

**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, 2014**

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

**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, 2014**

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Financial Statement Report:

The University’s financial statement report for the year ended June 30, 2014, which includes the Independent Auditor’s Report, Management’s Discussion and Analysis, Basic Financial Statements and Notes to the Basic Financial Statements, Supplementary Information, and the Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* has been issued separately.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
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(IN ACCORDANCE WITH THE SINGLE AUDIT ACT AND OMB CIRCULAR A-133)
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**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
COMPLIANCE EXAMINATION
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University Officials

President	Dr. Elaine Maimon
Executive Vice President, Chief of Staff, Treasurer	Dr. Gebeyehu Ejigu
Vice President, Administration and Finance	Ms. Karen Kissel
General Counsel and Vice President	Ms. Alexis Kennedy
Internal Auditor	Mr. David Dixon
Controller	Ms. Melinda Gieseke, CPA

University offices are located at:

1 University Parkway
University Park, Illinois 60484

January 28, 2015

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, 2014. Based on this evaluation, we assert that during the year ended June 30, 2014, 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 truly,


Governors State University



Dr. Elaine P. Maimon
President



Karen Kissel
Vice President, Administration
and Finance



Alexis Kennedy
General Counsel and
Vice President

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
COMPLIANCE EXAMINATION
FOR THE YEAR ENDED JUNE 30, 2014**

COMPLIANCE REPORT

SUMMARY

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

ACCOUNTANT’S REPORT

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

SUMMARY OF FINDINGS

<u>Number of Findings</u>	<u>Current Report</u>	<u>Prior Report</u>
Findings	6	11
Repeated findings	3	3
Prior recommendations implemented or not repeated	8	9

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDING (GOVERNMENT AUDITING STANDARDS)			
No matters were reported.			
FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE)			
2014-001	18	Inadequate Procedures Over Verification and Updating of Information in Student Aid Applications	Noncompliance/ Significant Deficiency
2014-002	22	Noncompliance with Federal Requirements on Notification of Disbursements	Noncompliance/ Significant Deficiency
2014-003	24	Failure to Meet Earmarking Requirements for Head Start Program	Noncompliance/ Significant Deficiency

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (STATE COMPLIANCE)			
2014-004	26	Time Sheets Not Maintained in Compliance with the State Officials and Employees Ethics Act	Noncompliance/ Significant Deficiency
2014-005	28	Inadequate Controls Over Verification of Job Applicant's Information	Noncompliance/ Significant Deficiency
2014-006	30	Weakness with Payment Card Industry Data Security Standards	Noncompliance/ Significant Deficiency
PRIOR FINDINGS NOT REPEATED			
A	32	Return of Title IV Funds Not Made Timely	
B	32	Inadequate Controls Over Federal Reporting	
C	32	Ineligible Student Awarded with Financial Aid	
D	32	Failure to Perform Direct Loan Reconciliations	
E	33	Noncompliance with Enrollment Reporting Requirements	
F	33	Data Collection Form and Related Reporting Package Not Submitted Timely	
G	33	Noncompliance with Travel Regulations and Personnel Policies	
H	34	Failure to Prepare High School Feedback System Reports	

**STATE OF ILLINOIS
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EXIT CONFERENCE

The University waived having an exit conference in a letter dated January 20, 2015 from the University's Vice President, Administration and Finance, Ms. Karen Kissel.

The responses to the recommendations were provided by Ms. Karen Kissel in a letter dated January 23, 2015.



INDEPENDENT ACCOUNTANT’S 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, 2014. 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.

In our opinion, the University complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the year ended June 30, 2014. However, the results of our procedures disclosed instances of noncompliance with the requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings and questioned costs as items 2014-004 through 2014-006.

Internal Control

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

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

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

accompanying schedule of findings and questioned costs as items 2014-004 through 2014-006, that we consider to be significant deficiencies.

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

The University's responses to the 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, 2014, and have issued our report thereon dated December 12, 2014, which contained unmodified 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 included reference to another auditor who audited the financial statements of the University's discretely presented component unit and whose report had been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit was based solely on the report of the other auditor. We have not performed any procedures with respect to the audited financial statements subsequent to December 12, 2014. The accompanying supplementary information for the year ended June 30, 2014 in Schedules 1 through 12, 15 and 16 is presented for the purposes of additional analysis and is not a required part of the basic financial statements of the University. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The accompanying supplementary information for the year ended June 30, 2014 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the year ended June 30, 2014 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, 2014.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the University's basic financial statements as of and for the years ended June 30, 2013 and June 30, 2012 (not presented herein), and have issued our reports thereon dated December 20, 2013 and April 19, 2013, respectively, which contained unmodified opinions on the respective financial statements of the business-type activities of the University and its discretely presented component unit. Our report included reference to another auditor who audited the financial statements of the University's discretely presented component unit and whose report had been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit was based solely on the report of the other auditor. The accompanying supplementary information for the years ended June 30, 2013 and June 30, 2012 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, 2013 and June 30, 2012 financial statements. The accompanying supplementary information for the years ended June 30, 2013 and June 30, 2012 in Schedules 4 through 10 and 12 has been subjected to the auditing procedures applied in the audits of the June 30, 2013 and June 30, 2012 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or to those basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the years ended June 30, 2013 and June 30, 2012 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.

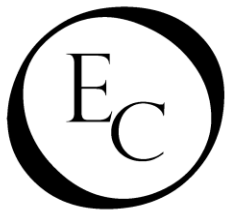
The accompanying supplementary information in the Analysis of Operations Section and Schedules 13 and 14 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the 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. Oatis & Co., LLP

Chicago, Illinois

January 28, 2015, except for our report on the Supplementary Information for State Compliance Purposes, as to which the date is December 12, 2014.



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

Honorable 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of 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, 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated December 12, 2014. Our report includes a reference to other auditors who audited the financial statements of the University's discretely presented component unit, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

E.C. Artiz & Co., LLP

Chicago, Illinois
December 12, 2014



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE, AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

Honorable William G. Holland
Auditor General
State of Illinois

and

The Board of Trustees
Governors State University

Report on Compliance for Each Major Federal Program

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, 2014. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above.

We 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's compliance with the

requirements governing the functions that it performs for the University for the year ended June 30, 2014 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's 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

Opinion on Each Major Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, 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 2014-001 through 2014-003. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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, 2014 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's internal control over compliance related to such functions.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2014-001 through 2014-003 that we consider to be significant deficiencies.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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, 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated December 12, 2014, which contained unmodified opinions on those financial statements. Our report includes a reference to another auditor who audited the financial statements of the University's discretely presented component unit, as described in our report on the University's financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to December 12, 2014. 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

E.C. Artis & Co., LLP

Chicago, Illinois

January 28, 2015, except for our report on the Schedule of Expenditures of Federal Awards, as to which the date is December 12, 2014.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
	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

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

SUMMARY OF AUDITOR'S RESULTS, Continued

Federal Awards, Continued

Identification of major programs, continued:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
	Student Financial Assistance (SFA) Cluster, Continued:
93.264	Nurse Faculty Loan Program (NFLP)
93.408	ARRA - Nurse Faculty Loan Program
	Teacher Quality Partnership Grants Cluster:
84.405	ARRA - Teacher Quality Partnerships, Recovery Act
	Head Start Cluster:
93.600	Head Start
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
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

CURRENT FINDINGS - FEDERAL COMPLIANCE

Federal Agency: U.S. Department of Education

Program Name	CFDA #	Program Expenditures
SFA Cluster - Federal Direct Student Loans	84.268	\$35,146,137
SFA Cluster - Federal Pell Grant Program	84.063	\$6,552,879
SFA Cluster - Federal Perkins Loans-Federal Capital Contributions	84.038	\$4,146,204
SFA Cluster - Federal Work-Study Program	84.033	\$251,962
SFA Cluster - Federal Supplemental Educational Opportunity Grants	84.007	\$146,873

Questioned Costs: None - Procedural Finding Only

2014-001. **FINDING** (Inadequate Procedures Over Verification and Updating of Information in Student Aid Applications)

Governors State University (University) did not have adequate procedures over verification and updating of information submitted by students applying for subsidized financial aid under the Student Financial Assistance Cluster programs.

During our detailed verification testing, we noted the following:

- The University has established and used written policies and procedures for verifying applicant's information; however, the policies and procedures did not include procedures for making referrals of applicants to the Office of Inspector General of the Department of Education for investigation.
- The University did not properly verify and update information submitted by students applying for financial aid to ensure accurate information was reflected on the Institutional Student Information Report (ISIR).

When a student applying for financial aid is selected for verification, the student is required to provide supporting documentation to the University to verify information provided by the student during the application process for accuracy. If the University identifies a discrepancy between the information

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

provided during the application process and the supporting documentation provided by the student, the University updates the student's information, as necessary, by submitting data corrections to the Central Processing System so that the ISIR will have the correct information when calculating the student's financial aid award.

We tested a sample of 60 students awarded with financial aid under the Student Financial Assistance Cluster during Academic Year 2013-2014 and 14 of these students were selected for verification. During the verification testing, we noted three (21%) of 14 students tested had errors as follows:

- Differences on a student's adjusted gross income of \$4,910 (\$11,232 per ISIR and \$6,322 per supporting income document) and income tax paid of \$491 (\$1,123 per ISIR and \$632 per supporting income document). These errors are considered dollar items that should have been corrected by the University. The University subsequently recalculated the awards packaged to the student and the errors did not affect the total amount awarded to the student.
- Difference on a student's income tax paid of \$713 (\$713 per ISIR and none per tax return transcript) which is considered a dollar item that should have been corrected by the University. The University subsequently recalculated the awards packaged to the student and the error resulted in an overstatement of \$400 in awards made to the student.
- A student's other untaxed income of \$32,130 was incorrectly posted to tax exempt interest income on the ISIR. This error is considered a dollar item that should have been corrected by the University. The University subsequently recalculated the awards packaged to the student and the error did not affect the total amount awarded to the student.

The Code of Federal Regulations (34 CFR Section 668.53(a)(5)) requires that an institution must establish and use written policies and procedures for verifying an applicant's Free Application for Federal Student Aid (FAFSA) information. These policies and procedures must include the procedures for making referrals under 34 CFR Section 668.16(g). The Code of Federal Regulations (34 CFR Section 668.16(g)) states that the institution refers to the Office of Inspector General of the Department of Education for investigation.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

The Code of Federal Regulations (34 CFR Section 668.54(a)(1)) states that an institution must require an applicant whose FAFSA information is selected for verification by the Secretary (Department of Education), to verify the information specified by the Secretary pursuant to 34 CFR Section 668.56. The Code of Federal Regulations (34 CFR Section 668.56(a)) states that for each award year the Secretary publishes in the Federal Register notice the FAFSA information that an institution and an applicant may be required to verify. For Award Year 2013-2014, the Federal Register notice published on July 12, 2012 (FR Doc. 2012-17038) specified verification items and acceptable documentation for FAFSA information which includes adjusted gross income, income tax paid, and tax exempt interest income.

The Code of Federal Regulations (34 CFR Section 668.59(a)) requires that for the subsidized student financial assistance programs, if an applicant's FAFSA information changes as a result of verification, the applicant or the institution must submit to the Secretary any changes to a non-dollar item or a single dollar item of \$25 or more.

In addition, Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Subpart C, Section .300(b) requires nonfederal entities receiving federal awards to establish and maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs. An effective system of internal controls should include adequate procedures over verification and updating of information in student aid applications.

University officials stated the lack of procedures for making referrals of applicants to the Department of Education was due to administrative oversight and errors in verification of student information were caused by clerical miscalculations during a period of high volume ISIR processing.

Inadequate procedures over verification and updating of information in student aid applications resulted in noncompliance with federal regulations and inaccurate calculation of a student's financial aid award. (Finding Code Nos. 2014-001, 2013-006)

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

RECOMMENDATION

We recommend the University include in its written policies and procedures for verifying an applicant's FAFSA information the procedures for making referrals of applicants to the Office of Inspector General of the Department of Education for investigation. In addition, we recommend the University improve its procedures to ensure that information in student aid applications is properly verified and updated in accordance with federal regulations.

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation. The University will update procedures and implement staff training to reduce the probability of this occurring in the future.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

Federal Agency: U.S. Department of Education

Program Name	CFDA #	Program Expenditures
SFA Cluster - Federal Direct Student Loans	84.268	\$35,146,137
SFA Cluster - Federal Perkins Loans-Federal Capital Contributions	84.038	\$4,146,204

Questioned Costs: None - Procedural Finding Only

2014-002. **FINDING** (Noncompliance with Federal Requirements on Notification of Disbursements)

Governors State University (University) did not comply with federal requirements on notification of financial aid disbursements to students under the Student Financial Assistance Cluster programs.

During our disbursement testing of 60 students awarded and disbursed with financial aid under the Student Financial Assistance Cluster programs during the Academic Year 2013-2014, we noted that one (2%) student did not receive the required notifications regarding disbursements of Federal Direct Student Loans and Federal Perkins Loans. The student had four disbursements totaling \$10,325.

The Code of Federal Regulations (34 CFR 668.165(a)) states that an institution must notify a student in writing no earlier than 30 days before, and no later than 30 days after (for institutions that obtain affirmative confirmation from the student), crediting the student's account at the institution with Federal Direct Student Loans, Federal Perkins Loans, or TEACH Grants. The notification must inform the student of the amount of funds that the student can expect to receive; how and when those funds will be disbursed; student's right to cancel all or portion of the loan, loan disbursement, TEACH Grants or TEACH Grant disbursement; and the procedure and time by which the student must notify the institution that he or she wishes to cancel the loan, loan disbursement, TEACH Grants or TEACH Grants disbursement.

In addition, Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Subpart C, Section .300(b) requires nonfederal entities receiving federal awards to establish and maintain internal control over federal programs that provides reasonable assurance that the

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs. An effective system of internal controls should include procedures to ensure compliance with federal requirements on notification of financial aid disbursements to students.

University officials stated the process in place at that time did not ensure that disbursements were communicated in the time-frame required.

Failure to properly notify a student regarding financial aid disbursements resulted in noncompliance with federal requirements and violation of student's rights. Additionally, this may jeopardize future federal funding. (Finding Code Nos. 2014-002, 2013-007)

RECOMMENDATION

We recommend the University improve its procedures to ensure that all students receive the required notifications regarding financial aid disbursements in compliance with federal regulations.

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation. Processes have been implemented to ensure that all financial aid disbursements are communicated as required.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

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

Program Name	CFDA #	Program Expenditures
Head Start Cluster - Head Start	93.600	\$996,150

Questioned Costs: None - Procedural Finding Only

2014-003. **FINDING** (Failure to Meet Earmarking Requirements for Head Start Program)

Governors State University (University) did not enroll 100 percent of its funded enrollment for its Head Start program.

The University is a recipient of a grant from the Administration for Children and Families of the U.S. Department of Health and Human Services (DHHS). In accordance with the grant agreement between the University and DHHS, the University has a funded enrollment requirement of 72 individuals. In our detailed testing of the monthly enrollment report for Fiscal Year 2014, we noted that the University is short (one to eight individuals) of meeting the funded enrollment for the entire fiscal year.

The Head Start Act (42 USC 9837(g)) requires that each Head Start agency shall enroll 100 percent of its funded enrollment and maintain an active waiting list at all times with ongoing outreach to the community and activities to identify underserved populations. The Head Start Act (42 USC 9836a(h)(2)(A)) further requires that each entity carrying out a Head Start program shall report on a monthly basis to the Secretary (DHHS) and the relevant Head Start agency the actual enrollment in such program. As defined by the Head Start Act (42 USC 9836a(h)(1)(A)), actual enrollment means, with respect to the program of a Head Start agency, the actual number of children enrolled in such program and reported by the agency in a given month.

In addition, Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Subpart C, Section .300(b) requires nonfederal entities receiving federal awards to establish and maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

each of its federal programs. An effective system of internal controls should include procedures to ensure that funded enrollment is being met.

University officials stated the condition noted above was due to the under-enrollment which was a sequester cut in Fiscal Year 2013. This cut resulted in short staffing and lack of advertising funds for recruitment purposes.

Failure to meet the funded enrollment of its Head Start program resulted in noncompliance with the federal program earmarking requirements. Additionally, the awarding agency may recapture, withhold, or reduce the base grant for the program. (Finding Code No. 2014-003)

RECOMMENDATION

We recommend the University improve its recruitment procedures to ensure compliance with the funded enrollment requirement of its Head Start program.

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation. The funding cut was restored in March 2014 and the University was able to again meet enrollment requirements starting Fiscal Year 2015. The University has worked with the DHHS program officer on a plan for recruitment.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

CURRENT FINDINGS - STATE COMPLIANCE

2014-004. **FINDING** (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 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:

- Five faculty members used “negative” timekeeping whereby the employee is assumed to be working unless noted otherwise.
- Two adjunct faculty members who worked on a contract basis were not required by the University to submit timesheets.

University officials stated 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. 2014-004, 2013-010, 12-11, 11-11, 10-11, 09-3, 08-3, 07-3, 06-4, 05-7)

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.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

CURRENT FINDINGS - STATE COMPLIANCE, Continued

UNIVERSITY RESPONSE

This finding is understudy. The University acknowledges the requirements of the 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 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.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

CURRENT FINDINGS - STATE COMPLIANCE, Continued

2014-005. **FINDING** (Inadequate Controls Over Verification of Job Applicant's Information)

Governors State University (University) did not have adequate controls over verification of information included on a job applicant's resume or application prior to hiring for a specific position.

During our current fiscal year's testing, we noted that the University has procedures in place for the verification of information included on a job applicant's resume or application prior to hiring for a specific position, but has not adopted a formal policy. However, the University subsequently developed a formal policy after being noted during the audit.

During our testing of the University's compliance with its policy and procedures for verification of information included on a job applicant's resume or application, we noted that five (50%) of ten employee personnel files reviewed did not have the required documentation relating to the verification procedures. The University did not maintain the evidence of education credentials for one employee and did not have the reference check forms for five employees.

The University is responsible for the development of internal controls and monitoring of their operating effectiveness, which includes implementation of a formal policy regarding verification of information included on a job applicant's resume or application prior to hiring for a specific position. Preparing a written policy will serve to document the University's awareness and responsibility in making sure that only qualified job applicants are hired for a specific position.

University procedures on verification of job applicant's information require hiring supervisors to verify certain education and professional credentials of applicants, and complete reference checks on applicants. University procedures and sound internal controls further require that proper documentation be maintained to support the verification performed.

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 resources are utilized efficiently, effectively, and in compliance with applicable law.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

CURRENT FINDINGS - STATE COMPLIANCE, Continued

University officials stated the conditions noted above were due to the decentralization of files. University hiring practices require the hiring supervisor to follow up on references and the required documentation was not forwarded to the Human Resources Department by the hiring department.

Failure to establish a formal policy on verification of information included on a job applicant's resume or application may result in hiring procedures not properly performed, which can further result to the University not hiring the most qualified job applicant for a specific position. In addition, failure to maintain the required documentation relating to the verification procedures resulted in noncompliance with University procedures. (Finding Code No. 2014-005)

RECOMMENDATION

We recommend the University evaluate its internal control process to ensure that policy and procedures are formally documented and complied with.

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation. Processes have been implemented to ensure that all job applicant information is forwarded to the Human Resources Department by the hiring supervisor.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

CURRENT FINDINGS - STATE COMPLIANCE, Continued

2014-006. **FINDING** (Weakness with Payment Card Industry Data Security Standards)

The Governors State University (University) had not completed all the requirements to demonstrate compliance with the Payment Card Industry Data Security Standards (PCI DSS).

The University accepted credit card payments for tuition, student fees, donations, ticket sales, childcare, and fitness memberships. In Fiscal Year 2014, the University handled approximately 20,000 transactions estimated at approximately \$11.4 million.

Upon review of the University's compliance with PCI DSS, we noted the University had not:

- Completed a Self-Assessment Questionnaire (SAQ) addressing all elements of its environment used to store, process, and transmit cardholder data.
- Formally documented procedures for programs that handle credit card transactions, assess each program and ensure compliance with PCI DSS.
- Ensured that applications processing credit card transactions are PCI compliant.

PCI DSS was developed to detail security requirements for entities that store, process or transmit cardholder data. Cardholder data is any personally identifiable data associated with a cardholder.

To assist merchants in the assessments of their environment, the PCI Council established SAQs for validating compliance with PCI's core requirements. At a minimum, PCI DSS required completion of SAQ A which highlights specific requirements to restrict access to paper and electronic media containing cardholder data, destruction of such media when it is no longer needed, and requirements for managing service providers. As additional elements, such as face-to-face acceptance of credit cards and point-of-sale solutions are utilized, additional PCI DSS requirements apply.

University officials stated that while credit card processing and management is reviewed on a regular basis for the business units that utilize this functionality through the Colleague system, one standalone credit card payment system that is processed through a third party entity was overlooked.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

CURRENT FINDINGS - STATE COMPLIANCE, Continued

Confidential and personally identifiable information collected by the University should be adequately secured at all times.

Failure to establish and maintain adequate procedures to handle and protect confidential and personally identifiable information could result in identity theft or other unintended use. (Finding Code No. 2014-006)

RECOMMENDATION

We recommend the University:

- Complete the appropriate SAQ(s) for its environment.
- Assess each program accepting credit card payments, the methods in which payments can be made, and match these methods to the appropriate SAQ on a regular basis.
- Upgrade all applications and devices used to process credit card transactions to versions that are PCI compliant.

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation. The University will ensure that a Self-Assessment Questionnaire is performed on its environment annually and that all areas of the University have documented procedures for protection and handling of credit card information. The University was made aware of one instance of noncompliance and rectified the issue immediately.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

PRIOR FINDINGS NOT REPEATED

A. **FINDING** (Return of Title IV Funds Not Made Timely)

During the prior examination, the University failed to return Title IV funds within 45 days from the withdrawal determination date.

During the current examination, it was noted that the University customized the new computer system to automate the identification of students whose funds should be returned to the Department of Education. Our sample testing disclosed that the University made returns of Title IV funds within the required timeline. (Finding Code Nos. 2013-001, 12-3)

B. **FINDING** (Inadequate Controls Over Federal Reporting)

During the prior examination, it was noted that the University did not have adequate controls over compliance with federal reporting requirements, as follows: (a) certain financial information included in the financial reports were inaccurate, and (b) certain federal reports were not submitted within the required timeframe.

During the current examination, our sample testing disclosed that the University ensured the required federal reports were accurate and submitted timely. (Finding Code Nos. 2013-002, 12-6, 11-5, 10-3)

C. **FINDING** (Ineligible Student Awarded with Financial Aid)

During the prior examination, the University did not ensure that all students receiving financial aid under the Student Financial Assistance Cluster - Scholarships for Health Professions Students from Disadvantaged Backgrounds grant program met the federal eligibility requirements.

During the current examination, our sample testing disclosed that the University awards were provided to eligible students in accordance with federal regulations, policies and procedures. (Finding Code No. 2013-003)

D. **FINDING** (Failure to Perform Direct Loan Reconciliations)

During the prior examination, the University did not reconcile the Direct Loan School Account Statement data files to its financial records on a monthly basis.

During the current examination, our testing disclosed that the University performed the Direct Loan reconciliations on a monthly basis as required by federal regulations. (Finding Code No. 2013-004)

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

PRIOR FINDINGS NOT REPEATED, Continued

E. **FINDING** (Noncompliance with Enrollment Reporting Requirements)

During the prior examination, the University did not report changes in enrollment status of student borrowers under the Federal Direct Student Loans program within the required timeframes.

During the current examination, our testing disclosed that the University reported changes in enrollment status of student borrowers under the Federal Direct Student Loans program within the required timeframes. (Finding Code No. 2013-005)

F. **FINDING** (Data Collection Form and Related Reporting Package Not Submitted Timely)

During the prior examination, the University did not submit its June 30, 2012 data collection form and related reporting package to the Federal Audit Clearinghouse within the required timeframe.

During the current examination, our testing disclosed that the University timely submitted the June 30, 2013 data collection form and related reporting package to the Federal Audit Clearinghouse. (Finding Code No. 2013-008)

G. **FINDING** (Noncompliance with Travel Regulations and Personnel Policies)

During the prior examination, the University did not comply with travel regulations and personnel policies. The University paid unallowable travel expenses between residence and official headquarters for one employee. In addition, an employee's monthly time reports for two months showed that the employee was reported working but was not on the University's campus, and the time reports were approved and certified as truthful by the employee's immediate supervisor.

During the current examination, our testing disclosed that the University implemented corrective measures to address problems noted in the prior year. (Finding Code No. 2013-009)

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

PRIOR FINDINGS NOT REPEATED, Continued

H. **FINDING** (Failure to Prepare High School Feedback System Reports)

During the prior examination, the University did not prepare or submit High School Feedback System reports to high schools within the State concerning the academic progress and success of the high school's former students as required by the Governors State University Law.

During the current examination, the mandates requirement was repealed by Public Act 098-0742 with an effective date of July 16, 2014. (Finding Code No. 2013-011)

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
COMPLIANCE EXAMINATION
FOR THE YEAR ENDED JUNE 30, 2014**

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
 - Schedule 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)
 - 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)

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
COMPLIANCE EXAMINATION
FOR THE YEAR ENDED JUNE 30, 2014**

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

Summary, Continued

The accountant's 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 auditor's opinion, it is fairly stated in all material respects, in relation to the basic financial statements as a whole from which it has been derived. The accountant's report also states the Analysis of Operations Section 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.

STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FISCAL SCHEDULES AND ANALYSIS

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Federal Project or Pass-Through Number	FY 2014 Expenditures
MAJOR PROGRAMS			
STUDENT FINANCIAL ASSISTANCE CLUSTER:			
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Federal Direct Student Loans	84.268		\$ 35,146,137
Federal Pell Grant Program	84.063		6,552,879
Federal Perkins Loan Program - Federal Capital Contributions	84.038		4,146,204
Federal Work-Study Program	84.033		251,962
Federal Supplemental Educational Opportunity Grants	84.007		146,873
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379		<u>39,000</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u><u>46,283,055</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/CSW</i>	93.925		608,029
Nurse Faculty Loan Program (NFLP) <i>Nurse Faculty Loan Program</i>	93.264		621,133
ARRA - Nurse Faculty Loan Program <i>ARRA/Nurse Faculty Loan Program</i>	93.408		<u>19,222</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u><u>1,248,384</u></u>
TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER			<u><u>47,531,439</u></u>
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		<u>1,910,232</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u><u>1,910,232</u></u>
TOTAL TEACHER QUALITY PARTNERSHIP GRANTS CLUSTER			<u><u>1,910,232</u></u>

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

FISCAL SCHEDULES AND ANALYSIS, Continued

Schedule of Expenditures of Federal Awards, Continued
For the Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Federal Project or Pass-Through Number	FY 2014 Expenditures
HEAD START CLUSTER:			
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Head Start			
<i>Early Head Start</i>	93.600		996,150
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			996,150
TOTAL HEAD START CLUSTER			996,150
<u>U.S. DEPARTMENT OF VETERANS AFFAIRS</u>			
Post-9/11 Veterans Educational Assistance			
<i>VA Chapter 33 Award</i>	64.028		458,045
TOTAL U.S. DEPARTMENT OF VETERANS AFFAIRS			458,045
TOTAL MAJOR PROGRAMS			50,895,866
OTHER PROGRAMS			
RESEARCH AND DEVELOPMENT CLUSTER:			
<u>NATIONAL SCIENCE FOUNDATION</u>			
Education and Human Resources			
Passed through the Chicago State University			
<i>Illinois Louis Stokes Alliance for Minority Participation</i>	47.076	HRD-0904024	16,318
Passed through the Illinois State University			
<i>Service Oriented Paradigm Across Introductory Information Technology Curricula</i>	47.076	11C128.18	4,998
TOTAL NATIONAL SCIENCE FOUNDATION			21,316
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
ARRA - Trans-NIH Recovery Act Research Support			
<i>ARRA/Building Complex Language: Effect of Treatment and Dosage</i>	93.701		52,881
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			52,881
TOTAL RESEARCH AND DEVELOPMENT CLUSTER			74,197

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

FISCAL SCHEDULES AND ANALYSIS, Continued

Schedule of Expenditures of Federal Awards, Continued

For the Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Federal Project or Pass-Through Number	FY 2014 Expenditures
<u>LIBRARY OF CONGRESS</u>			
Teaching With Primary Sources <i>Teaching With Primary Sources</i>	N.A.	GA06C0076	288,168
TOTAL LIBRARY OF CONGRESS			<u>288,168</u>
<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	43CSC00123	128,921
Child Care and Development Block Grant Passed through the Illinois Department of Human Services <i>Child Care and Development Block Grant</i>	93.575	11GQ02156	23,064
Affordable Care Act (ACA) Personal Responsibility Education Program Passed through the Illinois Department of Children and Family Services <i>Affordable Care Act Personal Responsibility Education Program/Sexual</i>	93.092	IGA3779213	60,744
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>212,729</u>
<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/Health Care Jobs for the Chicago Southland</i>	17.275		87,150
TOTAL U.S. DEPARTMENT OF LABOR			<u>87,150</u>
<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.	73,301
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>73,301</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Juvenile Accountability Block Grants Passed through the Illinois Criminal Justice Information Authority <i>Restorative Justice Training at IYC Harrisburg</i>	16.523	509102	45,743
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>45,743</u>

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

FISCAL SCHEDULES AND ANALYSIS, Continued

Schedule of Expenditures of Federal Awards, Continued
For the Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Federal Project or Pass-Through Number	FY 2014 Expenditures
<u>U.S. INSTITUTE OF MUSEUM AND LIBRARY SERVICES</u>			
Grants to States			
Passed through the Office of the Secretary of State, Illinois State Library <i>Veterans Resource Collection</i>	45.310	LSTA-13-0201-7259	<u>4,956</u>
TOTAL U.S. INSTITUTE OF MUSEUM AND LIBRARY SERVICES			<u><u>4,956</u></u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Improving Teacher Quality State Grants			
Passed through the Illinois Board of Higher Education <i>Community College/University TEP Alignment Program</i>	84.367	N/A	<u>1,272</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u><u>1,272</u></u>
TOTAL OTHER PROGRAMS			<u><u>787,516</u></u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 51,683,382</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, 2014

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 (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

The University did not provide any federal awards to subrecipients during the fiscal year ended June 30, 2014.

3. Non-cash Assistance

The University did not receive any federal non-cash assistance during the fiscal year ended June 30, 2014.

4. Insurance

The University did not have federally funded insurance in effect during the fiscal year ended June 30, 2014.

STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY

FISCAL SCHEDULES AND ANALYSIS, Continued

Schedule of Net Appropriations, Expenditures and Lapsed Balances

Appropriations for Fiscal Year 2014

Fourteen Months Ended August 31, 2014

	Appropriations (Net After Transfers)	Expenditures through 6/30/14	Lapse Period Expenditures 7/01 - 8/31/14	Total Expenditures	Lapsed Balances
Public Act 98-0035					
Education Assistance Fund - 007:					
Personal services	\$ 21,878,800	\$ 21,817,387	\$ 61,413	\$ 21,878,800	\$ -
Group insurance	656,200	656,200	-	656,200	-
Contractual services	1,725,000	1,725,000	-	1,725,000	-
Commodities	75,000	75,000	-	75,000	-
Equipment	250,000	250,000	-	250,000	-
Awards and grants	90,000	90,000	-	90,000	-
Total Education Assistance Fund	<u>\$ 24,675,000</u>	<u>\$ 24,613,587</u>	<u>\$ 61,413</u>	<u>\$ 24,675,000</u>	<u>\$ -</u>
Total Appropriated Fund	<u>\$ 24,675,000</u>	<u>\$ 24,613,587</u>	<u>\$ 61,413</u>	<u>\$ 24,675,000</u>	<u>\$ -</u>

Note: 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, 2014, 2013, and 2012

	Fiscal Years		
	2014	2013	2012
	P.A. 98-0035	P.A. 97-0729	P.A. 97-0069
	(a)	(a)	(b)
Education Assistance Fund - 007:			
Appropriations (net after transfers)	\$ 24,675,000	\$ 24,650,500	\$ 26,253,400
Expenditures:			
Operational expenses	\$ -	\$ -	\$ 26,159,600
Personal services	21,878,800	21,854,300	-
Group insurance	656,200	656,200	-
Contractual services	1,725,000	1,725,000	-
Commodities	75,000	75,000	-
Equipment	250,000	250,000	-
Awards and grants	90,000	90,000	93,800
Total Expenditures	\$ 24,675,000	\$ 24,650,500	\$ 26,253,400
Lapsed Balances	\$ -	\$ -	\$ -
Total Appropriated Fund:			
Appropriations (net after transfers)	\$ 24,675,000	\$ 24,650,500	\$ 26,253,400
Expenditures	24,675,000	24,650,500	26,253,400
Lapsed Balances	\$ -	\$ -	\$ -

Note: 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 Years 2013 and 2014, the General Assembly provided appropriation to the University from the Education Assistance Fund. The appropriation specifically designated the purpose for which the amounts shall be used.
- (b) For Fiscal Year 2012, the General Assembly changed the appropriation to the University from the General Revenue Fund to the 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.

**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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Fund balance, beginning of year	\$ 44,871,120	\$ 39,644,295
Income fund revenues:		
Student tuition and fees	30,649,384	30,210,075
Investment income	8,215	23,227
Miscellaneous	13,553	-
Total income fund revenues	<u>30,671,152</u>	<u>30,233,302</u>
Income fund expenditures:		
Personal services (including change in accrued compensated absences)	18,662,014	16,172,760
Medicare	617,311	707,801
Contractual services	4,605,337	3,761,251
Travel	356,601	363,570
Commodities	580,219	699,570
Equipment and permanent improvements	584,455	507,848
Telecommunications services	280,023	228,518
Operation of automotive equipment	54,424	81,084
Awards, grants and matching funds	915,818	1,012,737
Tuition and fee waivers	1,670,949	1,471,338
Total income fund expenditures	<u>28,327,151</u>	<u>25,006,477</u>
Fund balance, end of year	<u>\$ 47,215,121</u>	<u>\$ 44,871,120</u>

Note: 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, 2014

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
Land	\$ 1,389,086	\$ -	\$ -	\$ 1,389,086
Equipment	17,411,621	3,115,251	790,103	19,736,769
Intangible assets	1,077,097	-	-	1,077,097
Artwork/Artifacts	403,323	28,000	-	431,323
Library collection	13,680,775	85,781	447,629	13,318,927
Buildings and site improvements	110,079,911	24,848,441	-	134,928,352
Construction in progress	<u>20,011,543</u>	<u>24,783,594</u>	<u>24,988,256</u>	<u>19,806,881</u>
Total	<u>\$ 164,053,356</u>	<u>\$ 52,861,067</u>	<u>\$ 26,225,988</u>	<u>\$ 190,688,435</u>

Note: This summary schedule was prepared using University property records required by the Illinois Administrative Code (Code). The capitalization policy in the Code is different than the capitalization policy established by the Office of the State Comptroller for financial reporting in accordance with generally accepted accounting principles. This schedule has been reconciled to property reports (C-15 Agency Report of State Property) 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, 2014

The Statement of Revenues, Expenses and Changes in Net Position is presented on page 15 of the financial audit report. Following are explanations for significant variances between expense accounts exceeding \$123,000 and 10%:

	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease)</u>		<u>Comments</u>
			<u>Amount</u>	<u>Percentage</u>	
Public service	\$ 12,314,530	\$ 14,459,403	\$ (2,144,873)	-15%	Decrease was primarily due to the overall decline in grant funding that supported this expenditure.
Institutional support	18,982,371	16,127,074	2,855,297	18%	Increase was mainly attributable to the overall increase in operations as the University prepares for its transition to a four-year institution.
Auxiliary enterprises	1,485,930	1,169,541	316,389	27%	Increase was mainly attributable to the overall increase in operations as the University prepares for its transition to a four-year institution.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

FISCAL SCHEDULES AND ANALYSIS, Continued

Analysis of Significant Variations in Revenues

For the Year Ended June 30, 2014

The Statement of Revenues, Expenses and Changes in Net Position is presented on page 15 of the financial audit report. Following are explanations for significant variances between revenue accounts exceeding \$123,000 and 10%:

	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease)</u>		<u>Comments</u>
			<u>Amount</u>	<u>Percentage</u>	
Federal grants and contracts	\$ 5,113,272	\$ 8,072,663	\$ (2,959,391)	-37%	Decrease was primarily due to the overall decline in grant funding, which is mostly attributable to the expiration of the following grants from the prior fiscal year: (a) ARRA - Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors of \$1.6 million, and (b) ARRA - Trans-NSF Recovery Act Research Support of \$2.0 million. These decreases were partially offset by the increases in funding for the following grants: (a) Head Start of \$0.2 million, and (b) ARRA - Teacher Quality Partnerships, Recovery Act of \$0.7 million.
State grants and contracts	563,309	769,682	(206,373)	-27%	Decrease was mostly due to the decrease in funding for the After School Program grants that ended during the fiscal year.
Other grants and contracts	103,916	272,228	(168,312)	-62%	Decrease was mostly attributable to the timing of revenue recognition related to the Kresge Grant.

STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY

FISCAL SCHEDULES AND ANALYSIS, Continued

Analysis of Significant Variations in Revenues, Continued
For the Year Ended June 30, 2014

	2014	2013	Increase (Decrease)		Comments
			Amount	Percentage	
Other operating revenues	\$ 2,240,079	\$ 1,630,708	\$ 609,371	37%	Increase was mostly attributable to the \$0.2 million increase in revenue from the University's Family Development Center, and the \$0.4 million increase in video production revenue from the University's media services.
Federal and State nonoperating grants	9,286,795	8,446,368	840,427	10%	Increase was primarily due to increased need of the federal Pell and State Monetary Award Program grants, and more timely processing of the related awards.
Capital additions provided by State of Illinois	6,859,646	13,648,789	(6,789,143)	-50%	Decreased as the renovations of E and F buildings were substantially completed during the fiscal year.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

FISCAL SCHEDULES AND ANALYSIS, Continued

Analysis of Significant Account Balances

For the Year Ended June 30, 2014

Cash and Cash Equivalents

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

	<u>2014</u>	<u>2013</u>
Deposit types:		
Cash	\$ 3,709,984	\$ 6,900,389
Illinois Funds	31,876,443	29,024,608
	<u>\$ 35,586,427</u>	<u>\$ 35,924,997</u>
Depositories used:		
First Midwest Bank	\$ 3,689,809	\$ 6,880,367
Illinois Funds	31,876,443	29,024,608
Cash on hand	20,175	20,022
	<u>\$ 35,586,427</u>	<u>\$ 35,924,997</u>

Cash and Cash Equivalents, Restricted

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

	<u>2014</u>	<u>2013</u>
Deposit types:		
Cash	\$ -	\$ 1,484,224
Money market	309,180	335,992
Illinois Funds	6,434,185	19,505,080
	<u>\$ 6,743,365</u>	<u>\$ 21,325,296</u>
Depositories used:		
First Midwest Bank	\$ -	\$ 1,484,224
Illinois Funds	6,434,185	19,505,080
Amalgamated Bank	309,180	335,992
	<u>\$ 6,743,365</u>	<u>\$ 21,325,296</u>

Cash and cash equivalents, restricted decreased by \$14.6 million primarily due to expending the proceeds from debt financing on construction and deferred maintenance projects.

STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY

FISCAL SCHEDULES AND ANALYSIS, Continued

Analysis of Significant Account Balances, Continued

For the Year Ended June 30, 2014

Unamortized Debt Issuance Costs

	<u>2014</u>	<u>2013</u>
Unamortized debt issuance costs - current	\$ -	\$ 65,789
Unamortized debt issuance costs - noncurrent	-	868,617
Total unamortized debt issuance costs	<u>\$ -</u>	<u>\$ 934,406</u>

Unamortized debt issuance costs, excluding the portion of prepaid debt service insurance, were eliminated and recognized as expense during Fiscal Year 2014 resulting from the adoption of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

Capital Assets

The University's capital assets as presented on the Statement of Net Position consisted of the following:

	<u>2014</u>	<u>2013</u>
Land	\$ 1,389,086	\$ 1,389,086
Artwork/Artifacts	431,323	403,323
Site improvements	7,576,773	7,576,773
Buildings	127,351,579	102,503,138
Intangible assets	1,077,097	1,077,097
Equipment	10,704,324	9,674,619
Library collection	13,318,927	13,680,775
Construction in progress	20,919,090	21,256,506
Gross capital assets	<u>182,768,199</u>	<u>157,561,317</u>
Accumulated depreciation	<u>(62,096,896)</u>	<u>(58,893,927)</u>
Net capital assets	<u>\$ 120,671,303</u>	<u>\$ 98,667,390</u>

Net capital assets increased by \$22.0 million due to the costs incurred in connection with the renovation of the University's E and F buildings and Engbretson Hall as funded by the Capital Development Board, construction of an on-campus student housing complex as funded by the University's Revenue Bonds, Series 2012, and renovation of the biology research laboratory, academic computing services laboratory and library as funded by University Income Fund.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

FISCAL SCHEDULES AND ANALYSIS, Continued

Analysis of Significant Account Balances, Continued

For the Year Ended June 30, 2014

Liabilities

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

	<u>2014</u>	<u>2013</u>
Accounts payable	\$ 10,405,093	\$ 5,101,988
Agency funds payable	156,216	149,814
Accrued compensated absences	4,075,194	4,187,015
Due to component unit	-	211,917
Unearned revenue	3,811,768	3,737,412
Refundable grants	3,476,481	3,644,107
Revenue bonds payable	27,363,921	27,729,775
Notes payable	2,676,273	3,145,401
Certificates of participation	14,515,571	15,573,243
Total liabilities	<u>\$ 66,480,517</u>	<u>\$ 63,480,672</u>

Total liabilities increased by \$3.0 million mostly due to the \$5.3 million increase in accounts payable caused by an increase in spending related to construction and renovation projects and retainage on those projects at fiscal yearend. The increase in total liabilities was partially offset by the \$1.9 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, 2014

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

	<u>2014</u>	<u>2013</u>
Accounts receivable, net of allowance for uncollectible accounts of \$5,870,000 in 2014 and \$4,900,000 in 2013	\$ 6,236,575	\$ 5,078,113
Grants receivable	3,404,783	4,675,759
State appropriation receivable	5,355,254	6,718,815
Student loans, net of allowance for uncollectible loans of \$766,000 in 2014 and \$766,000 in 2013	3,473,100	2,962,315
Due from component unit	42,396	-
Total receivables	<u>\$ 18,512,108</u>	<u>\$ 19,435,002</u>

Total receivables decreased by \$0.9 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 \$1.3 million primarily due to the timing of drawdowns and an overall decline in grant funding. State appropriation receivable decreased by \$1.4 million primarily due to more timely payments of State reimbursements. The decrease in total receivables was partially offset by the increase in accounts receivable and student loans receivable. Accounts receivable increased by \$1.2 million mostly due to an increase in the outstanding reimbursements from the University's contract with the Department of Children and Family Services. Student loans receivable increased by \$0.5 million primarily due to the timing of collection of loans from students.

An aging of accounts, grants, and student loans receivable is as follows:

	<u>2014</u>	<u>2013</u>
Not in repayment	\$ 2,499,989	\$ 2,091,920
Current	9,324,465	9,277,852
Up to 120 days past due	942,413	1,327,807
From 121 to 365 days past due	835,360	765,968
More than 365 days past due	6,148,231	4,918,640
Allowance for doubtful accounts	(6,636,000)	(5,666,000)
Net accounts, grants, and student loans receivable	<u>\$ 13,114,458</u>	<u>\$ 12,716,187</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

Schedule of Federal Expenditures, Nonfederal Expenses and New Loans

For the Year Ended June 30, 2014

Schedule A - Federal Financial Component

Total federal expenditures reported on SEFA schedule	\$ 51,683,382
Total Schedule A	<u>\$ 51,683,382</u>

Schedule B - Total Financial Component

Total operating expenses (from Financial Statements)	\$ 111,786,188
Total nonoperating expenses (from Financial Statements)	1,058,606
Total new loans made	35,146,137
Amount of federal loan balances	4,786,559
Total Schedule B	<u>\$ 152,777,490</u>

Schedule C

		<u>Percent</u>
Total Schedule A	\$ 51,683,382	33.8%
Total nonfederal expenses	101,094,108	66.2%
Total Schedule B	<u>\$ 152,777,490</u>	<u>100.0%</u>

Note: 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, 2014

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, 2014 are used to meet budgeted operational costs in Fiscal Year 2015. 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, 2014:

	<u>Indirect Costs</u>	<u>Administrative Overhead</u>	<u>Total</u>
Balance at June 30, 2013	\$ 682,396	\$ 90,383	\$ 772,779
Add: Sources			
Recovered from grants and contracts	188,322	-	188,322
Financial aid program reimbursements	-	77,482	77,482
Total sources	<u>188,322</u>	<u>77,482</u>	<u>265,804</u>
Less: Applications			
Personal services	260,431	70,334	330,765
Contractual services	185,014	450	185,464
Commodities	2,727	-	2,727
Equipment	19,862	-	19,862
Others	65,810	2,241	68,051
Total applications	<u>533,844</u>	<u>73,025</u>	<u>606,869</u>
Balance at June 30, 2014	<u>\$ 336,874</u>	<u>\$ 94,840</u>	<u>\$ 431,714</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, 2014

Cash and cash equivalents balance:	
Cash and cash equivalents	<u>\$ 575,060</u>
Actual cash carried forward	<u>575,060</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	-
Current liabilities paid in lapse period	<u>143,346</u>
Maximum allowable carry-forward	<u>1,833,200</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, 2014

	<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 \$ 7,039,039	\$ 4,019	\$ 7,268,360	\$ 33,647
Working capital allowance:				
Highest month's expenditures	7,537,017	77,529	4,960,601	137,533
Current liabilities paid during lapse period	4,968,485	-	1,600,661	69,110
Unearned revenue	-	-	603,324	-
Working capital allowance	B <u>12,505,502</u>	<u>77,529</u>	<u>7,164,586</u>	<u>206,643</u>
Current excess funds (margin of compliance):				
Deduct B from A	<u>\$ (5,466,463)</u>	<u>\$ (73,510)</u>	<u>\$ 103,774</u>	<u>\$ (172,996)</u>
Calculation of net excess funds for remittance:				
Indentured capital reserves:				
Unspent project proceeds included in cash above			\$ -	
Funds reserved for debt retirement			-	
Nonindentured capital reserves:				
5% of the replacement cost of buildings and improvements			4,540,669	
10% of the historical cost of parking lots			-	
20% of the historical cost of equipment			-	
Total allowable capital reserves			<u>\$ 4,540,669</u>	
Net excess funds			<u>\$ -</u>	

STATE OF ILLINOIS
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FISCAL SCHEDULES AND ANALYSIS, Continued

Balance Sheets - Auxiliary Enterprises and Activities Entities

As of June 30, 2014

	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	\$ 7,039,039	\$ 4,019	\$ 7,268,360	\$ 33,647	\$ 575,060	\$ 14,920,125
Accounts receivable, net	-	-	4,047,145	-	-	4,047,145
Inventories	-	-	-	65,137	-	65,137
Prepaid debt service insurance	12,690	-	-	-	-	12,690
Buildings and improvements, net	5,124,100	5,926,470	24,575,869	100,684	-	35,727,123
Housing, net	20,084,278	-	-	-	-	20,084,278
Parking lots, net	3,170,919	-	-	-	-	3,170,919
Equipment, net	223,753	63,833	-	41,501	-	329,087
Total assets	35,654,779	5,994,322	35,891,374	240,969	575,060	78,356,504
Liabilities						
Accounts payable	4,968,485	-	1,600,661	69,110	143,346	6,781,602
Revenue bonds payable	27,363,921	-	-	-	-	27,363,921
Unearned revenue	-	-	603,324	-	-	603,324
Total liabilities	32,332,406	-	2,203,985	69,110	143,346	34,748,847
Fund balances						
Other unrestricted funds	486,172	4,019	9,111,520	29,674	431,714	10,063,099
Net investment in capital assets	2,836,201	5,990,303	24,575,869	142,185	-	33,544,558
Total fund balances	3,322,373	5,994,322	33,687,389	171,859	431,714	43,607,657
Total liabilities and fund balances	\$ 35,654,779	\$ 5,994,322	\$ 35,891,374	\$ 240,969	\$ 575,060	\$ 78,356,504

**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, 2014

UNIVERSITY FACILITIES SYSTEM REVENUE BONDS - ALL FUNDS:

Revenues	<u>\$ 2,743,669</u>
Expenditures	
Personal services	1,027,409
Contractual services	949,798
Commodities	115,424
Equipment	168,203
Others	<u>577,336</u>
Total expenditures	<u>2,838,170</u>
Deficiency of revenues under expenditures	(94,501)
Fund balance, beginning of year	3,981,858
Prior period adjustment	<u>(564,984)</u>
Fund balance, beginning of year - as restated	<u>3,416,874</u>
Fund balance, end of year	<u><u>\$ 3,322,373</u></u>

CENTER FOR PERFORMING ARTS - OTHER UNRESTRICTED FUNDS:

Revenues	<u>\$ 651,703</u>
Expenditures	
Personal services	335,456
Contractual services	285,572
Commodities	29,999
Equipment	1,659
Others	<u>477</u>
Total expenditures	<u>653,163</u>
Deficiency of revenues under expenditures	(1,460)
Fund balance, beginning of year	<u>5,479</u>
Fund balance, end of year	<u><u>\$ 4,019</u></u>

**STATE OF ILLINOIS
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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, 2014

EDUCATIONAL AND STUDENT LIFE ACTIVITIES - OTHER UNRESTRICTED FUNDS

	<u>Educational Program</u>	<u>Student Activities</u>	<u>Academic Enhancement</u>	<u>Media</u>	<u>Farm</u>	<u>Telecomm</u>	<u>Others</u>	<u>Total</u>
Revenues	\$ 7,503,509	\$ 1,355,046	\$ 8,400,956	\$ 721,494	\$ 57,593	\$ 226	\$ 1,132,335	\$ 19,171,159
Expenditures								
Personal services	5,515,431	77,694	34,734	118,427	-	-	543,525	6,289,811
Contractual services	500,608	14,349	439,435	178,009	12,716	-	275,989	1,421,106
Commodities	18,071	222	63,343	10,452	-	-	11,323	103,411
Equipment	70,264	-	1,665,599	160,563	-	-	329,006	2,225,432
Others	389,794	9,200	4,574,001	8,261	-	-	978,843	5,960,099
Total expenditures	6,494,168	101,465	6,777,112	475,712	12,716	-	2,138,686	15,999,859
Excess (deficiency) of revenues over (under) expenditures	1,009,341	1,253,581	1,623,844	245,782	44,877	226	(1,006,351)	3,171,300
Fund balance (deficit), beginning of year	(1,140,228)	1,478,098	1,518,085	589,730	485,556	18,855	2,990,124	5,940,220
Fund balance (deficit), end of year	\$ (130,887)	\$ 2,731,679	\$ 3,141,929	\$ 835,512	\$ 530,433	\$ 19,081	\$ 1,983,773	\$ 9,111,520

**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, 2014

UNIVERSITY SERVICE DEPARTMENTS - OTHER UNRESTRICTED FUNDS

	<u>University Print Shop</u>	<u>Copier</u>	<u>Central Stores</u>	<u>Motor Pool</u>	<u>Mail Service</u>	<u>Total</u>
Revenues	\$ 419,174	\$ 90,432	\$ 104,516	\$ 56,812	\$ 111,700	\$ 782,634
Expenditures						
Personal services	189,690	1,698	1,478	30,911	2,297	226,074
Contractual services	125,948	118,779	7,916	-	105,367	358,010
Commodities	171,194	-	64,444	-	767	236,405
Equipment	8,754	-	2,898	-	360	12,012
Others	144	-	7,882	56,812	-	64,838
Total expenditures	<u>495,730</u>	<u>120,477</u>	<u>84,618</u>	<u>87,723</u>	<u>108,791</u>	<u>897,339</u>
Excess (deficiency) of revenues over (under) expenditures	(76,556)	(30,045)	19,898	(30,911)	2,909	(114,705)
Fund balance (deficit), beginning of year	<u>134,376</u>	<u>259</u>	<u>9,753</u>	<u>(403)</u>	<u>394</u>	<u>144,379</u>
Fund balance (deficit), end of year	<u>\$ 57,820</u>	<u>\$ (29,786)</u>	<u>\$ 29,651</u>	<u>\$ (31,314)</u>	<u>\$ 3,303</u>	<u>\$ 29,674</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, 2014

ADMINISTRATIVE OVERHEAD/INDIRECT COSTS - OTHER UNRESTRICTED FUNDS

	<u>Grants and Contracts</u>	<u>Business Office</u>	<u>Financial Aid and Veterans Affairs</u>	<u>Other Activities</u>	<u>Total</u>
Revenues	\$ 94,432	\$ 39,294	\$ 38,188	\$ 93,890	\$ 265,804
Expenditures					
Personal services	225,489	43,896	26,438	34,942	330,765
Contractual services	110,913	-	450	74,101	185,464
Commodities	-	-	-	2,727	2,727
Equipment	-	-	-	19,862	19,862
Others	-	-	2,241	65,810	68,051
Total expenditures	<u>336,402</u>	<u>43,896</u>	<u>29,129</u>	<u>197,442</u>	<u>606,869</u>
Excess (deficiency) of revenues over (under) expenditures	(241,970)	(4,602)	9,059	(103,552)	(341,065)
Fund balance (deficit), beginning of year	<u>(198,877)</u>	<u>80,419</u>	<u>9,964</u>	<u>881,273</u>	<u>772,779</u>
Fund balance (deficit), end of year	<u><u>\$ (440,847)</u></u>	<u><u>\$ 75,817</u></u>	<u><u>\$ 19,023</u></u>	<u><u>\$ 777,721</u></u>	<u><u>\$ 431,714</u></u>

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

ANALYSIS OF OPERATIONS (UNAUDITED)

University Functions and Planning Program (Unaudited)

For the Year Ended June 30, 2014

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. In December 2011, the Illinois Board of Higher Education authorized the University to move beyond its traditional role as an “upper-division” institution and to admit first-year undergraduate students beginning in the fall semester of 2014.

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.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

ANALYSIS OF OPERATIONS (UNAUDITED), Continued

University Functions and Planning Program (Unaudited), Continued

For the Year Ended June 30, 2014

- (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.
- (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 seven 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.
- (7) **Lower Division:** Develop and implement a plan to begin lower division at the University in 2014.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

ANALYSIS OF OPERATIONS (UNAUDITED), Continued

University Functions and Planning Program (Unaudited), Continued

For the Year Ended June 30, 2014

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 develops recommendations on all issues of University-wide scope and, after due deliberation, forward those recommendations to the University President.

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. The President, in turn, forwards final recommendations on tuition and fees and on budgets 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 website.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

ANALYSIS OF OPERATIONS (UNAUDITED), Continued

Average Number of Employees (Unaudited)

For the Year Ended June 30, 2014

	<u>2014</u>	<u>2013</u>
Full-time equivalent employees funded by State appropriated funds:		
Faculty	248.7	258.4
Administrative	47.5	49.9
Civil service	168.7	172.4
Other professionals	94.6	86.9
Graduate assistants	30.7	26.7
Students	5.5	9.2
Total	<u>595.7</u>	<u>603.5</u>
Full-time equivalent employees funded by nonappropriated funds:		
Faculty	20.7	25.4
Administrative	22.8	27.5
Civil service	73.7	81.3
Other professionals	103.7	112.5
Graduate assistants	6.3	15.1
Students	49.5	21.3
Total	<u>276.7</u>	<u>283.1</u>

Note: 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, 2014

Enrollment Statistics

	Academic Year 2013-2014		
	<u>Fall</u>	<u>Spring</u>	<u>Summer</u>
Headcount:			
Undergraduate	3,218	3,185	1,610
Graduate	2,350	2,295	1,554
Total	<u>5,568</u>	<u>5,480</u>	<u>3,164</u>
Full-time equivalent:			
Undergraduate	1,993	1,998	656
Graduate	1,352	1,313	819
Total	<u>3,345</u>	<u>3,311</u>	<u>1,475</u>

Student Cost Statistics

	<u>2014</u>	<u>2013</u>
Annual full-time equivalent students: [*]		
Undergraduate	2,324	2,331
Graduate	1,742	1,820
Total	<u>4,066</u>	<u>4,151</u>
Total instructional costs per IBHE Cost Study Report ^{**}	<u>\$ 27,439,773</u>	<u>\$ 24,493,520</u>
Annual full-time equivalent students	<u>4,066</u>	<u>4,151</u>
Cost per full-time equivalent student	<u>\$ 6,749</u>	<u>\$ 5,901</u>

** 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

Selected Service Efforts and Accomplishments (Unaudited)

For the Year Ended June 30, 2014

	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>
1. Student headcount - Fall term (a)	<u>5,674</u>	<u>5,660</u>	<u>5,603</u>	<u>5,609</u>	<u>5,568</u>
2. Minority enrollment - Fall term (a)	<u>2,625</u>	<u>2,617</u>	<u>2,798</u>	<u>2,814</u>	<u>2,797</u>
3. Degrees awarded - Fiscal year (b)	<u>1,718</u>	<u>1,832</u>	<u>1,701</u>	<u>1,634</u>	<u>1,621</u>
4. Credit hours - Academic year (f)	<u>120,139</u>	<u>114,853</u>	<u>115,355</u>	<u>113,602</u>	<u>111,515</u>
5. Unduplicated headcount - Academic year (d, f)	<u>7,649</u>	<u>7,444</u>	<u>7,437</u>	<u>7,396</u>	<u>7,121</u>
6. Annualized tuition and fees (c):					
Undergraduate					
Resident (e)	<u>\$ 6,606</u>	<u>\$ 7,048</u>	<u>\$ 7,202</u>	<u>\$ 7,346</u>	<u>\$ 7,562</u>
Nonresident	<u>\$ 14,670</u>	<u>\$ 12,736</u>	<u>\$ 13,034</u>	<u>\$ 13,322</u>	<u>\$ 13,682</u>
Graduate					
Resident	<u>\$ 5,364</u>	<u>\$ 5,746</u>	<u>\$ 5,882</u>	<u>\$ 5,990</u>	<u>\$ 6,170</u>
Nonresident	<u>\$ 13,104</u>	<u>\$ 10,408</u>	<u>\$ 10,670</u>	<u>\$ 10,886</u>	<u>\$ 11,192</u>

(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
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ANALYSIS OF OPERATIONS (UNAUDITED), Continued

University Bookstore Information (Unaudited)

For the Year Ended June 30, 2014

The University has a contractual arrangement for bookstore operations on campus. In September 2013, the University's current contract was amended effective September 1, 2013 through August 31, 2017. The contract with the bookstore requires commissions to be paid to the University based on the following terms:

For the period until August 31, 2013:

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.

For the period from September 1, 2013 through August 31, 2017:

1. 10.0% of all gross revenue up to \$1,000,000; plus
2. 11.0% of any part of gross revenue over \$1,000,000 but less than \$1,500,000; plus
3. 12.0% of any part of gross revenue over \$1,500,000.

During Fiscal Year 2014, the bookstore had gross sales of \$1,008,579, the University received commissions of \$114,772, and the University spent a total of \$33,627 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
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ANALYSIS OF OPERATIONS (UNAUDITED), Continued

Schedule of Degrees Awarded (Unaudited)

For the Year Ended June 30, 2014

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>
2014	645	976	1,621
2013	696	938	1,634
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

**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, 2014

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, 2014, where such special data is found.

Compliance Findings

13(a) As of June 30, 2014, no findings of noncompliance with University Guidelines were noted.

Indirect Cost Reimbursements

13(b) Refer to page 54 of this report for an analysis of the sources and applications of indirect cost reimbursements for the year ended June 30, 2014.

13(c) Refer to page 55 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, 2014

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 57 through 61 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 56 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, 2014:

Auxiliary Enterprises:	
University Facilities System Revenue Bonds	\$ 1,321,788
Center for Performing Arts	185,685
	<u>\$ 1,507,473</u>
Activities:	
Educational and Student Life Activities	\$ 2,023,556
University Service Departments	125,139
	<u>\$ 2,148,695</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, 2014

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, 2014.

- 13(i) A Statement of Revenues, Expenses and Changes in Net Position for the bond indenture required accounts is presented on page 41 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, 2014, 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 74 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 pages 36 and 37 of the financial audit report for details related to services and support provided.
- 13(o) As of June 30, 2014, 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, 2014

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, 2014 are presented in the Analysis of Significant Account Balances section of this report on page 49, and in footnotes 3 and 4 on pages 25 through 28 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 66 of this report.
- 13(t) Neither the University nor the Foundation has purchased any real estate during the year ended June 30, 2014.
- 13(u) Neither the University nor the Foundation issued certificates of participation during the year ended June 30, 2014.

**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, 2014

Summary of Foundation Cash Support to the University (Unaudited)

During Fiscal Year 2014, the University engaged the Foundation, under contract, to provide fundraising services. As provided in the contract agreement, the University provided \$297,165 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, 2014. 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, 2014.

Funds considered unrestricted for purposes of the University Guidelines computations:

Restricted only as to campus, college or department and generally available for on-going University operations:	
- Given to a particular college	\$ 13,866
- Given to a particular department	<u>209,372</u>
Total funds considered unrestricted	<u>223,238</u>

Funds considered restricted for purposes of the University Guidelines computations:

Given for Center for Performing Arts	91,430
Given for scholarships	<u>104,020</u>
Total funds considered restricted	<u>195,450</u>

Total funds provided to the University by the Foundation \$ 418,688

**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, 2014

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	-	\$ -	-	\$ -	14	\$ 22.4	14	\$ 2.5
DCFS	2	6.8	2	0.7	-	-	-	-
Children of Employees	15	14.7	15	1.6	-	-	-	-
Senior Citizens	10	16.7	10	1.9	11	20.5	11	2.3
Veterans Grants & Scholarships	325	495.6	325	55.0	208	385.5	208	42.8
Subtotal	352	533.8	352	59.2	233	428.4	233	47.6
<u>Discretionary Waivers</u>								
Faculty/Administrators	4	6.8	4	0.7	69	102.7	69	11.4
Civil Service	28	37.2	28	4.1	75	119.7	75	13.3
Academic/Other Talent	134	293.4	134	32.5	247	301.4	247	33.6
Foreign Students	-	-	-	-	3	8.2	3	0.9
Cooperating Professionals	-	-	-	-	10	6.5	10	0.8
Other Assistants	-	-	-	-	191	661.7	191	73.2
Interinstitutional/Related Agencies	-	-	-	-	110	189.0	110	21
Subtotal	166	337.4	166	37.3	705	1,389.2	705	154.2
Total	518	\$ 871.2	518	\$ 96.5	938	\$ 1,817.6	938	\$ 201.8