

**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, 2018**

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, 2018**

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Financial Statement Report:

The University’s financial statement report for the year ended June 30, 2018, 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.

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**State of Illinois
Chicago State University
Compliance Examination
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University Officials

President	Ms. Zalduwaynaka Scott, Esq. (07/01/18 to Present)
Interim President	Dr. Rachel Lindsey, PhD (04/17/17 to 06/30/18)
President Emeritus	Dr. Wayne Watson (12/31/15 to Present)
Interim Provost and V.P. for Academic Affairs	Dr. Leslie Roundtree (07/27/18 to Present)
Provost and Senior V.P. for Academic Affairs	Dr. Angela M. Henderson (12/16/14 to 07/26/18)
General Counsel, V.P. of Legal Affairs and Chief Compliance Officer	Ms. Stephanie Kelly, Esq. (11/16/18 to Present)
Acting General Counsel and V.P. of Legal Affairs	Ms. Stephanie Kelly, Esq. (04/01/18 to 11/15/18)
Deputy General Counsel	Ms. Stephanie Kelly, Esq. (09/01/17 to 03/31/18)
Vice President and General Counsel	Vacant (05/23/17 to 8/31/17)
Chief Administrative Officer	Mr. Paul Vallas (04/24/17 to 02/15/18)
V.P. of Administration and Finance	Ms. Simone A. Edwards (12/01/17 to Present)
Acting Chief Financial Officer	Ms. Arrileen Patawaran (06/29/17 to 11/30/17)
Associate V.P. of Administration and Finance	Ms. Maricela Aranda (08/08/11 to 02/15/18)
Interim Executive Director/Controller	Mr. Larry D. Owens, CPA (06/13/16 to Present)
Acting Chief Internal Auditor	Ms. Michelle Wilson, MBA (08/01/18 to Present)
Chief Internal Auditor	Mr. Michael N. Mayo, CPA (02/13/14 to 07/31/18)

University offices are located at:

9501 South Martin Luther King Drive
Chicago, Illinois 60628

February 20, 2019

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, 2018. Based on this evaluation, we assert that during the year ended June 30, 2018, 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

SIGNED ORIGINAL ON FILE

Zaldwaynaka Scott, Esq.
President

SIGNED ORIGINAL ON FILE

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

SIGNED ORIGINAL ON FILE

Stephanie Kelly, Esq.
General Counsel, V.P. of Legal Affairs
and Chief Compliance Officer

**State of Illinois
Chicago State University
Compliance Examination
For the Year Ended June 30, 2018**

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	9	18
Repeated findings	7	8
Prior recommendations implemented or not repeated	11	7

Schedule of Findings and Questioned Costs

Item No.	Page	Description	Finding Type
<i>FINDINGS (GOVERNMENT AUDITING STANDARDS)</i>			
2018-001	19	Inadequate Control over Unclaimed Property	Significant Deficiency
<i>FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE)</i>			
2018-002	22	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
2018-003	25	Lack of Adherence to Controls and Noncompliance with Requirements Applicable to the TRIO Cluster	Noncompliance and Significant Deficiency

**State of Illinois
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Schedule of Findings and Questioned Costs (Continued)

FINDINGS (STATE COMPLIANCE)

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
2018-004	28	Inadequate Controls over Contractual Services Expenditures	Noncompliance and Significant Deficiency
2018-005	30	Subsidies Between Accounting Entities	Noncompliance and Significant Deficiency
2018-006	33	Internal Audit	Noncompliance and Significant Deficiency
2018-007	35	Failure to Comply with the State Employment Records Act	Noncompliance and Significant Deficiency
2018-008	37	Completion and Retention of Employment Eligibility Verification Form	Noncompliance and Significant Deficiency
2018-009	39	Weaknesses over System Access	Noncompliance and Significant Deficiency

In addition, the following finding which is reported as a current finding relating to *Government Auditing Standards* also meets the reporting requirements for State Compliance.

2018-001	19	Inadequate Control over Unclaimed Property	Noncompliance and Significant Deficiency
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PRIOR FINDINGS NOT REPEATED

A	41	Inadequate Controls over Reporting Restricted Accounts
B	41	Noncompliance with Bond Covenants
C	41	Financial Statement Adjustments
D	41	Federal Perkins Loan Cohort Default Rate Too High
E	41	Inadequate Procedures over Maintenance of Accounts Payable Master Vendor File
F	42	Failure to Timely Comply with the Continuing Disclosure Requirement of the Auxiliary Facilities Revenue Bonds

**State of Illinois
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Compliance Examination
For the Year Ended June 30, 2018**

Schedule of Findings and Questioned Costs (Continued)

PRIOR FINDINGS NOT REPEATED		
<u>Item No.</u>	<u>Page</u>	<u>Description</u>
G	42	Inaccurate Accounts Receivable Reporting
H	42	Voucher Processing Errors
I	42	Inadequate Controls over Personal Services
J	43	Failure to Accurately Report Fees to the General Assembly
K	43	Inadequate Controls over TA-2 Reporting

Exit Conference

The findings and recommendations appearing in this report were discussed with University personnel at an exit conference on February 12, 2019.

Attending were:

Chicago State University

Zaldwaynaka Scott, President
Ryan Green, Chief of Staff & External Affairs
Stephanie Kelly, General Counsel, V.P. of Legal Affairs and Chief Compliance Officer
Simone Edwards, V.P. of Administration and Finance
Lindsay Hamilton, Chief Culture & Talent Officer
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
Latrice Eggleston-Williams, Institutional Effectiveness and Research Director

Office of the Auditor General

Thomas Kizziah, Senior Audit Manager

E. C. Ortiz & Co., LLP

Leilani Rodrigo, Partner

Responses to the recommendations were provided by Deidre Cato-Baker, Director of Judicial Affairs/Compliance and Larry Owens, Interim Executive Director/Controller, in letters dated February 14 and 15, 2019.



**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, 2018. 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.

In our opinion, the University complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the year ended June 30, 2018. 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 2018-001 and 2018-004 through 2018-009.

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.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-004 through 2018-009, that we consider to be significant deficiencies.

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

The University's responses to the internal control 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 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 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 unit as of and for the year ended June 30, 2018, and have issued our report thereon dated December 21, 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 unit and whose report had been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit was based solely on the report of the other 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 December 21, 2018. The accompanying supplementary information for the year ended June 30, 2018 in Schedules 1 through 9 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, 2018 in Schedules 1 through 9 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, 2018 in Schedules 1 through 9 is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2018.

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, 2017 (not presented herein), and have issued our report thereon dated February 14, 2018, which contained unmodified opinions on the financial statements of the business-type activities and its discretely presented component units. 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. The accompanying supplementary information for the year ended June 30, 2017 in Schedules 3 through 9 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, 2017 financial statements. The accompanying supplementary information for the year ended June 30, 2017 in Schedules 3 through 9 has been subjected to the auditing procedures applied in the audit of the June 30, 2017 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, 2017 in Schedules 3 through 9 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.

SIGNED ORIGINAL ON FILE

Chicago, Illinois

February 20, 2019, except for our report on the Supplementary Information for State Compliance Purposes, as to which the date is December 21, 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 unit, collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated December 21, 2018. Our report includes a reference to other auditors who audited the financial statements of the University's discretely presented component unit, as described in our report on the University's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings as item 2018-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

University's Response to the Finding

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

Purpose of this Report

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

SIGNED ORIGINAL ON FILE

Chicago, Illinois
December 21, 2018



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

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

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

The Board of Trustees
Chicago State University

Report on Compliance for Each Major Federal Program

We have audited the Chicago State University's (University) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2018. 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 Loan Program 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, 2018 was examined by the accountants for the servicer in accordance with U.S. Department of Education's *Guide for Audits of Proprietary Schools and For Compliance Attestation Engagements of Third-Party Servicers Administering Title IV Programs*. 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, 2018.

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 2018-002 and 2018-003. 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 Loan Program 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, 2018 was examined by the accountants for the servicer in accordance with the U.S. Department of Education's *Guide for Audits of Proprietary Schools and For Compliance Attestation Engagements of Third-Party Servicers Administering Title IV Programs*. 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 2018-002 and 2018-003 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 unit as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated December 21, 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 unit, as described in our report on the University's financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to December 21, 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 20, 2019, except for our report on the Schedule of Expenditures of Federal Awards, as to which the date is December 21, 2018.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018**

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:

CFDA Numbers	Name of Federal Program or Cluster
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, 2018**

Current Finding - *Government Auditing Standards*

2018-001 - Inadequate Control over Unclaimed Property

The Chicago State University (University) did not exercise adequate internal control over its checks written to others that had not been cashed by the recipients of those checks (stale checks).

During our audit, we noted the following:

- The University did not have adequate controls in place to ensure the value of its aged stale checks, along with a report on the identities of the entities that were sent the stale checks, were timely remitted to the State Treasurer as unclaimed property. At June 30, 2018, we identified stale checks dating back to nine years ago, with a total value of \$255,006 in stale checks greater than three years old payable to vendors and students and \$56,768 in stale checks greater than one year old payable to current and former employees.

Through December 31, 2017, the Uniform Disposition of Unclaimed Property Act (UDUPA) (765 ILCS 1025/8.1(a)) noted property held by a government shall be presumed abandoned after five years. Further, the UDUPA (765 ILCS 1025/11(a)) required the University to annually report property presumed abandoned under the UDUPA as of June 30 to the State Treasurer, along with a report with information about the owner of the property and the history of the transaction, by November 1. On and after January 1, 2018, the Revised Uniform Unclaimed Property Act (RUUPA) (765 ILCS 1026/15-201) notes property held by a government shall be presumed abandoned after three years and wages or reimbursements to employees shall be presumed abandoned after one year. Further, the RUUPA (765 ILCS 1026/15-403(a)) requires the University to annually report property presumed abandoned under the RUUPA as of June 30 to the State Treasurer, along with a report with information about the owner of the property and the history of the transaction, by November 1.

- The University did not ensure its stale checks were considered and properly handled when it issued new payments to vendors, students, and employees. The University began an analysis of its stale checks during Fiscal Year 2018 that concluded during Fiscal Year 2019 and determined \$133,000 in stale checks should be written off as the University had already settled these stale checks with the vendor, student, or employee. The University recognized miscellaneous revenue of \$59,300 in Fiscal Year 2018 and \$73,700 in Fiscal Year 2019 when it wrote off these amounts, as it had

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018**

Current Finding - *Government Auditing Standards* (Continued)

2018-001 - Inadequate Control over Unclaimed Property (Continued)

previously recognized an expense for these transactions when the amount was repaid during prior periods.

As a result of the auditors bringing this issue to the University's attention, a proposed adjustment was recorded by the University in order to correct the final financial statements.

- Historically, the University has adopted a process where it removes stale checks from its bank reconciliation and records a liability for the amount due on the stale check to the vendor, student, or employee, which totaled \$311,774 at June 30, 2018. As the holder of a stale check has the claim to the cash held by the University represented by the amount of the stale check, the University should not recognize any assets on its financial statements and should account for stale checks as reconciling items between its cash account and its cash balance in its bank account until either (1) a new check is written to the holder of the stale check or (2) the value of the stale check is remitted as abandoned property to the State Treasurer.

As a result of the auditors bringing this issue to the University's attention, a proposed adjustment was recorded by the University in order to correct the final financial statements.

Concepts Statement No. 4 of the Governmental Accounting Standards Board (Paragraph 8) states assets "are resources with present service capacity that the government presently controls" and defines control (Paragraph 12) as "the ability of the government to utilize the resource's present service capacity and to determine the nature and manner of use of the present service capacity embodied in the resource." As the holder of a stale check can demand payment on an outstanding check at any time prior to the University's remittance of property to the State Treasurer, cash in a bank account associated with an outstanding check fails to meet the control criterion and, therefore, is not an asset of the University.

In accordance with generally accepted accounting principles (GAAP), all of the University's assets, liabilities, revenues, and expenses should be properly reported in the University's financial statements. 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 revenues, expenses, resources, and funds

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018**

Current Finding - *Government Auditing Standards* (Continued)

2018-001 - Inadequate Control over Unclaimed Property (Continued)

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. Further, good internal controls over financial reporting include establishing and maintaining a system, or systems, of internal administrative controls to provide assurance the University's accounting functions comply with GAAP. Additionally, good internal controls over compliance include establishing a control environment that allows the University to carry out its assigned duties and responsibilities in accordance with State laws, rules, and regulations as written.

University officials indicated these issues persist due to the limited number of staff available, and the fact that it takes a significant amount of time, to research old accounts and associated stale checks while the University continues to work on resolving these matters as time permits.

Failure to exercise adequate control over stale checks could delay identification of the property by its owner through the State Treasurer's iCash unclaimed property program, reduces the overall reliability of financial reporting, and represents noncompliance with State law. (Finding Code No. 2018-001, 2017-004)

Recommendation

We recommend the University:

- continue its evaluation of stale dated checks and properly report these amounts to the State Treasurer when the property is deemed abandoned under RUUPA;
- review its internal controls over voucher processing to ensure stale checks are considered prior to re-issuing a check to a vendor, student, or employee; and,
- ensure stale checks are not reported as assets or liabilities on its financial statements and are routinely monitored during its bank reconciliation process.

University Response

The University agrees with the recommendation. The University initiated training of the staff to evaluate stale dated checks and report amounts to the State Treasurer in compliance with RUUPA. The University has also reviewed processes regarding stale checks to ensure vendors, students or employees are not receiving double payment.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018**

Current Findings - Federal Compliance

**2018-002 - 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
CFDA Number*: 47.076; 12.598
Program Names*: Research and Development Cluster (Education and Human
Resources and Centers for Academic Excellence)
Program Expenditures*: \$588,930; \$320,482
Award Numbers: HRD-1411219; HRD-1202563; HHM402-14-1-0003
Questioned Cost: None

* 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: Affordable Care Act (ACA) Health Profession Opportunity
Grants
Program Expenditures: \$2,083,789
Questioned Cost: None

The Chicago State University's (University) internal controls over the compliance requirements 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) programs were not followed.

During our testing of 25 R&D Cluster expenditures totaling \$446,670 (the sample was not intended to be, and was not, a statistically valid sample), we noted the following:

- One contract (totaling \$15,000) was not supported by three price quotations from vendors on the University's bidders list, as required.
- One purchase order's expenditures totaling \$13,500 for the fiscal year, exceeded the purchase order amount of \$12,370 by \$1,130.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018**

Current Findings - Federal Compliance (Continued)

2018-002 - 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)

- Effort certifications for three payroll expenditures (totaling \$6,751) were not accurately completed in accordance with University's policy. Specifically, the time and effort rates on the certifications were not accurate.

Also, during our review of 25 STEP-UP program expenditures totaling \$275,626 (the sample was not intended to be, and was not, a statistically valid sample), we noted the effort certification report for one payroll expenditure was not approved by the employee's supervisor.

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 there is reconciliation between the compensation for personal services charged to the agreement and the amount actually worked on the agreement and purchases are in accordance with the approved purchase order.

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

Section J.10 of the OMB Circular A-21, *Cost Principles for Higher Education Institutions*, 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. Reports

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018**

Current Findings - Federal Compliance (Continued)

2018-002 - 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)

must be completed after-the-fact, must reflect actual work performed (not the work budgeted), must account for the total activity of the employee, must be signed and dated by the employee, and must be maintained for all staff members whose compensation is charged in part to the award. In addition, distribution of salaries and wages will be supported by activity reports signed by the employee and certified by a responsible person with suitable means of verification that the work was performed, generally the Principal Investigator or supervisor at the end of the specified reporting periods.

University management stated the awarding of one contract without required competitive quotations and the payment of one invoice exceeding the purchase order amount (with less than a 10% overage) were oversights. University management also stated the four time and effort reporting discrepancies were due to a typographical error, a computational inaccuracy regarding two contiguous reports, and a supervisor's signature not being included due to a restructuring of the personnel in the academic affairs unit.

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. In addition, failure to obtain quotations from vendors may affect the University's ability to award a contract to the most qualified vendor. Failure to ensure effort report certifications are approved could result in inaccurate charges being made to federal awards. (Finding Code No. 2018-002, 2017-006, 2016-005, 2015-004)

Recommendation

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

University Response

The University agrees with the recommendation. The University will continue to compare all time and effort reporting with the payroll distribution reported in Banner on a semester basis. A representative from both Office of Grants and Research Administration and the Grant Accounting Group will review the reports together to ensure accuracy. The University will provide additional procurement and time reporting training to Principal Investigators at quarterly meetings to ensure compliance.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018**

Current Findings - Federal Compliance (Continued)

**2018-003 - 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 (TRIO_Upward Bound)
Program Expenditures*:	\$691,565
Award Numbers:	P047A170167-17A; P047A170167-18
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 earmarking and procurement, suspension and debarment applicable to its TRIO Cluster were not followed.

During our review of the 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 classified and reported as a potential first-generation college student instead of a student whose parent or guardian received a baccalaureate degree, as indicated in the application forms submitted by the participant. In addition, we noted one of 25 (4%) participants 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 errors noted did not affect the University's overall compliance with earmarking requirements during the fiscal year.
- One purchase order (totaling \$275) was approved subsequent to the start date of the contract. The purchase order approval date was 12 days late from the commencement of service.

The Code of Federal Regulations (Code) (34 CFR 645.6) states a potential first-generation college student means (1) an individual neither of whose natural or adoptive parents received a baccalaureate degree; or (2) a student who, prior to the age of 18, regularly resided with and received support from only one natural or adoptive parent and whose supporting parent

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018**

Current Findings - Federal Compliance (Continued)

**2018-003 - Lack of Adherence to Controls and Noncompliance with Requirements
Applicable to the TRIO Cluster (Continued)**

did not receive a baccalaureate degree. In addition, the Code 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 purchase orders are approved prior to performance of services.

University management stated the two students were misclassified in the Annual Performance Report due to data entry errors and in no way affected either student's eligibility for the program. University management also stated the Fiscal Year 2017 purchase order was generated after the service date (7/1/2016) due to a delay in obtaining the necessary approvals as the new fiscal year began.

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. (Finding Code No. 2018-003, 2017-007, 2016-008)

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. Further, the University should ensure compliance with the procurement, suspension and debarment requirements by approving purchase orders prior to the start of services.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018**

Current Findings - Federal Compliance (Continued)

**2018-003 - Lack of Adherence to Controls and Noncompliance with Requirements
Applicable to the TRIO Cluster (Continued)**

University Response

The University agrees with the recommendation. To ensure proper classification of participants being served by the Project Fame/Upward Bound TRIO program, the University will name a committee to conduct an eligibility status review of all newly enrolled participant applications and income documentation prior to annual report submissions to confirm accuracy of the eligibility status of each participant as entered in the internal Upward Bound database. The University will also provide additional procurement training to Principal Investigators regarding timely submission of purchase requisitions.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018**

Current Findings - State Compliance

2018-004 - 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 25 contracts (totaling \$6,693,673), including purchase orders, executed during the fiscal year ended June 30, 2018, we noted the following:

- Five contracts (totaling \$842,593) were executed subsequent to the start date of the contracts. The contract execution dates ranged from 10 to 94 days from the commencement of services.
- Three contracts (totaling \$275,110) were not submitted to the Office of the State Comptroller, as required. Specifically, these contracts were filed between 40 and 294 days late.

During our review of 12 emergency purchases (totaling \$2,885,790) that occurred during the fiscal year ended June 30, 2018, we noted three emergency purchases (totaling \$1,405,714) were not filed with the Office of the Auditor General, as required. One of 3 emergency purchases was filed 4 days late and 2 emergency purchases were not filed at all.

The Illinois Procurement Code (Code) (30 ILCS 500/20-80) states whenever a grant, or a contract liability, except for: (1) contracts paid from personal services, or (2) contracts between the State and its employees to defer compensation in accordance with Article 24 of the Illinois Pension Code, exceeding \$20,000 is incurred by any State agency, a copy of the contract, purchase order, grant, or lease shall be filed with the Comptroller within 30 calendar days thereafter. Contractors shall not be paid for any supplies that were received or services that were rendered before the contract was reduced to writing and signed by all necessary parties. The Code (30 ILCS 500/20-30) also states a chief procurement officer making a procurement 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, or systems of internal fiscal and administrative controls to provide assurance that resources are utilized efficiently and effectively and in compliance with applicable law.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018**

Current Findings - State Compliance (Continued)

2018-004 - Inadequate Controls over Contractual Services Expenditures (Continued)

This would include controls to ensure contracts are fully executed prior to performance and are filed with the Office of the State Comptroller and Office of the Auditor General in accordance with the Code.

University management stated the contracts executed subsequent to the start date of the contracts is a result of the Procurement Policies not being strictly adhered. University management also stated limited personnel and competing interests resulted in the late filing or non-filing of contracts with the State of Illinois Comptroller's office and the Office of the Auditor General.

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 file contracts with the Office of the State Comptroller and required filings with the Office of the Auditor General on a timely basis results in noncompliance with State statutes and regulations. (Finding Code No. 2018-004, 2017-010, 2016-010)

Recommendation

We recommend the University ensure all contracts are fully executed prior to commencement of services and improve controls to ensure compliance with the Code.

University Response

The University agrees with the recommendation. The University will train department fiscal officers on a monthly basis to have fully executed contracts prior to allowing services to commence. Unauthorized purchases will be tracked by department and may be used on future performance evaluations. Services that commence prior to execution of a contract may not be paid, except in cases of statutorily declared emergencies, and/or special approval from CFO and President.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018**

Current Findings - State Compliance (Continued)

2018-005 - Subsidies Between Accounting Entities

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

During our testing of compliance with the *University Guidelines*, we noted the “Student Activities” accounting entity had negative cash balances at the beginning and the end of the fiscal year totaling \$4.0 million and \$5.1 million, respectively. This issue has been reported in the University’s compliance examination report since Fiscal Year 2009.

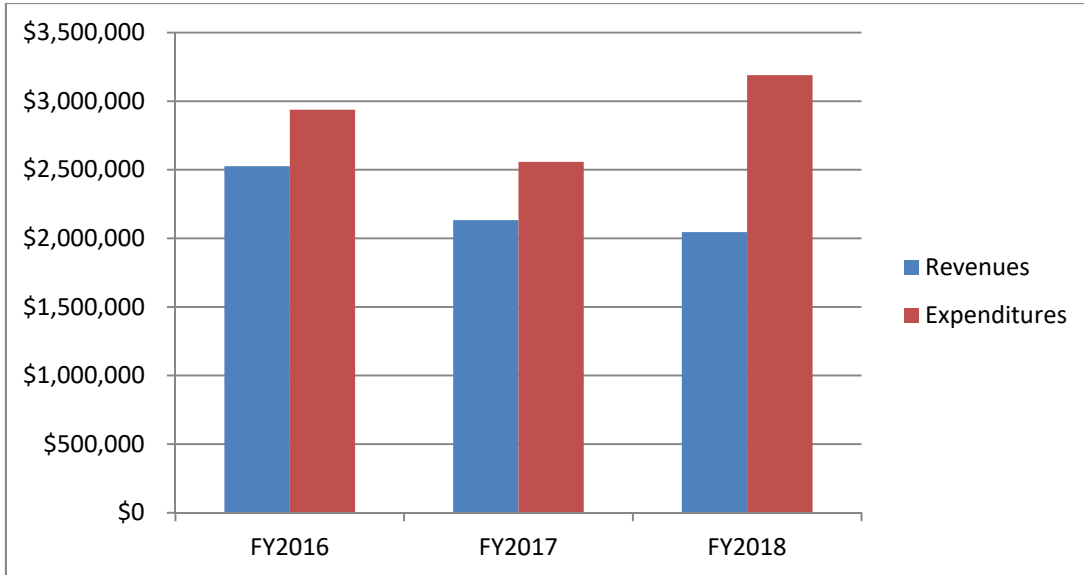
A negative cash balance is, in effect, an unrecorded interfund payable/receivable, thereby causing a subsidy between funds to occur. The “Student Activities” accounting entity includes mandatory student fees and the expenditure of all student activities approved by the student government such as student newspaper and athletic activities. Activity for the last 3 fiscal years revealed that even with student fees declining due to lower student enrollment, related expenditures continued to outpace revenues increasing the size of the subsidy.

	STUDENT ACTIVITIES ACCOUNTING ENTITY		
	FY2016	FY2017	FY2018
REVENUES:			
Operating	\$ 685,040	\$ 774,146	\$ 866,812
Student	1,841,146	1,358,518	1,179,181
Total Revenues	<u>2,526,186</u>	<u>2,132,664</u>	<u>2,045,993</u>
EXPENDITURES:			
Personal services	1,035,518	883,719	1,145,192
Contractual services	1,383,920	1,205,598	1,558,465
Commodities	163,417	240,979	254,543
Expended for plant	1,065	2,694	25,775
Other (travel, telecommunications)	272,883	224,670	205,612
Cost of sales	81,142	—	—
Total Expenditures	<u>2,937,945</u>	<u>2,557,660</u>	<u>3,189,587</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>\$ (411,759)</u>	<u>\$ (424,996)</u>	<u>\$ (1,143,594)</u>

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018**

Current Findings - State Compliance (Continued)

2018-005 - Subsidies Between Accounting Entities (Continued)



The *University 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 the institution prioritized updating spaces and equipment to support student activities, during Fiscal Year 2018 and investments to plant included updating recreational equipment (under Athletics), table gaming (in student activities), and furniture/equipment in student programming spaces. University management also stated insufficient revenue streams to adequately support intercollegiate athletics was also a contributing factor and critical personnel and operational resources were added to bring Athletics within compliance with NCAA/Western Athletic Conference regulations, including hiring a full-time Athletics Director and compliance officer.

The subsidy between accounting entities is a violation of the *University Guidelines*. (Finding Code No. 2018-005, 2017-011, 2016-011, 2015-011, 2014-015, 2013-013, 12-23, 11-32, 10-33, 09-13)

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018**

Current Findings - State Compliance (Continued)

2018-005 - Subsidies Between Accounting Entities (Continued)

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 departments will review fees to ensure that expenditures are met.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018**

Current Findings - State Compliance (Continued)

2018-006 - 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 system 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 2017 and 2018.
- No internal audit reports were completed and issued during Fiscal Year 2018.
- The University's Internal Audit division did not undergo a peer review since the last external assessment issued on June 21, 2011.

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 of 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.

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

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018**

Current Findings - State Compliance (Continued)

2018-006 - Internal Audit (Continued)

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 results in noncompliance with the Act and professional standards. Failure to have an external assessment may result in deficiencies in the University's OIA not being timely detected and opportunities for improvement not timely identified. (Finding Code No. 2018-006, 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. 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. Additional audit resources have been attained to complete the 2019 Internal Audit plan, including reviews required by the Act. The Quality Assessment review will be completed by the end of the 2019 fiscal year.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018**

Current Findings - State Compliance (Continued)

2018-007 - Failure to Comply with the State Employment Records Act

Chicago State University (University) did not maintain adequate supporting documentation for the data included in the Agency Workforce Report (Report).

The Report is submitted annually to the Governor's Office and the Office of the Secretary of State as part of the State Employment Records Act (Act). The report is designed to provide data relative to: (1) the number and income levels of Agency employees, (2) the number of employees by gender, (3) the number of employees by minority group, (4) the number of employees with physical disabilities, (5) the number of open positions of employment, and (6) the total number of persons employed as professionals. Based on our review of the University's Fiscal Year 2018 Report, we noted the University did not maintain adequate documentation to support the accuracy of all information reported. Because the University did not maintain the details of individuals under all categories, we were unable to verify the accuracy of the information reported.

The State Employment Records Act (5 ILCS 410/5 (b)) requires State agencies to collect, classify, maintain and publish, for State and public use, certain employment statistics in a prescribed format.

The Fiscal Control and Internal Auditing Act (Act) (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems of internal fiscal and administrative controls to provide assurance that resources are utilized efficiently, effectively, and in compliance with applicable law and that funds are safeguarded against waste, loss, unauthorized use and misappropriation. Effective internal controls should include maintaining adequate supporting documentation for all reports submitted to the Governor's Office and the Office of the Secretary of State.

University management stated a technological failure prohibited the data from being retrieved.

Failure to maintain supporting documentation inhibits the ability to perform tests of compliance of the report and could result in inaccurate data being included in the annual report. (Finding Code No. 2018-007)

Recommendation

We recommend the University implement procedures to ensure adequate supporting documentation is maintained for the Agency Workforce Report.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018**

Current Findings - State Compliance (Continued)

2018-007 - Failure to Comply with the State Employment Records Act (Continued)

University Response

The University agrees with the recommendation. A back-up process for securing data has been implemented.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018**

Current Findings - State Compliance (Continued)

2018-008 - Completion and Retention of Employment Eligibility Verification Form

The Chicago State University (University) did not ensure completion and retention of the Employment Eligibility Verification Form (Form I-9), as required.

During our review of 40 employees' (current and terminated during the year) personnel records and timesheets, we noted the following:

- Forms I-9 for eight (20%) employees were not found in the personnel file. Four of the eight employees were terminated during the fiscal year.
- Three (8%) employees did not complete Section 1 of Form I-9 on or before their first day of employment. Specifically, the forms were completed 2 to 8 days late. In addition, Section 2 of their Form I-9s was completed by the University personnel, 2 to 5 days late.

U.S. Citizenship and Immigration Services (USCIS) instructions for Form I-9 require employers to retain each employee's completed Form I-9 for as long as the individual works for the employer and for a specified period after employment has ended. Once the individual employment ends, the employer must retain this form and attachments for either 3 years after the date of hire or 1 year after the date employment ended, whichever is later. The instructions also require the form to be signed no later than the first business day of employment. The purpose of the form is to document that each new employee hired after November 6, 1986 is authorized to work in the United States. Current form instructions indicate the form should be completed no later than the first day of employment. The employee then has three business days to provide the acceptable supporting documents to prove their identity.

The Fiscal Control and Internal Auditing Act (Act) (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems of internal fiscal and administrative controls to provide assurance that resources are utilized efficiently, effectively, and in compliance with applicable law and that funds are safeguarded against waste, loss, unauthorized use and misappropriation. Effective internal controls should include procedures to ensure that the Form I-9 is completed timely and retained by the University, as required.

University management stated Section 1 of Form I-9 was not completed on the first date of employment due to lack of verification by the Office of Human Resources and the

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018**

Current Findings - State Compliance (Continued)

**2018-008 - Completion and Retention of Employment Eligibility Verification Form
(Continued)**

documents were not received within 3 days of the employee's official start date because retention guidelines were not followed correctly.

The failure to retain and ensure completion of the Form I-9 on or before the first day of employment results in a violation of USCIS requirements and could expose the University to penalties. (Finding Code No. 2018-008)

Recommendation

We recommend the University enhance their controls over new employee verification to ensure timely completion and proper retention of Form I-9.

University Response

The University agrees with the recommendation. The Office of Human Resources will enhance their controls over new employee verification on the first day of employment through monitoring and manual observation, prohibiting employee onboarding due to lack of compliance. The Office of Human Resources will maintain the I-9 records for the required time period. The Office of Human Resources will enhance controls over requiring employees to complete section 2 of the form on the first date of employment.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018**

Current Findings - State Compliance (Continued)

2018-009 - Weaknesses over System Access

The Chicago State University (University) does not have adequate controls over computer system access.

During our testing, we noted the following weaknesses:

- User access rights were not periodically reviewed,
- User access rights were not timely removed for terminated or transferred employees, and
- Access to confidential information was not based upon job responsibility.

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) sends 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. During Fiscal Year 2018, ITD only sent an access report in the last quarter, in May 2018.

The University utilizes Banner software to maintain its administrative systems. Banner integrates student, financial, human resources, and financial aid information. The University has 376 unique Banner user accounts. During our review of Banner user access, we noted that access rights were not timely removed for 4 of 25 (16%) employees sampled. Three of the employees were terminated before 2018, but still have Banner accounts, while the other employee was transferred to a different position in 2016. In addition, we noted that 372 of the 376 Banner users had the ability to search for social security numbers within the systems and match them to University ID, names, and birthdates.

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 confidential data.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018**

Current Findings - State Compliance (Continued)

2018-009 - Weaknesses over System Access (Continued)

University management indicated that ITD has a limited number of staff and the person who had been assigned the responsibility of granting and removing access rights separated from the University and the responsibility was not reassigned.

Inadequate controls over system access increases the risk of unauthorized access and the risk that confidentiality, integrity and availability of systems and data will be compromised. (Finding Code No. 2018-009, 2017-018)

Recommendation

We recommend the University:

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

University Response

The University agrees with the recommendation. The responsibility of granting and removing access of individuals has been assigned to another staff member. Banner reports will be emailed to the supervisors on a quarterly basis to ensure that they are aware of the access rights provided to the staff members. Human Resources will work along with Information Technology Department to ensure that access rights are terminated for employees who retire or have been transferred to different departments.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018**

Prior Findings Not Repeated

A. Inadequate Controls over Reporting Restricted Accounts

During the prior year, the Chicago State University (University) did not ensure restrictions from revenue bond covenants were properly reflected within the University's financial statements. (Finding Code No. 2017-001)

During the current year, our testing indicated restrictions in relation to the University's revenue bond covenants were properly reported in the financial statements.

B. Noncompliance with Bond Covenants

During the prior year, the University did not comply with its revenue bond covenants. (Finding Code No. 2017-002)

During the current year, our testing of the University's revenue bond covenants did not identify any instances of noncompliance.

C. Financial Statement Adjustments

During the prior year, the University did not record some financial transactions accurately. (Finding Code No. 2017-003)

During the current year, our testing did not identify any material misstatements in the University's financial statements.

D. Federal Perkins Loan Cohort Default Rate Too High

During the prior year, the University's Federal Perkins Loan cohort default rate was in excess of the threshold for administrative capability stipulated by the U.S. Department of Education. (Finding Code No. 2017-005, 2016-003, 2015-002)

During the current year, the University's Federal Perkins Loan cohort default rate did not exceed the threshold of 15 percent.

E. Inadequate Procedures over Maintenance of Accounts Payable Master Vendor File

During the prior year, the University had inadequate controls in place to monitor and maintain the accounts payable master vendor file. (Finding Code No. 2017-008)

State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Prior Findings Not Repeated (Continued)

During the current year, the University implemented controls in monitoring and maintaining the accounts payable master vendor file.

F. Failure to Timely Comply with the Continuing Disclosure Requirement of the Auxiliary Facilities Revenue Bonds

During the prior year, the University did not disseminate its annual financial information disclosures to the Municipal Securities Rulemaking Board (MSRB) in a timely manner. (Finding Code No. 2017-009)

During the current year, the University submitted their required annual financial information disclosures to the MSRB within 210 days following the close of the University's fiscal year.

G. Inaccurate Accounts Receivable Reporting

During the prior year, the University did not accurately report accounts receivable balances to the Office of the State Comptroller (Comptroller) in accordance with reporting requirements. (Finding Code No. 2017-012)

During the current year, errors noted on the accounts receivable reports reviewed were significantly less than the prior year. This finding has been reported in the immaterial finding letter as finding number IM2018-007.

H. Voucher Processing Errors

During the prior year, the University did not properly process certain expenditures and did not pay certain expenditures in a timely manner. (Finding Code No. 2017-013, 2016-013, 2015-013, 2014-018, 2013-016, 12-25, 11-29, 10-34, 09-2)

During the current year, issues noted on expenditure vouchers reviewed were significantly less than the prior year. This finding has been reported in the immaterial finding letter as finding number IM2018-005.

I. Inadequate Controls over Personal Services

During the prior year, the University did not have adequate controls over personal services. (Finding Code No. 2017-015, 2016-015, 2015-015)

During the current year, issues noted on employees' personnel records and timesheets reviewed were significantly less than the prior year. This finding has been reported in the immaterial finding letter as finding number IM2018-002.

**State of Illinois
Chicago State University
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018**

Prior Findings Not Repeated (Continued)

J. Failure to Accurately Report Fees to the General Assembly

During the prior year, the University did not accurately report fees to the General Assembly in accordance with reporting requirements. (Finding Code No. 2017-016)

During the current year, no errors were noted on the Agency Fee Imposition Report submitted to the Comptroller based on our sample testing.

K. Inadequate Controls over TA-2 Reporting

During the prior year, the University did not have adequate controls over preparation and submission of Travel Headquarter Reports (TA-2 forms). (Finding Code No. 2017-017)

During the current year, TA-2 forms tested were accurately completed and timely filed with the Legislative Audit Commission.

**State of Illinois
Chicago State University
Supplementary Information for State Compliance Purposes
For the Year Ended June 30, 2018**

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 2018
 - 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
 - Analysis of Accounts Receivable
 - 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)
 - 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 2018 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, 2018

Summary (Continued)

- Analysis of Operations (Unaudited):
 - Special Data Requirements for Audits of Universities (Unaudited):
 - University Reporting in Accordance with University Guidelines (Unaudited)
 - Description of 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 9 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, 2018**

SCHEDULE 1

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Pass-Through Entity Identifying Number	FY 2018 Expenditures	Passed-Through to Subrecipients
STUDENT FINANCIAL ASSISTANCE CLUSTER:				
<u>DEPARTMENT OF EDUCATION</u>				
Federal Supplemental Educational Opportunity Grants	(M) 84.007		\$ 339,104	\$ -
Federal Work-Study Program	(M) 84.033		506,228	-
Federal Perkins Loan Program (Note 2)	(M) 84.038		1,821,794	-
Federal Pell Grant Program	(M) 84.063		5,976,714	-
Federal Direct Student Loans (Note 3)	(M) 84.268		34,699,119	-
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	(M) 84.379		28,861	-
TOTAL DEPARTMENT OF EDUCATION			\$ 43,371,820	\$ -
TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER			\$ 43,371,820	\$ -
RESEARCH AND DEVELOPMENT CLUSTER:				
<u>DEPARTMENT OF COMMERCE</u>				
Science, Technology, Business and/or Education Outreach <i>FY 2018 Summer Undergraduate Research Fellowship in ChemBio</i>	(M) 11.620		\$ 8,416	\$ -
TOTAL DEPARTMENT OF COMMERCE			\$ 8,416	\$ -
<u>DEPARTMENT OF DEFENSE</u>				
Centers for Academic Excellence <i>Intelligence and Cybersecurity Education and Research</i>	(M) 12.598		\$ 320,482	\$ -
TOTAL DEPARTMENT OF DEFENSE			\$ 320,482	\$ -
<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		\$ 60,278	\$ -
<i>MRI Consortium: Development of Fast Interaction Trigger Detector for the ALICE Experiment at the LHC</i>	(M) 47.049		97	-
			60,375	-
Computer and Information Science and Engineering <i>NeST: Coexistence of Directional Communications within the 5G Networks: The Case for Visible Light Enhanced Small-Cells</i>	(M) 47.070	1617927	1,418	-

**State of Illinois
Chicago State University
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018**

**SCHEDULE 1
(CONTINUED)**

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Pass-Through Entity Identifying Number	FY 2018 Expenditures	Passed-Through to Subrecipients
RESEARCH AND DEVELOPMENT CLUSTER: (Continued)				
<u>NATIONAL SCIENCE FOUNDATION (Continued)</u>				
Education and Human Resources				
<i>Support, Mentoring, Accountability, Research and Training:</i>				
<i>Connecting Physics & Engineering through A Modernization of the Advanced Laboratory Curriculum</i>				
	(M)	47.076	77,561	-
<i>Scaling Undergraduates STEM Transformation and Institutional Networks for Engaged Dissemination (SUSTAINED)</i>				
	(M)	47.076	44,497	-
<i>Scholarships in Science, Technology, Engineering & Math Programs</i>				
	(M)	47.076	99,347	-
<i>Louis Stokes Alliance for Minority Participation</i>				
	(M)	47.076	262,896	113,819
<i>Pilot Regional Louis Stokes Center: Midwest Center of Excellence</i>				
	(M)	47.076	326,034	301,029
<i>Louis Stokes Bridge to Doctorate at the University of Illinois</i>				
	(M)	47.076	185,385	162,000
			995,720	576,848
TOTAL NATIONAL SCIENCE FOUNDATION			\$ 1,057,513	\$ 576,848
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Biomedical Research and Research Training				
<i>Student Development at Chicago State University</i>				
	(M)	93.859	\$ 122,571	\$ -
<i>Improving DFT Modeling of EPR Data for Small Molecule Organic Photovoltaics</i>				
	(M)	93.859	44,976	-
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 167,547	\$ -
TOTAL RESEARCH AND DEVELOPMENT CLUSTER			\$ 1,553,958	\$ 576,848
CHILD NUTRITION CLUSTER:				
<u>DEPARTMENT OF AGRICULTURE</u>				
Summer Food Service Program for Children				
Passed-Through Illinois State Board of Education				
<i>Project Fame/Upward Bound Summer Food Program</i>				
		10.559	\$ 4,875	\$ -
TOTAL DEPARTMENT OF AGRICULTURE			\$ 4,875	\$ -
TOTAL CHILD NUTRITION CLUSTER			\$ 4,875	\$ -
TRIO CLUSTER:				
<u>DEPARTMENT OF EDUCATION</u>				
TRIO_Upward Bound				
<i>Project Fame/Upward Bound</i>				
	(M)	84.047	\$ 691,565	\$ -
TRIO_Educational Opportunity Centers				
	(M)	84.066	329,100	-
TOTAL DEPARTMENT OF EDUCATION			\$ 1,020,665	\$ -
TOTAL TRIO CLUSTER			\$ 1,020,665	\$ -

**State of Illinois
Chicago State University
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018**

**SCHEDULE 1
(CONTINUED)**

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Pass-Through Entity Identifying Number	FY 2018 Expenditures	Passed-Through to Subrecipients
TANF CLUSTER:				
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Temporary Assistance for Needy Families (TANF) Passed-Through Illinois Department of Human Services <i>TANF Special Projects</i>	93.558	81XQ464TS1/ FCSRG00283	\$ 142,250	\$ -
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 142,250	\$ -
TOTAL TANF CLUSTER			\$ 142,250	\$ -
OTHER PROGRAMS:				
<u>DEPARTMENT OF AGRICULTURE</u>				
Higher Education - Institution Challenge Grants Program Passed-Through University of Minnesota <i>Collaborating to Enhance Underrepresented Minority Student Participation in Plant Science</i>	10.217	H004972102	\$ 44,547	\$ -
Agriculture and Food Research Initiative (AFRI) <i>DOA: Molecular and Histological Characterization of Hollow and Solid Stem Genotypes of Wheat</i>	10.310	60604	3,306	-
TOTAL DEPARTMENT OF AGRICULTURE			\$ 47,853	\$ -
<u>DEPARTMENT OF DEFENSE</u>				
GenCyber Grants Program <i>GenCyber Camp 2018</i>	12.903		\$ 45,476	\$ -
<i>Chicago State University GenCyber Grant</i>	12.903		26,317	-
TOTAL DEPARTMENT OF DEFENSE			\$ 71,793	\$ -
<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	\$ 9,900	\$ -
TOTAL DEPARTMENT OF JUSTICE			\$ 9,900	\$ -
<u>NATIONAL AERONAUTICS AND SPACE ADMINISTRATION</u>				
Education Passed-Through University of Illinois at Urbana-Champaign <i>Space Grant Consortium</i>	43.008	2015-05200-03	\$ 45,479	\$ -
TOTAL NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			\$ 45,479	\$ -

**State of Illinois
Chicago State University
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018**

**SCHEDULE 1
(CONTINUED)**

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Pass-Through Entity Identifying Number	FY 2018 Expenditures	Passed-Through to Subrecipients
OTHER PROGRAMS: (Continued)				
<u>NATIONAL SCIENCE FOUNDATION</u>				
Intergovernmental Personnel Act (IPA) Assignment	47.PHY1714756		\$ 127,566	\$ -
Intergovernmental Personnel Act (IPA) Assignment	47.HRD1740448		149,253	-
Education and Human Resources Passed-Through Moraine Valley Community College <i>SFS Capacity: A Streamlined Cyber-Security and Intelligence Pathway</i>	47.076	1623591/06812093/ 5309004	76,023	-
TOTAL NATIONAL SCIENCE FOUNDATION			\$ 352,842	\$ -
<u>DEPARTMENT OF EDUCATION</u>				
Higher Education_Institutional Aid <i>Predominantly Black Institutions Program - Formula Grants</i>	84.031		\$ 122,550	\$ -
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities <i>Promoting Effective Educational Relationships in Schools (PEERS)</i>	84.325		80,159	-
Strengthening Minority-Serving Institutions <i>The Center for STEM Education & Research at CSU</i>	84.382		458,319	44,687
Graduate Research Opportunities for Minority Students (Minorities and Retirement Security Program)	84.414		47,737	-
TOTAL DEPARTMENT OF EDUCATION			\$ 708,765	\$ 44,687
<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		\$ 2,083,790	\$ 1,272,856
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	9,424	-
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 2,093,214	\$ 1,272,856
TOTAL OTHER PROGRAMS			\$ 3,329,846	\$ 1,317,543
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 49,423,414	\$ 1,894,391

(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, 2018**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity for the year ended June 30, 2018, 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, 2018 totaled \$1,576,133, 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, 2018, the University awarded the following amounts of new loans under the Federal Direct Student Loans Program:

Direct Unsubsidized Loans	\$ 23,224,279
Direct Subsidized Loans	5,629,842
Direct Parent PLUS Loans	662,880
Direct Graduate PLUS Loans	5,182,118
Total	<u>\$ 34,699,199</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.

SCHEDULE 2

**State of Illinois
Chicago State University
Schedule of Net Appropriations, Expenditures and Lapsed Balances
Expenditure Authority for Fiscal Year 2018
For the Sixteen Months Ended October 31, 2018**

	Expenditure Authority (Net of Transfers)	Expenditures Through June 30, 2018	Lapse Period Expenditures July 1 to October 31	Total Expenditures 16 Months Ended October 31	Balances Lapsed October 31
Public Act No. 100-0021					
<u>APPROPRIATED FUNDS</u>					
EDUCATION ASSISTANCE FUND (007)					
Personal services	\$ 31,264,700	\$ 31,255,049	\$ 9,651	\$ 31,264,700	\$ -
Group insurance	900,900	900,900	-	900,900	-
Awards and grants	91,900	-	91,900	91,900	-
Total ordinary and contingent expenses	32,257,500	32,155,949	101,551	32,257,500	-
Grant to Financial Assistance Outreach Center	439,900	-	367,515	367,515	72,385
Total Education Assistance Fund	32,697,400	32,155,949	469,066	32,625,015	72,385
GENERAL PROFESSIONS DEDICATED FUND (022)					
Development, Support or Admin	307,000	120,277	186,723	307,000	-
CHICAGO STATE UNIVERSITY IMPROVEMENT FUND (223)					
Any expenses incurred	1,600,000	988,090	611,910	1,600,000	-
GRAND TOTAL - ALL FUNDS	\$ 34,604,400	\$ 33,264,316	\$ 1,267,699	\$ 34,532,015	\$ 72,385

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller records as of October 31, 2018, 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: 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 69 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.

State of Illinois
Chicago State University
Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
For the Years Ended June 30, 2018 and 2017

SCHEDULE 3

	Fiscal Year	
	2018	2017
	P.A. 100-0021	P.A. 99-0524 and P.A. 100-0021
EDUCATION ASSISTANCE FUND (007)		
Expenditure Authority/Appropriations (net of transfers)	\$ 32,697,400	\$ 17,387,800
Expenditures		
Operational expenses	-	17,387,800
Personal services	31,264,700	-
Group insurance	900,900	-
Grant to Financial Assistance Outreach Center	367,515	-
Awards and grants	91,900	-
Total expenditures	<u>32,625,015</u>	<u>17,387,800</u>
Lapsed balances	<u>\$ 72,385</u>	<u>\$ -</u>
GENERAL PROFESSIONS DEDICATED FUND (022)		
Expenditure Authority/Appropriations (net of transfers)	\$ 307,000	\$ 307,000
Expenditures		
Development, Support or Admin	<u>307,000</u>	<u>307,000</u>
Lapsed balances	<u>\$ -</u>	<u>\$ -</u>
CHICAGO ST UNIV ED IMPROVEMENT FUND (223)		
Expenditure Authority/Appropriations (net of transfers)	\$ 1,600,000	\$ 1,600,000
Expenditures		
Any expenses incurred	<u>1,600,000</u>	<u>1,600,000</u>
Lapsed balances	<u>\$ -</u>	<u>\$ -</u>
GENERAL REVENUE FUND (0001)		
Expenditure Authority/Appropriations (net of transfers)	\$ -	\$ 18,942,700
Expenditures		
Operational expenses	<u>-</u>	<u>18,942,700</u>
Lapsed balances	<u>\$ -</u>	<u>\$ -</u>
GRAND TOTAL, ALL FUNDS		
Expenditure Authority/Appropriations (net of transfers)	\$ 34,604,400	\$ 38,237,500
Expenditures	<u>34,532,015</u>	<u>38,237,500</u>
Lapsed balances	<u>\$ 72,385</u>	<u>\$ -</u>

Note 1: Fiscal Year 2018 expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller records as of October 31, 2018, and have been reconciled to University records.

Note 2: 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 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 supersede 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, 2018 and 2017

SCHEDULE 3
(CONTINUED)

- 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: 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 69 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 7: 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 69 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.

State of Illinois

SCHEDULE 4

Chicago State University

Comparative Schedule of Income Fund Revenues and Expenditures

For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
INCOME FUND		
REVENUES		
Tuition revenue	\$ 27,230,345	\$ 30,604,092
Laboratory fee	119,765	146,782
Late registration fee	22,750	57,500
NSF check fee	335	1,215
Deferred payment fee	29,950	47,100
Graduation fee - undergraduate	21,025	23,650
Graduation fee - graduate	13,950	16,480
Transcript fee	79,629	89,313
Application fee	65,668	60,841
Interest income	344,022	65,133
Miscellaneous other income	82,489	102,216
	<u> </u>	<u> </u>
Total revenues	<u>\$ 28,009,928</u>	<u>\$ 31,214,322</u>
EXPENDITURES		
Personal services	\$ 9,452,200	\$ 660,040
SURS retirement	92	-
Social Security	2,782,521	573,877
Contractual services	10,071,220	6,603,772
Travel	182,136	80,385
Commodities	884,609	714,433
Equipment and library books	995,550	365,713
Telecommunications	475,046	448,242
Operation of automotive equipment	45,642	16,716
Permanent improvements	1,763,662	914,051
Awards, grants, and matching funds	179,843	150,222
Tuition and fee waivers	2,803,762	2,616,666
Other expenditures	242,413	736,976
	<u> </u>	<u> </u>
Total expenditures	<u>\$ 29,878,696</u>	<u>\$ 13,881,093</u>

SCHEDULE 5

**State of Illinois
Chicago State University
Schedule of Changes in State Property
For the Year Ended June 30, 2018
(in thousands)**

	Balance June 30, 2017	Additions	Retirements	Transfers	Balance June 30, 2018
Land	\$ 9,611	-	-	-	\$ 9,611
Works of art	41	-	-	-	41
Site improvements	15,922	981	-	594	17,497
Buildings and building improvements	199,683	1,194	-	168	201,045
Equipment and library books	46,060	1,451	(400)	35	47,146
Intangible assets	1,490	-	-	-	1,490
Capital lease assets	35	-	-	(35)	-
Construction in progress	13,030	125	-	(762)	12,393
Total	\$ 285,872	\$ 3,751	\$ (400)	\$ -	\$ 289,223

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 policy in the Code is different than the capitalization policy established by the Office of the Comptroller for financial reporting in accordance with generally accepted accounting principles.

State of Illinois
Chicago State University
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, 2018 and 2017

SCHEDULE 6

	<u>2018</u>	<u>2017</u>
Chicago St Univ Ed Improvement Fund 223		
Cash transfer from State Gaming Fund 129	\$ 1,601,260	\$ 1,600,000
Interest deposited directly into the State Treasury	19,885	10,917
Total receipts	<u>\$ 1,621,145</u>	<u>\$ 1,610,917</u>
Receipts per University records	\$ 1,621,145	\$ 1,610,917
Plus deposits in transit, beginning of year	-	-
Less deposits in transit, end of year	<u>-</u>	<u>-</u>
Deposits per State Comptroller	<u>\$ 1,621,145</u>	<u>\$ 1,610,917</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, 2018 and 2017

SCHEDULE 7

	<u>2018</u>	<u>2017</u>
By Depository		
Cash and temporary cash investments:		
Cash on hand	\$ 43,136	\$ 12,643
Cash equity with the State Treasurer	642,309	598,094
Seaway Bank, Chicago, Illinois, Illinois Funds	254	-
Amalgamated Bank, Chicago, Illinois	-	101
Citibank, Chicago, Illinois, Money Market Account	9,426,761	1,652,815
Checking accounts:		
Citibank, Chicago, Illinois, Vendor Disbursement Account	239,500	750,990
Citibank, Chicago, Illinois, Student Disbursement Account	223,735	358,809
Citibank, Chicago, Illinois, Various ACH	291,332	2,169,903
Citibank, Chicago, Illinois, TMS Account	288,722	688,410
Chase, Chicago, Illinois, Payroll Account	771,808	728,454
The Illinois Funds, Springfield, Illinois, Clearing Fund	20,309,436	7,387,680
Seaway National Bank, Chicago, Illinois, Checking	723,935	60,056
Seaway National Bank, Chicago, Illinois, Cougar Card	-	72,072
Seaway National Bank, Chicago, Illinois, Cashier's Depository	1,148,265	173,274
Total cash and cash equivalents by depository	<u>\$ 34,109,193</u>	<u>\$ 14,653,301</u>
By Fund		
Unrestricted current funds	\$ 30,641,578	\$ 10,619,945
Restricted current funds	3,048,149	3,713,078
Loan funds	223,614	48,139
Plant funds	25,836	104,276
Agency funds	170,016	167,863
Total cash and cash equivalents by fund	<u>\$ 34,109,193</u>	<u>\$ 14,653,301</u>

**State of Illinois
Chicago State University
Analysis of Accounts Receivable
June 30, 2018 and 2017**

SCHEDULE 8

Balance Sheet at June 30 of	2018	2017	Change
Accounts Receivable (Net)			
Current unrestricted funds	\$ 1,293,036	\$ 1,786,602	\$ (493,566)
Current restricted funds	4,498,972	2,435,284	2,063,688
Total accounts receivable (net)	<u>\$ 5,792,008</u>	<u>\$ 4,221,886</u>	<u>\$ 1,570,122</u>
Accounts receivable at gross less allowance for uncollectible accounts were as follows:			
Accounts receivable - all funds, at gross	\$ 17,891,277	\$ 16,273,842	\$ 1,617,435
Less: allowance for uncollectible accounts	<u>(12,099,269)</u>	<u>(12,051,956)</u>	<u>(47,313)</u>
Total accounts receivable (net)	<u>\$ 5,792,008</u>	<u>\$ 4,221,886</u>	<u>\$ 1,570,122</u>
Aging of Current Unrestricted Funds			
Current (less than one year)	\$ 1,384,927	\$ 1,872,321	\$ (487,394)
One year past due	631,561	806,247	(174,686)
Two years past due	658,442	649,400	9,042
Three years past due	562,903	769,875	(206,972)
Older than three years past due	7,475,114	7,108,861	366,253
Total current unrestricted funds - gross	<u>10,712,947</u>	<u>11,206,704</u>	<u>(493,757)</u>
Allowance for uncollectible accounts	<u>(9,419,911)</u>	<u>(9,420,102)</u>	<u>191</u>
Balance sheet - current unrestricted funds (net)	<u>\$ 1,293,036</u>	<u>\$ 1,786,602</u>	<u>\$ (493,566)</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.

State of Illinois

SCHEDULE 9

Chicago State University

Schedule of Federal Expenditures, Nonfederal Expenses and New Loans

For the Year Ended June 30, 2018

(in thousands)

Schedule A - Federal Financial Component

Total federal expenditures reported on SEFA schedule	\$	49,423	
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>49,423</u>	

Schedule B - Total Financial Component

Total operating expenses (from financial statements)	\$	120,420
Total nonoperating expenses (from financial statements)		783
Total new loans made		34,760
Amount of federal loan balances at beginning of the year		<u>1,736</u>
Total Schedule B	\$	<u>157,699</u>

Schedule C

Total Schedule A	\$	49,423	31.3%
Total nonfederal expenses		<u>108,276</u>	<u>68.7%</u>
Total Schedule B	\$	<u>157,699</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, 2018**

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 December 2018, in order to allow for the development of the new Strategic Plan under the guidance of the permanent President. 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 educational 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, 2018

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 core values of the University include:

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

University Head and Location

The current President of the University is Zaldwaynaka Scott, Esq. 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, 2018

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, 2018 and June 30, 2017 are shown below:

ACCOUNTS	FISCAL YEAR ENDED JUNE 30,		INCREASE (DECREASE)	
	2018	2017	AMOUNT	%
OPERATING REVENUES:				
State and local grants and contracts	\$1,396,486	\$4,451,978	\$ (3,055,492)	(69%)
OPERATING EXPENSES:				
Education and general				
Public service	2,874,907	2,192,976	681,931	31%
Academic support	5,431,013	4,281,785	1,149,228	27%
Student services	3,760,175	2,542,950	1,217,225	48%
Institutional support	12,172,442	8,905,865	3,266,577	37%
On-behalf State fringe benefits	37,195,239	48,015,921	(10,820,682)	(23%)
NONOPERATING REVENUES (EXPENSES):				
State appropriations	58,427,275	14,343,500	44,083,775	307%
State fringe benefits	37,195,239	48,015,921	(10,820,682)	(23%)
State nonoperating grants	6,549,484	2,106,107	4,443,377	211%
Investment income	402,288	93,982	308,306	328%
Gain (loss) on disposal of capital assets	14,623	(904,530)	919,153	(102%)

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

State and local grants and contracts

Decrease in revenues was due to the special Illinois Board of Higher Education grant received (approximately \$3 million) in Fiscal Year 2017 only.

State of Illinois
Chicago State University
Analysis of Operations (Unaudited) (Continued)
For the Year Ended June 30, 2018

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

Public service

Increase in expenditures was due to additional spending in the Partnerships to Step-up in Health Careers and Upward Bound programs over the previous fiscal year.

Academic support, Student services and Institutional support

Increase in expenditures was due to University's dedicated effort to restore certain student support related services reduced during the State budget crisis, to coincide with the full State funding received in the current fiscal year.

On-behalf State fringe benefits

The income (and offsetting expense), was based on State's funding requirement to the University for fringe benefits' State appropriations.

State appropriations

The increase was due to the full funding of State appropriations recognized for Fiscal Year 2018 and supplemental appropriations for Fiscal Year 2017, based on the timing of when the appropriation was passed.

State nonoperating grants

Increase was due to the full funding of MAP grants for Fiscal Year 2018 and partial funding for Fiscal Year 2017.

Investment income

Increase in State appropriations led to increase in cash available, which resulted in an increase in investment income on local income fund.

Gain (loss) on disposal of capital assets

The increase was due to the \$904,530 loss reported in Fiscal Year 2017 as a result of writing-off of planning costs for new Science building after a decision was made not to proceed with the new construction.

State of Illinois
Chicago State University
Analysis of Operations (Unaudited) (Continued)
For the Year Ended June 30, 2018

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, 2018 and June 30, 2017 are shown below:

ACCOUNTS	FISCAL YEAR ENDED JUNE 30,		INCREASE (DECREASE)	
	2018	2017	AMOUNT	%
ASSETS:				
Cash and cash equivalents	\$33,466,884	\$14,055,207	\$19,411,677	138%
Securities lending collateral equity of State Treasurer	502,249	196,073	306,176	156%
Balance in State appropriation	653,719	153,500	500,219	326%
Accounts receivables, net	5,788,741	4,216,106	1,572,635	37%
LIABILITIES:				
Accounts payable and accrued liabilities	5,808,793	9,324,969	(3,516,176)	(38%)
Obligations under securities lending collateral equity of State Treasurer	502,249	196,073	306,176	156%
Accrued wages	1,903,684	957,840	945,844	99%
Accrued compensated absences	3,221,733	2,692,405	529,328	20%
Net OPEB liability	7,272,999	–	7,272,999	100%
DEFERRED INFLOWS FOR OPEB EXPENSE				
	8,397,460	–	8,397,460	100%
NET POSITION:				
Restricted for:				
Expendable				
Loans	767,028	548,882	218,146	40%
Auxiliary services	512,537	1,832,673	(1,320,136)	(72%)
Unrestricted	10,236,361	1,073,231	9,163,130	854%

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

State of Illinois
Chicago State University
Analysis of Operations (Unaudited) (Continued)
For the Year Ended June 30, 2018

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

Cash and cash equivalents

The increase was due to the full funding of State appropriations recognized for Fiscal Year 2018 and supplemental appropriations for Fiscal Year 2017, based on the 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.

Balance in State Appropriation

The increase in State appropriation resulted in an increase in the receivable balance due to timing of vouchering.

Accounts receivables, net

Increase was due mainly to increase in unbilled grant receivables of \$2.4 million, driven by Direct Subsidized Loans (\$1.9 million), slightly offset by the decrease in student receivables (approximately \$314,000).

Accounts payable and accrued liabilities

The decrease was due primarily to significant reductions in amount projected to be paid to students in refunds, as a result of MAP awards expected to be received for the fiscal year, which had not been received from the State (due to State delayed funding of MAP) and vendor amounts owed for utilities and boiler rental (approximately \$1.3 million).

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

The increase was mainly due to reinstatement in Fiscal Year 2018 of the option for faculty to be paid over 12 months, rather than 9 months. As a result, at June 30, 2018, the University

State of Illinois
Chicago State University
Analysis of Operations (Unaudited) (Continued)
For the Year Ended June 30, 2018

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

owed certain faculty approximately 2 months of salary for the academic year that concluded in May 2018.

Accrued compensated absences

The increase is due to a rise in hours earned and accrued during the year, coupled with a decrease in the hours taken off by staff.

Net OPEB liability and Deferred inflows for OPEB expense

Change in liability and deferred inflows for OPEB expense was due to Fiscal Year 2018 being the first year of implementation and disclosure requirements of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This first year of disclosure included recording of a prior period adjustment for costs attributed to pre-Fiscal Year 2018.

Net position, Restricted for Loans

Increase was mainly due to net principal collected (approximately \$150,000) on Perkins Loan during the fiscal year.

Net position, restricted for Auxiliary services

Decrease was due to prior year audit adjustment to return previously transferred funds to the Bond accounts (approximately \$964,000), coupled with actual fiscal year transfers-out of approximately \$369,000.

Net position, unrestricted

The significant increase in unrestricted net position pertains mainly to the full funding of State appropriation recognized for Fiscal Year 2018.

State of Illinois
Chicago State University
Analysis of Operations (Unaudited) (Continued)
For the Year Ended June 30, 2018

Analysis of Significant Lapse Period Spending (Unaudited)

An explanation was obtained for lapse period expenditures for Fiscal Year 2018 that accounted for more than 20% and \$100,000 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)			
Awards and Grants	\$ 459,415	\$ 459,415	100%
Payments for awards and grants which were paid locally by June 30, 2018 and submitted to the Comptroller's Office in the lapse period for reimbursement.			
GENERAL PROFESSIONS DEDICATED FUND (0022)			
Development, Support or Admin	\$ 186,723	\$ 307,000	61%
Payments for contractual services and commodities, in relation to the Pharmacy Practice Education Training, which were paid locally by June 30, 2018 and submitted to the Comptroller's Office in the lapse period for reimbursement.			
CHICAGO ST UNIV ED IMPROVEMENT FUND (223)			
Any expenses incurred	\$ 611,910	\$ 1,600,000	38%
Payments for operating expenditures and awards and grants which were paid locally by June 30, 2018 and submitted to the Comptroller's Office in the lapse period for reimbursement.			

**State of Illinois
Chicago State University
Analysis of Operations (Unaudited) (Continued)
For the Year Ended June 30, 2018**

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

	<u>2018</u>
SOURCES	
Federal funds	\$ 367,860
State funds	-
Local and private funds	<u>2,087</u>
Total sources	<u>369,947</u>
APPLICATIONS	
Compensation and benefits	365,390
Contractual	147,614
Travel	13,445
Commodities	2,041
Equipment	<u>6,032</u>
Total applications	<u>534,522</u>
DEFICIENCY OF SOURCES OVER APPLICATIONS	(164,575)
TRANSFERS	
Transfers to other funds	<u>(43,051)</u>
DEFICIENCY OF SOURCES OVER APPLICATIONS AFTER TRANSFERS	(207,626)
FUND BALANCE, BEGINNING OF YEAR	<u>263,785</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 56,159</u></u>

State of Illinois
Chicago State University
Analysis of Operations (Unaudited) (Continued)
For the Year Ended June 30, 2018

Budget Impasse Disclosures (Unaudited)

Payment of Fiscal Year 2017 Costs in Future Fiscal Years

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

Transactions Involving the Vendor Payment Program and Vendor Support Initiative Program

None of the University's vendors participated in the Vendor Payment Program or the Vendor Support Initiative Program during Fiscal Year 2018.

Interest Costs on Fiscal Year 2018 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, 2018

Average Number of Employees (Unaudited)

Average number of Chicago State University employees during the years ended June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Faculty and staff	662	618
Students	<u>166</u>	<u>150</u>
Total	<u><u>828</u></u>	<u><u>768</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>2018</u>	<u>2017</u>
Head Count:		
Undergraduate	1,839	2,076
Graduate	<u>1,005</u>	<u>1,174</u>
Total	<u><u>2,844</u></u>	<u><u>3,250</u></u>
Credit Hours:		
Undergraduate	46,465	51,429
Graduate	<u>23,179</u>	<u>26,473</u>
Total	<u><u>69,644</u></u>	<u><u>77,902</u></u>

State of Illinois
Chicago State University
Analysis of Operations (Unaudited) (Continued)
For the Year Ended June 30, 2018

Comparative Enrollment Statistics (Unaudited) (Continued)

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

Chicago State University Enrollment Summary 2004-2018

<u>Term</u>	<u>Undergraduates</u>	<u>Graduates</u>	<u>Total</u>
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
Fall 2018	2,027	937	2,964

Chicago State University Enrollment Demographics - Fall 2018

<u>Category</u>	<u>Number</u>	<u>Percent</u>
Full-time	1,617	54.6%
Part-time	1,347	45.4%
Male	962	32.5%
Female	2,002	67.5%
Freshman	401	13.5%
Sophomores	267	9.0%
Juniors	568	19.2%
Seniors	791	26.7%
Graduates	937	31.6%

Credit Hour Production - Entire Academic Year

<u>College</u>	<u>Credit Hours</u>
Pharmacy	10,511
Arts & Science	30,189
Business	8,092
Education	7,796
Health Sciences	10,741
Special Programs	1,472
Undecided/Undeclared	843
Total	<u>69,644</u>

State of Illinois
Chicago State University
Analysis of Operations (Unaudited) (Continued)
For the Year Ended June 30, 2018

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

	2018		2017	
	Total Costs	Total Semester Cost Per Full-Time Equivalent*	Total Costs	Total Semester Cost Per Full-Time Equivalent*
Direct salary	\$ 12,233,276	\$ 2,439	\$ 13,409,721	\$ 2,389
Indirect instruction	1,781,893	355	2,094,955	373
Departmental research	126,242	25	194,999	35
Departmental overheads	3,230,748	644	1,522,833	271
College or school overheads	4,808,232	959	4,637,014	826
Subtotal of department and college costs	22,180,391	4,422	21,859,522	3,894
Overhead support unique to college costs	1,415,269	282	1,446,596	258
All other academic support	6,455,582	1,287	4,271,387	761
Student services	3,852,076	768	2,434,887	434
Institutional support	5,015,827	1,000	4,491,708	800
Subtotal University overheads	16,738,754	3,337	12,644,578	2,253
Total department and college costs with University overheads	38,919,145	7,759	34,504,100	6,147
Operation and maintenance of physical plant	14,092,232	2,809	10,904,136	1,943
Total costs	\$ 53,011,377	\$ 10,568	\$ 45,408,236	\$ 8,090

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, 2018

Emergency Purchases (Unaudited)

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

- A contract for student health insurance coverage. Immediate action was needed to ensure students had proper coverage at the start of the school terms.

Obligation Number:	Emergency Award # 1704E-SH
Vendor:	United Healthcare Services, Inc.
Estimated Cost:	\$420,000
Actual Cost:	\$228,122

Obligation Number:	Emergency Award # 1704E2-SH
Vendor:	United Healthcare Services, Inc.
Estimated Cost:	\$105,000
Actual Cost:	\$72,418

- Contracts for various services required for the repair of a water leak and temporary housing of students, 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 # 1706E-PP
Vendor:	Amber Mechanical
Estimated Cost:	\$880,000
Actual Cost:	\$625,562

Obligation Number:	Emergency Award # 1706E-PP
Vendor:	Fairfield
Estimated Cost:	\$41,760
Actual Cost:	\$41,760

Obligation Number:	Emergency Award # 1706E-PP
Vendor:	Hampton Inn
Estimated Cost:	\$55,332
Actual Cost:	\$55,332

State of Illinois
Chicago State University
Analysis of Operations (Unaudited) (Continued)
For the Year Ended June 30, 2018

Emergency Purchases (Unaudited) (Continued)

Obligation Number:	Emergency Award # 1706E-PP
Vendor:	Holiday Inn
Estimated Cost:	\$21,924
Actual Cost:	\$21,924

Obligation Number:	Emergency Award # 1706E-PP
Vendor:	Chicago South Loop
Estimated Cost:	\$8,810
Actual Cost:	\$8,810

- A contract for disaster recovery services. Immediate action was needed to ensure public health and safety and to prevent further loss or damage to University property.

Obligation Number:	Emergency Award # 1707E-IT
Vendor:	Sungard Availability Services
Estimated Cost:	\$105,714
Actual Cost:	\$45,306

- A contract to temporarily rent a unit to supply hot water to the dormitories and student union building. Immediate action was needed to ensure public health and safety and to prevent further loss or damage to University property.

Obligation Number:	Emergency Award # 1803E-PP
Vendor:	Anchor Mechanical
Estimated Cost:	\$328,920
Actual Cost:	To be determined

- A contract for the repair of a water leak 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 # 1804E-PP
Vendor:	Amber Mechanical
Estimated Cost:	\$349,082
Actual Cost:	\$298,153

- Contracts for the abatement and repair of buildings due to water damage caused by a broken pipe. Immediate action was needed to ensure public health and safety and to prevent further loss or damage to University property.

State of Illinois
Chicago State University
Analysis of Operations (Unaudited) (Continued)
For the Year Ended June 30, 2018

Emergency Purchases (Unaudited) (Continued)

Obligation Number:	Emergency Award # 1805E-PP
Vendor:	ServPro
Estimated Cost:	\$389,896
Actual Cost:	To be determined

Obligation Number:	Emergency Award # 1805E-PP
Vendor:	Ideal Heating Company
Estimated Cost:	\$100,520
Actual Cost:	To be determined

- A contract for disaster recovery services. Immediate action was needed to ensure public health and safety and to prevent further loss or damage to University property.

Obligation Number:	Emergency Award # 1812E-ITD
Vendor:	Sungard Availability Services
Estimated Cost:	\$45,306
Actual Cost:	\$45,306

- A contract for the repair of elevators located in campus buildings. Immediate action was needed to ensure public health and safety and to prevent further loss or damage to University property.

Obligation Number:	Emergency Award # 1820E-FAC
Vendor:	American Hoist & Manlift
Estimated Cost:	\$18,075
Actual Cost:	\$18,075

- A contract for the replacement of furniture in student housing. Immediate action was needed to ensure that furniture was properly in place upon the start of new academic year.

Obligation Number:	Emergency Award # 1822SH
Vendor:	Foliot Furniture Pacific
Estimated Cost:	\$347,375
Actual Cost:	\$347,375

- 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.

State of Illinois
Chicago State University
Analysis of Operations (Unaudited) (Continued)
For the Year Ended June 30, 2018

Emergency Purchases (Unaudited) (Continued)

Obligation Number:	Emergency Award # 1823PPRENTAL-E
Vendor:	Anchor Mechanical
Estimated Cost:	\$386,046
Actual Cost:	\$276,440

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 Fiscal Year 2018, the bookstore had gross revenue of \$638,925 and the University earned commissions of \$58,142.

Schedule of Degrees Conferred (Unaudited)

The University conferred degrees during the years ended June 30, 2018 and 2017, as follows:

	2018	2017
Bachelor's degrees	446	468
Post-baccalaureate certificates	9	9
Master's degrees	288	301
Doctoral	15	6
Professional (Pharm D)	70	72
Total degrees conferred	828	856

State of Illinois
Chicago State University
Analysis of Operations (Unaudited) (Continued)
For the Year Ended June 30, 2018

Schedule of Tuition and Fee Waivers (Unaudited)

Undergraduate

	Tuition Waived		Fees Waived	
	Number of Recipients *	Value of Waivers (In Thousands)	Number of Recipients *	Value of Waivers (In Thousands)
MANDATORY WAIVERS				
(SUBTOTAL)	127	\$ 490.0	93	\$ 55.0
ROTC	29	128.0	28	9.0
DCFS	5	18.0	5	8.0
Children of Employees	12	35.0	-	-
Senior Citizens	18	41.0	-	-
Illinois Veterans Grant (IVG)**	42	146.0	39	36.0
Illinois National Guard***	15	77.0	15	1.0
Prisoners of War/MIA***	6	45.0	6	1.0
DISCRETIONARY WAIVERS				
(SUBTOTAL)	146	640.0	39.0	30.0
Faculty/Administrative (non-civil service)	1	2.0	1	1.0
Civil Service	38	85.0	38	29.0
Athletic	38	233.0	-	-
Gender Equity in				
Intercollegiate Athletics	21	166.0	-	-
Student Need-Special Programs	48	154.0	-	-
TOTAL	273	\$ 1,130.0	132	\$ 85.0

Graduate

MANDATORY WAIVERS				
(SUBTOTAL)	32	\$ 182.0	27	\$ 30.0
Teacher Special Education	5	16.0	5	5.0
Senior Citizens	5	19.0	-	-
Illinois Veterans Grant (IVG)**	17	94.0	17	23.0
Illinois National Guard**	4	46.0	4	1.0
Prisoners of War/MIA**	1	7.0	1	1.0
DISCRETIONARY WAIVERS				
(SUBTOTAL)	66	176.0	63	53.0
Faculty/Administrative (non-civil service)	19	37.0	17	16.0
Civil Service	20	52.0	20	16.0
Cooperating Professionals	1	1.0	1	1.0
Teaching Assistants	26	86.0	25	20.0
TOTAL	98	\$ 358.0	90	\$ 83.0

* 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, 2018

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, 2018, where such special data is found.

Compliance Findings

- 13(a) A finding of noncompliance with University Guidelines for the year ended June 30, 2018 was noted, see finding 2018-005.

Indirect Cost Reimbursements

- 13(b) A statement of sources and applications of indirect cost recoveries is included in this report on page 68.
- 13(c) The University’s calculation sheet for indirect cost carry-forward is included in this report on page 83. 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, 2018.

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 81 through 82.
- 13(f) Entity financial statements are presented on pages 85 through 88 of this report. The entity financial statements should be read in conjunction with University’s audited financial statements for the year ended June 30, 2018.

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, 2018

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 84.
- 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 \$1,400,500 and \$355,500, respectively.
- 13(i) A Statement of Revenue, Expenses and Changes in Net Position for the bond indenture required accounts is presented on page 53 of the financial audit report.
- 13(j) Revenue bond fund accounting conforms to the terms of the bond issue, including all covenants thereto.
- 13(k) As of June 30, 2018, the University did not have a noninstructional facilities reserve account.

University Related Organizations

- 13(l) The University recognizes the Chicago State Foundation (Foundation) as a University Related Organization. There are no organizations considered by the University to be "Independent Organizations" as defined in Section VII of "University Guidelines - 1982 (as amended 1997)."
- 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 89 of this report.
- 13(n) The University provided funds (primarily in the form of services) of approximately \$20,613 to the Foundation for the year ended June 30, 2018.
- 13(o) There were no cumulative unreimbursed subsidies from the University or appropriated funds to the Foundation for the year ended June 30, 2018.
- 13(p) There was no debt financed by the Foundation in Fiscal Year 2018.

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, 2018

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 57.
- 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 72 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, 2018.

Other Schedules for Universities

- 13(v) The Comparative Schedule of Income Fund Revenues and Expenditures is presented on page 54 of this report.
- 13(w) The Schedule of Tuition and Fee Waivers is presented on page 77 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, 2018

Description of 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, 2018

Description of 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, 2018**

**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	\$ 100,707
	<hr/>
Less: Allowable Indirect Cost Carryforward:	
Allocated Reimbursements - Indirect cost reimbursements allocated for expenditure for the fiscal year completed (\$694,500 @ 30%)	208,350
Unallocated Reimbursements - the lesser of actual unallocated indirect cost reimbursement or 10% of total indirect cost allocations	-
Encumbrances and Current Liabilities	-
	<hr/>
Total Allowable Indirect Cost Carryforward	208,350
	<hr/>
Amount to be Remitted to the Income Fund	\$ -
	<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, 2018

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	Activities Services	Student Activities	Continuing Education	Total Activities	
1. Current available funds	\$ 770,657	\$ 1,356,801	\$ 420,235	\$ 2,547,693	\$ 1,136,004	\$ 4,619,098	\$ (5,111,646)	\$ 637,964	\$ 1,281,420	
Add:										
Cash and cash equivalents										
Total current available funds	A. 770,657	1,356,801	420,235	2,547,693	1,136,004	4,619,098	(5,111,646)	637,964	1,281,420	
2. Working capital allowance										
Add:										
Highest month's expenditures	502,570	657,404	401,710	1,561,684	30,191	321,197	674,545	-	1,025,933	
Encumbrances and current liabilities paid in lapse period	223,034	26,402	58,472	307,908	7,352	120,819	448,311	4,011	580,493	
Deferred income / Refundable deposits	7,803	441	1,938	10,182	-	11,075	12,137	-	23,212	
Allowance for sick leave / vacation payouts	-	-	-	-	-	-	-	-	-	
Working capital allowance	B. 733,407	684,247	462,120	1,879,774	37,543	453,091	1,134,993	4,011	1,629,638	
3. Current excess funds:										
Deduct B from A and enter here	C. \$ 37,250	\$ 672,554	\$ (41,885)	667,919	\$ 1,098,461	\$ 4,166,007	\$ (6,246,639)	\$ 633,953	(348,218)	
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. (1,796,721)	(209,874)	(23,950)	(2,030,545)	(320)	(209,220)	(7,062)	(398)	(217,000)	
Enter the algebraic sum of C and D and remit the amount due, if any, for deposit in the Income Fund				<u>\$ (1,362,626)</u>					<u>\$ (565,218)</u>	

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, 2018

BALANCE SHEETS (UNAUDITED)
(with comparative totals as of June 30, 2017)

	Auxiliary Enterprises					Activities			Total All Entities (Memorandum Only)			
	University Facilities System					Student Health Services	Public Services	Activities Services	Student Activities	Continuing Education	2018	2017
	Revenue	Bond Fund	Parking Facilities	Health Services	Public Services							
CURRENT UNRESTRICTED/RESTRICTED FUND ASSETS:												
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 420,235	\$ 1,136,004	\$ 4,619,098	\$ -	\$ 637,964	\$ 6,813,301	\$ 6,539,623	\$ 6,813,301	\$ 6,539,623
Cash and cash equivalents - restricted	770,657	1,356,801	-	-	-	-	-	-	2,127,458	3,304,112	2,127,458	3,304,112
Accounts receivable, net	-	-	-	84,000	3,993	80,459	70,197	-	238,649	350,749	238,649	350,749
Accounts receivable, net - restricted	3,267	-	-	-	-	-	-	-	3,267	6,097	3,267	6,097
Prepaid expense	-	-	-	1,829	-	37,838	2,780	-	42,447	77,761	42,447	77,761
Prepaid expense - restricted	57,338	1,016	-	-	-	-	-	-	58,354	57,338	58,354	57,338
Inventories	-	-	-	-	-	15,753	-	-	15,753	17,489	15,753	17,489
TOTAL ASSETS	831,262	1,357,817	506,064	1,139,997	4,753,148	72,977	637,964	9,299,229	10,353,169			
CURRENT UNRESTRICTED/RESTRICTED FUND LIABILITIES AND FUND BALANCE:												
Bank overdraft	-	-	-	-	-	-	5,111,646	-	5,111,646	3,998,719	5,111,646	3,998,719
Accounts payable	149,652	9,536	29,338	6,352	41,329	18,330	4,011	-	258,548	861,870	258,548	861,870
Unearned revenue	7,803	441	1,938	-	18,038	10,355	-	-	38,575	69,142	38,575	69,142
Accrued compensated absences	65,984	29,848	55,607	12,660	35,700	49,199	-	-	248,998	197,504	248,998	197,504
Fund balances (deficit), restricted	607,823	1,317,992	-	-	-	-	-	-	1,925,815	3,246,104	1,925,815	3,246,104
Fund balances (deficit), unrestricted	-	-	419,181	1,120,985	4,658,081	(5,116,553)	633,953	-	1,715,647	1,979,830	1,715,647	1,979,830
TOTAL LIABILITIES AND FUND BALANCE	831,262	1,357,817	506,064	1,139,997	4,753,148	72,977	637,964	9,299,229	10,353,169			
PLANT FUNDS ASSETS:												
Cash and cash equivalents	\$ 26,743,984	\$ 605,525	\$ -	\$ -	\$ 351,498	\$ 116,077	\$ -	\$ 27,817,084	\$ 27,547,779	\$ 27,547,779	\$ 27,817,084	\$ 27,547,779
Investment in plant:	493,325	542,686	119,752	10,451	6,745,664	201,653	12,980	8,126,511	8,150,457	8,150,457	8,126,511	8,150,457
Buildings and improvements	-	-	-	-	-	-	-	-	-	-	-	-
Furniture and equipment	27,237,309	1,148,211	119,752	10,451	7,097,162	317,730	12,980	35,943,595	35,698,236	35,698,236	35,943,595	35,698,236
TOTAL ASSETS	54,481,618	12,297,422	119,752	10,451	14,194,314	635,460	12,990	73,757,926	73,396,472	73,396,472	73,757,926	73,396,472
PLANT FUNDS LIABILITIES AND FUND BALANCE:												
Bank overdraft	1,370,513	-	-	-	-	-	-	-	1,370,513	1,365,228	1,370,513	1,365,228
Accounts payable	42,765	-	-	-	-	-	-	-	42,765	48,202	42,765	48,202
Bond payable	9,455,000	-	-	-	-	-	-	-	9,455,000	10,760,000	9,455,000	10,760,000
Premium on bonds	123,510	-	-	-	-	-	-	-	123,510	145,967	123,510	145,967
Fund balances:												
Restricted - funded capital reserves	16,245,521	1,148,211	119,752	10,451	7,097,162	317,730	12,980	24,951,807	23,378,839	23,378,839	24,951,807	23,378,839
TOTAL LIABILITIES AND FUND BALANCE	27,237,309	1,148,211	119,752	10,451	7,097,162	317,730	12,980	35,943,595	35,698,236	35,698,236	35,943,595	35,698,236

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, 2018

STATEMENT OF REVENUES, EXPENDITURES AND TRANSFERS - CURRENT UNRESTRICTED/RESTRICTED FUNDS (UNAUDITED)
(with comparative totals For the Year Ended June 30, 2017)

	Auxiliary Enterprises						Activities			Total All Entities (Memorandum Only)			
	University Facilities			System			Student Health Services	Public Services	Activities Services	Student Activities	Continuing Education	2018	2017
	Revenue Bond Fund	Parking Facilities	\$	Revenue Bond Fund	Parking Facilities	\$							
REVENUES:													
Operating	\$ 2,087,744	\$ 545,821	\$ 5,607	\$ 197,586	\$ 545,287	\$ 866,812	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,248,857	\$ 3,954,562
Student fees	1,009,514	-	302,747	19,126	1,632,570	1,179,181	-	-	-	-	-	4,143,138	4,732,138
Other	-	-	-	8,580	107,170	-	-	-	-	-	-	115,750	65,238
TOTAL REVENUES	3,097,258	545,821	308,354	225,292	2,285,027	2,045,993	-	-	-	-	-	8,507,745	8,751,938
EXPENDITURES:													
Cost of sales	-	-	-	-	110,255	-	-	-	-	-	-	110,255	89,058
Personal services	511,994	424,875	428,101	60,260	742,011	1,145,192	-	-	-	-	-	3,312,433	2,982,741
Expended for plant	11,799	12,706	8,922	3,869	41,645	25,775	-	-	-	-	-	104,716	49,831
Commodities	56,217	15,871	24,574	525	59,067	254,543	-	-	-	-	-	410,797	364,269
Contractual services	1,278,897	16,399	35,314	110,151	654,460	1,558,465	-	-	-	-	-	3,653,686	3,555,017
Other (travel, telecommunications)	312,064	108,998	2,195	-	26,964	205,612	-	-	-	-	-	655,833	601,525
TOTAL EXPENDITURES	2,170,971	578,849	499,106	174,805	1,634,402	3,189,587	-	-	-	-	-	8,247,720	7,642,441
TRANSFERS OUT:													
Principal and interest	2,826,263	(612,716)	(369,050)	-	-	-	-	-	-	-	-	1,844,497	1,249,341
TOTAL EXPENDITURES AND TRANSFERS OUT	4,997,234	(33,867)	130,056	174,805	1,634,402	3,189,587	-	-	-	-	-	10,092,217	8,891,782
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND TRANSFERS OUT	\$ (1,899,976)	\$ 579,688	\$ 178,298	\$ 50,487	\$ 650,625	\$ (1,143,594)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,584,472)	\$ (139,844)

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, 2018

STATEMENT OF CHANGES IN FUND BALANCES - CURRENT UNRESTRICTED/RESTRICTED FUNDS (UNAUDITED)
(with comparative totals For the Year Ended June 30, 2017)

	Auxiliary Enterprises						Activities			Total All Entities (Memorandum Only)			
	University Facilities			Student Health Services			Public Services			Student Activities		Continuing Education	
	System Revenue Bond Fund	Parking Facilities	\$	\$	\$	\$	\$	\$	\$	\$	2018	2017	
REVENUES	\$ 3,097,258	\$ 545,821	\$ 308,354	\$ 225,292	\$ 2,285,027	\$ 2,045,993	\$ -	\$ -	\$ 8,507,745	\$ 8,751,938			
EXPENDITURES:													
Auxiliary enterprise	2,170,971	578,849	499,106	174,805	1,634,402	3,189,587	-	-	8,247,720	7,642,441			
TRANSFERS:													
Transfers out	2,826,263	(612,716)	(369,050)	-	-	-	-	-	1,844,497	1,249,341			
NET INCREASE (DECREASE) IN FUND BALANCES	(1,899,976)	579,688	178,298	50,487	650,625	(1,143,594)	-	-	(1,584,472)	(139,844)			
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	2,507,799	738,305	240,882	1,070,498	4,007,456	(3,972,959)	633,953	633,953	5,225,934	5,365,778			
FUND BALANCE (DEFICIT), END OF YEAR	\$ 607,823	\$ 1,317,993	\$ 419,180	\$ 1,120,985	\$ 4,658,081	\$ (5,116,553)	\$ 633,953	\$ 633,953	\$ 3,641,462	\$ 5,225,934			

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Analysis of Operations (Unaudited) (Continued)
Special Data Requirements for Audits of Universities (Unaudited) (Continued)
For the Year Ended June 30, 2018

STATEMENT OF CHANGES IN FUND BALANCES - PLANT FUNDS (UNAUDITED)
(with comparative totals for the year ended June 30, 2017)

	Auxiliary Enterprises							Total All Entities (Memorandum Only)
	University Facilities		Activities			Total All Entities (Memorandum Only)		
	Bond Fund	Parking Facilities	Student Health Services	Public Services	Activities Services	Student Activities	Continuing Education	
REVENUES AND OTHER ADDITIONS								
Interest income	\$ 1,018	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,018
Expended for plant	11,799	70,825	8,923	3,870	47,209	27,612	-	170,238
Retirement of debt	1,305,000	-	-	-	-	-	-	1,305,000
TOTAL REVENUES AND OTHER ADDITIONS	1,317,817	70,825	8,923	3,870	47,209	27,612	-	1,476,256
EXPENDITURES AND OTHER DEDUCTIONS								
Principal and interest on debt	1,822,906	-	-	-	-	-	-	1,822,906
Property disposals and net transfers	(181,863)	-	-	-	106,742	-	-	(75,121)
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	1,641,043	-	-	-	106,742	-	-	1,747,785
MANDATORY TRANSFERS:								
Transfer in	1,844,497	-	-	-	-	-	-	1,844,497
NET INCREASE (DECREASE) IN FUND BALANCES	1,521,271	70,825	8,923	3,870	(59,533)	27,612	-	1,572,968
FUND BALANCES, BEGINNING OF YEAR	14,724,250	1,077,386	110,829	6,581	7,156,695	290,118	12,980	23,378,839
FUND BALANCES, END OF YEAR	\$ 16,245,521	\$ 1,148,211	\$ 119,752	\$ 10,451	\$ 7,097,162	\$ 317,730	\$ 12,980	\$ 24,951,807
								\$ 23,378,839

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, 2018

Summary of Foundation Cash Support to the University (Unaudited)

The Chicago State Foundation (Foundation) is considered a University-related organization under section VI of the University guidelines. Its contractual relationship to the University is described in Note 13 - "Related Party Transactions" of the University's financial statements. During the current fiscal year, the University provided administrative support services valued at \$20,613 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	\$ 5,460
Restricted only as college or department	<u>1,346,355</u>
Total funds considered unrestricted	<u>1,351,815</u>
Expenditures considered restricted for purposes of the	
University Guidelines computations:	
Given for scholarships	<u>144,726</u>
Total funds considered restricted	<u>144,726</u>
Total funds provided by the Foundation to support the University	<u><u>\$ 1,496,541</u></u>