

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

**COMPLIANCE EXAMINATION
(In Accordance with the Single Audit Act
and OMB Circular A-133)
For the Year Ended June 30, 2012**

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



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

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
COMPLIANCE EXAMINATION
(IN ACCORDANCE WITH THE SINGLE AUDIT ACT AND OMB CIRCULAR A-133)
FOR THE YEAR ENDED JUNE 30, 2012**

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**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
COMPLIANCE EXAMINATION
(IN ACCORDANCE WITH THE SINGLE AUDIT ACT AND OMB CIRCULAR A-133)
FOR THE YEAR ENDED JUNE 30, 2012**

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**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

Agency Officials

President	Dr. Elaine Maimon
Executive Vice President, Chief of Staff, Treasurer	Dr. Gebeyehu Ejigu
Vice President, Administration and Finance	Ms. Karen Kissel
Internal Auditor	Mr. David Dixon
Interim Comptroller	Ms. Cathy Casson, CPA (until 08/24/12)
Controller	Ms. Melinda Gieseke, CPA (as of 07/16/12)

Agency offices are located at:

1 University Parkway
University Park, IL 60484

April 19, 2013

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

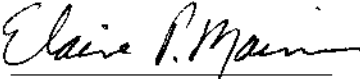
Ladies and Gentlemen:

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 Governors State University (University). We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of the University's compliance with the following assertions during the year ended June 30, 2012. Based on this evaluation, we assert that during the year ended June 30, 2012, the University has materially complied with the assertions below.

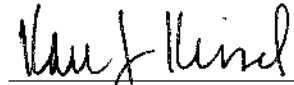
- A. The University has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The University has obligated, expended, received and used public funds of the State in accordance with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

Yours very truly,


Governors State University



Elaine P. Maimon, Ph.D.
President



Karen Kissel
Vice President, Administration
and Finance



Alexis Kennedy
General Counsel/
Vice President

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FOR THE YEAR ENDED JUNE 30, 2012**

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.

ACCOUNTANTS' REPORT

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

SUMMARY OF FINDINGS

<u>Number of</u>	<u>Current Report</u>	<u>Prior Report</u>
Findings	12	12
Repeated findings	6	7
Prior recommendations implemented or not repeated	6	5

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

<u>Item</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
<u>No.</u>			
<i>FINDING (GOVERNMENT AUDITING STANDARDS)</i>			
12-1	18	Financial Adjustments	Material Weakness
<i>FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE)</i>			
12-2	21	Inadequate Procedures Over Verification of Eligibility Requirements for Student Financial Assistance Cluster Programs	Significant Deficiency/ Noncompliance
12-3	24	Return of Title IV Funds Not Made Timely	Significant Deficiency/ Noncompliance
12-4	26	Inadequate Support for Cash Draws	Significant Deficiency/ Noncompliance

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FOR THE YEAR ENDED JUNE 30, 2012**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
12-5	29	Inadequate Procedures Over Verification of Eligibility Requirements for TRIO Cluster Programs	Significant Deficiency/ Noncompliance
12-6	31	Required Federal Reports Were Either Not Submitted or Submitted Late	Significant Deficiency/ Noncompliance
12-7	33	Financial Agreements Not Executed Between the University and Teaching Residents	Significant Deficiency/ Noncompliance

FINDINGS (STATE COMPLIANCE)

12-8	35	Financial Reporting Delays	Significant Deficiency/ Noncompliance
12-9	37	Noncompliance with the Required Contracting Procedures	Significant Deficiency/ Noncompliance
12-10	39	Inadequate Controls Over University Property and Equipment	Significant Deficiency/ Noncompliance
12-11	43	Time Sheets Not Maintained in Compliance with the State Officials and Employees Ethics Act	Significant Deficiency/ Noncompliance
12-12	45	Noncompliance with the University's Law on Board Membership, Terms, and Vacancies	Noncompliance

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

12-1	18	Financial Adjustments	Material Noncompliance
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PRIOR FINDINGS NOT REPEATED

A	46	Inaccurate Accounting for Intangible Assets
B	46	Inaccurate Accounting for Participation in Public Entity Risk Pool

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FOR THE YEAR ENDED JUNE 30, 2012**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
C	46	Inadequate Controls Over University Equipment Acquired from Federal Funds
D	47	Student Financial Aid Disbursements Not Reported Timely
E	47	Inadequate Monitoring Procedures for Subrecipients
F	47	Noncompliance with Davis-Bacon Act

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with University personnel at an exit conference on April 18, 2013. Attending were:

Representing Governors State University

Executive Vice President, Chief of Staff,
Treasurer
Vice President, Administration and Finance
Internal Auditor
Controller
Assistant Controller

Dr. Gebeyehu Ejigu
Ms. Karen Kissel
Mr. David Dixon
Ms. Melinda Gieseke
Ms. Andrea Middleton

Representing E.C. Ortiz & Co., LLP

Partner
Partner
Manager

Mr. Edilberto C. Ortiz
Ms. Gilda B. Priebe
Ms. Villalyn S. Baluga

Representing the Office of the Auditor General

Audit Manager

Mr. Jose G. Roa

Responses to the recommendations were provided by Ms. Karen Kissel in a letter dated April 19, 2013.



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

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

Honorable William G. Holland
Auditor General
State of Illinois

and

The Board of Trustees
Governors State University

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the Governors 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, 2012. The management of the University is responsible for compliance with these requirements. Our responsibility is to express an opinion on the University's compliance based on our examination.

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

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

As described in finding 12-1 in the accompanying Schedule of Findings and Questioned Costs, the University did not comply with the requirements regarding applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations. Compliance with such requirements is necessary, in our opinion, for the University to comply with the requirements listed in the first paragraph of this report.

In our opinion, except for the noncompliance described in the preceding paragraph, the University complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the year ended June 30, 2012. However, the results of our procedures disclosed other 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 12-8 through 12-12.

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 as a basis for designing our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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

A deficiency in an entity's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the

requirements listed in the first paragraph of this report on a timely basis. *A material weakness in an entity's internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance as described in the accompanying Schedule of Findings and Questioned Costs as item 12-1 to be a material weakness.

A significant deficiency in an entity's internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 12-8 through 12-11 to be significant deficiencies.

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

The University's responses to the findings identified in our examination are described in the accompanying Schedule of Findings and Questioned Costs. We did not examine the University's responses and, accordingly, we express no opinion on the responses.

Supplementary Information for State Compliance Purposes

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the business-type activities of the University and its aggregate discretely presented component unit as of and for the year ended June 30, 2012, and have issued our report thereon dated April 19, 2013, which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. Our report was modified to include a reference to other auditors. Other auditors audited the financial statements of the University's discretely presented component unit, as described in our report on the University's financial statements. The accompanying supplementary information for the year ended June 30, 2012 in Schedules 1 through 12, 15 and 16 is presented for 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, 2012 in Schedules 1 through 12, 15 and 16 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 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, 2012 in Schedules 1 through 12, 15 and 16 is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2012.

We have also previously audited, in accordance with auditing standards generally accepted in the United States of America, the University's basic financial statements for the years ended June 30, 2011 and 2010, and have issued our reports thereon dated February 8, 2012 and February 25, 2011, respectively, which contained unqualified opinions on the respective financial statements of the business-type activities of the University and its discretely presented component units. Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. Our reports were modified to include a reference to other auditors. Other auditors audited the financial statements of the University's discretely presented component units, as described in our reports on the University's financial statements. The accompanying supplementary information for the years ended June 30, 2011 and 2010 in Schedules 4 through 10 and 12 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, 2011 and 2010 financial statements. The accompanying supplementary information for the years ended June 30, 2011 and 2010 in Schedules 4 through 10 and 12 has been subjected to the auditing procedures applied in the audits of the June 30, 2011 and 2010 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 statements or to those 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 years ended June 30, 2011 and 2010 in Schedules 4 through 10 and 12 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 and Schedules 13 and 14 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

E.C. Ortiz & Co., LLP

Chicago, Illinois
April 19, 2013



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

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

Honorable William G. Holland
Auditor General
State of Illinois

and

The Board of Trustees
Governors State University

As Special Assistant Auditors for the Auditor General, we have audited the basic financial statements of the business-type activities of the Governors State University (University) and its aggregate discretely presented component unit, collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2012, which collectively comprise the University's basic financial statements and have issued our report thereon dated April 19, 2013. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the University's discretely presented component unit, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

Management of the University is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings as item 12-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings as item 12-1.

The University's response to the finding identified in our audit is described in the accompanying Schedule of Findings. We did not audit the University's response and, accordingly, we express no opinion on it.

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

E.C. Artis & Co., LLP

Chicago, Illinois
April 19, 2013



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

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

Honorable William G. Holland
Auditor General
State of Illinois

and

The Board of Trustees
Governors State University

Compliance

We have audited the Governors State University's (University) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2012. The University's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

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

We did not audit the University's compliance with the requirements governing the repayments special test and provision compliance requirement in accordance with the requirements of the Student Financial Assistance Cluster: Federal Perkins Loans and Nurse Faculty Loan Program as described in the Compliance Supplement. Those requirements govern functions performed by University Accounting Service, LLC (UAS). Since we did not apply auditing procedures to satisfy ourselves as to compliance with those requirements, the scope of work was not sufficient to enable us to express, and we do not express, an opinion on compliance with those requirements. UAS' compliance with the requirements governing the functions that it performs for the University for the year ended June 30, 2012 was examined by the accountants for the servicer in accordance with the U.S. Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. Our report does not include the results of the accountants' for the servicer examination of UAS' compliance with such requirements.

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

In our opinion, the University complied, in all material respects, with the 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, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 12-2 through 12-7.

Internal Control Over Compliance

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

Requirements governing the repayments special test and provision compliance requirement in the Student Financial Assistance Cluster: Federal Perkins Loans and Nurse Faculty Loan Program as described in the Compliance Supplement are performed by UAS. Internal control over compliance related to such functions for the year ended June 30, 2012 was reported on by accountants for the servicer in accordance with the U.S. Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. Our report does not include the results of the accountants' for the servicer testing of UAS' 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 control 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as items 12-2 through 12-7. 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.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the business-type activities of the 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, 2012, and have issued our report thereon dated April 19, 2013, which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the University's basic financial statements. Our report was modified to include a reference to other auditors. Other auditors audited the financial statements of the University's discretely presented component unit, as described in our report on the University's financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 financial statements or to the 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.

The University's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the University's responses and, accordingly, we express no opinion on the responses.

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

F. C. Ortiz & Co., LLP

Chicago, Illinois
April 19, 2013

**SCHEDULE OF FINDINGS
AND
QUESTIONED COSTS**

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FOR THE YEAR ENDED JUNE 30, 2012**

SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

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 programs:

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

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

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

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FOR THE YEAR ENDED JUNE 30, 2012**

SUMMARY OF AUDITORS' RESULTS, Continued

Federal Awards, Continued

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
	Student Financial Assistance (SFA) Cluster:
84.268	Federal Direct Student Loans
84.063	Federal Pell Grant Program
84.038	Federal Perkins Loans - Federal Capital Contributions
84.033	Federal Work-Study Program
84.007	Federal Supplemental Educational Opportunity Grants
84.379	Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)
93.925	Scholarships for Health Professions Students from Disadvantaged Backgrounds
93.264	Nurse Faculty Loan Program (NFLP)
	Head Start Cluster:
93.600	Head Start
93.708	ARRA - Head Start
	Research and Development (R&D) Cluster:
93.307	Minority Health and Health Disparities Research
93.701	ARRA - Trans-NIH Recovery Act Research Support
47.082	ARRA - Trans-NSF Recovery Act Research Support
47.076	Education and Human Resources
	Teacher Quality Partnership Grants Cluster:
84.405	ARRA - Teacher Quality Partnerships, Recovery Act
84.336	Teacher Quality Partnership Grants
	TRIO Cluster:
84.047	TRIO - Upward Bound

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FOR THE YEAR ENDED JUNE 30, 2012**

SUMMARY OF AUDITORS' RESULTS, Continued

Federal Awards, Continued

Identification of major programs, continued:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
17.275	ARRA - Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors
64.028	Post-9/11 Veterans Educational Assistance

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

_____ Yes X No

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FOR THE YEAR ENDED JUNE 30, 2012**

CURRENT FINDING - *GOVERNMENT AUDITING STANDARDS*

12-1 *Financial Adjustments*

Governors State University (University) draft financial statements provided to auditors contained errors.

During our audit of the financial statements originally submitted by the University to the State of Illinois Office of the Comptroller (Comptroller), we noted the following:

- The University's deferred maintenance projects funded by its borrowed funds (Revenue Bonds, Series 2007 and Certificates of Participation, Series 2008) were fully completed during fiscal year 2012. However, the University capitalized the interest on these borrowed funds totaling \$660,159 instead of recognizing it as interest expense which resulted in an overstatement of capital assets and understatement of interest expense. This also resulted in an overstatement of \$14,713 in the related depreciation expense and accumulated depreciation accounts.

Financial Accounting Standards No. 34, *Capitalization of Interest Cost*, paragraph 18, and Statewide Accounting Management System (SAMS) Procedure 03.30.20 state that capitalization of interest on constructed assets shall end when the asset is substantially complete and ready for its intended use.

The University subsequently made the necessary adjustments in the financial statements.

- Deferred revenue pertaining to the fiscal year 2013 portion of the Summer 2012 tuition and fees was incorrectly calculated. The University recognized as deferred revenue the uncollected portion of tuition and fees instead of adjusting it against accounts receivable. This resulted in an overstatement of \$615,403, \$575,526, and \$39,877 in accounts receivable, deferred revenue, and student tuition and fees, respectively.

SAMS Procedure 05.50.01 defines deferred revenue as revenues collected in advance of the period in which they were earned.

The University subsequently made the necessary adjustments in the financial statements.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FOR THE YEAR ENDED JUNE 30, 2012**

CURRENT FINDING - *GOVERNMENT AUDITING STANDARDS*, Continued

- The University's calculation for fiscal year 2012 of the scholarship discounts and allowances was inaccurate which resulted in an understatement of \$1,526,715 in student tuition and fees revenue and related expenditures.

The University calculates the scholarship discounts and allowances in accordance with the guidelines set by the National Association of College and University Business Officers (NACUBO). The NACUBO Advisory Report 2000-05 defines scholarship discounts and allowances as the difference between the stated charge for goods and services provided by the institution and the amount that is paid by the student and/or third parties making payments on behalf of the students. The NACUBO Advisory Report 2000-05 also provides guidelines for the accounting and reporting of scholarship discounts and allowances.

The University subsequently made the necessary adjustments in the financial statements.

- The difference in the balance of accounts receivable between the general ledger and the related subsidiary ledger was adjusted by the University to bad debts expense without first determining the nature of the difference. After the auditors made inquiries about this during the audit, the University subsequently performed an analysis and noted that the difference was due to the incorrect recording of the following: (a) application of Summer 2011 federal student financial aid against student accounts; and (b) student registration for Summer 2011 classes. This resulted in an overstatement of \$406,468 in bad debts expense, and an understatement of \$499,242 in grants receivable, grants expense, and federal grants and contracts revenue. This also resulted in an understatement of \$92,774 in the related student tuition and fees revenue.

Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that financial data is properly recorded and accounted for to permit the preparation of reliable financial reports.

These amounts were not adjusted since they were determined by the University to be immaterial in relation to the fiscal year 2012 financial statements.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FOR THE YEAR ENDED JUNE 30, 2012**

CURRENT FINDING - *GOVERNMENT AUDITING STANDARDS*, Continued

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

University officials stated that the conditions noted above were due to problems associated with the University's migration from its old administrative computing system to a new computing system and knowledge loss due to the sudden resignation of the University's long time Controller.

Failure to implement and follow proper internal control procedures over financial reporting may result in a material misstatement in the University's financial statements. (Finding Code No. 12-1)

Recommendation

We recommend the University review its current process for the preparation and review of the annual financial statements to ensure that financial information is complete, accurate, and prepared in accordance with generally accepted accounting principles.

University Response

The University agrees with this finding and accepts the recommendation. To ensure that these exceptions do not occur in the future, the University fully documented the financial close process and financial statement compilation for the new administrative computing system and added additional experienced accounting personnel.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FOR THE YEAR ENDED JUNE 30, 2012**

CURRENT FINDINGS - FEDERAL COMPLIANCE

Federal Agency: U.S. Department of Education and U.S. Department of Health and Human Services

Program Name	CFDA #	Program Expenditures
SFA Cluster	84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 93.264, 93.925	\$60,689,208

Questioned Costs: \$69,865

12-2 *Inadequate Procedures Over Verification of Eligibility Requirements for Student Financial Assistance Cluster Programs*

Governors State University (University) did not have adequate procedures over verification of eligibility requirements for Student Financial Assistance Cluster programs.

During our eligibility testing of 60 students who were awarded and disbursed with financial aid under the Student Financial Assistance Cluster, we noted the following:

- The University awarded financial aid to ten (17%) students in excess of their financial need which resulted in an overstatement of \$32,660 in awards made to the students.
- The University failed to properly monitor compliance with its established standards in determining whether eligible students are maintaining satisfactory progress in their educational programs as follows:
 - A student (2%) was not placed on financial aid warning after failing to complete at least 67 percent of the coursework attempted at the end of an academic term.
 - Two (3%) students were not cancelled or suspended from future financial aid after exceeding the maximum timeframe of 150 percent of the published length of their programs.
 - Two students (3%) cancelled due to their completion rates being below the required 67 percent were still awarded financial aid.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FOR THE YEAR ENDED JUNE 30, 2012**

CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

- A student (2%) cancelled due to exceeding the maximum timeframe to complete her program was still awarded with financial aid.

These conditions resulted in an overstatement of \$37,205 in awards made to students.

The Office of Management and Budget (OMB) Circular A-133 Compliance Supplement, Part 5 - Cluster of Programs, Student Financial Assistance Programs, requires that awards must be coordinated among the various programs and with other federal and non-federal aid (need and non-need based aid) to ensure that total aid is not awarded in excess of the student's financial need. Financial need is generally defined as the student's cost of attendance minus financial resources reasonably available.

The Code of Federal Regulations (34 CFR Sections 668.16(e) and 668.34) requires that an institution must establish a reasonable satisfactory academic progress policy for determining whether an otherwise eligible student is making satisfactory academic progress in his or her educational program and may receive assistance under the Title IV, Higher Education Act of 1965 programs.

University policy on satisfactory academic progress requires students receiving financial aid be evaluated by the length of time it takes to complete the program of study, the rate of completion, and the cumulative grade point average.

In addition, OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations*, requires non-federal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal control procedures should include adequate procedures over verification of eligibility requirements for students awarded with financial aid.

University officials stated that the conditions noted above were due to problems with incorrect coding related to financial aid in the new administrative computing system.

Failure to verify the required eligibility information resulted in providing financial aid awards to ineligible students and noncompliance with federal regulations, policies, and procedures. (Finding Code No. 12-2)

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FOR THE YEAR ENDED JUNE 30, 2012**

CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

Recommendation

We recommend the University strengthen its controls in the verification of the eligibility requirements for students awarded with financial aid to ensure that awards are only provided to eligible students and to ensure compliance with federal regulations and University policies and procedures.

University Response

The University agrees with this finding and accepts the recommendation. To ensure that these exceptions do not occur in the future, the University changed staffing and leadership in the financial aid area, modified the incorrect coding in the system, and implemented mandatory training for all financial aid staff.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FOR THE YEAR ENDED JUNE 30, 2012**

CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

Federal Agencies: U.S. Department of Education

Program Name	CFDA #	Program Expenditures
SFA Cluster - Federal Pell Grant Program	84.063	\$6,606,874
SFA Cluster - Federal Direct Student Loans	84.268	\$48,308,917

Questioned Costs: None - Procedural Finding Only

12-3 *Return of Title IV Funds Not Made Timely*

Governors State University (University) did not comply with the requirements related to the return of Title IV funds.

During our review of 51 students awarded with Title IV grants who withdrew from classes during the academic year 2011-2012, we noted that the University failed to return Title IV funds totaling \$21,828 within 45 days of the withdrawal date for 16 (31%) students (31 to 213 days late).

The Code of Federal Regulations (34 CFR Section 668.173(b)) states that the return of Title IV funds are required to be deposited or transferred into the SFA account or electronic fund transfers initiated to the Department of Education or the appropriate lender as soon as possible, but no later than 45 days after the institution determines that the student withdrew.

In addition, OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations*, requires non-federal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. An effective system of internal controls should include procedures that reasonably ensure the timely return of Title IV funds.

University officials stated that the condition noted above was due to the newly implemented administrative computing system which did not allow for automatic identification of students whose Title IV funds need to be returned to the Department of Education.

Failure to return Title IV funds within the required timeline resulted in noncompliance with federal regulations. Additionally, this may jeopardize future federal funding. (Finding Code No. 12-3)

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FOR THE YEAR ENDED JUNE 30, 2012**

CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

Recommendation

We recommend the University strengthen its controls over processing of returns of Title IV funds to ensure that they are made timely in compliance with federal regulations.

University Response

The University agrees with this finding and accepts the recommendation. The University has customized the new computer system to automate the identification of students whose funds should be returned to the Department of Education.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FOR THE YEAR ENDED JUNE 30, 2012**

CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

Federal Agencies: U.S. Department of Education, U.S. Department of Health and Human Services, and U.S. Department of Labor

Program Name	CFDA #	Program Expenditures
SFA Cluster - Federal Supplemental Educational Opportunity Grants	84.007	\$117,771
SFA Cluster - Federal Work-Study Program	84.033	\$197,062
SFA Cluster - Federal Pell Grant Program	84.063	\$6,606,874
SFA Cluster - Federal Direct Student Loans	84.268	\$48,308,917
SFA Cluster - Teacher Education Assistance for College and Higher Education Grants	84.379	\$16,000
SFA Cluster - Nurse Faculty Loan Program	93.264	\$685,992
SFA Cluster - Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925	\$405,220
R&D Cluster - Minority Health and Health Disparities Research	93.307	\$428,810
R&D Cluster - ARRA-Trans-NIH Recovery Act Research Support	93.701	\$195,502
Head Start Cluster - ARRA-Head Start	93.708	\$213,435
ARRA - Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	17.275	\$1,621,870

Questioned Costs: None - Procedural Finding Only

12-4 *Inadequate Support for Cash Draws*

Governors State University (University) did not have adequate support for reimbursement requests made on various grant programs.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FOR THE YEAR ENDED JUNE 30, 2012**

CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

The University draws cash for awards made to students and administrative expenditures on a reimbursement payment method. Under the reimbursement payment method, the institution must disburse funds to the students or program costs must be paid for by University funds before reimbursement is requested from the federal agency.

During our testing of 52 cash draws performed by the University during the fiscal year, we noted that 26 (50%) cash draws did not have adequate support as follows:

Program	Number of Unsupported Cash Draws	Total Cash Draws
Student Financial Assistance Cluster	21	\$11,361,362
Research and Development Cluster	3	50,089
Head Start Cluster	1	81,507
ARRA-Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	1	321,455
Total	26	\$11,814,413

The Code of Federal Regulations (31 CFR Section 205.12(b)(5)) requires that reimbursement requests or cash draws have supporting documentation showing that the costs for which reimbursement was requested were paid prior to the date of the reimbursement request.

In addition, OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations*, requires non-federal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure cash draws are properly supported by the University's accounting records.

University officials stated that the condition noted above was due to the University's draw down procedures not being consistently followed as it relates to documentation.

Failure to properly support cash draws may result in funds being drawn in advance of the University's immediate cash needs. This also resulted in noncompliance with federal regulations. (Finding Code No. 12-4)

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FOR THE YEAR ENDED JUNE 30, 2012**

CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

Recommendation

We recommend the University establish procedures to ensure cash draws are adequately supported to ensure compliance with federal regulations.

University Response

The University agrees with this finding and accepts the recommendation. To ensure compliance, the University has increased staffing in the grant accounting area and requires that proper documentation for draw downs is maintained, reviewed, and approved by the Controller.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FOR THE YEAR ENDED JUNE 30, 2012**

CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

Federal Agency: U.S. Department of Education

Program Name	CFDA #	Program Expenditures
TRIO Cluster - Upward Bound	84.047	\$453,084

Questioned Costs: None - Procedural Finding Only

12-5 *Inadequate Procedures Over Verification of Eligibility Requirements for TRIO Cluster Programs*

Governors State University (University) did not have adequate procedures over verification of eligibility requirements for TRIO Cluster - Upward Bound (EXCEL and Greater Success for U) programs.

In our eligibility testing of seven participants under the TRIO Cluster, we noted the following:

- The University's eligibility determination for three (43%) participants was either not supported or did not agree with the supporting documents on file.
- The University did not completely document its eligibility determination for two (29%) participants. Eligibility determinations whether the participants are low-income individuals and/or demonstrated academic need were not properly filled-out by the program evaluator in the related application review/eligibility determination forms.

The Code of Federal Regulations (34 CFR Section 645.3) states that an individual is eligible to participate in a Regular, Veterans, or a Math and Science Upward Bound project if the individual meets all of the following requirements: (a) a citizen, national, or permanent resident of the United States, or is in the United States for other than a temporary purpose; (b) a potential first-generation college student, a low-income individual or an individual who has a high risk for academic failure; (c) has a need for academic support, as determined by the grantee, in order to pursue successfully a program of education beyond high school; and (d) at the time of initial selection has completed the eighth grade and is at least 13 years old but not older than 19.

The Code of Federal Regulations (34 CFR Section 645.43(c)(1)) requires the grantee to maintain for each participant a record of the basis for its determination that the participant is eligible to participate in the project.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FOR THE YEAR ENDED JUNE 30, 2012**

CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

In addition, OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations*, requires non-federal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal control procedures should include proper documentation to support verification of eligibility requirements for grant applicants.

University officials stated that the conditions noted above were the result of changes in staffing and associated transition in the TRIO grant area.

Failure to document and verify the required eligibility information may result in providing benefits or scholarship awards to ineligible applicants thereby resulting in noncompliance with federal regulations, policies, and procedures. (Finding Code Nos. 12-5, 11-3, 10-1)

Recommendation

We recommend the University strengthen its controls in the verification of the eligibility requirements for grant applicants and maintain supporting documentation to ensure compliance with federal regulations.

University Response

The University agrees with this finding and accepts the recommendation. The documentation supporting eligibility was inadequate; however, no student was awarded this grant who was not eligible for the TRIO Upward Bound program. The University will modify its procedure to ensure compliance.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FOR THE YEAR ENDED JUNE 30, 2012**

CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

Federal Agency: National Science Foundation, U.S. Department of Health and Human Services, and U.S. Department of Labor

Program Name	CFDA #	Program Expenditures
R&D Cluster - ARRA-Trans-NIH Recovery Act Research Support	93.701	\$195,502
R&D Cluster - ARRA-Trans-NSF Recovery Act Research Support	47.082	\$192,610
ARRA - Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	17.275	\$1,621,870

Questioned Costs: None - Procedural Finding Only

12-6 *Required Federal Reports Were Either Not Submitted or Submitted Late*

Governors State University (University) is a recipient of grants from the National Institutes of Health (NIH) of the U.S. Department of Health and Human Services, the National Science Foundation (NSF), and the Employment and Training Administration of the U.S. Department of Labor (DOL). The required federal reports were either not submitted or submitted late by the University.

During our detailed testing of Research and Development Cluster - ARRA-Trans-NIH Recovery Act Research Support, we noted that the Quarterly Federal Financial Report for the quarter ended September 30, 2011 with an October 30, 2011 deadline was never submitted by the University. Additionally, the Quarterly Federal Financial Report for the quarter ended June 30, 2012 was submitted by the University one day late from the July 30, 2012 deadline.

In our detailed testing of Research and Development Cluster - ARRA-Trans-NSF Recovery Act Research Support, we noted that the Quarterly Federal Financial Report for the quarter ended September 30, 2011 was submitted by the University 37 days late from the October 30, 2011 deadline.

In addition, during our detailed testing of ARRA-Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors, we noted that the Quarterly Financial Report for the quarter ended September 30, 2011 was submitted by the University 7 days late from the November 14, 2011 deadline.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FOR THE YEAR ENDED JUNE 30, 2012**

CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

Federal Financial Report Instructions from the Office of Management and Budget (OMB), NIH Grants Policy Statement, and Article 8 of the NSF Research Terms & Conditions Agency Specific Requirements require grantees to submit a Quarterly Federal Financial Report no later than 30 days after the end of each reporting period. Reporting period end dates that shall be used for the quarterly reports are March 31, June 30, September 30 and December 31.

The Instructions for On-Line Financial Reporting issued by DOL require grantees to submit a Quarterly Financial Report no later than 45 days after the end of each reporting period. Reporting period end dates that shall be used for the quarterly reports are March 31, June 30, September 30 and December 31.

In addition, OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations*, requires nonfederal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal control procedures should include monitoring of compliance with the reporting requirements of its grant programs and timely submission of required federal reports.

University officials stated that the conditions noted above were due to problems associated with the University's migration from its old administrative computing system to a new computing system, the sudden resignation of the University's long-time Controller as well as understaffing of the grant accounting area during the grant reporting period.

Failure to submit the required federal reports results in noncompliance with the federal program requirements. Additionally, this may result in the withholding of funding for other eligible projects or activities involving the University. (Finding Code Nos. 12-6, 11-5, 10-3)

Recommendation

We recommend the University comply with the reporting requirements of its grant programs and ensure timely submission of all reports.

University Response

The University agrees with this finding and accepts the recommendation. The University has recently changed staffing and leadership in the grant accounting area to ensure compliance.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FOR THE YEAR ENDED JUNE 30, 2012**

CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

Federal Agency: U.S. Department of Education

Program Name	CFDA #	Program Expenditures
ARRA - Teacher Quality Partnerships, Recovery Act	84.405	\$712,608

Questioned Costs: None - Procedural Finding Only

12-7 Financial Agreements Not Executed Between the University and Teaching Residents

Governors State University (University) did not execute a written agreement with teaching residents detailing requirements under its teaching residency program funded by the ARRA - Teacher Quality Partnerships, Recovery Act (ARRA-TQP) grant.

In our eligibility testing of four teaching residents who participated in the University's teaching residency program funded by the ARRA-TQP grant for academic year 2011-2012, we noted that a written agreement for three (75%) teaching residents was not executed upon acceptance to the program. The University subsequently executed the required agreement with the three teaching residents after being noted during our examination.

The Higher Education Opportunity Act (Section 202(e)(2)(C)(iii), *Agreements to Serve*) states that each application submitted to the eligible partnership for teaching residency program shall contain or be accompanied by an agreement that the applicant will: (a) serve as a full-time teacher for a total of not less than three academic years immediately after successfully completing the one-year teaching residency program; (b) fulfill the requirement by teaching in a high-need school served by the high-need local educational agency in the eligible partnership and teach a subject or area that is designated as high need by the partnership; (c) provide to the eligible partnership a certificate, from the chief administrative officer of the local educational agency in which the resident is employed, of the employment required at the beginning of, and upon completion of, each year or partial year of service; (d) meet the requirements to be a highly qualified teacher, as defined in Section 9101 of the Elementary and Secondary Education Act of 1965, or Section 602 of the Individuals with Disabilities Education Act, when the applicant begins to fulfill the service obligation under this clause; and (e) comply with the requirements set by the eligible partnership if the applicant is unable or unwilling to complete the service obligation required by this clause.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FOR THE YEAR ENDED JUNE 30, 2012**

CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

In addition, OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations*, requires non-federal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal control procedures should include compliance with the required documentation for awarding grants to eligible recipients.

University officials stated that the condition noted above was due to failure by departmental grant administration to follow procedures. The University informed the teaching residents of the requirements related to the grant; however, signed document was not collected from them.

Failure to execute the required agreement with teaching residents results in noncompliance with the federal program requirements. Additionally, this may result in non-fulfillment of the service obligations required from the teaching residents. (Finding Code No. 12-7)

Recommendation

We recommend the University ensure that a written agreement is executed with the teaching residents upon acceptance to the teaching residency program to comply with the requirements of the ARRA-TQP grant.

University Response

The University agrees with this finding and accepts the recommendation. To ensure future compliance, the University has modified its grant procedures to require submission of this signed document from the teaching residents upon acceptance to the program.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FOR THE YEAR ENDED JUNE 30, 2012**

CURRENT FINDINGS - STATE COMPLIANCE

12-8 *Financial Reporting Delays*

Governors State University (University) did not submit timely the required financial information as of June 30, 2012 to the State of Illinois Office of the Comptroller (Comptroller).

During our review, we noted the following:

- The Generally Accepted Accounting Principles (GAAP) reporting packages were due to the Comptroller on September 28, 2012. Two of the 13 GAAP reporting packages were submitted by the University on November 14, 2012 (47 days late). The remaining 11 GAAP reporting packages were submitted by the University on November 15, 2012 (48 days late).
- The draft financial statements and footnotes due to the Comptroller on October 31, 2012 were submitted by the University on November 14, 2012 and November 16, 2012, respectively (14 and 16 days late, respectively).

The University also received a delinquency letter from the Comptroller dated November 5, 2012 regarding the non-submission of the draft financial statements and footnotes as of June 30, 2012 and the GAAP packages for fiscal year 2012 on the required due dates.

The State Comptroller Act (Act) (15 ILCS 405/19.5) states that on or before October 31, 2012, and on or before each October 31 thereafter, State agencies shall report to the Comptroller all financial information deemed necessary by the Comptroller to compile and publish a comprehensive annual financial report using generally accepted accounting principles for the fiscal year ending June 30 of that year. The Comptroller may require certain State agencies to submit the required information before October 31 under a schedule established by the Comptroller.

Additionally, University management has the ultimate responsibility for the University's internal control over financial reporting. This responsibility should include an adequate system of monitoring and review to ensure timely submission of required financial reports.

University officials stated that the conditions noted above were due to problems associated with the University's migration from its old administrative computing system to a new computing system and the sudden resignation of the University's long time Controller.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FOR THE YEAR ENDED JUNE 30, 2012**

CURRENT FINDINGS - STATE COMPLIANCE, Continued

Failure to submit the required financial information results in noncompliance with the Act. This also results in the Comptroller not having the information needed to compile State-wide financial data on a timely basis. (Finding Code No. 12-8)

Recommendation

We recommend the University establish and implement procedures to ensure that required financial information are prepared and submitted to the Comptroller in a timely manner.

University Response

The University agrees with this finding and accepts the recommendation. The University has changed and strengthened staffing in the accounting area, documented the financial closing process in the new system, and implemented processes to ensure timely compliance.

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CURRENT FINDINGS - STATE COMPLIANCE, Continued

12-9 *Noncompliance with the Required Contracting Procedures*

The University did not comply with certain required contracting procedures.

During our tests of 25 contracts, we noted the following:

- Five contracts (20%) totaling \$235,099 were not signed by an authorized contract signatory. The University personnel who signed the contracts did not have the Contract Signature Card filed with the Office of the State Comptroller.

Statewide Accounting Management System (SAMS) Procedure 15.20.95 requires that a Contract Signature Card used to provide specimen signatures for persons authorized to sign the agency head approval line on contracts, interagency agreements, purchase orders, grants or leases, be filed with the Office of the State Comptroller.

- A contract (4%) amounting to \$63,326 was not approved and executed prior to performance of service. The contract was executed 79 days after the start of related service.

The Illinois Procurement Code (30 ILCS 500/20-80(d)) and SAMS Procedure 15.10.40 require all contracts be reduced to writing and signed by all necessary parties before services are rendered or goods are received.

- Two contracts (8%) totaling \$76,040 and valued at more than \$10,000 individually were not filed with the Office of the State Comptroller. These contracts were incurred against locally held funds.

SAMS Procedure 15.20.10 states that “File Only” contracts, including contracts paid entirely from locally held funds do not require obligation and are not entered into the SAMS system. They must, however, be filed with the Illinois Office of the Comptroller (IOC) and must meet all IOC documentation and certification requirements.

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CURRENT FINDINGS - STATE COMPLIANCE, Continued

- A contract (4%) amounting to \$316,597 was not filed with the Office of the State Comptroller within 15 days after execution (seven days late). The contract was incurred against locally held funds.

The Illinois Procurement Code (30 ILCS 500/20-80(b)) and SAMS Procedure 15.10.40 require all State agencies to file contracts, including any cancellation or modification, exceeding \$10,000 with the State Comptroller within 15 calendar days after execution.

University officials stated that the conditions noted above were due to contracting procedures not being consistently followed.

Failure to comply with the required contracting procedures resulted in noncompliance with State statutes and regulations. (Finding Code Nos. 12-9, 11-9, 10-7)

Recommendation

We recommend the University ensure all contracts over the threshold amounts be approved by authorized signatories, executed prior to performance of services, and filed with the Office of the State Comptroller in accordance with State statutes and regulations.

University Response

The University agrees with this finding and accepts the recommendation. The University is continuing to update and enforce contracting procedures to ensure compliance.

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CURRENT FINDINGS - STATE COMPLIANCE, Continued

12-10 Inadequate Controls Over University Property and Equipment

Governors State University (University) did not have adequate controls over its property and equipment.

In our physical identification of 40 items in the property records, we noted the following:

- A telephone processing system unit (3%), valued at \$20,294, was not tagged with the University decal. The University subsequently affixed the tag number to the item.
- A projector (3%), reported at \$1,390, was not found.

During our tracing to the property records of 40 items physically identified, we noted that a laptop (3%) was not recorded in the property records.

During our tracing of 40 items physically identified to the Property Listing as of June 30, 2012 submitted by the University to the Department of Central Management Services (DCMS), we noted the following:

- Two (5%) equipment items were not included in the Property Listing. These items, each valued at \$500 and above, consisted of a laptop and a printer.
- Asset values of four (10%) items were inaccurately reported in the Property Listing as follows:
 - A projector valued at \$695 was reported at \$1,390.
 - A television valued at \$2,848 was reported at \$5,696.
 - A compactor valued at \$12,696 was reported at \$6,348.
 - A set of panels valued at \$6,660 was reported at \$1,665.

During our review of 40 equipment deletions made during the fiscal year, we noted the following:

- Seven (18%) items with a total value of \$89,463 were not deleted from the property records within 30 days of approval for deletion by DCMS (13 to 50 days late).

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CURRENT FINDINGS - STATE COMPLIANCE, Continued

- A computer (3%), valued at \$995, was deleted from the property records prior to DCMS approval.

During our review of the Quarterly Agency Report of State Property (C-15 Report) submitted by the University to the Office of the State Comptroller during fiscal year 2012, we also noted that the fourth quarter C-15 Report was inaccurate as follows:

- The reported additions to buildings and building improvements were understated by \$700,262.
- The reported additions and deletions to equipment were overstated by \$113,735 and understated by \$306,021, respectively.

The University subsequently revised the fourth quarter C-15 Report to reflect the correct amounts of additions and deletions for these asset categories.

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

DCMS Property Control Rules (44 Illinois Administrative Code, Section 5010.210: *Marking of State-Owned Equipment*) require each piece of equipment be marked with a unique six-digit identification number. The identification number may be applied by using the agency's inventory decal or by indelibly marking the number on the property. The identification number shall be affixed to the property in a general area easily located by all and in no danger of being damaged. When equipment consists of several pieces which are likely to be used separately, each piece shall be marked in such a manner that the identification number is not easily removed.

DCMS Property Control Rules (44 Illinois Administrative Code, Section 5010.400: *Equipment Inventory Recording*) require that agencies adjust property records within 30 days of acquisition, change, or deletion of equipment items.

Statewide Accounting Management System (SAMS) Procedure 29.10.10 requires agencies to maintain detailed property records and update property records as necessary to reflect the current balance of State property. Such detail records are to be organized by major asset category and include the following information for each asset: (1) cost (or other value); (2) function and activity; (3) reference to acquisition source document; (4) acquisition date and date placed in service; (5) name and address of vendor; (6) short description of asset; (7) organization unit charged with custody; (8) location; (9) fund and account from which the item was purchased; (10) method of acquisition; (11) estimated useful life; (12) estimated

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CURRENT FINDINGS - STATE COMPLIANCE, Continued

salvage value; (13) date, method and authorization of disposition; (14) tag number; (15) accumulated depreciation; (16) depreciation method; (17) depreciation convention; and (18) insured value (if applicable).

DCMS Property Control Rules (44 Illinois Administrative Code, Section 5010.220: *Inventory of Equipment*) requires that all items of equipment with an acquisition value of \$500 or more is subject to being reported to DCMS by the holding agency.

DCMS Property Control Rules (44 Illinois Administrative Code, Section 5010.460: *Annual Inventory*) requires all agencies to provide the Property Control Division on an annual basis a listing of all equipment subject to being reported to DCMS as required under Section 5010.220. In relation to this, the University was required by the DCMS to submit a listing of all equipment as of June 30, 2012 subject to being reported to DCMS no later than October 1, 2012.

SAMS Procedure 29.10.30 requires C-15 Reports to present the total cost of State property, by category, reflected on the agency's records as of the reporting date and reconcile the beginning balance of State property to the ending balance. SAMS Procedure 29.20.10 further requires that all additions and deletions to each asset category that occurred during the quarter being reported be entered on the appropriate line.

In addition, Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls, which shall provide assurance that funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation; and revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

University officials stated that the conditions noted above were a result of human errors and the ease of mobility of property.

Inadequate controls over University property and equipment results in inaccurate and incomplete property records. It could also result in incorrect accounting information and could cause unnecessary equipment expenditures and inaccurate financial reporting. Loss of University property and equipment may not be detected timely or remain undetected without an accurate property inventory listing and/or strict compliance with University property control procedures. Failure to submit the complete and accurate inventory of equipment resulted in noncompliance with DCMS Property Control Rules.

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CURRENT FINDINGS - STATE COMPLIANCE, Continued

In addition, failure to report accurate information in the quarterly C-15 Reports resulted in noncompliance with State's property reporting requirements. (Finding Code Nos. 12-10, 11-10, 10-8)

Recommendation

We recommend the University adhere to its procedures to ensure that property and equipment records are accurately maintained and updated. Periodic physical inventories should be conducted to ensure existence of equipment, and property records should be updated with the results of the inventory. We also recommend the University ensure submission of a complete and accurate inventory of equipment with DCMS. In addition, the University should ensure accurate information is reported in the quarterly C-15 Reports.

University Response

The University agrees with this finding and accepts the recommendation. The University will continue to improve its property control processes and reporting procedures.

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CURRENT FINDINGS - STATE COMPLIANCE, Continued

12-11 *Time Sheets Not Maintained in Compliance with the State Officials and Employees Ethics Act*

Governors State University (University) is not maintaining time sheets for its faculty members and graduate assistants in compliance with the State Officials and Employees Ethics Act (Act).

The Act required the Illinois Board of Higher Education (IBHE), with respect to State employees of public universities, to adopt and implement personnel policies. The Act (5 ILCS 430/5-5(c)) states, "The policies shall require State employees to periodically submit timesheets documenting the time spent each day on official State business to the nearest quarter hour; contractual State employees may satisfy the time sheets requirement by complying with the terms of their contract, which shall provide for a means of compliance with this requirement." The IBHE adopted personnel policies for public universities on February 3, 2004 in accordance with the Act. The University has not incorporated these policies into the University's policies.

During our review of timesheets for 25 employees during the fiscal year, we noted the following:

- Six faculty members used "negative" timekeeping whereby the employee is assumed to be working unless noted otherwise.
- An adjunct faculty member who worked on a contract basis was not required by the University to submit timesheets.
- A graduate assistant used positive timekeeping, however, total contract hours worked were reported per week instead of time worked each day to the nearest quarter hour.

University officials stated that the University is reviewing along with other State universities, time reporting for faculty members, as it relates to existing collectively bargained contractual obligations. The Illinois President and Chancellors Group and the individual universities will continue to discuss and explore time reporting.

By not requiring positive time reporting from all its employees, the University is not in compliance with the Act. (Finding Code Nos. 12-11, 11-11, 10-11, 09-3, 08-3, 07-3, 06-4, 05-7)

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CURRENT FINDINGS - STATE COMPLIANCE, Continued

Recommendation

We recommend the University amend its policies and revise its procedures to ensure that all employees submit timesheets documenting the time spent each day on official State business to the nearest quarter hour.

University Response

Understudy. The University acknowledges the requirements of the State Officials and Employees Ethics Act for employees to periodically report time spent each day on official State business to the nearest quarter hour. The University currently collects and monitors reported time spent on official business from all nonacademic, civil service, and professional and administrative staff. The University is reviewing existing time reporting requirements for faculty employees established by federal granting agencies and others to determine whether the requirements of the Ethics Act can be met by existing requirements rather than requiring dual reporting. In addition, the University is reviewing, along with other State universities, time reporting for faculty, as it relates to existing collectively bargained contractual obligations.

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CURRENT FINDINGS - STATE COMPLIANCE, Continued

12-12 Noncompliance with the University's Law on Board Membership, Terms, and Vacancies

Governors State University (University) did not comply with its law on Board membership, terms, and vacancies.

During our testing of statutory mandates, we noted that the University's Board is not composed of eight members as required by its law. As of the current fiscal year's examination, the University's Board has only five members appointed by the Governor and one student member elected by the student body, leaving the University's Board with two vacancies. These vacancies have existed since April 20, 2011 and October 24, 2011.

The Governors State University Law (Law) (110 ILCS 670/15-15) states that the Board shall consist of seven voting members appointed by the Governor and one voting member who is a student at the University as chosen by a campus-wide student election.

University officials stated that the Governor is responsible for making these appointments to the Board and they have been in constant communication with the Governor's Office to fill the vacancies.

Failure to have sufficient number of Board members resulted in noncompliance with the Law. In addition, there is a risk that the Board will be unable to conduct meetings and perform functions as intended. (Finding Code Nos. 12-12, 11-12)

Recommendation

We recommend the University continue to work with the Governor's Office to ensure that Board vacancies are filled in compliance with the provisions of the Law.

University Response

The University agrees and accepts this finding. As of 2013, the Governor's Office appointed the final two Board of Trustee members. The University now has eight members and is in compliance.

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PRIOR FINDINGS NOT REPEATED

A *Inaccurate Accounting for Intangible Assets*

During the prior audit, the University did not properly account for the costs capitalized to intangible assets in accordance with accounting principles generally accepted in the United States of America (GAAP). The University initially capitalized training and other post-implementation costs in relation to a new Enterprise Resource Planning (ERP) system instead of recording costs as an expense for the period. The University subsequently made the necessary adjustments in the financial statements.

During the current audit, our testing disclosed that post-implementation costs related to the University's ERP system were recorded as expense. (Finding Code No. 11-1)

B *Inaccurate Accounting for Participation in Public Entity Risk Pool*

During the prior audit, the University did not properly account for its participation in the State Universities Risk Management Association (SURMA) in accordance with GAAP. In addition, the University did not adequately monitor SURMA to ensure an annual audit was performed.

During the current audit, our testing disclosed that the University has accounted its participation in SURMA in accordance with GAAP. In addition, it was noted that SURMA underwent an audit during fiscal year 2012. (Finding Code No. 11-2)

C *Inadequate Controls Over University Equipment Acquired from Federal Funds*

During the prior examination, the University did not have adequate controls over its equipment acquired from federal funds. Exceptions noted included equipment acquired from federal funds not identified in the property records, item not found, and property records not updated.

During the current examination, our testing disclosed that the University identified and monitored its equipment acquired from federal funds. The University also conducted a survey with its grants personnel to account for all equipment acquired from federal grant programs to update its property records. (Finding Code Nos. 11-4, 10-2)

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PRIOR FINDINGS NOT REPEATED, Continued

D *Student Financial Aid Disbursements Not Reported Timely*

During the prior examination, disbursements made by the University to students awarded with Federal Pell Grant Program and National Science and Mathematics Access to Retain Talent Grants were not reported timely.

During the current examination, our testing disclosed that financial aid disbursements were reported to the U.S. Department of Education within 30 days from disbursement date. (Finding Code Nos. 11-6, 10-6)

E *Inadequate Monitoring Procedures for Subrecipients*

During the prior examination, the University did not have adequate monitoring procedures for its subrecipients under the Recovery Act-funded grant from the Employment Training Administration of the U.S. Department of Labor.

During the current examination, our testing disclosed that the University established and implemented procedures to monitor subrecipients as required by federal regulations. (Finding Code No. 11-7)

F *Noncompliance with Davis-Bacon Act*

During the prior examination, the University entered into construction contracts under the ARRA-Head Start program which are subject to the Davis-Bacon Act. The University did not obtain the required weekly certified payrolls from one of the three contractors reviewed.

During the current examination, our testing disclosed that the University obtained copies of weekly payrolls and certifications for all work done by subcontractors under contracts subject to the Davis-Bacon Act during the fiscal year. (Finding Code No. 11-8)

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SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

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
 - Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
 - Comparative Schedule of Income Fund Revenues and Expenditures
 - Schedule of Changes in State Property
 - Analysis of Significant Variations in Expenses
 - Analysis of Significant Variations in Revenues
 - Analysis of Significant Account Balances
 - Analysis of Receivables
 - Schedules of Federal Expenditures, Nonfederal Expenses and New Loans
 - Summary of Indirect Cost Reimbursement Funds
 - Schedule of Indirect Cost Funds to be Deposited into the University Income Fund as Required by 1982 University Guidelines (Amended 1997) (Unaudited)
 - Schedule of Excess Funds Calculation by Entity as Required by 1982 University Guidelines (Amended 1997) (Unaudited)
 - Balance Sheets - Auxiliary Enterprises and Activities Entities
 - Schedules of Revenues, Expenditures and Changes in Fund Balances - Auxiliary Enterprises and Activities Entities
- Analysis of Operations (Unaudited):
 - University Functions and Planning Program (Unaudited)
 - Average Number of Employees (Unaudited)
 - Student Statistics (Unaudited)
 - Emergency Purchases (Unaudited)
 - Selected Service Efforts and Accomplishments (Unaudited)
 - University Bookstore Information (Unaudited)
 - Schedule of Degrees Awarded (Unaudited)
 - Special Data Requirements for Audits of Universities (Unaudited):
 - University Reporting in Accordance with University Guidelines (Unaudited)
 - Summary of Foundation Cash Support to the University (Unaudited)
 - Schedule of Tuition and Fee Waivers (Unaudited)

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**SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES,
Continued**

Summary, Continued

The accountants' report that covers the Supplementary Information for State Compliance Purposes, Schedules 1 through 12, 15 and 16, presented in the Compliance Report Section states that it has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the auditors' opinion, 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 and Schedules 13 and 14, have 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 them.

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FISCAL SCHEDULES AND ANALYSIS

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Federal Project or Pass-Through Number	FY 2012 Expenditures
MAJOR PROGRAMS			
STUDENT FINANCIAL ASSISTANCE CLUSTER:			
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Federal Direct Student Loans	84.268		\$ 48,308,917
Federal Pell Grant Program	84.063		6,606,874
Federal Perkins Loans - Federal Capital Contributions	84.038		4,351,372
Federal Work-Study Program	84.033		197,062
Federal Supplemental Educational Opportunity Grants	84.007		117,771
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379		<u>16,000</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u><u>59,597,996</u></u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Scholarships for Health Professions Students from Disadvantaged Backgrounds			
<i>Scholarships for Health Professions Students from Disadvantaged Backgrounds/Mental Health</i>	93.925		214,422
<i>Scholarships for Health Professions Students from Disadvantaged Backgrounds/CSW</i>	93.925		48,418
<i>Scholarships for Health Professions Students from Disadvantaged Backgrounds/Speech</i>	93.925		31,125
<i>Scholarships for Health Professions Students from Disadvantaged Backgrounds/Grad Health Admin</i>	93.925		30,261
<i>Scholarships for Health Professions Students from Disadvantaged Backgrounds/OT</i>	93.925		20,751
<i>Scholarships for Health Professions Students from Disadvantaged Backgrounds/Undergrad CDIS</i>	93.925		20,751
<i>Scholarships for Health Professions Students from Disadvantaged Backgrounds/PT</i>	93.925		20,063
<i>Scholarships for Health Professions Students from Disadvantaged Backgrounds/M&F Therapy</i>	93.925		17,292
<i>Scholarships for Health Professions Students from Disadvantaged Backgrounds/Nursing</i>	93.925		<u>2,137</u>
Total Scholarships for Health Professions Students from Disadvantaged Backgrounds			405,220
Nurse Faculty Loan Program (NFLP)			
<i>Nurse Faculty Loan Program</i>	93.264		<u>685,992</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u><u>1,091,212</u></u>
TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER			<u><u>60,689,208</u></u>

**STATE OF ILLINOIS
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FISCAL SCHEDULES AND ANALYSIS, Continued

Schedule of Expenditures of Federal Awards, Continued
For the Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Federal Project or Pass-Through Number	FY 2012 Expenditures
HEAD START CLUSTER:			
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Head Start			
<i>Early Head Start</i>	93.600		727,850
ARRA - Head Start			
<i>ARRA/Early Head Start</i>	93.708		<u>213,435</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u><u>941,285</u></u>
TOTAL HEAD START CLUSTER			<u><u>941,285</u></u>
RESEARCH AND DEVELOPMENT CLUSTER:			
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Minority Health and Health Disparities Research			
<i>RIMI - Building Capacity for Health Disparities Research</i>	93.307		482,810
ARRA - Trans-NIH Recovery Act Research Support			
<i>ARRA/Building Complex Language: Effect of Treatment and Dosage</i>	93.701		<u>195,502</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u><u>678,312</u></u>
<u>NATIONAL SCIENCE FOUNDATION</u>			
ARRA - Trans-NSF Recovery Act Research Support			
<i>ARRA/Biology Research Laboratories at Governors State University</i>	47.082		192,610
Education and Human Resources			
Passed through the Chicago State University			
<i>Illinois Louis Stokes Alliance for Minority Participation</i>	47.076	HRD-0904024	<u>10,000</u>
TOTAL NATIONAL SCIENCE FOUNDATION			<u><u>202,610</u></u>
TOTAL RESEARCH AND DEVELOPMENT CLUSTER			<u><u>880,922</u></u>

**STATE OF ILLINOIS
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FISCAL SCHEDULES AND ANALYSIS, Continued

Schedule of Expenditures of Federal Awards, Continued

For the Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Federal Project or Pass-Through Number	FY 2012 Expenditures
TEACHER QUALITY PARTNERSHIP GRANTS CLUSTER:			
<u>U.S. DEPARTMENT OF EDUCATION</u>			
ARRA - Teacher Quality Partnerships, Recovery Act <i>ARRA/Chicago Southland Region Teacher Quality Partnership</i>	84.405		712,608
Teacher Quality Partnership Grants <i>Teacher Quality Enhancement Grants</i>	84.336		<u>20,458</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>733,066</u>
TOTAL TEACHER QUALITY PARTNERSHIP GRANTS CLUSTER			<u>733,066</u>
TRIO CLUSTER:			
<u>U.S. DEPARTMENT OF EDUCATION</u>			
TRIO - Upward Bound <i>TRIO - Upward Bound</i>	84.047		<u>453,084</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>453,084</u>
TOTAL TRIO CLUSTER			<u>453,084</u>
OTHER MAJOR PROGRAMS:			
<u>U.S. DEPARTMENT OF LABOR</u>			
ARRA - Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors <i>ARRA/Recovery Act - Health Care Sector in High Growth and Emerging Industries</i>	17.275		<u>1,621,870</u>
TOTAL U.S. DEPARTMENT OF LABOR			<u>1,621,870</u>
<u>U.S. DEPARTMENT OF VETERANS AFFAIRS</u>			
Post-9/11 Veterans Educational Assistance <i>VA Chapter 33 Award</i>	64.028		<u>310,815</u>
TOTAL U.S. DEPARTMENT OF VETERANS AFFAIRS			<u>310,815</u>
TOTAL MAJOR PROGRAMS			<u>65,630,250</u>

**STATE OF ILLINOIS
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FISCAL SCHEDULES AND ANALYSIS, Continued

Schedule of Expenditures of Federal Awards, Continued

For the Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Federal Project or Pass-Through Number	FY 2012 Expenditures
OTHER PROGRAMS			
<u>LIBRARY OF CONGRESS</u>			
Teaching With Primary Sources Passed through the Education and Research Consortium of the Western Carolinas <i>Teaching With Primary Sources</i>	N.A.	GA06C0076	270,255
TOTAL LIBRARY OF CONGRESS			270,255
<u>U.S. DEPARTMENT OF ENERGY</u>			
ARRA - State Energy Program Passed through the Illinois Department of Commerce and Economic Opportunity <i>ARRA/State Energy Program</i>	81.041	DE-EE0000119	186,798
TOTAL U.S. DEPARTMENT OF ENERGY			186,798
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Block Grants for Prevention and Treatment of Substance Abuse Passed through the Illinois Department of Human Services <i>Block Grants for Prevention and Treatment of Substance Abuse</i>	93.959	40C6001291	126,819
Advanced Nursing Education Traineeships <i>Advanced Education Nursing Traineeships</i>	93.358		37,743
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			164,562
<u>SMALL BUSINESS ADMINISTRATION</u>			
Small Business Development Centers Passed through the Illinois Department of Commerce and Economic Opportunity <i>Small Business Development Center</i>	59.037	1603001Z001428	80,228
TOTAL SMALL BUSINESS ADMINISTRATION			80,228
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Child and Adult Care Food Program Passed through the Illinois State Board of Education <i>Child and Adult Food Care Program</i>	10.558	N.A.	54,092
TOTAL U.S. DEPARTMENT OF AGRICULTURE			54,092

**STATE OF ILLINOIS
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FISCAL SCHEDULES AND ANALYSIS, Continued

Schedule of Expenditures of Federal Awards, Continued

For the Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Federal Project or Pass-Through Number	FY 2012 Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Child Care Access Means Parents in School <i>Child Care Access Means Parents in School</i>	84.335		<u>29,984</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u><u>29,984</u></u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Edward Byrne Memorial Justice Assistance Grant Program Passed through the Illinois Criminal Justice Grant Program <i>Edward Byrne Memorial Justice Assistance Grant Program</i>	16.738	410058	<u>9,421</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			<u><u>9,421</u></u>
TOTAL OTHER PROGRAMS			<u><u>795,340</u></u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 66,425,590</u></u>

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

FISCAL SCHEDULES AND ANALYSIS, Continued

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2012

1. Significant Accounting Policy

Basis of Presentation

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

2. Subrecipients

During the fiscal year 2012, the University provided Federal awards to subrecipients under the following grants:

Program/Grant Title	CFDA Number	Amount Provided to Subrecipients
Minority Health and Health Disparities Research	93.307	\$ 82,696
ARRA - Trans-NIH Recovery Act Research Support	93.701	83,215
ARRA - Trans-NSF Recovery Act Research Support	47.082	26,455
ARRA - Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	17.275	1,041,500
Total		<u>\$ 1,233,866</u>

3. Non-cash Assistance

The University did not receive any federal non-cash assistance during the fiscal year ended June 30, 2012.

STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY

FISCAL SCHEDULES AND ANALYSIS, Continued

Schedule of Net Appropriations, Expenditures and Lapsed Balances*

Appropriations for Fiscal Year 2012

Fourteen Months Ended August 31, 2012

	<u>Appropriations (Net After Transfers)</u>	<u>Expenditures through 6/30/12</u>	<u>Lapse Period Expenditures 7/01 - 8/31/12</u>	<u>Total Expenditures</u>	<u>Lapsed Balances</u>
Education Assistance Fund - 007 (Public Act 97-0069):					
Operational expenses	\$ 26,159,600	\$ 26,124,699	\$ 34,901	\$ 26,159,600	\$ -
Awards and grants	93,800	93,800	-	93,800	-
Total Education Assistance Fund	<u>\$ 26,253,400</u>	<u>\$ 26,218,499</u>	<u>\$ 34,901</u>	<u>\$ 26,253,400</u>	<u>\$ -</u>
Total Appropriated Fund	<u>\$ 26,253,400</u>	<u>\$ 26,218,499</u>	<u>\$ 34,901</u>	<u>\$ 26,253,400</u>	<u>\$ -</u>

* The information contained in this schedule was taken directly from the University records which have been reconciled to those of the State Comptroller. Expenditure amounts are vouchers approved and paid by the University and submitted to the State Comptroller for reimbursement of payments made to vendors.

STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY

FISCAL SCHEDULES AND ANALYSIS, Continued

Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances*

For the Years Ended June 30, 2012, 2011, and 2010

	Fiscal Years		
	2012	2011	2010
	P.A. 97-0069 (a)	P.A. 96-0956 (b)	P.A. 96-0114 (b)
General Revenue Fund - 001:			
Appropriations (net after transfers)	\$ -	\$ 26,558,000	\$ 28,324,400
Expenditures:			
Operational expenses	-	26,558,000	25,986,100
Personal services - ARRA	-	-	2,338,300
Total Expenditures	-	26,558,000	28,324,400
Lapsed Balances	\$ -	\$ -	\$ -
Education Assistance Fund - 007:			
Appropriations (net after transfers)	\$ 26,253,400	\$ -	\$ -
Expenditures:			
Operational expenses	26,159,600	-	-
Awards and grants	93,800	-	-
Total Expenditures	26,253,400	-	-
Lapsed Balances	\$ -	\$ -	\$ -
Grand Total, All Funds:			
Appropriations (Net after transfers)	\$ 26,253,400	\$ 26,558,000	\$ 28,324,400
Expenditures	26,253,400	26,558,000	28,324,400
Lapsed Balances	\$ -	\$ -	\$ -

* The information contained in this schedule was taken directly from the University records which have been reconciled to those of the State Comptroller. Expenditure amounts are vouchers approved and paid by the University and submitted to the State Comptroller for reimbursement of payments made to vendors.

(a) For fiscal year 2012, the General Assembly changed the appropriation to the University from General Revenue Fund to Education Assistance Fund. The University received a lump sum appropriation for operational expenses and awards and grants, rather than individual appropriations designated for specific purposes.

(b) For fiscal years 2011 and 2010, the General Assembly changed the appropriation process for expenditures that were paid from the General Revenue Fund. The University received a lump sum appropriation for operational expenses including personal services expenditures in fiscal year 2011, and for operational expenses not including personal services expenditures in fiscal year 2010, rather than individual appropriations designated for specific purposes.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

FISCAL SCHEDULES AND ANALYSIS, Continued

Comparative Schedule of Income Fund Revenues and Expenditures*

For the Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Fund balance, beginning of year	\$ 32,710,957	\$ 23,504,160
Income fund revenues:		
Student tuition and fees	30,587,843	28,837,713
Investment income	25,835	30,660
Miscellaneous	248,163	21,742
Total income fund revenues	<u>30,861,841</u>	<u>28,890,115</u>
Income fund expenditures:		
Personal services (including change in accrued compensated absences)	14,446,805	12,679,932
Medicare	1,141,476	901,912
Contractual services	4,372,426	3,048,291
Travel	289,259	205,468
Commodities	668,092	500,736
Equipment and permanent improvements	465,632	380,012
Telecommunications services	226,847	225,279
Operation of automotive equipment	26,185	38,128
Awards, grants and matching funds	664,794	127,622
Tuition and fee waivers	1,626,987	1,575,938
Total income fund expenditures	<u>23,928,503</u>	<u>19,683,318</u>
Fund balance, end of year	<u>\$ 39,644,295</u>	<u>\$ 32,710,957</u>

* This schedule has been prepared on the accrual basis of accounting.

STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY

FISCAL SCHEDULES AND ANALYSIS, Continued

Schedule of Changes in State Property*

For the Year Ended June 30, 2012

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
Land	\$ 1,389,086	\$ -	\$ -	\$ 1,389,086
Equipment	19,294,520	1,424,389	376,274	20,342,635
Intangible assets	1,077,097	-	-	1,077,097
Artwork/Sculptures	268,323	-	-	268,323
Library collection	13,231,988	632,364	306,021	13,558,331
Buildings and site improvements	106,450,054	2,569,705	28,613	108,991,146
Construction in progress	<u>-</u>	<u>2,893,328</u>	<u>-</u>	<u>2,893,328</u>
Total	<u>\$ 141,711,068</u>	<u>\$ 7,519,786</u>	<u>\$ 710,908</u>	<u>\$ 148,519,946</u>

* This schedule has been prepared from the University's property control records. These records are maintained on a basis prescribed by the Department of Central Management Services and differ from the information presented in the basic financial statements due to higher capitalization thresholds which were adopted for financial reporting purposes. These records have been reconciled to the property records submitted to the Office of the State Comptroller.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

FISCAL SCHEDULES AND ANALYSIS, Continued

Analysis of Significant Variations in Expenses

For the Year Ended June 30, 2012

The Statement of Revenues, Expenses, and Changes in Net Assets is presented on page 14 of the financial audit report. Following are explanations for significant variances between expense accounts exceeding \$109,000 and 10%:

	2012	2011	Increase (Decrease)		Comments
			Amount	Percentage	
Instruction	\$ 46,092,139	\$ 41,840,108	\$ 4,252,031	10%	Increase mostly due to the increase in salaries and benefits expense attributable to the increase in allocated on behalf payments made by the State.
Academic support	2,008,781	2,230,926	(222,145)	(10%)	Decrease mostly due to lower operating expenses by the University's library operations.
Institutional support	16,505,830	14,978,608	1,527,222	10%	Increase primarily due to the increase in aid internally provided by the University in response to the decreased financial aid from outside sources.
Operation and maintenance of plant	8,096,132	6,991,748	1,104,384	16%	Increase mostly due to the increase in salaries and benefits expense attributable to the increase in allocated on behalf payments made by the State, and the overall increase in operating costs.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

FISCAL SCHEDULES AND ANALYSIS, Continued

Analysis of Significant Variations in Expenses, Continued
For the Year Ended June 30, 2012

	2012	2011	Increase (Decrease)		Comments
			Amount	Percentage	
Auxiliary enterprises	\$ 1,071,820	\$ 1,519,539	\$ (447,719)	(29%)	Decrease mostly due to lower production costs incurred by the University's Center for Performing Arts.
Depreciation	3,558,226	3,165,298	392,928	12%	Increase primarily due to the substantial completion of deferred maintenance projects that have been underway for the past five years.
Interest expense	1,162,385	295,619	866,766	293%	Increase primarily due to the noncapitalization of interest expense related to Revenue Bonds, Series 2007 and Certificates of Participation, Series 2008 as the related projects funded by these debts were already fully completed during the fiscal year 2012.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

FISCAL SCHEDULES AND ANALYSIS, Continued

Analysis of Significant Variations in Revenues

For the Year Ended June 30, 2012

The Statement of Revenues, Expenses, and Changes in Net Assets is presented on page 14 of the financial audit report. Following are explanations for significant variances between revenue accounts exceeding \$109,000 and 10%:

	2012	2011	Increase (Decrease)		Comments
			Amount	Percentage	
Federal grants and contracts	\$ 6,547,597	\$ 7,687,585	\$ (1,139,988)	(15%)	Decrease mostly due to the following: (a) \$0.4 million decrease in the Head Start Cluster grant in fiscal year 2012, and (b) Minority Health and Health Disparities Research, ARRA-Scholarships for Disadvantaged Students, and Higher Education-Institutional Aid grants with a prior year awards of \$0.7 million, \$0.3 million, and \$0.2 million, respectively, ended towards the end of fiscal year 2011.
State grants and contracts	1,326,691	982,355	344,336	35%	Increase mostly due to the \$0.2 million additional grants received from Illinois Department of Commerce and Economic Opportunity, and \$0.1 million new grant (After School Program) from Illinois Department of Human Services.
Other grants and contracts	529,154	876,290	(347,136)	(40%)	Decrease primarily due to grants from private organizations that ended in fiscal year 2012.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

FISCAL SCHEDULES AND ANALYSIS, Continued

Analysis of Significant Variations in Revenues, Continued
For the Year Ended June 30, 2012

	2012	2011	Increase (Decrease)		Comments
			Amount	Percentage	
Auxiliary enterprises	\$ 1,306,975	\$ 1,671,660	\$ (364,685)	(22%)	Decrease primarily due to the decrease in the Center for Performing Arts revenues attributable to the decrease in ticket sales and rentals.
Other operating revenues	2,169,073	1,685,746	483,327	29%	Increase mostly due to the increase in revenues related to the University's Family Development Center, and South Metropolitan Higher Education Consortium.
Payments made on behalf of the University	22,668,000	18,832,000	3,836,000	20%	Increase primarily due to increase in the related funding from the State of Illinois attributable to higher insurance and retirement costs.
Capital additions provided by State of Illinois	2,811,723	282,600	2,529,123	895%	Increase primarily due to the additional funding from the Capital Development Board for the construction of the University's E and F buildings.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

FISCAL SCHEDULES AND ANALYSIS, Continued

Analysis of Significant Account Balances

For the Year Ended June 30, 2012

Cash and Cash Equivalents

Cash and cash equivalents as presented on the Statement of Net Assets consisted of the following:

	2012	2011
Deposit types:		
Cash	\$ 3,412,879	\$ 4,211,329
Illinois Funds	33,253,335	24,376,063
	<u>\$ 36,666,214</u>	<u>\$ 28,587,392</u>
Depositories used:		
First Midwest Bank	\$ 3,391,994	\$ 4,191,516
Illinois Funds	33,253,335	24,376,063
Cash on hand	20,885	19,813
	<u>\$ 36,666,214</u>	<u>\$ 28,587,392</u>

Cash and cash equivalents increased by \$8.1 million primarily due to increased tuition and fee revenues, more timely payments of State appropriation from the State of Illinois, and delayed processing of accounts payable due to the University's conversion to a new Enterprise Resource Planning (ERP) system.

Cash and Cash Equivalents, Restricted

Cash and cash equivalents, restricted as presented on the Statement of Net Assets consisted of the following:

	2012	2011
Deposit types:		
Cash	\$ 1,381,868	\$ 654,550
Money market	20,507,871	622,528
Illinois Funds	1,464,075	3,429,458
	<u>\$ 23,353,814</u>	<u>\$ 4,706,536</u>

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

FISCAL SCHEDULES AND ANALYSIS, Continued

Analysis of Significant Account Balances, Continued

For the Year Ended June 30, 2012

Cash and Cash Equivalents, Restricted, Continued

	2012	2011
Depositories used:		
First Midwest Bank	\$ 1,377,173	\$ 649,857
Old National Leasing Bank	4,695	4,693
Illinois Funds	1,464,075	3,429,458
Amalgamated Bank	20,507,871	622,528
	<u>\$ 23,353,814</u>	<u>\$ 4,706,536</u>

Cash and cash equivalents, restricted increased by \$18.6 million primarily due to the issuance of the \$20.4 million Revenue Bonds, Series 2012 during the fiscal year 2012.

Unamortized Debt Issuance Costs

	2012	2011
Unamortized debt issuance cost	<u>\$ 1,000,194</u>	<u>\$ 583,388</u>

Unamortized debt issuance costs increased by \$0.4 million primarily due to the issuance costs incurred by the University in relation to the Revenue Bonds, Series 2012 issued during the fiscal year 2012.

Capital Assets

The University's capital assets consisted of the following:

	2012	2011
Land	\$ 1,389,086	\$ 1,389,086
Artwork/Sculptures	268,323	268,323
Site improvements	7,576,773	5,986,726
Buildings	101,414,373	100,463,328
Intangible assets	1,077,097	1,077,097
Equipment	9,055,860	8,931,278
Library collection	13,558,331	13,231,988
Construction in progress	2,893,328	-
Gross capital assets	<u>137,233,171</u>	<u>131,347,826</u>
Accumulated depreciation	<u>(55,478,675)</u>	<u>(52,363,347)</u>
Net capital assets	<u>\$ 81,754,496</u>	<u>\$ 78,984,479</u>

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

FISCAL SCHEDULES AND ANALYSIS, Continued

Analysis of Significant Account Balances, Continued

For the Year Ended June 30, 2012

Capital Assets, Continued

Net capital assets increased by \$2.8 million primarily due to the substantial completion of deferred maintenance projects that have been underway for the past five years and the ongoing construction of the University's E and F buildings as funded by the Capital Development Board.

Liabilities

The University's liabilities as presented on the Statement of Net Assets consisted of the following:

	2012	2011
Accounts payable	\$ 3,885,366	\$ 3,224,012
Agency funds payable	203,953	149,101
Accrued compensated absences	4,621,197	4,855,661
Deferred revenue	3,315,333	3,806,802
Refundable grants	3,611,829	3,067,701
Revenue bonds payable	28,080,628	8,028,683
Notes payable	3,597,290	4,019,410
Certificates of participation	16,590,915	17,578,587
Total liabilities	<u>\$ 63,906,511</u>	<u>\$ 44,729,957</u>

Liabilities increased by \$19.2 million mostly due to the increase in accounts payable, refundable grants and revenue bonds payable. Accounts payable increased by \$0.7 million primarily due to timing differences on vendor payments and delayed processing of payables due to the University's conversion to a new ERP system. Refundable grants increased by \$0.5 million due to the federal government's share in the fiscal year 2012 activities related to student loans under Federal Perkins Loans and Nurse Faculty Loan Program (NFLP). Revenue bonds payable increased due to the \$20.4 million issuance of Revenue Bonds, Series 2012 during fiscal year 2012. The increase was partially offset by the \$0.5 million decrease in deferred revenue primarily due to the lower number of credit hours during the summer 2012 term, and \$1.7 million principal payments in revenue bonds payable, notes payable, and certificates of participation.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

FISCAL SCHEDULES AND ANALYSIS, Continued

Analysis of Receivables

For the Year Ended June 30, 2012

The University's receivables as presented on the Statement of Net Assets consisted of the following:

	2012	2011
Accounts receivable, net of allowance for uncollectible accounts of \$4,092,600 in 2012 and \$3,594,700 in 2011	\$ 4,358,228	\$ 2,998,668
Grants receivable	1,629,390	2,152,285
State appropriation receivable	8,157,160	11,534,898
Student loans, net of allowance for uncollectible loans of \$766,000 in 2012 and \$718,000 in 2011	3,244,691	2,783,027
Total receivables	<u>\$ 17,389,469</u>	<u>\$ 19,468,878</u>

Total receivables decreased by \$2.1 million mostly due to the decrease in grants receivable and State appropriation receivable. Grants receivable consists of amounts due from the federal government and other granting sources at the end of the fiscal year. Grants receivable decreased by \$0.5 million primarily due to the decreased grants and contracts revenues and timely draws of federal grants during fiscal year 2012. State appropriation receivable decreased by \$3.4 million primarily due to timely payments of State appropriation from the State of Illinois. The decrease in total receivables was partially offset by the increase in accounts receivable and student loans receivable. Accounts receivable increased by \$1.4 million primarily due to a more customer friendly payment plans offered by the University during the academic year 2011-2012, and increase in tuition and fee revenues brought about by the 1.5% increase in student credit hours and 3% increase in the average tuition and fee rates. Student loans receivable increased by \$0.5 million primarily due to the timing of collections of loans from students and the set-up of loans receivable related to the NFLP grant.

The aging of accounts and grants receivable is as follows:

	2012	2011
Current	\$ 5,211,110	\$ 4,551,955
Up to 120 days past due	684,587	388,181
From 121 to 365 days past due	482,680	377,797
More than 365 days past due	3,701,841	3,427,720
Allowance for doubtful accounts	(4,092,600)	(3,594,700)
Net accounts and grants receivable	<u>\$ 5,987,618</u>	<u>\$ 5,150,953</u>

Non-student receivables are not aged and have been presented above as current.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

FISCAL SCHEDULES AND ANALYSIS, Continued

Analysis of Receivables, Continued

For the Year Ended June 30, 2012

The aging of student loans receivable is as follows:

	2012	2011
In school or in grace period - not in repayment	\$ 2,303,583	\$ 1,978,621
In repayment:		
On schedule	672,800	679,588
Past due - not in default	372,496	245,647
Past due - in default	661,812	597,171
Allowance for doubtful accounts	<u>(766,000)</u>	<u>(718,000)</u>
Net student loans receivable	<u>\$ 3,244,691</u>	<u>\$ 2,783,027</u>

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

FISCAL SCHEDULES AND ANALYSIS, Continued

Schedules of Federal Expenditures, Nonfederal Expenses and New Loans

For the Year Ended June 30, 2012

Schedule A - Federal Financial Component

Total Federal Expenditures Reported on SEFA Schedule	\$ 66,425,590
Total Schedule A	<u>\$ 66,425,590</u>

Schedule B - Total Financial Component

Total Operating Expenses (from Financial Statements)	\$ 99,735,911
Total Nonoperating Expenses (from Financial Statements)	1,165,885
Total New Loans Made	48,308,917
Amount of Federal Loan Balances	5,037,364
Total Schedule B	<u>\$ 154,248,077</u>

Schedule C

		<u>Percent</u>
Total Schedule A	\$ 66,425,590	43.1%
Total Nonfederal Expenses	87,822,487	56.9%
Total Schedule B	<u>\$ 154,248,077</u>	<u>100.0%</u>

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

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

FISCAL SCHEDULES AND ANALYSIS, Continued

Summary of Indirect Cost Reimbursement Funds

For the Year Ended June 30, 2012

The University receives indirect and administrative cost reimbursements for administration of grants and contracts, federally assisted financial aid programs, Veterans Affairs (VA) programs and other related activities. These funds are recorded in Other Unrestricted Funds and are expended for directly identifiable charges associated with such programs.

The administrative personal services expenditures are for selected University employees working in the functions generating the related revenues. The contractual services expenditures include audit charges to federally assisted programs. The remaining charges are for other expenditures related to the respective programs.

Balances remaining at June 30, 2012 are used to meet budgeted operational costs in fiscal year 2013. The following is an analysis of the sources and applications of indirect and administrative cost reimbursements recorded in the current fund for the year ended June 30, 2012:

	<u>Indirect Costs</u>	<u>Administrative Overhead</u>	<u>Total</u>
Balance at June 30, 2011	\$ 1,092,080	\$ 125,358	\$ 1,217,438
Add: Sources			
Recovered from grants and contracts	550,807	-	550,807
Financial aid program reimbursements	-	41,322	41,322
VA reporting fees	-	1,120	1,120
Total sources	<u>550,807</u>	<u>42,442</u>	<u>593,249</u>
Less: Applications			
Personal services	184,758	44,176	228,934
Contractual services	207,521	325	207,846
Commodities	8,664	777	9,441
Equipment	45,102	1,406	46,508
Others	404,857	535	405,392
Total applications	<u>850,902</u>	<u>47,219</u>	<u>898,121</u>
Balance at June 30, 2012	<u>\$ 791,985</u>	<u>\$ 120,581</u>	<u>\$ 912,566</u>

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

FISCAL SCHEDULES AND ANALYSIS, Continued

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

For the Year Ended June 30, 2012

Cash and cash equivalents balance:	
Cash and cash equivalents	<u>\$ 1,018,641</u>
Actual cash carried forward	<u>1,018,641</u>
Less: Allowable carry-forward per formula:	
Allocated reimbursements: 30% of total indirect cost reimbursements allocated for expenditure for the fiscal year completed (\$5,632,848 x 30%)	1,689,854
Unallocated reimbursements: Lesser of actual unallocated indirect cost reimbursements for the fiscal year completed or 10% of total indirect cost allocations for the fiscal year completed	563,285
Current liabilities paid in lapse period	<u>106,075</u>
Maximum allowable carry-forward	<u>2,359,214</u>
Excess cash and cash equivalents to be deposited into the University Income Fund	<u><u>\$ -</u></u>

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

FISCAL SCHEDULES AND ANALYSIS, Continued

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

For the Year Ended June 30, 2012

	<u>Auxiliary Enterprises</u>		<u>Activities</u>	
	<u>University Facilities System Revenue Bonds</u>	<u>Center for Performing Arts</u>	<u>Educational and Student Life Activities</u>	<u>University Service Departments</u>
Current available funds:				
Cash and cash equivalents	A \$ 21,491,959	\$ 3,075	\$ 4,641,980	\$ 161,664
Working capital allowance:				
Highest month's expenditures	1,100,649	83,801	4,308,108	103,405
Current liabilities paid during lapse period	292,530	-	454,431	18,911
Deferred income	-	-	600,755	-
Working capital allowance	B 1,393,179	83,801	5,363,294	122,316
Current excess funds (margin of compliance):				
Deduct B from A	<u>\$ 20,098,780</u>	<u>\$ (80,726)</u>	<u>\$ (721,314)</u>	<u>\$ 39,348</u>
Calculation of net excess funds for remittance:				
Indentured capital reserves:				
Unspent project proceeds included in cash above	\$ 20,015,342			\$ -
Funds reserved for debt retirement	1,377,205			-
Nonindentured capital reserves:				
5% of the replacement cost of buildings and improvements	727,810			39,797
10% of the historical cost of parking lots	356,708			-
20% of the historical cost of equipment	52,046			18,692
Total allowable capital reserves	<u>\$ 22,529,111</u>			<u>\$ 58,489</u>
Net excess funds	<u>\$ -</u>			<u>\$ -</u>

STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY

FISCAL SCHEDULES AND ANALYSIS, Continued

Balance Sheets - Auxiliary Enterprises and Activities Entities

As of June 30, 2012

	Auxiliary Enterprises		Activities			Total Auxiliary Enterprises and Activities
	University Facilities System Revenue Bonds	Center for Performing Arts	Educational and Student Life Activities	University Service Departments	Administrative Overhead/ Indirect Costs	
Assets						
Cash and cash equivalents	\$ 21,491,959	\$ 3,075	\$ 4,641,980	\$ 161,664	\$ 1,018,641	\$ 27,317,319
Accounts receivable, net	-	-	2,049,097	-	-	2,049,097
Inventories	-	-	-	76,712	-	76,712
Unamortized debt issuance costs - revenue bonds	603,095	-	-	-	-	603,095
Buildings and improvements, net	5,464,188	4,381,129	18,167,653	109,380	-	28,122,350
Parking lots, net	3,567,078	-	-	-	-	3,567,078
Equipment, net	260,229	54,017	-	93,458	-	407,704
Total assets	31,386,549	4,438,221	24,858,730	441,214	1,018,641	62,143,355
Liabilities						
Accounts payable	292,530	-	454,431	18,911	106,075	871,947
Revenue bonds payable	28,080,628	-	-	-	-	28,080,628
Deferred income	-	-	600,755	-	-	600,755
Total liabilities	28,373,158	-	1,055,186	18,911	106,075	29,553,330
Fund balances						
Other unrestricted funds	564,476	3,075	5,635,891	219,465	912,566	7,335,473
Restricted	1,377,205	-	-	-	-	1,377,205
Invested in capital assets, net of related debt	1,071,710	4,435,146	18,167,653	202,838	-	23,877,347
Total fund balances	3,013,391	4,438,221	23,803,544	422,303	912,566	32,590,025
Total liabilities and fund balances	\$ 31,386,549	\$ 4,438,221	\$ 24,858,730	\$ 441,214	\$ 1,018,641	\$ 62,143,355

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

FISCAL SCHEDULES AND ANALYSIS, Continued

**Schedules of Revenues, Expenditures and Changes in Fund Balances -
Auxiliary Enterprises and Activities Entities**

For the Year Ended June 30, 2012

UNIVERSITY FACILITIES SYSTEM REVENUE BONDS - ALL FUNDS:

Revenues	<u>\$ 1,998,756</u>
Expenditures	
Personal services	782,848
Contractual	347,250
Commodities	78,363
Equipment	64,984
Others	<u>639,401</u>
Total expenditures	<u>1,912,846</u>
Excess of revenues over expenditures	85,910
Fund balance, beginning of year	<u>2,927,481</u>
Fund balance, end of year	<u><u>\$ 3,013,391</u></u>

CENTER FOR PERFORMING ARTS - OTHER UNRESTRICTED FUNDS:

Revenues	<u>\$ 676,980</u>
Expenditures	
Personal services	338,502
Contractual	310,258
Commodities	29,247
Equipment	150
Others	<u>812</u>
Total expenditures	<u>678,969</u>
Deficiency of revenues over expenditures	(1,989)
Fund balance, beginning of year	<u>5,064</u>
Fund balance, end of year	<u><u>\$ 3,075</u></u>

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

FISCAL SCHEDULES AND ANALYSIS, Continued

Schedules of Revenues, Expenditures and Changes in Fund Balances - Auxiliary Enterprises and Activities Entities, Continued
For the Year Ended June 30, 2012

EDUCATIONAL AND STUDENT LIFE ACTIVITIES - OTHER UNRESTRICTED FUNDS

	Educational Program	Student Activities	Academic Enhancement	Media	Farm	Telecomm	Others	Total
Revenues	\$ 6,258,494	\$ 2,033,743	\$ 1,555,216	\$ 268,837	\$ 59,080	\$ 800	\$ 2,520,547	\$ 12,696,717
Expenditures								
Personal services	4,744,242	16,511	124,604	127,775	-	-	821,601	5,834,733
Contractual	373,309	209,041	504,605	89,618	853	-	768,272	1,945,698
Commodities	10,913	-	8,191	21,602	125	-	66,414	107,245
Equipment	-	-	44,647	58,375	53,854	-	94,767	251,643
Others	1,517,865	2,700,820	526,174	40,793	-	-	28,340	4,813,992
Total expenditures	6,646,329	2,926,372	1,208,221	338,163	54,832	-	1,779,394	12,953,311
Excess (deficiency) of revenues over expenditures	(387,835)	(892,629)	346,995	(69,326)	4,248	800	741,153	(256,594)
Fund balance (deficit), beginning of year	(74,742)	2,729,710	1,999,170	689,429	460,549	14,771	73,598	5,892,485
Fund balance (deficit), end of year	\$ (462,577)	\$ 1,837,081	\$ 2,346,165	\$ 620,103	\$ 464,797	\$ 15,571	\$ 814,751	\$ 5,635,891

STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY

FISCAL SCHEDULES AND ANALYSIS, Continued

Schedules of Revenues, Expenditures and Changes in Fund Balances - Auxiliary Enterprises and Activities Entities, Continued
For the Year Ended June 30, 2012

UNIVERSITY SERVICE DEPARTMENTS - OTHER UNRESTRICTED FUNDS

	University Print Shop	Copier	Central Stores	Motor Pool	Mail Service	Total
Revenues	\$ 423,383	\$ 160,029	\$ 120,432	\$ 86,208	\$ 190,287	\$ 980,339
Expenditures						
Personal services	103,278	26,021	39,557	18,523	70,052	257,431
Contractual	64,403	94,500	6,362	-	160,005	325,270
Commodities	104,091	36,712	57,172	-	1,033	199,008
Equipment	-	-	2,452	-	-	2,452
Others	-	-	1,770	67,381	92	69,243
Total expenditures	271,772	157,233	107,313	85,904	231,182	853,404
Excess (deficiency) of revenues over expenditures	151,611	2,796	13,119	304	(40,895)	126,935
Fund balance (deficit), beginning of year	38,061	1,219	8,406	(181)	45,025	92,530
Fund balance, end of year	\$ 189,672	\$ 4,015	\$ 21,525	\$ 123	\$ 4,130	\$ 219,465

STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY

FISCAL SCHEDULES AND ANALYSIS, Continued

Schedules of Revenues, Expenditures and Changes in Fund Balances - Auxiliary Enterprises and Activities Entities, Continued
For the Year Ended June 30, 2012

ADMINISTRATIVE OVERHEAD/INDIRECT COSTS - OTHER UNRESTRICTED FUNDS

	Grants and Contracts	Business Office	Office of Financial Aid and Veterans Affairs	Other Activities	Total
Revenues	\$ 270,597	\$ 23,023	\$ 19,419	\$ 280,210	\$ 593,249
Expenditures					
Personal services	184,515	34,789	9,387	243	228,934
Contractual	84,937	-	325	122,584	207,846
Commodities	510	-	777	8,154	9,441
Equipment	45,102	-	1,406	-	46,508
Others	272,293	-	535	132,564	405,392
Total expenditures	587,357	34,789	12,430	263,545	898,121
Excess (deficiency) of revenues over expenditures	(316,760)	(11,766)	6,989	16,665	(304,872)
Fund balance, beginning of year	279,923	105,231	20,127	812,157	1,217,438
Fund balance (deficit), end of year	<u>\$ (36,837)</u>	<u>\$ 93,465</u>	<u>\$ 27,116</u>	<u>\$ 828,822</u>	<u>\$ 912,566</u>

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

ANALYSIS OF OPERATIONS (UNAUDITED)

University Functions and Planning Program (Unaudited)

For the Year Ended June 30, 2012

Functions

The University was chartered in 1969 to provide affordable and accessible undergraduate and graduate education to its culturally and economically diverse life-long learners in the Chicago metropolitan area. It is governed by the Board of Trustees of the University created in January 1996 as a result of legislation to reorganize governance of State higher education institutions and provides liberal arts, science, and professional preparation at the upper-division, master, and doctoral levels.

Planning

Strategy 2015: Inspire Hope, Realize Dreams, Strengthen Community is the strategic plan of the University. It was formally adopted by the University Board of Trustees in October 2009, and is designed to provide general direction for all University initiatives through the 2014-2015 academic year.

Strategy 2015 articulates the mission of the University as follows:

The University is committed to offering an exceptional and accessible education that imbues students with the knowledge, skills, and confidence to succeed in a global society. The University is dedicated to creating an intellectually stimulating public square, serving as an economic catalyst for the region, and being a model of diversity and responsible citizenship.

The mission statement is informed by five core values, specified as follows:

- (1) **Provide Opportunity and Access:** At the University, those traditionally underserved by higher education and residents of surrounding communities have access to a first class public education.
- (2) **Serve as an Economic Catalyst:** The University is committed to the citizens of the State of Illinois and the region to serve as an economic catalyst, so that communities grow and flourish.
- (3) **Prepare Stewards of our Future:** The University is committed to preparing students to thrive in the global economy and to contribute to the ongoing stewardship of the environment.
- (4) **Demonstrate Inclusiveness and Diversity:** The University embraces diversity among students, staff, and faculty as well as members of the broader community, and encourages acceptance of wide-ranging perspectives.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

ANALYSIS OF OPERATIONS (UNAUDITED), Continued

University Functions and Planning Program (Unaudited), Continued

For the Year Ended June 30, 2012

- (5) **Promote Quality of Life:** The University values an atmosphere that fosters a capacity to enjoy life through the fine arts and humanities, marketable skills and attitudes for employment, supportive interpersonal relationships, and participative and informed citizenship.

Consistent with these values and informed by the larger institutional mission, the University actively pursues six primary goals:

- (1) **Academic Excellence:** Provide distinctive academic programs that effectively prepare students to become leaders and productive citizens in the global community.
- (2) **High Quality Faculty and Staff:** Provide students access to a highly qualified, motivated, and diverse faculty and staff.
- (3) **Continuous Process Improvement:** Develop and sustain a climate of continuous improvement that is defined by evidence-based decision-making focused on enriching the student experience.
- (4) **Visibility, Outreach, and Economic Catalyst:** Pursue initiatives that make the University a preferred destination in the region, that create a vibrant public dialogue, and that increase the University's effectiveness as an economic catalyst in the region.
- (5) **Social, Ethical, and Environmental Responsibility:** Build an institution that is socially, ethically, and environmentally responsible.
- (6) **Financial Growth and Sustainability:** Diversify the University's revenue streams to ensure resources that are necessary for institutional growth and fiscal sustainability.

Within the larger context set by *Strategy 2015*, the annual budget process operates under the general direction of the Planning and Budget Advisory Council (PBAC), a 22-member group composed of faculty, staff and students, and co-chaired by the Provost and the Executive Vice-President. PBAC and its six constituent committees develop recommendations on all issues of University-wide scope and, after due deliberation, forward those recommendations to the University President.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

ANALYSIS OF OPERATIONS (UNAUDITED), Continued

University Functions and Planning Program (Unaudited), Continued

For the Year Ended June 30, 2012

Every spring, PBAC operates the annual budget process. The group develops guidelines consistent with the goals of *Strategy 2015*, and procedures and timelines in accordance with which every budget unit of the University develops its budget requests for the fiscal year to come. Public hearings are held at which each unit presents its request and is subject to questions and discussions from the members of the PBAC. Final recommendations are developed and forwarded to the President for her adoption. PBAC also receives recommendations from its Budget and Finance Committee with regard to tuition and fee rates for the year to come, and develops and forwards to the President recommendations on these as well. The President, in turn, forwards final recommendations on tuition and fees to the Board of Trustees.

Progress toward achieving the goals of *Strategy 2015* is monitored by means of a series of “dashboard” indicators of accomplishment, which are regularly updated by the Office of Institutional Research and which are available for public viewing on the University’s web site.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

ANALYSIS OF OPERATIONS (UNAUDITED), Continued

Average Number of Employees (Unaudited)

For the Year Ended June 30, 2012

	<u>2012</u>	<u>2011</u>
Full-time equivalent employees funded by State appropriated funds:		
Faculty	252.5	240.5
Administrative	41.6	30.5
Civil service	172.3	203.0
Other professionals	86.0	90.0
Graduate assistants	27.2	19.7
Students	18.1	16.1
Total	<u>597.7</u>	<u>599.8</u>
Full-time equivalent employees funded by nonappropriated funds:		
Faculty	52.5	28.2
Administrative	4.8	1.5
Civil service	79.8	84.0
Other professionals	119.6	169.5
Graduate assistants	14.8	-
Students	19.1	11.7
Total	<u>290.6</u>	<u>294.9</u>

Staff years are calculated in accordance with the guidelines established by the Illinois Board of Higher Education. A staff-year employee represents one person working full-time for a year.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

ANALYSIS OF OPERATIONS (UNAUDITED), Continued

Student Statistics (Unaudited)

For the Year Ended June 30, 2012

Enrollment Statistics

	Academic Year 2011-2012		
	<u>Fall</u>	<u>Spring</u>	<u>Summer</u>
Headcount:			
Undergraduate	3,060	3,145	1,857
Graduate	2,543	2,573	1,939
Total	<u>5,603</u>	<u>5,718</u>	<u>3,796</u>
Full-time equivalent:			
Undergraduate	1,925	1,924	776
Graduate	1,428	1,431	974
Total	<u>3,353</u>	<u>3,355</u>	<u>1,750</u>

Student Cost Statistics

	<u>2012</u>	<u>2011</u>
Annual full-time equivalent students:*		
Undergraduate	2,312	2,279
Graduate	1,916	1,937
Total	<u>4,228</u>	<u>4,216</u>
Total instructional costs per IBHE Cost Study Report**	\$ 23,799,062	\$ 22,580,440
Annual full-time equivalent students	4,228	4,216
Cost per full-time equivalent student	\$ 5,629	\$ 5,356

* Annual full-time equivalent students are calculated in accordance with the guidelines established by the Illinois Board of Higher Education (IBHE), which is determined by dividing the total credit hours generated in the fiscal year by 30 hours for undergraduate students and 24 hours for graduate students.

** Reflects preliminary University calculations based on IBHE reporting standards.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

ANALYSIS OF OPERATIONS (UNAUDITED), Continued

Emergency Purchases (Unaudited)

The University reported one emergency purchase to the Office of the Auditor General during fiscal year 2012:

<u>Obligation Number</u>	<u>Vendor</u>	<u>Description</u>	<u>Estimated Amount</u>	<u>Actual Amount</u>
Purchase Order Number 1018	Contractors Power & Light Co.	To prevent a serious disruption in the University's operations and services, a temporary patch repair was completed to replace several high voltage cables that were damaged due to cabling failure.	\$ 140,000	\$ 92,977

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

ANALYSIS OF OPERATIONS (UNAUDITED), Continued

Selected Service Efforts and Accomplishments (Unaudited)

For the Year Ended June 30, 2012

	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>
1. Student headcount - Fall term (a)	<u>5,692</u>	<u>5,636</u>	<u>5,674</u>	<u>5,660</u>	<u>5,603</u>
2. Minority enrollment - Fall term (a)	<u>2,342</u>	<u>2,406</u>	<u>2,625</u>	<u>2,617</u>	<u>2,798</u>
3. Degrees awarded - Fiscal year (b)	<u>1,911</u>	<u>1,768</u>	<u>1,718</u>	<u>1,832</u>	<u>1,701</u>
4. Credit hours - Academic year (f)	<u>112,471</u>	<u>113,909</u>	<u>120,139</u>	<u>114,853</u>	<u>115,355</u>
5. Unduplicated headcount - Academic year (d, f)	<u>7,803</u>	<u>7,788</u>	<u>7,649</u>	<u>7,444</u>	<u>7,437</u>
6. Annualized tuition and fees (c):					
Undergraduate					
Resident (e)	\$ 4,796	\$ 6,084	\$ 6,606	\$ 7,048	\$ 7,202
Nonresident	\$ 13,388	\$ 15,876	\$ 14,670	\$ 12,736	\$ 13,034
Graduate					
Resident	\$ 4,987	\$ 5,274	\$ 5,364	\$ 5,746	\$ 5,882
Nonresident	\$ 14,093	\$ 13,914	\$ 13,104	\$ 10,408	\$ 10,670

(a) Per IBHE Fall Enrollment Survey, Part II, Table II.

(b) Per data file extracted by the University's Institutional Research Office at the end of each term.

(c) Per Integrated Postsecondary Education Data System (IPEDS) Institutional Characteristics Survey, using 12 and 9 credit hours per term for full-time status undergraduate and graduate students, respectively.

(d) This represents cumulative students for the academic year without double counting students enrolled more than one term.

(e) Tuition rate used is the rate for new full-time undergraduate students.

(f) Per IPEDS Institutional Characteristics Survey.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

ANALYSIS OF OPERATIONS (UNAUDITED), Continued

University Bookstore Information (Unaudited)

For the Year Ended June 30, 2012

The University has a contractual arrangement for bookstore operations on campus. The University's current contract was extended through November 30, 2014. The contract with the bookstore requires commissions to be paid to the University based on the following terms:

1. 9.6% of all gross revenue up to \$1,000,000; plus
2. 10.1% of all gross revenue between \$1,000,000 and \$2,000,000; plus
3. 10.6% of all gross revenue over \$2,000,000

During fiscal year 2012, the bookstore had gross sales of \$1,401,875, the University received commissions of \$151,740, and the University spent a total of \$17,055 at the bookstore. The contract with the bookstore gives the contractor exclusive rights to sell books on campus, and there are no other "on-campus" or nearby bookstores.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

ANALYSIS OF OPERATIONS (UNAUDITED), Continued

Schedule of Degrees Awarded (Unaudited)

For the Year Ended June 30, 2012

The following schedule presents the number of degrees awarded by the University for the fiscal years indicated:

<u>Fiscal Year</u>	<u>Number of Degrees Awarded</u>		
	<u>Graduate</u>	<u>Undergraduate</u>	<u>Total</u>
2012	743	958	1,701
2011	909	923	1,832
2010	862	856	1,718
2009	1,001	767	1,768
2008	1,033	878	1,911
2007	964	908	1,872
2006	809	740	1,549
2005	714	754	1,468
2004	860	829	1,689
2003	759	795	1,554
2002	592	809	1,401

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

ANALYSIS OF OPERATIONS (UNAUDITED), Continued

Special Data Requirements for Audits of Universities (Unaudited)

For the Year Ended June 30, 2012

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 information below cross references the memorandum requirements (indicated by number and letter paragraph references) to the University financial statements and audit reports for the year ended June 30, 2012, where such special data is found.

Compliance Findings

13(a) As of June 30, 2012, no findings of noncompliance with *University Guidelines* were noted.

Indirect Cost Reimbursements

13(b) Refer to page 70 of this report for an analysis of the sources and applications of indirect cost reimbursements for the year ended June 30, 2012.

13(c) Refer to page 71 of this report for the calculation sheet for indirect cost carry-forward. There were no excess funds required to be deposited into the Income Fund within 45 days after the end of the lapse period.

Tuition Charges and Fees

13(d) No instances of tuition being diverted to auxiliary enterprise operations were noted.

Auxiliary Enterprises, Activities and Accounting Entities

13(e) Accounting entities as defined by the 1982 Legislative Audit Commission Guidelines and their primary revenue sources are as follows:

- University Facilities System Revenue Bonds includes all operations of the Student Center, the University Bookstore, University Parking Facilities, and University Food Service and Vending Facilities.
 - Bookstore operations provide texts and supplies to students. The bookstore is managed under contract by a third party whereby the University receives commission revenue from operations.
 - Parking provides operation and maintenance of University parking facilities. Revenues are generated from user fees.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

ANALYSIS OF OPERATIONS (UNAUDITED), Continued

Special Data Requirements for Audits of Universities (Unaudited), Continued

For the Year Ended June 30, 2012

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

- Food service and vending provide meals and catering services under contract to the University community. Commission revenue is received by the University.
 - Student Center is the focal point of student activity programs on campus and includes student activities and recreation facilities. Student Center revenue is derived from fees charged to students.

 - Center for Performing Arts provides cultural entertainment to the University community. Revenues are generated from ticket sales.

 - Educational and Student Life Activities represent credit and noncredit conferences, workshops and seminars, and organized student activities. Revenues are generated from course fees charged to participants and from student activity fees.

 - Service Departments provide products or services to University departments. Revenues are generated from chargebacks to user departments.

 - Indirect and Administrative Cost accounts receive the “overhead” portion of grant and contract expense incurred. Revenues are generated from charges to sponsors.
- 13(f) Refer to pages 73 through 77 of this report for the financial statements of each accounting entity.
- 13(g) Calculations of current excess funds for each entity are presented on page 72 of this report. There were no excess funds required to be deposited into the Income Fund within 45 days after the end of the lapse period.
- 13(h) The following is a schedule of indirect subsidies to Auxiliary Enterprises and Activities for the year ended June 30, 2012:

Auxiliary Enterprises:

University Facilities System Revenue Bonds	\$ 304,767
Center for Performing Arts	<u>116,658</u>
	<u>\$ 421,425</u>

Activities:

Educational and Student Life Activities	\$ 2,854,212
University Service Departments	<u>131,115</u>
	<u>\$ 2,985,327</u>

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

ANALYSIS OF OPERATIONS (UNAUDITED), Continued

Special Data Requirements for Audits of Universities (Unaudited), Continued

For the Year Ended June 30, 2012

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

Indirect subsidies represent support received by Auxiliary Enterprises and Activities from State appropriated funds for retirement and group insurance benefits. There were no direct subsidies to Auxiliary Enterprises and Activities from appropriated funds during the year ended June 30, 2012.

- 13(i) A Statement of Revenues, Expenses and Changes in Net Assets for the bond indenture required accounts is presented on page 39 of the financial audit report.
- 13(j) The revenue bond fund accounting conforms to the terms of the bond issue, including all covenants thereto.
- 13(k) As of June 30, 2012, no non-instructional facilities reserves have been established by the University.

University Related Organizations

- 13(l) The University recognizes the Governors State University Foundation (Foundation) as a University Related Organization. There are no organizations considered by the University to be "Independent Organizations" as defined in Section VII of the *University Guidelines*.
- 13(m) The Foundation does not pay the University for services provided. Compensation is in the form of University support. See page 91 of this report for details related to services and support provided.
- 13(n) The University does not pay the Foundation for services provided. Compensation is in the form of services and facilities provided. See footnote 10 on page 34 of the financial audit report for details related to services and support provided.
- 13(o) As of June 30, 2012, there are no unreimbursed subsidies to the Foundation from the University or appropriated funds.
- 13(p) There is no debt financing provided by the Foundation.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

ANALYSIS OF OPERATIONS (UNAUDITED), Continued

Special Data Requirements for Audits of Universities (Unaudited), Continued

For the Year Ended June 30, 2012

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

Other Topics

- 13(q) Schedules of cash and cash equivalents (short-term investments) for the year ended June 30, 2012 are presented in the Analysis of Significant Account Balances section of this report on pages 64 and 65, and in footnotes 3 and 4 on pages 21 through 25 of the financial audit report.
- 13(r) Income from the investment of pooled funds is credited to the University's Income Fund. Income from the investment of non-pooled funds is credited to the fund making the investment.
- 13(s) Student cost statistics are presented on page 82 of this report.
- 13(t) Neither the University nor the Foundation has purchased any real estate during the year ended June 30, 2012.
- 13(u) Neither the University nor the Foundation issued certificates of participation during the year ended June 30, 2012.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

ANALYSIS OF OPERATIONS (UNAUDITED), Continued

Special Data Requirements for Audits of Universities (Unaudited), Continued

For the Year Ended June 30, 2012

Summary of Foundation Cash Support to the University (Unaudited)

During fiscal year 2012, the University engaged the Foundation, under contract, to provide fundraising services. As provided in the contract agreement, the University provided \$175,414 of services to the Foundation equal to the cost of the services the Foundation provided to the University for the fiscal year ended June 30, 2012. In addition, the Foundation supported the University with funds considered to be unrestricted for purposes of the University Guidelines computations and other non-qualifying restricted funds.

Presented below is a summary of cash support provided to the University by the Foundation for the fiscal year ended June 30, 2012.

Funds considered unrestricted for purposes of the Guidelines computations:

Restricted only as to campus, college or department and generally available for on-going University operations	
- Given to a particular college	\$ 20,948
- Given to a particular department	92,180
Total funds considered unrestricted	<u>113,128</u>

Funds considered restricted for purposes of the Guidelines computations:

Given for Center for Performing Arts	125,475
Given for scholarships	73,705
Total funds considered restricted	<u>199,180</u>

Total funds provided to the University by the Foundation \$ 312,308

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

ANALYSIS OF OPERATIONS (UNAUDITED), Continued

Special Data Requirements for Audits of Universities (Unaudited), Continued

For the Year Ended June 30, 2012

Schedule of Tuition and Fee Waivers (Unaudited)

	Undergraduate				Graduate			
	Tuition Waivers		Fee Waivers		Tuition Waivers		Fee Waivers	
	Number of Recipients	Value of Waivers (In Thousands)	Number of Recipients	Value of Waivers (In Thousands)	Number of Recipients	Value of Waivers (In Thousands)	Number of Recipients	Value of Waivers (In Thousands)
<u>Mandatory Waivers</u>								
Teacher Special Education	7	\$ 27.6	7	\$ 6.0	-	\$ -	-	\$ -
General Assembly	4	15.5	4	4.2	2	12.3	2	2.2
Children of Employees	18	17.7	2	1.1	-	-	-	-
Senior Citizens	16	20.2	16	5.5	3	4.7	3	1.2
Veterans Grants & Scholarships	171	740.1	171	18.2	95	293.3	95	41.9
Subtotal	216	821.1	200	35.0	100	310.3	100	45.3
<u>Discretionary Waivers</u>								
Faculty/Administrators	-	-	-	-	13	10.5	13	2.7
Civil Service	34	37.5	34	11.9	82	103.6	82	29.4
Academic/Other Talent	90	230.9	53	33.6	74	181.6	8	4.0
Foreign Students	-	-	-	-	47	72.4	47	18.0
Cooperating Professionals	34	15.3	34	6.2	92	90.7	92	31.1
Other Assistants	-	-	-	-	188	606.6	188	96.3
Interinstitutional/Related Agencies	22	24.0	22	4.5	48	73.9	48	11.7
Retired University Employees	3	4.2	3	0.7	-	-	-	-
Subtotal	183	311.9	146	56.9	544	1,139.3	478	193.2
Total	399	\$ 1,133.0	346	\$ 91.9	644	\$ 1,449.6	578	\$ 238.5