2017-012	44	Inaccurate Accounts Receivable Reporting	Noncompliance and Significant Deficiency
2017-013	46	Voucher Processing Errors	Noncompliance and Significant Deficiency
2017-014	48	Internal Audit	Noncompliance and Significant Deficiency
2017-015	50	Inadequate Controls over Personal Services	Noncompliance and Significant Deficiency
2017-016	52	Failure to Accurately Report Fees to the General Assembly	Noncompliance and Significant Deficiency
2017-017	54	Inadequate Controls over TA-2 Reporting	Noncompliance and Significant Deficiency
2017-018	56	Weaknesses over System Access	Noncompliance and Significant Deficiency

**State of Illinois
Chicago State University
Compliance Examination
For the Year Ended June 30, 2017**

Schedule of Findings and Questioned Costs (Continued)

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
In addition, the following findings which are reported as current findings relating to <i>Government Auditing Standards</i> also meet the reporting requirements for State Compliance.			
2017-001	19	Inadequate Controls over Reporting Restricted Accounts	Noncompliance and Material Weakness
2017-002	22	Noncompliance with Bond Covenants	Material Noncompliance and Material Weakness
2017-003	25	Financial Statement Adjustments	Noncompliance and Significant Deficiency
2017-004	27	Noncompliance with Unclaimed Property Act	Noncompliance and Significant Deficiency

PRIOR FINDINGS NOT REPEATED

A	58	Inaccurate Accounting of Accrued Compensated Absences	
B	58	Improper Accounting of Unearned Revenue and Grant Receivables	
C	58	Inadequate Controls over Preparation of an Accurate SEFA	
D	58	Lack of Adherence to Controls and Noncompliance with Requirements Applicable to Higher Education Institutional Aid Program	
E	58	Failure to Fully Comply with the Requirements Related to Establishment of Written Policies and Procedures for Verification of Student Aid Application Information	
F	59	Untimely Reporting to National Student Loan Data Systems	
G	59	Noncompliance with Illinois State Collection Act	

Exit Conference

The findings and recommendations appearing in this report were discussed with University personnel at an exit conference on February 6, 2018.

**State of Illinois
Chicago State University
Compliance Examination
For the Year Ended June 30, 2017**

Exit Conference (Continued)

Attending were:

Chicago State University

Dr. Rachel Lindsey, Interim President
Angela Henderson, Provost and Senior V.P. for Academic Affairs
Stephanie Kelly, Vice President and General Counsel
Michael Mayo, Chief Internal Auditor
Simone Edwards, V.P. of Administration and Finance
Maricela Aranda, Associate V.P. of Administration and Finance
Dr. David Kanis, Interim Associate V.P. of Office of Grants and Research Administration
Larry Owens, Interim Executive Director/Controller
Deidre Cato-Baker, Director of Judicial Affairs/Compliance
Lori Mays, Manager of Human Resources
Michelle Wilson, Assistant Chief Internal Auditor

Office of the Auditor General

Thomas Kizziah, Senior Audit Manager
Kathleen Devitt, Audit Manager

E. C. Ortiz & Co., LLP

Edilberto Ortiz, Partner
Leilani Rodrigo, Partner
Rona Lagdamen, Manager

Responses to the recommendations were provided by Ms. Deidre Cato-Baker, Director of Judicial Affairs/Compliance, in a letter dated February 8, 2018.



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

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

The Board of Trustees
Chicago State University

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the Chicago State University's (University) compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the year ended June 30, 2017. The management of the University is responsible for compliance with these requirements. Our responsibility is to express an opinion on the University's compliance based on our examination.

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

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act (the Audit Guide). Those standards, the Act, and the Audit Guide require that we plan and perform the examination to obtain reasonable assurance about whether the University complied, in all material respects, with the specified requirements listed above. An examination involves performing procedures to obtain evidence about whether the University complied with the specified requirements listed above. The nature, timing and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error.

We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the University's compliance with specified requirements.

As described in item 2017-002 in the accompanying schedule of findings and questioned costs, the University did not comply with requirements regarding applicable laws and regulations in its financial and fiscal operations (requirement C). Compliance with such requirements is necessary, in our opinion, for the 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, the University complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the year ended June 30, 2017. However, the results of our procedures disclosed instances of noncompliance with the requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings and questioned costs as items 2017-001, 2017-003, 2017-004 and 2017-008 through 2017-018.

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

The purpose of this report on compliance is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the Audit Guide issued by the Illinois Office of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Internal Control

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

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the requirements listed in the first paragraph of this report on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2017-001 and 2017-002 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2017-003, 2017-004, and 2017-008 through 2017-018 to be significant deficiencies.

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

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

The purpose of this report on compliance is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the Audit Guide issued by the Illinois Office of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Supplementary Information for State Compliance Purposes

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the business-type activities of the University and its discretely presented component units as of and for the year ended June 30, 2017, and have issued our report thereon dated February 14, 2018, which contained unmodified opinions on those financial statements. Our report included reference to other auditors who audited the financial statements of the University's discretely presented component units and whose report had been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units was based solely on the report of the other auditors. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to February 14, 2018. The accompanying supplementary information for the year ended June 30, 2017 in Schedules 1 through 8 is presented for the purposes of additional analysis and is not a required part of the basic financial statements of the University. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The accompanying supplementary information for the year ended June 30, 2017 in Schedules 1 through 8 has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the year ended June 30, 2017 in Schedules 1 through 8 is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2017.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the University's basic financial statements as of and for the year ended June 30, 2016 (not presented herein), and have issued our report thereon dated March 17, 2017, which contained unmodified opinions on the financial statements of the business-type activities and its discretely presented component units. Our report included a reference to other auditors who audited the financial statements of the University's discretely presented component units, as described in our report on the University's financial statements. The accompanying supplementary information for the year ended June 30, 2016 in Schedules 3 through 8 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2016 financial statements. The accompanying supplementary information for the year ended June 30, 2016 in Schedules 3 through 8 has been subjected to the auditing procedures applied in the audit of

the June 30, 2016 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or to those basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the year ended June 30, 2016 in Schedules 3 through 8 is fairly stated in all material respects in relation to the basic financial statements as a whole from which it has been derived.

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

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Chicago, Illinois

February 26, 2018, except for our report on the Supplementary Information for State Compliance Purposes, as to which the date is February 14, 2018.



**Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

The Board of Trustees
Chicago State University

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Chicago State University (University) and its discretely presented component units, collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated February 14, 2018. Our report includes a reference to other auditors who audited the financial statements of the University's discretely presented component units, as described in our report on the University's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings as items 2017-001 and 2017-002 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings as items 2017-003 and 2017-004 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2017-002.

University's Responses to the Findings

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

Purpose of this Report

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

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Chicago, Illinois
February 14, 2018



Independent Auditor's Report on Compliance for Each Major Federal Program, on Internal Control Over Compliance, and on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

The Board of Trustees
Chicago State University

Report on Compliance for Each Major Federal Program

We have audited the Chicago State University's (University) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2017. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

We did not audit the University's compliance with the requirements governing the repayments special test and provision compliance requirement in accordance with the requirements of the Student Financial Assistance Cluster: Federal Perkins Loans as described in *OMB Compliance Supplement*. Those requirements govern functions performed by Heartland ECSI. Since we did not apply auditing procedures to satisfy ourselves as to compliance with those requirements, the scope of work was not sufficient to enable us to express, and we do not express, an opinion on compliance with those requirements. Heartland ECSI's compliance with the requirements governing the functions that it performs for the University for the year ended June 30, 2017 was examined by the accountants for the servicer in accordance with U.S. Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institutions Servicers*. Our report does not include the results of the accountants' for the servicer examination of Heartland ECSI's compliance with such requirements.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

Opinion on Each Major Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2017-005 through 2017-007. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate

in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

Requirements governing the repayments special tests and provisions compliance requirement in accordance with the requirements of the Student Financial Assistance Cluster: Federal Perkins Loans as described in *OMB Compliance Supplement* are performed by Heartland ECSI. Internal control over compliance related to such functions for the year ended June 30, 2017 was examined by the accountants for the servicer in accordance with the U.S. Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institutions Servicers*. Our report does not include the results of the accountants' for the servicer examination of Heartland ECSI's internal control over compliance related to such functions.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2017-005 through 2017-007 that we consider to be significant deficiencies.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the

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

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

We have audited the financial statements of the business-type activities of the University and its discretely presented component units as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated February 14, 2018, which contained unmodified opinions on those financial statements. Our report includes a reference to other auditors who audited the financial statements of the University's discretely presented component units, as described in our report on the University's financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to February 14, 2018. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

SIGNED ORIGINAL ON FILE

Chicago, Illinois

February 26, 2018, except for our report on the Schedule of Expenditures of Federal Awards, as to which the date is February 14, 2018.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Summary of Auditor's Results

Financial Statements

Type of report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ✓ Yes No
- Significant deficiency(ies) identified? ✓ Yes None Reported

Noncompliance material to financial statements noted? ✓ Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes ✓ No
- Significant deficiency(ies) identified? ✓ Yes None Reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ✓ Yes No

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
Various	Student Financial Assistance Cluster
Various	Research and Development Cluster
Various	TRIO Cluster
93.093	Affordable Care Act (ACA) Health Professional Opportunity Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? ✓ Yes No

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Current Findings - *Government Auditing Standards*

2017-001 - Inadequate Control over Reporting Restricted Accounts

The Chicago State University (University) did not ensure restrictions from revenue bond covenants were properly reflected within the University's financial statements.

As of June 30, 2017, the University's Auxiliary Facilities System (System) consisted of certain facilities across campus which are not directly related to the University's instruction, research, or service units, including:

- student services facilities, such as the Cordell Reed Student Union Building;
- health services, including student health related operations of the Wellness Center and Insurance Support services; and,
- parking facilities.

As of June 30, 2017, the University had outstanding revenue bond issues (Series 1998) where the proceeds from these bonds had been used to finance certain projects within the System. These bond issues established a "closed system" where the revenues generated by the System could only be used for the following purposes:

- 1) expenses necessary for the operation and maintenance of the System;
- 2) payment of principal and/or interest amounts when due;
- 3) amounts set aside limited to and used for financing the costs of renovating or replacing capital assets of the System beyond ordinary maintenance and operation of the System;
- 4) amounts set aside limited to and used for constructing new space or additions to existing facilities within the System; and,
- 5) amounts set aside limited to and used for acquiring movable equipment to be installed in the facilities constituting the System;

with any excess funds, after maximum deposits have been made to fund the foregoing purposes, being set aside to fund the redemption of previously issued bonds when callable; the purchase of the University's bonds on the open market; advance refund any series of bonds then outstanding; credit funds to utility reserve to provide for the payment of the System's utilities; establish a self-insurance reserve in connection with claims against or damage to the System; or purchase of capital equipment for the System. Notably, resources within the System are unavailable for use by the University outside of the System.

During testing, we noted the University had controls to segregate the System's assets and include its net position with the University's financial statements; however, the University had not designed its internal controls to ensure accurate reporting of restricted assets and restricted net position under generally accepted accounting principles. The University originally designed the control due to the implementation of Governmental Accounting Standards Board (GASB)

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Current Findings - Government Auditing Standards (Continued)

2017-001 - Inadequate Control over Reporting Restricted Accounts (Continued)

Statement No. 34 by drawing inferences from the implementation guidance published by the GASB that was not necessarily on point with the University's unique "closed system" situation and from discussions with other universities with closed systems.

Historically, auditors did not take exception to the design flaw until the current year. After this issue was noted during the current year, the Auditor General's Office and the Office of the State Comptroller consulted with staff of the GASB. After this consultation, the University (and all universities with closed systems) changed its accounting presentation in its final financial statements to show all non-capital assets associated with the System, totaling \$1.0 million, as restricted assets and reclassified the System's portion of the University's net position to expendable restricted net position, totaling \$0.9 million.

GASB Statement No. 34, Paragraph 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, requires net position should be reported as restricted when constraints imposed upon the use of the net position are externally imposed by creditors, such as through debt covenants. Further, GASB Statement No. 34, Paragraph 99, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, requires the reporting of restricted assets when constraints imposed upon the use of the net position are externally imposed by creditors which change the nature or normal understanding of the availability of the asset, such as assets that cannot be used to extinguish liabilities outside of those allowed by the bond covenants.

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

University management stated they were of the opinion they were properly reporting the Revenue Bond net position and revenues under the generally accepted accounting principles. They were unaware of the different reporting requirements for "closed systems," which they fall under.

Failure to report the non-capital assets and net position related to the System as restricted resulted in a material misstatement of the University's financial statements and reduced the overall reliability of Statewide financial reporting. (Finding Code No. 2017-001)

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Current Findings - *Government Auditing Standards* (Continued)

2017-001 - Inadequate Control over Reporting Restricted Accounts (Continued)

Recommendation

We recommend the University periodically review its internal controls over financial reporting to provide assurance accounts are properly classified under generally accepted accounting principles.

University Response

The University agrees with the finding and has commenced a review of internal controls over financial reporting, with special emphasis on bond covenant restrictions.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Current Findings - Government Auditing Standards (Continued)

2017-002 - Noncompliance with Bond Covenants

The Chicago State University (University) did not comply with its revenue bond covenants.

As of June 30, 2017, the University's Auxiliary Facilities System (System) consisted of certain facilities across campus which are not directly related to the University's instruction, research, or service units, including:

- student services facilities, such as the Cordell Reed Student Union Building;
- health services, including student health related operations of the Wellness Center and Insurance Support services; and,
- parking facilities.

As of June 30, 2017, the University had outstanding revenue bond issues (Series 1998) where the proceeds from these bonds had been used to finance certain projects within the System. These bond issues established a "closed system" where the revenues generated by the System could only be used for the following purposes:

- 1) expenses necessary for the operation and maintenance of the System;
- 2) payment of principal and/or interest amounts when due;
- 3) amounts set aside limited to and used for financing the costs of renovating or replacing capital assets of the System beyond ordinary maintenance and operation of the System;
- 4) amounts set aside limited to and used for constructing new space or additions to existing facilities within the System; and,
- 5) amounts set aside limited to and used for acquiring movable equipment to be installed in the facilities constituting the System;

with any excess funds, after maximum deposits have been made to fund the foregoing purposes, being set aside to fund the redemption of previously issued bonds when callable; the purchase of the University's bonds on the open market; advance refund any series of bonds then outstanding; credit funds to utility reserve to provide for the payment of the System's utilities; establish a self-insurance reserve in connection with claims against or damage to the System; or purchase of capital equipment for the System. Notably, resources within the System are unavailable for use by the University outside of the System.

In addition, we noted the System's activities were subject to *University Guidelines* adopted by the Legislative Audit Commission. The *University Guidelines* (Chapter V) requires the University, after fulfilling all of the reserve and debt service requirements of a revenue bond's indentures, determine if any of the excess funds exist under Chapter IV of the *University Guidelines*. The *University Guidelines* (Chapter IV) includes a calculation methodology (Figure 2) for determining if the System has current excess funds required to be transferred into

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Current Findings - Government Auditing Standards (Continued)

2017-002 - Noncompliance with Bond Covenants (Continued)

the University's locally-held Income Fund. However, the *University Guidelines* (Chapter V, Section C) provides a priority order that in the case of a conflict between the University's bond indenture and the *University Guidelines*, the University's bond indenture will prevail.

During testing, we noted the University calculated excess funds under the *University Guidelines* and transferred moneys out of the System to the University's Income Fund in violation of its debt covenants. We reviewed the University's financial audits and compliance examinations dating back to Fiscal Year 1999 and concluded the following:

- \$594,748 was calculated as excess funds within the System at the end of Fiscal Year 2012 and transferred from the System to the University's Income Fund during Fiscal Year 2013; and,
- \$387,018 was calculated as excess funds within the System at the end of Fiscal Year 2016 and transferred from the System to the University's Income Fund during Fiscal Year 2017.

In order to remedy this default, the University returned \$981,766 on January 29, 2018, to the System from the University's Income Fund. University management corrected the Fiscal Year 2012 and 2016 errors on its Fiscal Year 2017 financial statements by reclassifying \$981,766 in unrestricted cash and cash equivalents within the Income Fund to restricted cash and cash equivalents for the System.

The Chicago State University Revenue Bond Law (110 ILCS 661/6-25) states, "the provisions of this Article and of any resolution or other proceeding authorizing the issuance of bonds shall constitute a contract with the holders of such bonds and the provisions thereof shall be enforceable by civil action, mandamus, injunction or other proceeding in the appropriate circuit court to enforce and compel the performance of all duties required by this Article and by any resolution authorizing the issuance of bonds adopted responsive hereto." Good internal controls over compliance include ensuring all bond covenants are strictly adhered to by the University.

University management stated that personnel familiar with both bond covenants and University Guidelines mistakenly believed the covenants allowed for these transfers and were executing them in accordance with the University Guidelines.

Failure to ensure all bond covenants were strictly adhered to by the University resulted in noncompliance with the University's revenue bond covenants. (Finding Code No. 2017-002)

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Current Findings - *Government Auditing Standards* (Continued)

2017-002 - Noncompliance with Bond Covenants (Continued)

Recommendation

We recommend the University review its bond covenant compliance on a routine basis to identify and rectify any noncompliance conditions.

University Response

The University agrees with the finding and has implemented a process to annually review the bond covenants and ensure that transactions conducted, and related financial reporting, are compliant with those covenants. Additionally, in January 2018 the university transferred back to the System, the \$981,766 previously transferred to the Income Fund.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Current Findings - *Government Auditing Standards* (Continued)

2017-003 - Financial Statement Adjustments

The Chicago State University (University) financial statements for the fiscal year ended June 30, 2017 contained inaccuracies.

During our audit of the University's financial statements, we noted the following:

- The University mistakenly recorded the loss on the disposal of capital assets, totaling \$904,530, as an operating expense. As a result, operating expenses were overstated by \$904,530 and loss on disposal of capital assets was understated by \$904,530.
- The University incorrectly recorded two cash transactions, totaling \$557,514, as restricted cash instead of unrestricted. As a result, the cash and cash equivalents – restricted balance was overstated by \$557,514 and the cash and cash equivalents – unrestricted balance was understated by the same amount.

Proposed adjustments to correct these misstatements were recorded by the University.

Generally accepted accounting principles in the United States of America (GAAP) for governmental entities is promulgated by the Governmental Accounting Standards Board (GASB). GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities – an amendment of GASB Statement No. 34*, requires governments to present assets and liabilities in order of relative liquidity. Also, the Guide to Implementation of GASB Statement No. 34 on *Basic Financial Statements–and Management's Discussion and Analysis–for State and Local Governments*, states that loss on disposal of a capital assets is not a direct expense of the program, thus losses should be included in general government-type expenses.

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

University management stated the deficiencies noted were a result of the employee's misposting of these transactions.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Current Findings - *Government Auditing Standards* (Continued)

2017-003 - Financial Statement Adjustments (Continued)

Failure to accurately record financial transactions resulted in misstatements of the University's financial statements. (Finding Code No. 2017-003)

Recommendation

We recommend the University improve its controls over financial reporting to allow for the accurate preparation of its financial statements in accordance with GAAP.

University Response

The University agrees with the finding and will implement a process to review all significant and infrequently processed transactions on a quarterly basis, verifying that they were properly recorded in the original accounting records. This will ensure that they are properly reflected in the financial statements.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Current Findings - *Government Auditing Standards* (Continued)

2017-004 - Noncompliance with Unclaimed Property Act

The Chicago State University (University) did not fully comply with the Uniform Disposition of Unclaimed Property Act (Act).

At the end of each fiscal year, the University transfers its old outstanding checks to a liability account and removes them from its bank reconciliation. During our audit, we noted that these liability accounts (that were included in the accounts payable balance) contained stale dated checks which had never been cashed. Some of these checks were issued over nine years ago. The balance of checks older than five years old that remained as a liability on the University's Statement of Net Position as of June 30, 2017 was \$288,869.

Good business practice would require procedures to monitor outstanding items during reconciliations of cash on a timely basis and promptly determine the proper disposition of stale checks.

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

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

University management stated the condition noted in this finding is mainly the result of an oversight to the change in the time period for reporting from 7 years to 5 years which took effect January 1, 2017.

Failure to review unclaimed monies could result in noncompliance with the Act. (Finding Code No. 2017-004)

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Current Findings - *Government Auditing Standards* (Continued)

2017-004 - Noncompliance with Unclaimed Property Act (Continued)

Recommendation

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

University Response

The University agrees with the finding and in conjunction with our Director of Compliance, will train all applicable staff on current compliance requirements, especially those related to the Unclaimed Property Act. Additionally, we will take action to evaluate all stale checks that will have an initial issuance date of 5 years or greater, as of the end of June 30, 2018.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Current Findings - Federal Compliance

2017-005 - Federal Perkins Loan Cohort Default Rate Too High

Federal Department:	Department of Education
CFDA Number:	84.038
Program Name:	Student Financial Assistance Cluster (Federal Perkins Loan Program)
Program Expenditures:	\$1,850,561
Questioned Cost:	None

The Chicago State University's (University) Federal Perkins Loan cohort default rate is in excess of the threshold for administrative capability stipulated by the U.S. Department of Education.

The Federal Perkins Loan cohort default rate as of June 30, 2017 was 45.24% and was obtained from the University's Federal Perkin's loan servicer.

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

Uniform Grant Guidance (2 CFR 200.303) requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure the University maintains a Federal Perkins Loan cohort default rate of less than 15%.

University management stated the lack of a collection staff made it difficult for the university to closely monitor students who were transitioning into repayment status, and work with them and the loan processor to ensure no defaults would occur.

Failure to maintain a Federal Perkins Loan cohort default rate below 15% impacts the University's administrative capability and could jeopardize future Federal funding. (Finding Code No. 2017-005, 2016-003, 2015-002)

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Current Findings - Federal Compliance (Continued)

2017-005 - Federal Perkins Loan Cohort Default Rate Too High (Continued)

Recommendation

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

University Response

The University agrees with the recommendation. The prior year's response determined the need to utilize additional support to manage the Perkins accounts. However, to date the University has been unable to satisfactorily fill the Collections position with an experienced candidate, and has contracted with a consultant to fulfill the role until the proper candidate is identified. These responsibilities will transition to permanent staff as soon as practical.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Current Findings - Federal Compliance (Continued)

2017-006 - Lack of Adherence to Controls and Noncompliance with Requirements Applicable to the Research and Development Cluster and Partnerships to STEP-UP in Health Careers Program

Federal Department*: National Science Foundation
Department of Defense
National Institute of Health

CFDA Number*: 47.076; 12.598; 93.279

Program Names*: Research and Development Cluster (Education and Human Resources, Centers for Academic Excellence, Drug Abuse and Addiction Research Programs)

Program Expenditures*: \$1,408,789

Award Numbers: HRD-1411219; HRD-1202563; HHM402-14-1-0003; 4R24DA036410-04

Questioned Cost: Known \$4,932 including indirect costs on \$3,918 (projected \$50,083 calculated as follows: \$4,932 (errors noted in samples)/\$260,784 (sample size) X \$2,648,174 (Total R&D expenditures))

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

Federal Department: Department of Health and Human Services

CFDA Number: 93.093

Program Name: Partnerships to STEP-UP in Health Careers

Program Expenditures: \$1,444,781

Questioned Cost: Known \$315 including indirect costs on \$292 (projected \$2,240 calculated as follows: \$315 (errors noted in samples)/ \$203,189 (sample size) X \$1,444,781 (Total STEP-UP expenditures))

The Chicago State University's (University) internal controls over compliance requirement of allowable costs and cost principles, period of performance, and procurement, suspension and debarment applicable to its Research and Development (R&D) Cluster and Partnerships to STEP-UP in Health Careers (STEP-UP) program were not followed.

During our review of the University's compliance with federal requirements for the R&D Cluster, we noted the following:

- Two purchase orders (totaling \$4,200) were approved subsequent to the start date of the

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Current Findings - Federal Compliance (Continued)

2017-006 - Lack of Adherence to Controls and Noncompliance with Requirements Applicable to the Research and Development Cluster and Partnerships to STEP-UP in Health Careers Program (Continued)

contracts. The purchase order execution dates were 31 and 171 days from the commencement of services.

- One contract (totaling \$15,000) was not supported by three price quotations from vendors on the University's bidders list, as required.
- Final Invention Statement and Certification form (HHS 568) was submitted 32 days late to the National Institutes of Health (NIH).

During our testing of 25 R&D Cluster expenditures totaling \$260,784 (the sample was not intended to be, and was not, a statistically valid sample), we noted the following:

- Four payroll expenditures (totaling \$7,282) were charged to the programs using incorrect time and effort rates. The questioned costs totaled \$4,932.
- Effort certification for one payroll expenditure (totaling \$1,547) was not submitted in accordance with University policy. The certification was submitted 88 days after the due date.

Also, during our review of 25 STEP-UP program expenditures totaling \$203,189 (the sample was not intended to be, and was not, a statistically valid sample), we noted one payroll expenditure (totaling \$2,917) was charged to the program using a 100% time and effort rate. However, the effort certification report completed by the employee for the pay period indicated only 90% of the employee's time should have been charged to the program. The questioned cost was \$315.

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

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Current Findings - Federal Compliance (Continued)

2017-006 - Lack of Adherence to Controls and Noncompliance with Requirements Applicable to the Research and Development Cluster and Partnerships to STEP-UP in Health Careers Program (Continued)

The University's Administration and Finance Policies and Procedures Manual require the requesting departments to obtain three price quotations from vendors on the University's bidders list for purchases \$10,001 to \$53,699.

The NIH Grants Policy Statement Closeout Requirements (Section 8.6) states that recipients must submit a Final Invention Statement and Certification within 120 calendar days of the end of the period of performance.

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

Uniform Grant Guidance (2 CFR 200.430) states charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated.

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

University management stated that internal procedures were not adhered to for the time and effort certification. The delay in the submission of the invention report was due to an abrupt transfer of the Principal Investigator to another campus. The inaccurate time and effort reports were due to inadequate communication between Payroll, the Grant Accounting Office, and the Sponsored Programs Office. The awarding of a contract without competitive bids and starting services for two other contracts before the generation of purchase orders were oversights in the procurement process.

Failure to accurately charge sponsored agreements for the equitable distribution of employee compensation may result in federal expenditures being disallowed and could jeopardize future federal funding. Failure to fully execute a contract prior to the commencement of services leaves

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Current Findings - Federal Compliance (Continued)

2017-006 - Lack of Adherence to Controls and Noncompliance with Requirements Applicable to the Research and Development Cluster and Partnerships to STEP-UP in Health Careers Program (Continued)

the University vulnerable to unnecessary liabilities and potential legal issues. In addition, failure to obtain quotations from vendors may affect the University's ability to award a contract to the most qualified vendor. (Finding Code No. 2017-006, 2016-005, 2015-004)

Recommendation

We recommend the University improve procedures to ensure the University complies with the requirements of its federally funded programs and University policies and procedures. Further the University should ensure that contracts are properly executed prior to start of services.

University Response

The University agrees with the recommendation. The University will review all time and effort reporting to ensure both accuracy and timeliness of the responses, and will compare the reported effort with the payroll distribution reported in Banner. A workflow will be developed to ensure that any changes to a payroll record will be approved by the appropriate departments and time and effort reporting updated to reflect those changes. The University will develop more detailed purchasing procedures for federal grant expenditures to ensure compliance with purchasing statutes, and will provide training to Principal Investigators regularly on this issue.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Current Findings - Federal Compliance (Continued)

**2017-007 - Lack of Adherence to Controls and Noncompliance with Requirements
Applicable to the TRIO Cluster**

Federal Department*:	Department of Education
CFDA Numbers*:	84.047
Program Names*:	TRIO Cluster (Upward Bound)
Program Expenditures*:	\$517,323
Award Numbers:	P047A120586-16; P047A170167-17A
Questioned Cost:	None

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

The Chicago State University's (University) internal controls over the compliance requirements of allowable costs and cost principles, earmarking, and procurement, suspension and debarment applicable to its TRIO Cluster were not followed.

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

- One of 25 (4%) participants tested for the Upward Bound program was only classified and reported as a potential first-generation college student; however, as indicated in the application form submitted, this participant should also have been classified as a low-income individual. The sample was not intended to be, and was not, a statistically valid sample. The error noted did not affect the University's overall compliance with the earmarking requirements during the fiscal year.
- One purchase order (totaling \$336) was approved subsequent to the start date of the contract. The purchase order approval date was nine days after the commencement of service.
- Four effort certifications for payroll expenditures (totaling \$7,937) were not submitted in accordance with the University policy. Specifically, the certifications were submitted nine to 16 days after the due date.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Current Findings - Federal Compliance (Continued)

2017-007 - Lack of Adherence to Controls and Noncompliance with Requirements Applicable to the TRIO Cluster (Continued)

The Code of Federal Regulations (34 CFR 645.6) states a low-income individual means an individual whose family taxable income did not exceed 150% of the poverty level amount in the calendar year preceding the year in which the individual initially participates in the project. The poverty level amount is determined by using criteria of poverty established by the Bureau of the Census of the U.S. Department of Commerce.

OMB Circular A-110 requires nonfederal entities receiving federal awards to establish and maintain internal controls designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure participant eligibility classification is accurate and funded enrollment is being met and purchase orders are approved prior to performance of services.

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

University management stated one student was misclassified in the Annual Performance Report as "first-generation student and at high risk for academic failure," and this student should have also been classified as "low income." This was due to human error, and in no way affected the student's eligibility for the program. University management also stated services for health insurance covering the program's participants during the Summer 2016 residential program began nine days prior to the creation of a purchase order because the University does not allow students to live on campus without insurance. Regarding the time and effort certification, the late submission was due to a misunderstanding of the reporting period by the Program Director.

Without effective internal controls, the Upward Bound program could be at risk of accepting a student who is not eligible for the program or incorrectly reporting participant eligibility status. Failure to fully execute a purchase order prior to the commencement of services leaves the University vulnerable to unnecessary liabilities and potential legal issues. Failure to accurately charge sponsored agreements for the equitable distribution of employee compensation may result in federal expenditures being disallowed and could jeopardize future federal funding. (Finding Code No. 2017-007, 2016-008)

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Current Findings - Federal Compliance (Continued)

**2017-007 - Lack of Adherence to Controls and Noncompliance with Requirements
Applicable to the TRIO Cluster (Continued)**

Recommendation

We recommend the University improve procedures to ensure compliance with the earmarking requirements of the TRIO Cluster program and proper classification of students being served by this program, and with University policies and procedures. Further, the University should ensure compliance with the procurement, suspension and debarment requirements by approving purchase orders prior to the start of services.

University Response

The University agrees with the recommendation. Both the TRIO Program Director and the TRIO Program Fiscal Officer will separately review participant classification data before reporting to the Agency. The University will continue to review time and effort reporting on a quarterly basis to ensure timeliness of the responses. The University will develop more detailed purchasing procedures for federal grant expenditures to ensure compliance with purchasing statutes.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Current Findings - State Compliance

2017-008 - Inadequate Procedures over Maintenance of Accounts Payable Master Vendor File

The Chicago State University (University) has inadequate controls in place to monitor and maintain accounts payable master vendor file.

During our review of the University's accounts payable master vendor file (with 7,691 total vendors), we noted 184 vendors without an employer identification number (EIN) listed and 3,955 vendors with no activity within the 3 previous fiscal years.

Good business practices recommend the accounts payable master vendor file be reviewed for possible duplicate vendor data. The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires each State Agency to establish and maintain an effective system of internal control, which would include controls over the master vendor file. Current University practice in creating vendor accounts requires employer identification numbers to ensure the vendor is not fraudulent. In addition, vendors with no recent activity should be inactivated to ensure no inappropriate payments are made to outdated vendors.

University management stated, due to inadequate staffing and previous employee layoffs in the Purchasing Department, information in the system was not updated.

Failure to appropriately monitor the accounts payable master vendor file may result in an unauthorized vendor payment. (Finding Code No. 2017-008)

Recommendation

We recommend the University review and implement stronger internal controls in order to monitor and maintain the accounts payable master vendor file.

University Response

The University agrees with the recommendation. The University has already started addressing the vendor maintenance project. By December of 2017, the University filled the Purchasing Director and Buyer position. The staff has started working with the University's IT department to ensure vendor information updated in the University's financial system is properly captured in the Purchasing system, JAGGER, formerly known as SciQuest.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Current Findings - State Compliance (Continued)

2017-009 - Failure to Timely Comply with the Continuing Disclosure Requirement of the Auxiliary Facilities Revenue Bonds

The Chicago State University (University) did not disseminate its annual financial information disclosures to the Municipal Securities Rulemaking Board (MSRB) in a timely manner.

During our review of the University's compliance with the Series 1998 Auxiliary Facilities Revenue Bonds (Series 1998 Bonds) requirements, we noted the University's Fiscal Year 2016 audited financial statements and annual financial information were not timely submitted to the MSRB. Specifically, these reports were submitted 91 and 104 days late. The balance of the Series 1998 Bonds as of June 30, 2017 totaled \$10,760,000.

The Continuing Disclosure Undertaking (Undertaking) of the Series 1998 Bonds requires the University to submit annual financial information and audited financial statements to each repository within 210 days following the close of the University's fiscal year.

In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls. Effective internal controls should include a process to ensure continuing disclosures are submitted timely.

University management stated the Fiscal Year 2016 audited financial statements were not signed and officially released until March 17, 2017 due to delays in completing the Foundation's audits.

Failure to timely disseminate annual financial information and audited financial statements resulted in the University's noncompliance with the Continuing Disclosure Undertaking of the Series 1998 Bonds. (Finding Code No. 2017-009)

Recommendation

We recommend the University comply with the requirements of the Continuing Disclosure Undertaking of the Series 1998 Bond by submitting its annual financial information and audited financial statements to MSRB within the required time frame.

University Response

The University agrees with the recommendation and has documented the deadline associated with submittal of the Continuing Disclosure. The initial submittal has been completed as of January 25, 2018 and audited financials will be added to the submittal as soon as they are available.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Current Findings - State Compliance (Continued)

2017-010 - Inadequate Controls over Contractual Services Expenditures

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

During our review of 45 contracts (totaling \$6,954,779), including purchase orders, executed during the fiscal year ended June 30, 2017, we noted the following:

- Two contracts (totaling \$1,511,601) were not approved by the Chief Legal Counsel out of six contracts (totaling \$5,405,491) sampled requiring this level of approval.
- One contract's change order (totaling \$370,267) was not approved by the University's Board, as required.
- Eleven contracts (totaling \$4,133,471) were executed subsequent to the start date of the contracts. The contract execution dates ranged from 5 to 298 days from the commencement of services.
- One contract (totaling \$155,000) was not procured through a competitive sealed bid process, as required.
- One contract's total expenditures (totaling \$265,105) for the fiscal year exceeded the total contract amount (totaling \$235,359) awarded.
- One contract (totaling \$2,571,275) did not contain standard vendor certifications, as required.
- Twenty contracts (totaling \$6,240,203) were not submitted to Office of the State Comptroller, as required. Of the 20, six contracts were filed 12 to 227 days late and 14 contracts were not filed at all.

During our review of 6 emergency purchases (totaling \$3,159,300) that occurred during the fiscal year ended June 30, 2017, we noted the following:

- Three emergency purchases were not published in the Illinois Procurement Bulletin within the required time frames. Delays in publishing ranged from 3 to 27 days after the required time frame.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Current Findings - State Compliance (Continued)

2017-010 - Inadequate Controls over Contractual Services Expenditures (Continued)

- Four emergency purchases were not filed with the Office of the Auditor General, as required. One of 4 emergency purchases was filed 4 days late and 3 emergency purchases were not filed at all.

The State Finance Act (30 ILCS 105/9.02) requires any new contract or contract renewal in the amount of \$250,000 or more in a fiscal year, or any order against a master contract in the amount of \$250,000 or more in a fiscal year, or any amendment or change to an existing contract that increases the value of the contract to or by \$250,000 or more in a fiscal year, shall be signed or approved in writing by the chief executive officer, chief legal counsel, and chief fiscal officer of the agency. Also, Procedure No. 6.1.4(d) of the University's Administration and Finance Policies and Procedures Manual require purchases of \$250,000 and more shall require approval from the Board of Trustees.

The Illinois Procurement Code (Code) (30 ILCS 500 et seq.) and Statewide Accounting Management System (Procedure 15.20 et seq. and 15.10.40) require contracts and real property leases to contain certain signatures, clauses, and certifications, and also require State agencies to file contracts, purchase orders and leases exceeding \$20,000 with the Office of the State Comptroller within 30 calendar days after execution. Moreover, except as otherwise provided by the Code, all State contracts shall be awarded by competitive sealed bids. The Code (30 ILCS 500/20-30) states notice of all emergency procurements shall be provided to the Procurement Policy Board and published in the online electronic Bulletin no later than 5 calendar days after the contract is awarded. A chief procurement officer making procurements under this Section shall file statements with the Procurement Policy Board and the Auditor General within 10 calendar days after the procurement setting forth the amount expended, the name of the contractor involved, and the conditions and circumstances requiring the emergency procurement. When only an estimate of the cost is available within 10 calendar days after the procurement, the actual cost shall be reported immediately after it is determined.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University to maintain a system of internal fiscal and administrative controls to provide assurance resources are utilized efficiently and effectively and in compliance with applicable law. This would include controls to ensure contracts contain all necessary provisions, awarded by competitive sealed bids, properly approved, published in the Procurement Bulletin, filed with Office of the State Comptroller and Auditor General, and fully executed prior to performance.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Current Findings - State Compliance (Continued)

2017-010 - Inadequate Controls over Contractual Services Expenditures (Continued)

University management stated during Fiscal Year 2017, as a result of the University's Fiscal Exigency, the Purchasing Department lost all procurement staff which resulted in a delay of fulfilling procurement requests, filings and publishing.

University management stated the contracts not approved by the Legal Department were deemed as Utilities contracts (utility service agreements), which were considered by the Legal Department as not requiring legal approval. Further, University management believed a change order to a multiyear contract which had Board approval need not be separately approved by the Board.

Failure to fully execute a contract prior to the commencement of services leaves the University vulnerable to unnecessary liabilities and potential legal issues. In addition, failure to include all appropriate signatures and certifications in contracts, failure to file contracts with the Office of the Comptroller and required filings with the Office of the Auditor General on a timely basis, and failure to publish emergency purchases in the Procurement Bulletin result in noncompliance with State statutes and regulations. (Finding Code No. 2017-010, 2016-010)

Recommendation

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

University Response

The University agrees with the recommendation. Once the hiring freeze was lifted, the University moved to re-staff the Procurement Office. In July 2017, the University hired a Procurement Buyer and added the Procurement Director position mid-December 2017. The staff has worked very closely with the State Procurement Office in bringing all State filings up to date as well as reviewing current practices and procedures with the University's Legal department to ensure contract compliance.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Current Findings - State Compliance (Continued)

2017-011 - Subsidies Between Accounting Entities

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

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

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

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

The subsidy between accounting entities is a violation of the Guidelines. (Finding Code No. 2017-011, 2016-011, 2015-011, 2014-015, 2013-013, 12-23, 11-32, 10-33, 09-13)

Recommendation

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

University Response

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

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Current Findings - State Compliance (Continued)

2017-012 - Inaccurate Accounts Receivable Reporting

The Chicago State University (University) did not accurately report accounts receivable balances to the Office of the State Comptroller (Comptroller) in accordance with reporting requirements.

On a quarterly basis, the University submits accounts receivable reports to the Office of the Comptroller to report accounts receivables activity, aging of receivables balances, estimates of uncollectible receivables, and collection activity. These reports include Quarterly Summary of Accounts Receivable - Accounts Receivable Activity (Form C-97), Quarterly Summary of Accounts Receivable - Aging of Total Gross Receivables (Form C-98), Quarterly Summary of Accounts Receivable - External Collections Activity for Accounts over 180 Days Past Due (Form C-99), and Quarterly Reporting of Accounts Receivable Activity - Concerning the Collection of Accounts 180 Days Past Due and Over \$15 Thousand (Form C-99A). During our review of these reports for the quarters ended March 31, 2017 and June 30, 2017, we noted the following:

- Current restricted accounts receivable greater than 90 days past due and over \$1,000 reported in Form C-98 were understated by \$55,000 for the quarter ended March 31, 2017.
- Current unrestricted accounts receivable over 180 days past due and over \$15,000 reported in Form C-99A were overstated by 7,112 accounts totaling \$12,027,766 for the quarter ended March 31, 2017, and 6,775 accounts totaling \$11,568,567 for the quarter ended June 30, 2017. In addition, accounts over 180 days past due and less than \$15,000 reported in Form C-99A were understated by 7,116 accounts totaling \$12,036,124 for the quarter ended March 31, 2017, and 6,779 accounts totaling \$11,755,503 for the quarter ended June 30, 2017.

Procedure 26.30.10 of the Statewide Accounting Management System (SAMS Manual) requires State agencies report receivable information to the Comptroller on a quarterly basis. The summary information should include: (1) receivable activity by fund and major revenue source; (2) aging of receivables by fund and major source; (3) external collection activity of accounts over 180 days past due by agency; and (4) collection activity for accounts over 180 days past due and over \$15 thousand by agency.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems of internal fiscal and administrative controls to provide assurance that revenues, expenditures and transfers of assets, resources, or funds applicable to operations are

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Current Findings - State Compliance (Continued)

2017-012 - Inaccurate Accounts Receivable Reporting (Continued)

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. Effective internal controls should include procedures to ensure accurate reporting of accounts receivable.

University management stated the exceptions on the C-99A are a result of the misinterpretation of required disclosure by categories, by the staff. The total volume of accounts agreed in substance, but classification of those less than the \$15 thousand threshold were not properly segregated out. The exception on the C-98 was due to the University's belief that since the billing needed to be resubmitted to the granting agency, the receivable should be re-aged and thus not considered past due.

Failure to accurately report accounts receivable information may result in inaccurate data gathered by the Comptroller which is the basis of preparing the State's annual report. (Finding Code No. 2017-012)

Recommendation

We recommend the University ensure the accuracy of the quarterly accounts receivable reports prior to submission to the Comptroller's Office.

University Response

The University agrees with the recommendation and has implemented procedures to ensure that detailed support is reviewed and tied to quarterly reports prior to submission to the Comptroller's Office.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Current Findings - State Compliance (Continued)

2017-013 - Voucher Processing Errors

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

We tested 195 expenditures (totaling \$5,211,759) for purposes of State compliance from Contractual Services, Travel, Commodities, Printing, Equipment, Telecommunications, Operation of Automotive Equipment, Awards & Grants, Permanent Improvements and Lapse Period and noted the following:

- Twelve (6%) invoices (totaling \$1,221,558) were not approved for payment in a timely manner. These invoices were approved between 34 to 217 days (4 to 187 days late) after receipt of a proper bill.
- Eight (4%) invoices (totaling \$608,824) were not paid in a timely manner. The invoices were paid 92 to 247 days (2 to 157 days late) after receipt of a proper bill.
- One (less than 1%) invoice (totaling \$5,000) pertained to an expenditure which was not considered reasonable and necessary. Specifically, the University paid a fine for allowing a student-athlete to compete without meeting all eligibility requirements.

We also tested another 75 federal expenditures (totaling \$585,026) (not including student financial aid) and noted the following:

- Five (7%) invoices (totaling \$47,611) were not approved for payment in a timely manner. These invoices were approved between 60 to 214 days (30 to 184 days late) after receipt of a proper bill.
- Four (5%) invoices (totaling \$7,530) were not paid in a timely manner. The invoices were paid 126 to 1,147 days (29 to 1,057 days late) after receipt of a proper bill.
- Two (3%) invoices (totaling \$3,003) were recorded to the incorrect fiscal year.

Prudent business practices require all vouchers be approved (within 30 days of receipt of proper bill) and paid in a timely manner (within 90 days of receipt of proper bill) by University officials. In addition, the University should incur only reasonable and necessary expenditures to ensure proper stewardship over scarce resources.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Current Findings - State Compliance (Continued)

2017-013 - Voucher Processing Errors (Continued)

Generally accepted accounting principles require transactions to be reported in the period they are incurred.

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 to provide assurance expenditures are properly recorded and accounted for to permit the preparation of reliable financial reports and to maintain accountability over the State's resources. This would include controls for proper processing and timely approval and payment of expenditures.

University management stated the University underwent Fiscal Exigency from February 2016 to December 2016. During this period, vendors were notified of delay in payments with the issuance of a purchase order. In addition, key departments such as Accounts Payable, Athletics, Purchasing, and Grants experienced reduced staff which impacted the department's ability to operate more effectively.

Untimely payments may result in vendors being unwilling to do business with the State. Failure to establish internal controls for expenditures increases the likelihood that theft, misappropriation of funds and financial reporting errors could occur and not be detected in the normal course of business. Recording expenditures in the incorrect fiscal year results in inaccurate financial statements. (Finding Code No. 2017-013, 2016-013, 2015-013, 2014-018, 2013-016, 12-25, 11-29, 10-34, 09-2)

Recommendation

We recommend the University improve controls to ensure expenditures are posted to the correct fiscal year, properly approved, paid timely and incurred for reasonable and necessary purposes.

University Response

The University agrees with the recommendation. In FY 2017, the University's financial situation resulted in payment delays. With the full support of the Board of Trustees, as the Fiscal Exigency was lifted, the University made vendor payments one of its' top priority. The Accounts Payable Department restructured the invoice approval process which now incorporates an electronic approval for fiscal officers. Training has also been provided to University staff with more workshops schedule in the coming months. The Accounts Payable Department is currently also working with specific vendors to move to electronic invoicing.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Current Findings - State Compliance (Continued)

2017-014 - Internal Audit

The Chicago State University (University) failed to fully comply with the Fiscal Control and Internal Auditing Act (Act), International Standards for the Professional Practice of Internal Auditing, and State of Illinois Internal Audit Advisory Board Bylaws.

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

- Audits of the University's major systems of internal accounting and administrative controls including testing of the obligation, expenditure, receipt and use of public funds of the State and of funds held in trust to determine whether those activities are in accordance with applicable laws and regulations were not completed during fiscal years 2016 and 2017.
- The University's Internal Audit division has not had their peer review since the last external assessment which was issued on June 21, 2011.
- One internal audit staff did not complete 20 hours of continuing professional education (CPE) for calendar year 2016. Specifically, the internal audit staff needed an additional 6.5 hours of CPE to be compliant.

The Act (30 ILCS 10/2003(a)) requires audits of major systems of internal accounting and administrative control to be performed at least once every two years and must include testing of the obligation, expenditure, receipt and use of public funds of the State and of funds held in trust to determine whether those activities are in accordance with applicable laws and regulations; and testing of grants received or made by the designated State agency to determine that grants are monitored, administered, and accounted for in accordance with applicable laws and regulations.

(Attribute 1312 - External Assessments) The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing states that external assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization.

(Article II - Standards Section V - Continuing Education Requirements) The State of Illinois Internal Audit Advisory Board (SIAAB) bylaws state all internal auditors must complete a minimum of 80 hours of continuing professional education (CPE) during two successive (non-rolling) calendar years. At least 20 hours of the 80 should be completed in each year of the 2-year period.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Current Findings - State Compliance (Continued)

2017-014 - Internal Audit (Continued)

University management stated resource constraint and competing priorities have resulted in delays in completing the items noted above.

The lack of timely internal audits over all major systems and failure to undergo an external assessment impairs the University's ability to monitor the effectiveness of its system of internal controls and result in noncompliance with the Act and professional standards. Further, internal audit staff who failed to complete required CPE hours may not be well informed of improvements and current developments in internal auditing standards, procedures and techniques which can result in ineffective audits. (Finding Code No. 2017-014, 2016-014, 2015-014)

Recommendation

We recommend the University ensure timely performance of audits over all major systems of internal accounting and administrative controls as required by the Act and require all internal audit staff to comply with the continuing education requirements of the SIAAB. We also recommend the University promptly arrange an external assessment of its internal audit activity to comply with the Institute of Internal Auditors' Standards.

University Response

The University agrees with the recommendation. Testing of the obligation, expenditure, receipt and use of public funds is in progress and will be completed within 30 days. The University's internal preparation for the peer review is also in progress and has also been scheduled for completion within 30 days. The University identified the professional responsible for conducting the review and requested resources necessary to reimburse travel costs. Minimum CPE requirements were met and exceeded for the 2017 calendar year and a monitoring process has been implemented to assure compliance for the 2018-2019 reporting period.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Current Findings - State Compliance (Continued)

2017-015 - Inadequate Controls over Personal Services

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

During our review of 40 employees' personnel records and timesheets, we noted the following:

- Four (10%) employees' timesheets were not approved on a timely basis. The timesheets of these employees were approved 27 to 32 days after the pay period.
- Eight (20%) employees' timesheets were not approved by their Supervisors.
- Three (8%) employees' did not submit their timesheets for the pay periods tested.
- One (3%) employee was paid after termination date resulting in an overpayment of \$6,348. As a result of this exception, an additional 15 terminated employees were tested to ensure that no overpayments were made. This additional testing resulted in no additional exceptions.
- One (3%) employee's deduction for the pay period tested was processed incorrectly. This resulted in an overpayment of \$9.

The University's Human Resources Policy (Policy) states all employees are responsible for recording time worked and taken. This is maintained through a daily log (i.e., sign-in sheet), Web-time Entry, vacation request forms, overtime authorization sheets, leave of absence request forms, etc. The Policy also states managers are responsible for reviewing the accuracy and completeness of employee time reports, making any timekeeping corrections necessary to ensure employees are properly paid, monitor and approve employees' time to ensure they are recording exception time as it is taken, and monitor and approve non-exempt employees' work time to ensure they are adhering to an approved work schedule.

The Fiscal Control and Internal Auditing Act (Act) (30 ILCS 10/3001) requires all State agencies to establish and maintain a system of internal fiscal and administrative controls to provide assurance resources are utilized efficiently, effectively, and in compliance with applicable law and to ensure funds are safeguarded against waste, loss, unauthorized use and misappropriation. Effective internal controls should include procedures to ensure time sheets are submitted and approved in accordance with University's policies and procedures and employee's salaries and deductions are properly processed.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Current Findings - State Compliance (Continued)

2017-015 - Inadequate Controls over Personal Services (Continued)

University management stated non-adherence to Policy regarding the recording and approving of time resulted in timesheets not being filed or approved in a timely manner.

Submission and approval of employee timesheets is a systematic and uniform approach to ensuring no employee is misreporting their time spent on official University business. Failure to submit and timely approve timesheets and properly process employees' salaries and deductions may result in incorrect compensation for services provided. (Finding Code No. 2017-015, 2016-015, 2015-015)

Recommendation

We recommend the University strengthen controls over personal services to ensure all timesheets are submitted and reviewed timely and ensure the accuracy of salaries being paid to its employees. Additionally, we recommend the University confirm and recoup the amount overpaid to the former employee.

University Response

The University agrees with the recommendation. The University has implemented disciplinary actions for all employees not adhering to the time-reporting policy. Failure to submit an approved timesheet will prevent timely payment.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Current Findings - State Compliance (Continued)

2017-016 - Failure to Accurately Report Fees to the General Assembly

The Chicago State University (University) did not accurately report fees to the General Assembly in accordance with reporting requirements.

The University prepares an annual report summarizing the revenue from imposing fees on students and others, which is submitted to the Illinois Comptroller's Office. The information is compiled in a report by the Illinois Comptroller's Office and submitted annually to the General Assembly by September 1 of each year. To facilitate reporting for each agency, the Illinois Comptroller's Office has an internet-based Agency Fee Imposition Reporting System in which all agencies must submit their report using this system.

During our review of the University's 2017 Agency Fee Imposition Report (Report), we noted the continuing Education fees and Miscellaneous Service fees collected by the University totaling \$186,390 and \$28,504, respectively were not included on the Report.

The University submitted a revised Report to the Illinois Comptroller's Office on October 2, 2017 as a result of the auditors bringing the issue to the University's attention.

The State Comptroller Act (15 ILCS 405/16.2) requires agencies that impose fees to file an Agency Fee Imposition Report Form established under the Illinois State Auditing Act (30 ILCS 5/3-8.5). Moreover, the Comptroller's Statewide Accounting Management System (SAMS) (Procedure 33.16.20) describes the procedures for fee reporting and defines fees as all charges by State agencies to citizens and private organizations. These include assessments, fares, fees, fines, levies, licenses, penalties, permits, registrations, tolls, and tuition.

In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems of internal fiscal and administrative controls to provide assurance 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. Effective internal controls should include a process to ensure the University's proper reporting of fees imposed.

University management stated there was a misunderstanding on the types of fees that could be excluded from the Fee Imposition Report.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Current Findings - State Compliance (Continued)

2017-016 - Failure to Accurately Report Fees to the General Assembly (Continued)

Failure to prepare the Agency Fee Imposition Report in accordance with reporting requirements inhibits the ability of the General Assembly to properly monitor and evaluate the collection of fees by State government. (Finding Code No. 2017-016)

Recommendation

We recommend the University implement procedures to ensure fees imposed are accurately reported in accordance with reporting requirements.

University Response

The University agrees with the recommendation. In the future, all fees imposed by the university will be included on the Agency Fee report.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Current Findings - State Compliance (Continued)

2017-017 - Inadequate Controls over TA-2 Reporting

The Chicago State University (University) did not have adequate controls over preparation and submission of Travel Headquarter Reports (TA-2 forms).

TA-2 forms are required by statute to be filed by all officers and employees for whom official headquarters have been designated at any location other than that at which their official duties require them to spend the largest part of their working time. During our review of TA-2 forms submitted by the University, we noted the following:

- TA-2 forms were inaccurate. The location where identified employees spent the majority of their working time was the same as the headquarters, thus they are not required to be reported on the TA-2 forms. Further investigation revealed the University did not have formal procedures in place for accumulating data to ensure an accurate report. Current procedures only cover reporting of grant employees.
- TA-2 forms were submitted 16 to 19 calendar days late to the Legislative Audit Commission (Commission).

The State Finance Act (Act) (30 ILCS 105/12-3) requires the University to file reports of all of its officers and employees for whom official headquarters have been designated at any location other than that at which their official duties require them to spend the largest part of their working time. The reports shall be filed with the Legislative Audit Commission no later than each July 15 for the period from January 1 through June 30 of that year and no later than each January 15 for the period from July 1 through December 31 of the preceding year. The report shall list, for each such officer or employee, the place designated as his or her official headquarters and the reason for that designation.

In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University to maintain a system of fiscal and administrative controls. Effective internal controls should include procedures to ensure the University accurately and timely submits the TA-2 forms with the Commission.

University management stated, historically, the only University staffs working at a location outside of their official headquarters have been those working on grant funded programs that were being executed at an outside location. Therefore, the University's focus remains on grant funded programs. The University is unaware of any current employees who would qualify for

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Current Findings - State Compliance (Continued)

2017-017 - Inadequate Controls over TA-2 Reporting (Continued)

reporting under the TA-2 requirements, but inadvertently listed some working on a particular grant program, although they weren't physically located away from their official headquarters. Moreover, according to University officials, the untimely submission of the TA-2 reports was due to lack of staff.

Inadequate controls over TA-2 reporting decreases the effectiveness of oversight controls and results in noncompliance with the Act. (Finding Code No. 2017-017)

Recommendation

We recommend the University implement procedures to ensure TA-2 forms are accurately completed and timely filed in compliance with the requirements of the State Finance Act.

University Response

The University agrees with the recommendation. The University is reassessing the requirements of the TA-2 and determining which department is best suited to submit the semi-annual report. The January 2018 report has been properly and timely submitted.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Current Findings - State Compliance (Continued)

2017-018 - Weaknesses over System Access

The Chicago State University (University) had not established adequate controls over system access.

During our testing, we noted the following weaknesses:

- User access rights to the applications were not periodically reviewed.
- Access rights were not always timely removed.

The University has procedures to periodically review user access rights to ensure they are compatible with job responsibilities, and remove separated employees; however, they were not operating in an effective manner.

These procedures rely on each user department to assess and certify all current access rights are correct. The Information Technology Department (ITD) was supposed to send a user access report to the user department's supervisor or director with each of their employee's access rights for verification and updates on a quarterly basis. They were directed to return the report and mark any changes within a certain deadline otherwise ITD presumes the user access report is accurate. The last user access report was distributed in September 2016.

The Human Resource Department sends a list of employee's voluntary resignation to the ITD at least at each pay period. For involuntary resignations, the Human Resource Department notifies ITD immediately so that access is removed appropriately. During testing of system access, we noted six separated employees continued to have active system access. In addition, eight user accounts of separated employees were not revoked on a timely basis. The access of these employees was removed 7 to 243 days after separation date.

Generally accepted information systems technology guidance endorses the development of computer security policies that adequately addresses the current technological environment and well-designed and well-managed controls to protect computer systems and data.

University management stated the above weaknesses were due to resource constraints and shortage of staff that resulted in delays in staff training for all aspects of the computing environment.

Inadequate controls over system access increase the risk of unauthorized access and the risk that confidentiality, integrity and availability of systems and data will be compromised. (Finding Code No. 2017-018)

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Current Findings - State Compliance (Continued)

2017-018 - Weaknesses over System Access (Continued)

Recommendation

We recommend the University:

- Ensure access rights are periodically reviewed and if necessary, appropriately adjusted based upon staff job responsibilities.
- Ensure access rights of separated employees are removed on a timely basis.

University Response

The University agrees with the recommendation. Information Technology Division (ITD) will ensure that the access rights are reviewed on a quarterly basis by all unit leaders. Employees in the Office of Human Resources will be trained to remove the access of terminated employees in a timely manner instead of depending on ITD.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Prior Findings Not Repeated

A. Inaccurate Accounting of Accrued Compensated Absences

The Chicago State University (University) did not properly account for its accrued compensated absences. (Finding Code No. 2016-001, 2015-001, 2014-002, 2013-001, 12-2, 11-3)

In the current year, compensated absences were properly recorded for sampled employees.

B. Improper Accounting of Unearned Revenue and Grant Receivables

The University did not properly account for its unearned revenue and grant receivables. (Finding Code No. 2016-002)

In the current year, unearned revenue and grant receivables reviewed were properly recorded.

C. Inadequate Controls Over Preparation of an Accurate SEFA

The University did not prepare an accurate Schedule of Expenditures of Federal Awards (SEFA) and related notes. (Finding Code No. 2016-004, 2015-003)

In the current year, no exceptions were noted during our review of the SEFA and related notes.

D. Lack of Adherence to Controls and Noncompliance with Requirements Applicable to the Higher Education Institutional Aid Program

The University employee compensation controls in relation to its Higher Education Institutional Aid program did not function as designed. (Finding Code No. 2016-006, 2015-005)

In the current year, no exceptions were noted during our testing of timesheets for sampled employees paid by this program.

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

The University's written policies and procedures related to verification of student aid application did not fully comply with the requirements set forth by federal regulations. (Finding Code No. 2016-007)

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Prior Findings Not Repeated (Continued)

In the current year, the University complied with the requirements of the federal regulations by including all procedures required on its established written policies and procedures.

F. Untimely Reporting to National Student Loan Data Systems (NSLDS)

The University did not report changes in enrollment status of students who received federal loans within the 60 day required timeframe. (Finding Code No. 2016-009)

In the current year, our sample testing indicated changes in enrollment status of students who received federal loans were reported timely.

G. Noncompliance with Illinois State Collection Act

The University did not comply with the requirements of the Illinois State Collection Act. (Finding Code No. 2016-012, 2015-012)

In the current year, accounts receivable from students sampled were placed in the Comptroller's Offset System in a timely manner.

**State of Illinois
Chicago State University
Supplementary Information for State Compliance Purposes
For the Year Ended June 30, 2017**

Summary

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

- Fiscal Schedules and Analysis:
 - Schedule of Expenditures of Federal Awards
 - Notes to the Schedule of Expenditures of Federal Awards
 - Schedule of Net Appropriations, Expenditures and Lapsed Balances Fiscal Year 2017
 - Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
 - Comparative Schedule of Income Fund Revenues and Expenditures
 - Schedule of Changes in State Property
 - Schedule of Cash Receipts (Treasury Held Fund) and Reconciliation of Cash Receipts to Deposits Remitted to the State Comptroller
 - Comparative Schedule of Cash, Temporary Cash Investments, and Investments - at Market Value
 - Schedule of Federal Expenditures, Nonfederal Expenses and New Loans

- Analysis of Operations (Unaudited):
 - University Functions and Planning Program (Unaudited)
 - Analysis of Significant Variations in Revenues and Expenses (Unaudited)
 - Analysis of Significant Variations in Account Balances (Unaudited)
 - Analysis of Significant Lapse Period Spending (Unaudited)
 - Analysis of Accounts Receivable (Unaudited)
 - Schedule of Sources and Applications of Indirect Cost Recoveries (Unaudited)
 - Budget Impasse Disclosures (Unaudited)
 - Alternative Financing in Lieu of Appropriations and Programs to Address Untimely Payments to Vendors (Unaudited)
 - Interest Costs on Fiscal Year 2017 Invoices (Unaudited)
 - Average Number of Employees (Unaudited)
 - Comparative Enrollment Statistics (Unaudited)
 - Comparative Schedule of Unrestricted Current Fund Expenditures per Full-Time Equivalent Students (Unaudited)
 - Emergency Purchases (Unaudited)
 - Illinois First Projects (Unaudited)
 - Bookstore Information (Unaudited)
 - Schedule of Degrees Conferred (Unaudited)
 - Schedule of Tuition and Fee Waivers (Unaudited)

**State of Illinois
Chicago State University
Supplementary Information for State Compliance Purposes
For the Year Ended June 30, 2017**

Summary (Continued)

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

The accountant's report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states the supplementary information presented in Schedules 1 through 8 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the auditor's opinion, it is fairly stated in all material respects, in relation to the basic financial statements as a whole from which it has been derived. The accountant's report also states the Analysis of Operations Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, they do not express an opinion or provide any assurance on it.

State of Illinois
Chicago State University
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

SCHEDULE 1

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Pass-Through Entity Identifying Number	FY 2017 Expenditures	Passed-Through to Subrecipients
STUDENT FINANCIAL ASSISTANCE CLUSTER:				
<u>DEPARTMENT OF EDUCATION</u>				
Federal Supplemental Educational Opportunity Grants	(M) 84.007		\$ 300,677	\$ -
Federal Work-Study Program	(M) 84.033		555,642	-
Federal Perkins Loan Program (Note 2)	(M) 84.038		1,850,561	-
Federal Pell Grant Program	(M) 84.063		6,282,846	-
Federal Direct Student Loans (Note 3)	(M) 84.268		38,758,780	-
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	(M) 84.379		30,671	-
TOTAL DEPARTMENT OF EDUCATION			\$ 47,779,177	\$ -
TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER			\$ 47,779,177	\$ -
RESEARCH AND DEVELOPMENT CLUSTER:				
<u>DEPARTMENT OF DEFENSE</u>				
Centers for Academic Excellence <i>Intelligence and Cybersecurity Education and Research</i>	(M) 12.598		\$ 243,597	\$ -
TOTAL DEPARTMENT OF DEFENSE			\$ 243,597	\$ -
<u>NATIONAL SCIENCE FOUNDATION</u>				
Mathematics and Physical Sciences <i>RUI: Studies of Relativistic Heavy Ions Collisions in ALICE at the LHC/ Heavy Ion Physics in ALICE at LHC</i>	(M) 47.049		\$ 92,040	\$ -
<i>MRI Consortium: Development of Fast Interaction Trigger Detector for the ALICE Experiment at the LHC</i>	(M) 47.049		27,035	-
			119,075	-
Education and Human Resources <i>Support, Mentoring, Accountability, Research and Training: Scaling Undergraduates STEM Transformation and Institutional Networks for Engaged Dissemination (SUSTAINED)</i>	(M) 47.076		36,867	-
<i>Increasing Chemistry and Physics Graduates at Chicago State University</i>	(M) 47.076		86,201	-
<i>Louis Stokes Alliance for Minority Participation</i>	(M) 47.076		466,183	198,072
<i>Pilot Regional Louis Stokes Center: Midwest Center of Excellence</i>	(M) 47.076		548,824	335,964
<i>Louis Stokes Bridge to Doctorate at the University of Illinois</i>	(M) 47.076		545,750	539,250
			1,683,825	1,073,286
TOTAL NATIONAL SCIENCE FOUNDATION			\$ 1,802,900	\$ 1,073,286

State of Illinois
Chicago State University
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

SCHEDULE 1
(CONTINUED)

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Pass-Through Entity Identifying Number	FY 2017 Expenditures	Passed-Through to Subrecipients
RESEARCH AND DEVELOPMENT CLUSTER: (Continued)				
<u>NATIONAL INSTITUTES OF HEALTH</u>				
Drug Abuse and Addiction Research Programs <i>Urban Mindfulness and Addiction Research</i>	(M) 93.279		\$ 150,185	\$ 11,660
Cancer Centers Support Grants <i>Chicago South Side Cancer Disparities Initiative</i>	(M) 93.397		203,985	-
Biomedical Research and Research Training <i>Student Development at Chicago State University</i>	(M) 93.859		235,827	-
<i>Gut Circadian Clock and Melatonin Dynamics Following Major Thermal Injury</i>	(M) 93.859		11,680	-
			247,507	-
TOTAL NATIONAL INSTITUTES OF HEALTH			\$ 601,677	\$ 11,660
TOTAL RESEARCH AND DEVELOPMENT CLUSTER			\$ 2,648,174	\$ 1,084,946
TRIO CLUSTER:				
<u>DEPARTMENT OF EDUCATION</u>				
TRIO_Student Support Services	(M) 84.042		\$ 475	\$ -
TRIO_Upward Bound <i>Project Fame/Upward Bound</i>	(M) 84.047		517,323	-
TRIO_Educational Opportunity Centers	(M) 84.066		345,011	-
TOTAL DEPARTMENT OF EDUCATION			\$ 862,809	\$ -
TOTAL TRIO CLUSTER			\$ 862,809	\$ -
OTHER PROGRAMS:				
<u>DEPARTMENT OF AGRICULTURE</u>				
Agriculture and Food Research Initiative (AFRI) Passed-Through the University of Minnesota <i>Collaborating to Enhance Underrepresented Minority Student Participation in Plant Science</i>	10.217	H004972102	\$ 19,168	\$ -
<i>DOA: Molecular and Histological Characterization of Hollow and Solid Stem Genotypes of Wheat</i>	10.310	60604	1,988	-
TOTAL DEPARTMENT OF AGRICULTURE			\$ 21,156	\$ -

State of Illinois
Chicago State University
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

SCHEDULE 1
(CONTINUED)

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Pass-Through Entity Identifying Number	FY 2017 Expenditures	Passed-Through to Subrecipients
OTHER PROGRAMS: (Continued)				
<u>DEPARTMENT OF DEFENSE NATIONAL SECURITY AGENCY</u>				
GenCyber Grants Program <i>GenCyber Camp 2017</i>	12.903		\$ 23,009	\$ -
TOTAL DEPARTMENT OF DEFENSE NATIONAL SECURITY AGENCY			\$ 23,009	\$ -
<u>DEPARTMENT OF JUSTICE</u>				
Second Chance Act Reentry Initiative Passed-Through Bureau of Justice Assistance/Safer Foundation <i>Accelerating the Re-entry for Returning Citizens Program</i>	16.812	BJA-2014-3877	\$ 29,930	\$ -
TOTAL DEPARTMENT OF JUSTICE			\$ 29,930	\$ -
<u>DEPARTMENT OF TRANSPORTATION</u>				
University Transportation Centers Program Passed-Through Purdue University <i>Study of Usage Potential of Proposed Expanded Commuter Rail</i>	20.701	4108-47669	\$ 2,137	\$ -
TOTAL DEPARTMENT OF TRANSPORTATION			\$ 2,137	\$ -
<u>NATIONAL AERONAUTICS AND SPACE ADMINISTRATION</u>				
Science Passed-Through University of Illinois at Urbana-Champaign <i>Space Grant Consortium</i>	43.008	2015-05200-03	\$ 56,885	\$ -
TOTAL NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			\$ 56,885	\$ -
<u>NATIONAL SCIENCE FOUNDATION</u>				
Intergovernmental Personnel Act (IPA) Assignment	47.PHY1714756		\$ 52,052	\$ -
Education and Human Resources Passed-Through Moraine Valley Community College <i>SFS Capacity: A Streamlined Cyber-Security and Intelligence Pathway</i>	47.076	06812093-5309004	23,717	-
TOTAL NATIONAL SCIENCE FOUNDATION			\$ 75,769	\$ -
<u>DEPARTMENT OF ENERGY</u>				
Other Agreement Passed-Through Fermi Research Alliance, LLC Operator of Fermi National Accelerator Laboratory <i>Intensity Frontier Fellows Program</i>	81.DE-AC02- 09CHI1359	NUA FRA- 2017-0010	\$ 32,659	\$ -
TOTAL DEPARTMENT OF ENERGY			\$ 32,659	\$ -

State of Illinois
Chicago State University
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

SCHEDULE 1
(CONTINUED)

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Pass-Through Entity Identifying Number	FY 2017 Expenditures	Passed-Through to Subrecipients
OTHER PROGRAMS: (Continued)				
<u>DEPARTMENT OF EDUCATION</u>				
Higher Education Institutional Aid <i>Predominantly Black Institutions Program - Formula Grants</i>	84.031		\$ 181,959	\$ 35,690
Strengthening Minority-Serving Institutions <i>The Center for STEM Education & Research at CSU</i>	84.382		550,016	68,855
Graduate Research Opportunities for Minority Students (Minorities and Retirement Security Program)	84.414		106,704	-
TOTAL DEPARTMENT OF EDUCATION			\$ 838,679	\$ 104,545
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Affordable Care Act (ACA) Health Profession Opportunity Grants <i>Partnerships to Step-up in Health Careers</i>	(M) 93.093		\$ 1,444,781	\$ 882,207
Passed-Through ABT Associates Inc. <i>National & Tribal Evolution on the 2nd Generation of the Health Profession Opportunity Grants</i>	(M) 93.093	HHSP2332010052 C/ 46272	7,623	-
			1,452,404	882,207
Temporary Assistance for Needy Families (TANF) Passed-Through Illinois Department of Human Services <i>TANF Special Projects</i>	93.558	81XQ464TS1/ FCSVG00283	142,250	-
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 1,594,654	\$ 882,207
TOTAL OTHER PROGRAMS			\$ 2,674,878	\$ 986,752
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 53,965,038	\$ 2,071,698

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

SCHEDULE 1
(CONTINUED)

State of Illinois
Chicago State University
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity for the year ended June 30, 2017, and is presented on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. The University has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 2 - LOANS OUTSTANDING AT FISCAL YEAR END

The University Perkins Loan Program's outstanding loan balance as of June 30, 2017 totaled \$1,735,582, for programs that are administered directly. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the schedule. There were no administrative costs charged to the Perkins Loan Program.

NOTE 3 - TOTAL NEW FEDERAL STUDENT LOANS

During the year ended June 30, 2017, the University awarded the following amounts of new loans under the Federal Direct Student Loans Program:

Direct Unsubsidized Loans	\$ 27,503,347
Direct Subsidized Loans	5,232,621
Direct Parent PLUS Loans	887,219
Direct Graduate PLUS Loans	5,135,593
Total	<u>\$ 38,758,780</u>

There were no administrative costs charged to the loan program.

NOTE 4 - NONMONETARY ASSISTANCE

During the period, the University did not have any nonmonetary assistance.

NOTE 5 - INSURANCE DISCLOSURE

During the period, there are no federally-funded insurance in effect.

State of Illinois
 Chicago State University
 Schedule of Net Appropriations, Expenditures and Lapsed Balances
 Expenditure Authority for Fiscal Year 2017
 For the Fifteen Months Ended September 30, 2017

	Expenditure Authority (Net of Transfers)	Expenditures Through June 30, 2017	Lapse Period Expenditures July 1 to September 30	Total Expenditures 15 Months Ended September 30	Balances Lapsed September 30
Public Act Nos. 99-0524 and 100-0021					
APPROPRIATED FUNDS					
EDUCATION ASSISTANCE FUND (007)					
Operational expenses	\$ 17,387,800	\$ 12,590,000	\$ 4,797,800	\$ 17,387,800	\$ -
GENERAL PROFESSIONS DEDICATED FUND (022)					
Development, Support or Admin	307,000	-	307,000	307,000	-
CHICAGO ST UNIV ED IMPROVEMENT FUND (223)					
Any expenses incurred	1,600,000	1,016,597	583,403	1,600,000	-
GENERAL REVENUE FUND (001)					
Operational expenses	18,942,700	-	18,942,700	18,942,700	-
GRAND TOTAL - ALL FUNDS	\$ 38,237,500	\$ 13,606,597	\$ 24,630,903	\$ 38,237,500	\$ -

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller records as of September 30, 2017, and have been reconciled to University records.

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

Note 3: The Circuit Court of St. Clair County in AFSCME Council 31 v. Munger (15 CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to "draw and issue warrants accomplishing payment of wages [for all State employees] at their normal rates of pay." As Public Act 100-0021 states, appropriation authority granted by the General Assembly does not supercede any court order directing the expenditure of funds and states such payments are added to the appropriations granted by the General Assembly, the University was able to submit vouchers to pay its employees in full from Fund 001, Fund 007 and Fund 223 without maximum expenditure limit for personal service costs during Fiscal Year 2017. Further, the University incurred non-payroll obligations within Fund 022 and Fund 223, which the University was unable to pay until the passage of Public Act 100-0021.

Note 4: Public Act 99-0524 authorizes the University to pay Fiscal Year 2016 costs using its Fiscal Year 2017 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 84 includes information from University management about the number of invoices and the total dollar amount of invoices held by the University to be submitted against its Fiscal Year 2017 appropriation.

Note 5: During Fiscal Year 2017, the University operated without enacted appropriations until Public Act 100-0021 was approved on July 6, 2017. During the impasse, the University incurred non-payroll obligations within Fund 022 and Fund 223, which the University was unable to pay until the passage of Public Act 100-0021.

Note 6: Notwithstanding anything within Public Act 100-0021 to the contrary, Public Act 100-0021 authorized the University to pay for all costs incurred prior to July 1, 2018, using either its Fiscal Year 2017 or Fiscal Year 2018 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 84 includes information from University management about the number of invoices and the total dollar amount of invoices from Fiscal Year 2016 and Fiscal Year 2017 held by the University to be submitted against either its Fiscal Year 2017 or Fiscal Year 2018 appropriation.

Chicago State University

Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances

For the Years Ended June 30, 2017 and 2016

	Fiscal Year	
	2017 P.A. 99-0524 and P.A. 100-0021	2016 P.A. 99-0502 and P.A. 99-0524
EDUCATION ASSISTANCE FUND (007)		
Expenditure Authority/Appropriations (net of transfers)	\$ 17,387,800	\$ 20,107,300
Expenditures		
Operational expenses	17,387,800	20,106,686
Lapsed balances	\$ -	\$ 614
GENERAL PROFESSIONS DEDICATED FUND (022)		
Expenditure Authority/Appropriations (net of transfers)	\$ 307,000	\$ -
Expenditures		
Development, Support or Admin	307,000	-
Lapsed balances	\$ -	\$ -
CHICAGO ST UNIV ED IMPROVEMENT FUND (223)		
Expenditure Authority/Appropriations (net of transfers)	\$ 1,600,000	\$ 1,600,000
Expenditures		
Any expenses incurred	1,600,000	1,600,000
Lapsed balances	\$ -	\$ -
GENERAL REVENUE FUND (0001)		
Expenditure Authority/Appropriations (net of transfers)	\$ 18,942,700	\$ -
Expenditures		
Operational expenses	18,942,700	-
Lapsed balances	\$ -	\$ -
GRAND TOTAL, ALL FUNDS		
Expenditure Authority/Appropriations (net of transfers)	\$ 38,237,500	\$ 21,707,300
Expenditures	38,237,500	21,706,686
Lapsed balances	\$ -	\$ 614

Note 1: Fiscal Year 2017 expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller records as of September 30, 2017, and have been reconciled to University records

Note 2: Fiscal Year 2016 expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller records as of September 30, 2016, and have been reconciled to University records

Note 3: Expenditure amounts are vouchers approved and paid by the University and submitted to the State Comptroller for reimbursement of payments made to vendors.

Note 4: The Circuit Court of St. Clair County in AFSCME Council 31 v. Munger (15 CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to "draw and issue warrants accomplishing payment of wages [for all State employees] at their normal rates of pay." As Public Act 100-0021 states, appropriation authority granted by the General Assembly does not supercede any court order directing the expenditure of funds and states such payments are added to the appropriations granted by the General Assembly, the University was able to submit vouchers to pay its employees in full from Fund 001, Fund 007 and Fund 223 without maximum expenditure limit for personal service costs during Fiscal Year 2017. Further, the University incurred non-payroll obligations within Fund 022 and Fund 223, which the University was unable to pay until the passage of Public Act 100-0021.

State of Illinois
Chicago State University
Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
For the Years Ended June 30, 2017 and 2016

SCHEDULE 3
(CONTINUED)

- Note 5: During Fiscal Year 2016, the University operated without enacted appropriations until Public Act 99-0502 and Public Act 99-0524 were signed into law on April 25, 2016 and June 30, 2016, respectively. During the impasse, the Circuit Court of St. Clair County in AFSCME Council 31 v. Munger (15 CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to "draw and issue warrants accomplishing payment of wages [for all State employees] at their normal rates of pay." As such, the University's court-ordered involuntary withholding payroll payments previously processed through the State Treasury were merged into the enacted appropriation for Fund 007. Further, the University incurred reimbursable payroll and non-payroll obligations within Fund 223 which the University was unable to process reimbursement for the expenditures incurred by the University's Income Fund until the passage of Public Act 99-0524
- Note 6: During Fiscal Year 2017, the University operated without enacted appropriations until Public Act 100-0021 was approved on July 6, 2017. During the impasse, the University incurred non-payroll obligations within Fund 022 and Fund 223, which the University was unable to pay until the passage of Public Act 100-0021.
- Note 7: Public Act 99-0524 authorizes the University to pay Fiscal Year 2016 costs using its Fiscal Year 2017 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 84 includes information from University management about the number of invoices and the total dollar amount of invoices held by the University to be submitted against its Fiscal Year 2017 appropriation.
- Note 8: Notwithstanding anything within Public Act 100-0021 to the contrary, Public Act 100-0021 authorized the University to pay for all costs incurred prior to July 1, 2018, using either its Fiscal Year 2017 or Fiscal Year 2018 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 84 includes information from University management about the number of invoices and the total dollar amount of invoices from Fiscal Year 2016 and Fiscal Year 2017 held by the University to be submitted against either its Fiscal Year 2017 or Fiscal Year 2018 appropriation.
- Note 9: The above lapsed balance of \$614 for Fiscal Year 2016 represents outstanding warrants in General Revenue Fund that could not be transferred to Education Assistance Fund for court orders.

State of Illinois

SCHEDULE 4

Chicago State University

Comparative Schedule of Income Fund Revenues and Expenditures

For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
INCOME FUND		
REVENUES		
Tuition revenue	\$ 30,604,092	\$ 37,989,904
Laboratory fee	146,782	200,925
Late registration fee	57,500	89,885
NSF check fee	1,215	1,145
Deferred payment fee	47,100	60,750
Graduation fee - undergraduate	23,650	31,125
Graduation fee - graduate	16,480	13,400
Transcript fee	89,313	99,966
Application fee	60,841	117,271
Interest income	65,133	18,572
Miscellaneous other income	102,216	190,051
	<u>31,214,322</u>	<u>38,812,994</u>
Total revenues	<u>\$ 31,214,322</u>	<u>\$ 38,812,994</u>
EXPENDITURES		
Personal services	\$ 660,040	\$ 29,296,945
SURS retirement	-	3,792
Social Security	573,877	1,789,343
Contractual services	6,603,772	6,245,883
Travel	80,385	51,076
Commodities	714,433	504,103
Equipment and library books	365,713	203,245
Telecommunications	448,242	425,084
Operation of automotive equipment	16,716	29,787
Permanent improvements	914,051	-
Awards, grants, and matching funds	150,222	143,492
Tuition and fee waivers	2,616,666	3,048,994
Other expenditures	736,976	1,500,202
	<u>13,881,093</u>	<u>43,241,946</u>
Total expenditures	<u>\$ 13,881,093</u>	<u>\$ 43,241,946</u>

SCHEDULE 5

**State of Illinois
Chicago State University
Schedule of Changes in State Property
For the Year Ended June 30, 2017
(in thousands)**

	Balance June 30, 2016	Additions	Retirements	Transfers	Balance June 30, 2017
Land	\$ 9,611	-	-	-	\$ 9,611
Works of art	41	-	-	-	41
Site improvements	15,080	842	-	-	15,922
Buildings and building improvements	199,587	96	-	-	199,683
Equipment and library books	45,496	625	(374)	313	46,060
Capital lease assets	339	9	-	(313)	35
Intangible assets	1,490	-	-	-	1,490
Construction in progress	13,650	255	(905)	30	13,030
Total	\$ 285,294	\$ 1,827	\$ (1,279)	\$ 30	\$ 285,872

Notes:

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

State of Illinois
Chicago State University
Schedule of Cash Receipts (Treasury Held Fund) and
Reconciliation of Cash Receipts to Deposits Remitted
to the State Comptroller
For the Years Ended June 30, 2017 and 2016

SCHEDULE 6

	<u>2017</u>	<u>2016</u>
Chicago St Univ Ed Improvement Fund 223		
Cash transfer from State Gaming Fund 129	\$ 1,600,000	\$ 1,600,000
Interest deposited directly into the State Treasury	10,917	7,475
Total receipts	<u>\$ 1,610,917</u>	<u>\$ 1,607,475</u>
Receipts per University records	\$ 1,610,917	\$ 1,607,475
Plus deposits in transit, beginning of year	-	-
Less deposits in transit, end of year	-	-
Deposits per State Comptroller	<u>\$ 1,610,917</u>	<u>\$ 1,607,475</u>

State of Illinois
Chicago State University
Comparative Schedule of Cash, Temporary Cash Investments,
and Investments - at Market Value
For the Years Ended June 30, 2017 and 2016

SCHEDULE 7

	<u>2017</u>	<u>2016</u>
By Depository		
Cash and temporary cash investments:		
Cash on hand	\$ 12,643	\$ 30,788
Cash equity with the State Treasurer	598,094	1,608,491
Seaway Bank, Chicago, Illinois, Illinois Funds	-	46
Amalgamated Bank, Chicago, Illinois	101	-
Citibank, Chicago, Illinois, Money Market Account	1,652,815	2,465,946
Checking accounts:		
Citibank, Chicago, Illinois, Vendor Disbursement Account	750,990	529,394
Citibank, Chicago, Illinois, Student Disbursement Account	358,809	31,811
Citibank, Chicago, Illinois, Various ACH	2,169,903	200,140
Citibank, Chicago, Illinois, TMS Account	688,410	83,214
Chase, Chicago, Illinois, Payroll Account	728,454	671,855
The Illinois Funds, Springfield, Illinois, Clearing Fund	7,387,680	14,476,506
Seaway National Bank, Chicago, Illinois, Checking	60,056	209,632
Seaway National Bank, Chicago, Illinois, Cougar Card	72,072	172,858
Seaway National Bank, Chicago, Illinois, Cashier's Depository	173,274	249,402
Total cash and cash equivalents by depository	<u>\$ 14,653,301</u>	<u>\$ 20,730,083</u>
By Fund		
Unrestricted current funds	\$ 10,619,945	\$ 16,778,936
Restricted current funds	3,713,078	3,660,416
Loan funds	48,139	31,027
Plant funds	104,276	104,276
Agency funds	167,863	155,428
Total cash and cash equivalents by fund	<u>\$ 14,653,301</u>	<u>\$ 20,730,083</u>

Certain items in the June 30, 2016 comparative information have been reclassified to conform with the current presentation.

SCHEDULE 8

State of Illinois
Chicago State University
Schedule of Federal Expenditures, Nonfederal Expenses and New Loans
For the Year Ended June 30, 2017
(in thousands)

Schedule A - Federal Financial Component

Total federal expenditures reported on SEFA schedule	\$	53,965	
Total new loans made not included on SEFA schedule		-	*
Amount of federal loan balances at beginning of the year (not included on the SEFA schedule and continued compliance is required)		-	*
Other noncash federal award expenditures (not included on SEFA schedule)		-	*
Total Schedule A	<u>\$</u>	<u>53,965</u>	

Schedule B - Total Financial Component

Total operating expenses (from financial statements)	\$	123,143
Total nonoperating expenses (from financial statements)		975
Total new loans made		38,855
Amount of federal loan balances at beginning of the year		<u>1,739</u>
Total Schedule B	<u>\$</u>	<u>164,712</u>

Schedule C

Total Schedule A	\$	53,965	32.8%
Total nonfederal expenses		<u>110,747</u>	<u>67.2%</u>
Total Schedule B	<u>\$</u>	<u>164,712</u>	<u>100.0%</u>

* Loan amounts are included on SEFA schedule.

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

**State of Illinois
Chicago State University
Analysis of Operations (Unaudited)
For the Year Ended June 30, 2017**

University Functions and Planning Program (Unaudited)

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

The 2012 Chicago State University Strategic Plan, *Fulfilling Our Mission Through ACCESS* contains the strategic plan and the context for planning. The goals, objectives, the mission statement, and the University vision are incorporated into this document. Originally, the plan will guide the University only until 2015 but the Board approved the resolution extending the plan to 2016. The University will formalize its strategic plan when a permanent President has been appointed. In addition to the strategic plan, the University utilizes an annual planning process called Planning, Measurement and Effectiveness (PME) to implement and monitor the effectiveness of the strategic plan. Every unit in the University is involved in this planning and monitoring process.

Chicago State University - Mission

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

The University works towards these six strategic goals as they seek to fulfill their mission:

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

State of Illinois
Chicago State University
Analysis of Operations (Unaudited) (Continued)
For the Year Ended June 30, 2017

University Functions and Planning Program (Unaudited) (Continued)

Chicago State University Vision Statement

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

The values of the University include:

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

University Head and Location

The current Interim President of the University is Dr. Rachel W. Lindsey whose office is located at:

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

State of Illinois
Chicago State University
Analysis of Operations (Unaudited) (Continued)
For the Year Ended June 30, 2017

Analysis of Significant Variations in Revenues and Expenses (Unaudited)

A comparative schedule of significant variations in operating and nonoperating revenues and expenses (at least \$200,000 and 20% of the previous year) for the fiscal years ended June 30, 2017 and June 30, 2016 are shown below:

ACCOUNTS	FISCAL YEAR ENDED JUNE 30,		INCREASE (DECREASE)	
	2017	2016	AMOUNT	%
OPERATING REVENUES:				
State and local grants and contracts	\$4,451,978	\$3,198,762	\$ 1,253,216	39%
Sales and services of auxiliary enterprises	7,901,488	10,603,548	(2,702,060)	(25%)
OPERATING EXPENSES:				
Instruction	25,628,589	33,498,981	(7,870,392)	(23%)
Research	1,147,619	1,697,821	(550,202)	(32%)
Public service	2,192,976	2,960,937	(767,961)	(26%)
Institutional support	8,905,865	11,121,139	(2,215,274)	(20%)
Scholarship and fellowship	6,679,700	8,949,904	(2,270,204)	(25%)
NONOPERATING REVENUES (EXPENSES):				
State appropriations	14,343,500	21,707,300	(7,363,800)	(34%)
Federal nonoperating grants	6,578,930	10,186,943	(3,608,013)	(35%)
Other nonoperating expenses	(392,594)	(1,500,000)	(1,107,406)	(74%)
Capital appropriations	308,581	2,032,760	(1,724,179)	(85%)
Loss on disposal of capital assets	(904,530)	(3,091)	901,439	29163%

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

State and local grants and contracts

Increase in revenues was due to the special Illinois Board of Higher Education grant received (approximately \$3 million); offset by a decrease in grants related to Evidence Trauma programs (approximately \$1.3 million), Intelligence and Cybersecurity Education program (approximately \$242,000) and Grow Your Own Teachers program (approximately \$134,000).

State of Illinois
Chicago State University
Analysis of Operations (Unaudited) (Continued)
For the Year Ended June 30, 2017

Analysis of Significant Variations in Revenues and Expenses (Unaudited)
(Continued)

Sales and services of auxiliary enterprises

Decrease in revenues was due to lower student enrollment in fiscal year (FY) 2017. Lower student enrollment means smaller population to sell auxiliary services during the year.

Operating expenses (Instruction, Research, Public Service, Institutional Support and Scholarship and Fellowship)

Decrease in expenses was due to curtailment of expenditures to coincide with the decline in associated student enrollment.

State appropriations

Represents the decrease in approved appropriations from the State for FY 2017, as the continuing budget crisis resulted in less funding.

Federal nonoperating grants

Decrease was due to reduction in Pell grants awarded, as a result of decline in student enrollment.

Other nonoperating expenses

The balance mainly represents University's share (amounting to \$400,000) in the awarded judgement in favor of the plaintiff paid by the University during the fiscal year.

Capital appropriations

Decrease in expenses was due to the reduction in Douglas Hall renovation funding, as work was substantially completed in FY 2016.

Loss on disposal of capital assets

The retirement of \$904,530 in capital assets resulted in a loss on disposal to the University. This retirement was the result of writing off planning costs incurred for the potential construction of a new science building. Due to lack of state funding, the project is not moving forward, and it was determined that the costs had no continuing value.

State of Illinois
Chicago State University
Analysis of Operations (Unaudited) (Continued)
For the Year Ended June 30, 2017

Analysis of Significant Variations in Account Balances (Unaudited)

A comparative schedule of significant variations in account balances (at least \$200,000 and 20% of the previous year) for the fiscal years ended June 30, 2017 and June 30, 2016 are shown below:

ACCOUNTS	FISCAL YEAR ENDED JUNE 30,		INCREASE (DECREASE)	
	2017	2016	AMOUNT	%
ASSETS:				
Cash equity with State Treasurer	\$ 598,094	\$1,608,491	\$ (1,010,397)	(63%)
Cash and cash equivalents	10,126,127	15,274,721	(5,148,594)	(34%)
Securities lending collateral equity of State Treasurer	196,073	425,860	(229,787)	(54%)
Accounts receivables - net	4,216,106	6,765,204	(2,549,098)	(38%)
LIABILITIES:				
Obligations under securities lending collateral equity of State Treasurer	196,073	425,860	(229,787)	(54%)
Accrued wages	957,840	2,143,411	(1,185,571)	(55%)
NET POSITION:				
Unrestricted	1,073,231	8,373,040	(7,299,809)	(87%)

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

Cash equity with State Treasurer

Balance in State appropriations decreased due to improved collections from the State during the fiscal year.

Cash and cash equivalents

Decrease was due to the reduction in State appropriations recognized based on timing of when the appropriation was passed.

Securities lending collateral equity of State Treasurer

The balance represents the University's asset for the lending collateral from the State of Illinois for the University's interest in State-held cash.

State of Illinois
Chicago State University
Analysis of Operations (Unaudited) (Continued)
For the Year Ended June 30, 2017

Analysis of Significant Variations in Account Balances (Unaudited)
(Continued)

Accounts receivables - net

Decrease was due mainly to the overall decline in funded grants compared to the prior year, coupled with the impact of netting grant receivables against respective deferred income, which was not done in prior year.

Obligations under securities lending collateral equity of State Treasurer

The balance represents the University's liability for the lending collateral for the State of Illinois against State-held cash.

Accrued wages

Decrease was mainly due to \$1.6 million in payouts subsequent to June 30, 2016 that were for accrued costs related to employee layoffs. No such accrual was required as of fiscal year end 2017.

Net position, unrestricted

The significant decrease in unrestricted net position pertains mainly to reduced appropriation from the State and lower student enrollment. Moreover, in fiscal years 2012 and 2016, the University calculated excess funds under the University Guidelines and transferred \$981,766 out of the Revenue Bond Fund into the University's Income Fund (Net Position - Unrestricted). This transfer was a violation of its debt covenants and as a result the funds were transferred back to the Revenue Bond Fund (reclassified to Net Position - Restricted for, Expendable - Auxiliary Services for FY 2017) to correct the mistake.

State of Illinois
Chicago State University
Analysis of Operations (Unaudited) (Continued)
For the Year Ended June 30, 2017

Analysis of Significant Lapse Period Spending (Unaudited)

An explanation was obtained for lapse period expenditures for Fiscal Year 2017 that accounted for more than 20% and \$200,000 of the total expenditures for the fiscal year.

	<u>Lapse Period</u> <u>Expenditures</u>	<u>Total</u> <u>Expenditures</u>	<u>% of Lapse</u> <u>Expenditures</u>
EDUCATION ASSISTANCE FUND (007)			
Regular Positions	\$ 4,797,800	\$ 17,387,800	28%
Payments for personal services which were paid locally by June 30, 2017 and submitted to the Comptroller's Office in the lapse period for reimbursement.			
GENERAL PROFESSIONS DEDICATED FUND (0022)			
Pharmacy Practice Education Training	\$ 307,000	\$ 307,000	100%
Payments for contractual services, travel and commodities which were paid locally by June 30, 2017 and submitted to the Comptroller's Office in the lapse period for reimbursement.			
CHICAGO ST UNIV ED IMPROVEMENT FUND (223)			
Awards and Grants	\$ 572,852	\$ 1,600,000	36%
Payments for awards and grants which were paid locally by June 30, 2017 and submitted to the Comptroller's Office in the lapse period for reimbursement.			
GENERAL REVENUE FUND (001)			
Regular Positions	\$ 18,942,700	\$ 18,942,700	100%
Payments for personal services which were paid locally by June 30, 2017 and submitted to the Comptroller's Office in the lapse period for reimbursement.			

State of Illinois
Chicago State University
Analysis of Operations (Unaudited) (Continued)
June 30, 2017 and 2016

Analysis of Accounts Receivable (Unaudited)

Balance Sheet at June 30 of	2017	2016	Change
Accounts Receivable (Net)			
Current unrestricted funds	\$ 1,786,602	\$ 1,854,048	\$ (67,446)
Current restricted funds	2,435,284	5,037,575	(2,602,291)
Total accounts receivable (net)	<u>\$ 4,221,886</u>	<u>\$ 6,891,623</u>	<u>\$ (2,669,737)</u>
Accounts receivable at gross less allowance for uncollectible accounts were as follows:			
Accounts receivable - all funds, at gross	\$ 16,273,842	\$ 18,870,156	\$ (2,596,314)
Less: allowance for uncollectible accounts	(12,051,956)	(11,978,533)	(73,423)
Total accounts receivable (net)	<u>\$ 4,221,886</u>	<u>\$ 6,891,623</u>	<u>\$ (2,669,737)</u>
Aging of Current Unrestricted Funds			
Current (less than one year)	\$ 1,872,321	\$ 1,903,401	\$ (31,080)
One year past due	806,247	758,479	47,768
Two years past due	649,400	982,746	(333,346)
Three years past due	769,875	654,038	115,837
Older than three years past due	7,108,861	6,948,381	160,480
Total current unrestricted funds - gross	<u>11,206,704</u>	<u>11,247,045</u>	<u>(40,341)</u>
Allowance for uncollectible accounts	<u>(9,420,102)</u>	<u>(9,392,997)</u>	<u>(27,105)</u>
Balance sheet - current unrestricted funds (net)	<u>\$ 1,786,602</u>	<u>\$ 1,854,048</u>	<u>\$ (67,446)</u>

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

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

Certain items in the June 30, 2016 comparative information have been reclassified to conform with the current presentation.

**State of Illinois
Chicago State University
Analysis of Operations (Unaudited) (Continued)
For the Year Ended June 30, 2017**

Schedule of Sources and Applications of Indirect Cost Recoveries (Unaudited)

	<u>2017</u>
SOURCES	
Federal funds	\$ 609,329
State funds	6,574
Local and private funds	<u>2,721</u>
Total sources	<u>618,624</u>
APPLICATIONS	
Compensation and benefits	262,744
Contractual	171,925
Travel	2,957
Commodities	<u>526</u>
Total applications	<u>438,152</u>
EXCESS OF SOURCES OVER APPLICATIONS	180,472
TRANSFERS	
Transfers to other funds	<u>(430,159)</u>
EXCESS OF SOURCES OVER APPLICATIONS AFTER TRANSFERS	(249,687)
FUND BALANCE, BEGINNING OF YEAR	<u>513,472</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 263,785</u></u>

State of Illinois
Chicago State University
Analysis of Operations (Unaudited) (Continued)
For the Year Ended June 30, 2017

Budget Impasse Disclosures (Unaudited)

Payment of Prior Year Costs in Future Fiscal Years

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

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

In addition, Article 998 of Public Act 100-0021 authorized the University to pay its unpaid FY 2016 and FY 2017 costs using either the University's FY 2017 or FY 2018 appropriations for non-payroll expenditures. The University did not have any outstanding invoices from FY 2017 unpaid after the closure of the FY 2017 Lapse Period on September 30, 2017. Therefore, the University does not intend to use its FY 2018 appropriations to pay its FY 2016 or FY 2017 costs.

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

Transactions Involving the Illinois Finance Authority

The University and its vendors did not participate in alternative financing in lieu of enacted appropriations involving the Illinois Finance Authority during the FY 2017.

Transactions Involving the Vendor Payment Program and Vendor Support Initiative Program

None of the University's vendors participated in the Vendor Payment Program (VPP) or the Vendor Support Initiative Program (VSI) during FY 2017.

Interest Costs on Fiscal Year 2017 Invoices (Unaudited)

Prompt Payment Interest Costs

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

State of Illinois
Chicago State University
Analysis of Operations (Unaudited) (Continued)
For the Year Ended June 30, 2017

Average Number of Employees (Unaudited)

Average number of Chicago State University employees during the years ended June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Faculty and staff	618	663
Students	<u>150</u>	<u>247</u>
Total	<u><u>768</u></u>	<u><u>910</u></u>

Comparative Enrollment Statistics (Unaudited)

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

	<u>2017</u>	<u>2016</u>
Head Count:		
Undergraduate	2,076	3,143
Graduate	<u>1,174</u>	<u>1,299</u>
Total	<u><u>3,250</u></u>	<u><u>4,442</u></u>
Credit Hours:		
Undergraduate	51,429	75,685
Graduate	<u>26,473</u>	<u>28,294</u>
Total	<u><u>77,902</u></u>	<u><u>103,979</u></u>

State of Illinois
Chicago State University
Analysis of Operations (Unaudited) (Continued)
For the Year Ended June 30, 2017

Comparative Enrollment Statistics (Unaudited) (Continued)

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

Chicago State University Enrollment Summary 2003-2017

<u>Term</u>	<u>Undergraduates</u>	<u>Graduates</u>	<u>Total</u>
Fall 2003	4,904	2,136	7,040
Fall 2004	4,867	1,968	6,835
Fall 2005	5,160	1,971	7,131
Fall 2006	5,167	1,868	7,035
Fall 2007	5,217	1,593	6,810
Fall 2008	5,211	1,609	6,820
Fall 2009	5,398	1,837	7,235
Fall 2010	5,675	1,687	7,362
Fall 2011	5,280	1,602	6,882
Fall 2012	4,618	1,489	6,107
Fall 2013	4,340	1,361	5,701
Fall 2014	3,912	1,299	5,211
Fall 2015	3,461	1,306	4,767
Fall 2016	2,352	1,226	3,578
Fall 2017	2,029	1,072	3,101

Chicago State University Enrollment Demographics - Fall 2017

<u>Category</u>	<u>Number</u>	<u>Percent</u>
Full-time	1,942	62.6%
Part-time	1,159	37.4%
Male	1,033	33.3%
Female	2,068	66.7%
Freshman	235	7.6%
Sophomores	316	10.2%
Juniors	549	17.7%
Seniors	925	29.8%
Other Undergraduates	4	0.1%
Graduates	1,072	34.6%

Credit Hour Production - Entire Academic Year

<u>College</u>	<u>Credit Hours</u>
Pharmacy	10,443
Arts & Science	36,345
Business	8,551
Education	8,126
Health Sciences	11,541
Special Programs	1,880
Undecided/Undeclared	1,016
Total	<u>77,902</u>

State of Illinois
Chicago State University
Analysis of Operations (Unaudited) (Continued)
For the Year Ended June 30, 2017

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

	2017		2016	
	Total Costs	Total Semester Cost Per Full-Time Equivalent*	Total Costs	Total Semester Cost Per Full-Time Equivalent*
Direct salary	\$ 13,409,721	\$ 2,389	\$ 18,124,483	\$ 2,448
Indirect instruction	2,094,955	373	771,990	104
Departmental research	194,999	35	486,264	66
Departmental overheads	1,522,833	271	2,991,186	404
College or school overheads	4,637,014	826	6,372,925	861
Subtotal of department and college costs	21,859,522	3,894	28,746,848	3,883
Overhead support unique to college costs	1,446,596	258	1,326,679	179
All other academic support	4,271,387	761	5,741,216	775
Student services	2,434,887	434	4,006,336	541
Institutional support	4,491,708	800	4,619,599	624
Subtotal University overheads	12,644,578	2,253	15,693,830	2,119
Total department and college costs with University overheads	34,504,100	6,147	44,440,678	6,002
Operation and maintenance of physical plant	10,904,136	1,943	10,678,899	1,442
Total costs	\$ 45,408,236	\$ 8,090	\$ 55,119,577	\$ 7,444

NOTE:

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

State of Illinois
Chicago State University
Analysis of Operations (Unaudited) (Continued)
For the Year Ended June 30, 2017

Emergency Purchases (Unaudited)

The University awarded several contracts on an emergency basis during the fiscal year, consisting of the following:

- A contract for the repair of an underground water main break and related sink hole. Immediate repairs were needed to prevent further loss or damage to University property and ensure maintenance of public health and safety.

Obligation Number:	Emergency Award # 091216 (A)
Vendor:	Amber Mechanical
Estimated Cost:	\$746,000
Actual Cost:	\$841,803

- A contract for the rental of a temporary boiler heating system, due to the underground water main break. Immediate action was needed to ensure public health and safety and to prevent further loss or damage to University property.

Obligation Number:	Emergency Award # 091216A
Vendor:	Anchor Mechanical
Estimated Cost:	\$229,800
Actual Cost:	To be determined

- A contract for the continuing rental of a temporary boiler heating system, due to the underground water main break. Action was needed to ensure public health and safety and to prevent further loss or damage to University property.

Obligation Number:	Emergency Award # 121016
Vendor:	Anchor Mechanical
Estimated Cost:	\$250,000
Actual Cost:	To be determined

- A contract for the continuing rental of a temporary boiler heating system, due to the underground water main break. Action was needed to ensure public health and safety and to prevent further loss or damage to University property.

Obligation Number:	Emergency Award # 031017
Vendor:	Anchor Mechanical
Estimated Cost:	\$300,000
Actual Cost:	To be determined

State of Illinois
Chicago State University
Analysis of Operations (Unaudited) (Continued)
For the Year Ended June 30, 2017

Emergency Purchases (Unaudited) (Continued)

- A contract for the continuing rental of a temporary boiler heating system, due to the underground water main break. Action was needed to ensure public health and safety and to prevent further loss or damage to University property.

Obligation Number:	Emergency Award # 060717
Vendor:	Anchor Mechanical
Estimated Cost:	\$128,000
Actual Cost:	To be determined

- A contract to calculate the University’s Facilities & Administrative cost rate. Immediate action was required to ensure there would be no lapse or loss of federal grant funding.

Obligation Number:	Emergency Award # 1701GD
Vendor:	James P Eakins Consulting LLC
Estimated Cost:	\$32,500
Actual Cost:	\$32,500

Illinois First Projects (Unaudited)

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

Bookstore Information (Unaudited)

The University had an executed contract with a bookstore for the period July 1, 2010 through June 30, 2015, giving the bookstore exclusive rights to sell books on campus. The contract has not been extended, as it is still being negotiated. The contract with the bookstore had the following terms:

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

The University is operating under the same terms as the old contract until a new contract is signed, excluding the guaranteed minimum payment provision. During FY 2017, the bookstore had gross revenue of \$787,450 and the University earned commissions of \$71,658.

State of Illinois
Chicago State University
Analysis of Operations (Unaudited) (Continued)
For the Year Ended June 30, 2017

Schedule of Degrees Conferred (Unaudited)

The University conferred degrees during the years ended June 30, 2017 and 2016, as follows:

	<u>2017</u>	<u>2016</u>
Bachelor's degrees	468	602
Post-baccalaureate certificates	9	4
Master's degrees	301	249
Doctoral	6	9
Professional (Pharm D)	<u>72</u>	<u>85</u>
Total degrees conferred	<u>856</u>	<u>949</u>

**State of Illinois
Chicago State University
Analysis of Operations (Unaudited) (Continued)
For the Year Ended June 30, 2017**

Schedule of Tuition and Fee Waivers (Unaudited)

Undergraduate

	Tuition Waived		Fees Waived	
	Number of Recipients *	Value of Waivers (In Thousands)	Number of Recipients *	Value of Waivers (In Thousands)
<u>MANDATORY WAIVERS</u>				
<u>(SUBTOTAL)</u>	124	\$ 580.5	85	\$ 64.3
ROTC	22	123.9	20	6.2
DCFS	4	37.9	4	9.4
Children of Employees	14	40.1	-	-
Senior Citizens	17	59.7	-	-
Illinois Veterans Grant (IVG)**	48	164.7	42	46.6
Illinois National Guard***	13	112.8	13	1.4
Prisoners of War/MIA***	6	41.4	6	0.7
<u>DISCRETIONARY WAIVERS</u>				
<u>(SUBTOTAL)</u>	147	716.5	38	31.7
Faculty/Administrative (non-civil service)				
Civil Service	38	101.5	38	31.7
Athletic	32	239.8	-	-
Gender Equity in				
Intercollegiate Athletics	20	234.1	-	-
Student Need-Special Programs	57	141.1	-	-
TOTAL	271	\$ 1,297.0	123	\$ 96.0

Graduate

<u>MANDATORY WAIVERS</u>				
<u>(SUBTOTAL)</u>	33	\$ 96.8	27	\$ 23.6
Teacher Special Education	6	9.6	6	4.7
Senior Citizens	6	13.3	-	-
Illinois Veterans Grant (IVG)**	21	73.9	21	18.9
<u>DISCRETIONARY WAIVERS</u>				
<u>(SUBTOTAL)</u>	52	145.0	51	42.1
Faculty/Administrative (non-civil service)	15	23.2	14	10.0
Civil Service	22	66.7	22	21.3
Cooperating Professionals	2	1.9	2	0.6
Teaching Assistants	13	53.2	13	10.2
TOTAL	85	\$ 241.8	78	\$ 65.7

* Unduplicated

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

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

**State of Illinois
Chicago State University
Analysis of Operations (Unaudited) (Continued)
Special Data Requirements for Audits of Universities (Unaudited)
For the Year Ended June 30, 2017**

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

In accordance with an Office of the Auditor General, July 25, 2000, memorandum entitled “Matters Regarding University Audits” (Memorandum), certain supplemental data is required to be reported for University audits. The table below cross references the memorandum requirements (indicated by number and letter paragraph references) to the Chicago State University (University) financial statements and audit reports for the year ended June 30, 2017, where such special data is found.

Compliance Findings

13(a) A finding of noncompliance with University Guidelines for the year ended June 30, 2017 was noted, see finding 2017-011.

Indirect Cost Reimbursements

13(b) A statement of sources and applications of indirect cost recoveries is included in this report on page 83.

13(c) The University’s calculation sheet for indirect cost carry-forward is included in this report on page 97. The excess funds were deposited to the Income Fund within 45 days after the end of the lapse period.

Tuition, Charges and Fees

13(d) There were no diversions of tuition revenues to auxiliary enterprise operations identified during the financial audit and compliance examination of the University for the year ended June 30, 2017.

Auxiliary Enterprises, Activities and Accounting Entities

13(e) Identification of each specific accounting entity and description of the sources of revenue and purpose of each are presented on pages 95 through 96.

13(f) Entity financial statements are presented on pages 99 through 102 of this report. The entity financial statements should be read in conjunction with University’s audited financial statements for the year ended June 30, 2017.

State of Illinois
Chicago State University
Analysis of Operations (Unaudited) (Continued)
Special Data Requirements for Audits of Universities (Unaudited)
For the Year Ended June 30, 2017

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

- 13(g) The University's calculations of current excess funds are presented in this report on page 98.
- 13(h) The University Auxiliary Enterprises and activities received support from appropriated State funds via indirect subsidies for group insurance and retirement from CMS and SURS approximately totaling \$1,410,000 and \$341,800, respectively.
- 13(i) A Statement of Revenue, Expenses and Changes in Net Position for the bond indenture required accounts is presented on page 47 of the financial audit report.
- 13(j) Revenue bond fund accounting conforms to the terms of the bond issue, including all covenants thereto except for findings 2017-001, 2017-002 and 2017-009.
- 13(k) As of June 30, 2017, the University did not have a noninstructional facilities reserve account.

University Related Organizations

- 13(l) The University recognizes the Chicago State University Foundation and The University Foundation at Chicago State (collectively the "Foundation") as University Related Organizations. There are no organizations considered by the University to be "Independent Organizations" as defined in Section VII of "University Guidelines - 1982 (as amended 1997)."
- 13(m) The University did not receive cash payments from the Foundation for services provided. However, the Foundation provided direct support to the University as illustrated on page 103 of this report.
- 13(n) The University provided funds (primarily in the form of services) of approximately \$323,826 to the Foundation for the year ended June 30, 2017.
- 13(o) There were no cumulative unreimbursed subsidies from the University or appropriated funds to the Foundation for the year ended June 30, 2017.
- 13(p) There was no debt financed by the Foundation in Fiscal Year 2017.

State of Illinois
Chicago State University
Analysis of Operations (Unaudited) (Continued)
Special Data Requirements for Audits of Universities (Unaudited) (Continued)
For the Year Ended June 30, 2017

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

Other Topics

- 13(q) The Comparative Schedule of Cash, Temporary Cash Investments, and Investments – at Market Value is presented in this report on page 73.
- 13(r) Income from investments of pooled funds has been allocated and credited to the original sources of the funds.
- 13(s) A schedule of costs per full-time equivalent student is presented on page 87 of this report.
- 13(t) The University or the Foundation did not purchase any real estate with an acquisition cost in excess of \$250,000 that was not funded by a separate, specific appropriation from the General Assembly.
- 13(u) There were no certificates of participation (COPS) or participation in lease or purchase arrangements involving COPS for the year ended June 30, 2017.

Other Schedules for Universities

- 13(v) The Comparative Schedule of Income Fund Revenues and Expenditures is presented on page 70 of this report.
- 13(w) The Schedule of Tuition and Fee Waivers is presented on page 91 of this report.

State of Illinois
Chicago State University
Analysis of Operations (Unaudited) (Continued)
Special Data Requirements for Audits of Universities (Unaudited)
For the Year Ended June 30, 2017

Auxiliary Facilities, Activities, and Accounting Entities (Unaudited)

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

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

Auxiliary Enterprises:

University Facilities System Revenue Bond Fund

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

Parking Facilities

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

Student Health Services

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

Activities:

Public Services

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

Activities Services

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

State of Illinois
Chicago State University
Analysis of Operations (Unaudited) (Continued)
Special Data Requirements for Audits of Universities (Unaudited) (Continued)
For the Year Ended June 30, 2017

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

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

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

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

Providing teaching and instruction aids to students and departments.

Providing telecommunication and mailing services.

Providing and coordinating office machine maintenance service.

Student Activities

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

Continuing Education

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

State of Illinois
Chicago State University
Analysis of Operations (Unaudited) (Continued)
Special Data Requirements for Audits of Universities (Unaudited) (Continued)
For the Year Ended June 30, 2017

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

Calculation Sheet for Indirect Cost Carry-Forward

Current Available Funds	
Cash and cash equivalents	\$ 336,330
	<hr/>
Less: Allowable Indirect Cost Carryforward:	
Allocated Reimbursements - Indirect cost reimbursements allocated for expenditure for the fiscal year completed (\$862,000 @ 30%)	258,600
Unallocated Reimbursements - the lesser of actual unallocated indirect cost reimbursement or 10% of total indirect cost allocations	-
Encumbrances and Current Liabilities	34,679
	<hr/>
Total Allowable Indirect Cost Carryforward	293,279
	<hr/>
Amount to be Remitted to the Income Fund	\$ 43,051
	<hr/> <hr/>

State of Illinois
Chicago State University
Analysis of Operations (Unaudited) (Continued)
Special Data Requirements for Audits of Universities (Unaudited) (Continued)
For the Year Ended June 30, 2017

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

	AUXILIARY ENTERPRISES					ACTIVITIES				
	University Facilities System Revenue Bond Fund	Parking Facilities	Student Health Services	Total Auxiliary Enterprises	Public Services	Activity Services	Student Activities	Continuing Education	Total Activities	
1. Current available funds	\$ 1,549,950	\$ 772,396	\$ 704,472	\$ 3,026,818	\$ 1,079,605	\$ 4,117,457	\$ (3,998,719)	\$ 638,089	\$ 1,836,432	
Add:										
Cash and cash equivalents										
Total current available funds	A. 1,549,950	772,396	704,472	3,026,818	1,079,605	4,117,457	(3,998,719)	638,089	1,836,432	
2. Working capital allowance										
Add:										
Highest month's expenditures	526,549	71,815	35,734	634,098	20,904	420,434	394,418	-	835,756	
Encumbrances and current liabilities paid in lapse period	331,742	161,172	522,900	1,015,814	12,316	955,620	209,355	4,136	1,181,427	
Deferred income / Refundable deposits	10,038	(317)	2,362	12,083	1,344	36,625	13,592	-	51,561	
Allowance for sick leave / vacation payouts	41,736	12,709	38,662	93,107	11,705	59,655	33,037	-	104,397	
Working capital allowance	B. 910,065	245,379	599,658	1,755,102	46,269	1,472,334	650,402	4,136	2,173,141	
3. Current excess funds:										
Deduct B from A and enter here	C. \$ 639,885	\$ 527,017	\$ 104,814	1,271,716	\$ 1,033,336	\$ 2,645,123	\$ (4,649,121)	\$ 633,953	(336,709)	
4. Calculation of income fund remittance:										
An entity may offset excess capital or current funds within the entity										
Enter the amount to be offset, if any, here	D. (1,758,647)	(233,763)	(22,166)	(2,014,576)	(201)	(210,217)	(6,187)	(395)	(217,000)	
Enter the algebraic sum of C and D and remit the amount due, if any, for deposit in the Income Fund				\$ (742,860)					\$ (553,709)	

State of Illinois
Chicago State University
Analysis of Operations (Unaudited) (Continued)
Special Data Requirements for Audits of Universities (Unaudited) (Continued)
For the Year Ended June 30, 2017

BALANCE SHEETS (UNAUDITED)
(with comparative totals as of June 30, 2016)

	Auxiliary Enterprises						Activities		Total All Entities (Memorandum Only)				
	University						Student Health Services	Public Services	Activities Services	Student Activities	Continuing Education	2017	2016
	Facilities		System Revenue		Bond Fund								
	\$ -	\$ -	\$ 704,472	\$ 1,079,605	\$ 4,117,457	\$ -	\$ 638,089	\$ 6,539,623	\$ 5,926,671				
Cash and cash equivalents													
Cash and cash equivalents - restricted													
Accounts receivable, net	2,531,716	772,396	-	-	-	-	-	3,304,112	3,052,854				
Accounts receivable, net - restricted			81,604	8,877	173,302	86,966		350,749	219,481				
Prepaid expense	5,780	317	-	-	-	-	-	6,097	126,419				
Prepaid expense - restricted			1,327	-	70,789	5,645		77,761	41,801				
Inventories	57,338	-	-	-	-	-	-	57,338	56,280				
TOTAL ASSETS	2,594,834	772,713	787,403	1,088,482	4,379,037	92,611	638,089	10,353,169	9,442,867				
	35,261	21,699	505,497	4,935	268,338	3,998,719		3,998,719	3,477,408				
Accounts payable													
Unearned revenue	10,038	-	2,362	1,344	43,588	11,810	4,136	861,870	310,841				
Accrued compensated absences	41,736	12,709	38,662	11,705	59,655	33,037		69,142	28,439				
Fund balances (deficit), restricted	2,507,799	738,305	-	-	-	-	-	197,504	260,401				
Fund balances (deficit), unrestricted			240,882	1,070,498	4,007,456	(3,972,959)	633,953	3,246,104	3,060,778				
TOTAL LIABILITIES AND FUND BALANCE	2,594,834	772,713	787,403	1,088,482	4,379,037	92,611	638,089	10,353,169	9,442,867				

	\$ 26,540,918	\$ 547,406	\$ -	\$ -	\$ 343,378	\$ 116,077	\$ -	\$ 27,547,779	\$ 27,547,779				
Buildings and improvements													
Furniture and equipment	502,729	529,980	110,829	6,581	6,813,317	174,041	12,980	8,150,457	8,118,797				
TOTAL ASSETS	27,043,647	1,077,386	110,829	6,581	7,156,695	290,118	12,980	35,698,236	35,666,576				
	1,365,228	-	-	-	-	-	-	1,365,228	1,360,209				
Bank overdraft													
Accounts payable	48,202	-	-	-	-	-	-	48,202	53,369				
Bond payable	10,760,000	-	-	-	-	-	-	10,760,000	12,000,000				
Premium on bonds	145,967	-	-	-	-	-	-	145,967	168,423				
Fund balances:													
Restricted - funded capital reserves	14,724,250	1,077,386	110,829	6,581	7,156,695	290,118	12,980	23,378,839	22,084,575				
TOTAL LIABILITIES AND FUND BALANCE	27,043,647	1,077,386	110,829	6,581	7,156,695	290,118	12,980	35,698,236	35,666,576				

PLANT FUNDS ASSETS:

Cash and cash equivalents

Investment in plant:

Buildings and improvements

Furniture and equipment

TOTAL ASSETS

PLANT FUNDS LIABILITIES AND FUND BALANCE:

Bank overdraft

Accounts payable

Bond payable

Premium on bonds

Fund balances:

Restricted - funded capital reserves

TOTAL LIABILITIES AND FUND BALANCE

**State of Illinois
Chicago State University
Analysis of Operations (Unaudited) (Continued)
Special Data Requirements for Audits of Universities (Unaudited) (Continued)
For the Year Ended June 30, 2017**

STATEMENT OF REVENUES, EXPENDITURES AND TRANSFERS - CURRENT UNRESTRICTED/RESTRICTED FUNDS (UNAUDITED)
(with comparative totals For the Year Ended June 30, 2016)

	Auxiliary Enterprises						Activities			Total All Entities (Memorandum Only)		
	University Facilities			System			Public Services	Activities Services	Student Activities	Continuing Education	2017	2016
	Revenue Bond Fund	Parking Facilities	Student Health Services	\$	\$	\$						
REVENUES:												
Operating	\$ 2,003,565	\$ 489,998	\$ 9,784	\$ 186,317	\$ 490,752	\$ 774,146	\$ -	\$ 3,954,562	\$ 5,105,382			
Student fees	1,163,558	-	352,292	-	1,857,770	1,358,518	-	4,732,138	6,400,634			
Other	-	-	-	3,311	61,927	-	-	65,238	330			
TOTAL REVENUES	3,167,123	489,998	362,076	189,628	2,410,449	2,132,664	-	8,751,938	11,506,346			
EXPENDITURES:												
Cost of sales	-	-	-	-	89,058	-	-	89,058	218,584			
Personal services	580,770	312,300	250,787	56,366	898,799	883,719	-	2,982,741	4,106,322			
Expended for plant	600	8,018	3,479	207	34,833	2,694	-	49,831	211,229			
Commodities	29,109	26,436	525	1,360	65,860	240,979	-	364,269	300,211			
Contractual services	1,393,228	20,388	10,976	76,595	848,232	1,205,598	-	3,555,017	3,504,561			
Other (travel, telecommunications)	161,434	59,221	151	-	156,049	224,670	-	601,525	603,371			
TOTAL EXPENDITURES	2,165,141	426,363	265,918	134,528	2,092,831	2,557,660	-	7,642,441	8,944,278			
TRANSFERS OUT:												
Principal and interest	862,323	17,968	369,050	-	-	-	-	1,249,341	1,845,004			
TOTAL EXPENDITURES AND TRANSFERS OUT	3,027,464	444,331	634,968	134,528	2,092,831	2,557,660	-	8,891,782	10,789,282			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND TRANSFERS OUT	\$ 139,659	\$ 45,667	\$ (272,892)	\$ 55,100	\$ 317,618	\$ (424,996)	\$ -	\$ (139,844)	\$ 717,064			

State of Illinois
Chicago State University
Analysis of Operations (Unaudited) (Continued)
Special Data Requirements for Audits of Universities (Unaudited) (Continued)
For the Year Ended June 30, 2017

STATEMENT OF CHANGES IN FUND BALANCES - CURRENT UNRESTRICTED/RESTRICTED FUNDS (UNAUDITED)
(with comparative totals For the Year Ended June 30, 2016)

	Auxiliary Enterprises				Activities			Total All Entities (Memorandum Only)	
	University Facilities System Revenue Bond Fund	Parking Facilities	Student Health Services	Public Services	Activities Services	Student Activities	Continuing Education	2017	2016
REVENUES	\$ 3,167,123	\$ 489,998	\$ 362,076	\$ 189,628	\$ 2,410,449	\$ 2,132,664	\$ -	\$ 8,751,938	\$ 11,506,346
EXPENDITURES:									
Auxiliary enterprise	2,165,141	426,363	265,918	134,528	2,092,831	2,557,660	-	7,642,441	8,944,278
TRANSFERS:									
Transfer out	(862,323)	(17,968)	(369,050)	-	-	-	-	(1,249,341)	(1,845,004)
NET INCREASE (DECREASE) IN FUND BALANCES	139,659	45,667	(272,892)	55,100	317,618	(424,996)	-	(139,844)	717,064
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	2,368,140	692,638	513,774	1,015,398	3,689,838	(3,547,963)	633,953	5,365,778	4,648,711
FUND BALANCE (DEFICIT), END OF YEAR	\$ 2,507,799	\$ 738,305	\$ 240,882	\$ 1,070,498	\$ 4,007,456	\$ (3,972,959)	\$ 633,953	\$ 5,225,934	\$ 5,365,775

State of Illinois
Chicago State University
Analysis of Operations (Unaudited) (Continued)
Special Data Requirements for Audits of Universities (Unaudited) (Continued)
For the Year Ended June 30, 2017

STATEMENT OF CHANGES IN FUND BALANCES - PLANT FUNDS (UNAUDITED)

(with comparative totals for the year ended June 30, 2016)

	Auxiliary Enterprises							Total All Entities (Memorandum Only)
	University Facilities System			Activities				
	Bond Fund	Parking Facilities	Student Health Services	Public Services	Activities Services	Student Activities	Continuing Education	
Interest income	\$ 270	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 270
Expended for plant	600	8,018	3,479	206	51,291	2,694	-	66,288
Retirement of debt	1,240,000	-	-	-	-	-	-	1,240,000
TOTAL REVENUES AND OTHER ADDITIONS	1,240,870	8,018	3,479	206	51,291	2,694	-	1,306,558
EXPENDITURES AND OTHER DEDUCTIONS	1,821,802	-	-	-	-	-	-	1,821,802
Property disposals and net transfers	2,086	3,255	-	-	26,682	-	2,605	34,628
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	1,823,888	3,255	-	-	26,682	-	2,605	1,856,430
MANDATORY TRANSFERS:								
Transfer in	1,844,089	-	-	-	-	-	-	1,844,089
NET INCREASE (DECREASE) IN FUND BALANCES	1,261,071	4,763	3,479	206	24,609	2,694	(2,605)	1,294,217
FUND BALANCES, BEGINNING OF YEAR	13,463,179	1,072,623	107,350	6,375	7,132,086	287,424	15,585	22,084,622
FUND BALANCES, END OF YEAR	\$ 14,724,250	\$ 1,077,386	\$ 110,829	\$ 6,581	\$ 7,156,695	\$ 290,118	\$ 12,980	\$ 22,084,575

In FY17, an adjustment of \$47 was made in the beginning fund balance of the University Facilities System Revenue Bond Fund.

State of Illinois
Chicago State University
Analysis of Operations (Unaudited) (Continued)
Special Data Requirements for Audits of Universities (Unaudited) (Continued)
For the Year Ended June 30, 2017

Summary of Foundation Cash Support to the University (Unaudited)

The Chicago State University Foundation and The University Foundation at Chicago State (collectively the “Foundation”) are considered a University-related organization under section VI of the University guidelines. Its contractual relationship to the University is described in Note 13 - “Related Party Transactions” of the University’s financial statements. During the current fiscal year, the University provided administrative support services valued at \$323,826 to the Foundation. The contract requires the Foundation to provide the University with fund-raising and other services. These services resulted in the Foundation’s unrestricted expenditures described below, which qualify as “reimbursements” to the University in the University guidelines computation. Current year Foundation-restricted expenditures, which do not qualify as “reimbursements,” are also described below.

Expenditures considered unrestricted for purposes of the University Guidelines computations:	
Totally unrestricted (from Foundation fundraising activities)	\$ 23,240
Restricted only as college or department	<u>570,149</u>
Total funds considered unrestricted	<u>593,389</u>
Expenditures considered restricted for purposes of the University Guidelines computations:	
Given for scholarships	<u>102,608</u>
Total funds considered restricted	<u>102,608</u>
Total funds provided by the Foundation to support the University	<u>\$ 695,997</u>