



**GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois**

**FEDERAL SINGLE AUDIT
In Accordance with the Single Audit Act and Applicable Federal Regulations
For the Year Ended June 30, 2022**

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

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
FEDERAL SINGLE AUDIT
In Accordance with the Single Audit Act and Applicable Federal Regulations
For the Year Ended June 30, 2022

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UNIVERSITY OFFICIALS

President	Dr. Cheryl F. Green
Vice President for Administration and Finance (October 11, 2021 to Present)	Dr. Corey S. Bradford
Vice President for Administration and Finance (July 1, 2021 to October 15, 2021)	Dr. W. Paul Bylaska
General Counsel and Vice President	Ms. Therese Nohos
Chief Internal Auditor	Mr. Kristoffer Evangelista, CPA
Associate Vice President for Finance	Ms. Villalyn Baluga, CPA

OFFICERS OF THE UNIVERSITY BOARD OF TRUSTEES

Chairman (August 5, 2022 to Present)	Ms. Angela Sebastian
Chairman (July 1, 2021 to August 4, 2022)	Ms. Lisa Harrell
Vice Chairman	Mr. Kevin Brookins
Secretary	Mr. James Kvedaras

UNIVERSITY BOARD OF TRUSTEES

Trustee (July 1, 2022 to Present)	Ms. Lluvia Hernandez-Aguirre, Student
Trustee (July 1, 2021 to June 30, 2022)	Ms. Jeanine Latrice Koger, Student
Trustee	Mr. Pedro Cevallos-Candau
Trustee	Mr. Kevin Brookins
Trustee	Mr. John Brudnak
Trustee	Ms. Lisa Harrell
Trustee	Ms. Angela Sebastian
Trustee	Mr. James Kvedaras
Trustee	Mr. Anibal Taboas

UNIVERSITY OFFICE

1 University Parkway
University Park, Illinois 60484

GOVERNORS STATE UNIVERSITY
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FEDERAL SINGLE AUDIT
In Accordance with the Single Audit Act and Applicable Federal Regulations
For the Year Ended June 30, 2022

FEDERAL COMPLIANCE REPORT

SUMMARY

The compliance testing performed during this audit of the Governors State University (University) was conducted in accordance with the Single Audit Act, Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Guidance Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, and *Government Auditing Standards*.

AUDITOR’S REPORT

The Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards, and the Schedule of Federal and Nonfederal Activity does not contain scope limitations, disclaimers, or other significant non-standard language.

SUMMARY OF FINDINGS

Number of	<u>Current Report</u>	<u>Prior Reports</u>
Findings	3	5
Repeated Findings	3	2
Prior Recommendations Implemented or Not Repeated	2	1

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
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Current Findings – *Government Auditing Standards*

2022-001	12	2021/2020	Inadequate Internal Controls Over Census Data	Material Weakness / Noncompliance
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Current Findings – Federal Compliance

2022-002	15	2021/2021	Enrollment Reporting	Significant Deficiency / Noncompliance
2022-003	17	2021/2016	Federal Perkins Loan Cohort Default Rate Too High	Noncompliance

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SCHEDULE OF FINDINGS (Continued)

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>
Prior Findings Not Repeated			
A	20	2021/2021	Exit Counseling
B	20	2021/2021	Fiscal Operations Report

EXIT CONFERENCE

Governors State University waived an exit conference in a correspondence from Ms. Villalyn Baluga, Associate Vice President for Finance, on March 15, 2023. The responses to the recommendations were provided by Ms. Villalyn Baluga, Associate Vice President for Finance, in a correspondence dated March 15, 2023.



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

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

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 and the aggregate discretely presented component unit of Governors State University (University), collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and we have issued our report thereon dated March 21, 2023. Our report includes a reference to other auditors who audited the financial statements of the Governors State University Foundation, as described in our report on the University's financial statements. The financial statements of the Governors State University Foundation were not audited in accordance with Government Auditing Standards and, accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the Governors State University Foundation or that are reported on separately by those auditors who audited the financial statements of the Governors State University Foundation.

Report on Internal Control Over Financial Reporting

Management of the University is responsible for establishing and maintaining effective internal control over financial reporting (internal control).

In planning and performing our audit of the financial statements, we considered the University's internal control as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings as item 2022-001 that we consider to be a material weakness.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings as item 2022-001.

University's Response to the Finding

Government Auditing Standards requires the auditor to perform limited procedures on the University's response to the finding identified in our audit and described in the accompanying Schedule of Findings. The University's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Chicago, Illinois
March 21, 2023



INDEPENDENT AUDITOR'S
REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND,
REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE AND
THE SCHEDULE OF FEDERAL AND NONFEDERAL FINANCIAL ACTIVITY

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Trustees
Governors State University

Report on Compliance for Each Major Federal Program

Opinion on Each Major Program

As Special Assistant Auditors for the Auditor General, we have audited compliance by Governors State University (University) with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2022. 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.

In our opinion, the University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform

Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the University's compliance with the compliance requirements referred to above.

Other Matter – Federal Expenditures Not Included in the Compliance Audit

The University's basic financial statements include the operations of Governors State University Foundation, a component unit of the University, which is not included in the University's Schedule of Expenditures of Federal Awards during the year ended June 30, 2022. Our compliance audit, described in the "Opinion on Each Major Federal Program," does not include the operations of the component unit because the component unit engaged other auditors to perform an audit of their financial statement.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the University's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the University's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the University's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the University's compliance with the compliance requirements

referred to above and performing such other procedures as we considered necessary in the circumstances.

- obtain an understanding of the University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

Instances of Noncompliance

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2022-002 and 2022-003. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the University's response to the noncompliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The University's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Corrective Action Plan

The University is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The University's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance 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, as described below, we did identify certain deficiencies in internal control over compliance that we consider to be a significant deficiency.

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 a 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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2022-002 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Internal Control Findings

Government Auditing Standards requires the auditor to perform limited procedures on the University's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The University's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Corrective Action Plan

The University is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The University's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance and the Schedule of Federal and Nonfederal Financial Activity

We have audited the financial statements of the business-type activities of Governors State University and its discretely presented component unit as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon, dated March 21, 2023, 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 basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. In addition, the accompanying Schedule of Federal and Nonfederal Financial Activity is presented for the purposes of additional analysis 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 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 Schedule of Expenditures of Federal Awards and the Schedule of Federal and Nonfederal Financial Activity is fairly stated in all material respects in relation to the basic financial statements as a whole.

SIGNED ORIGINAL ON FILE

Chicago, Illinois
March 21, 2023

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR'S RESULTS
For the Year Ended June 30, 2022

Financial Statements

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

Internal control over financial reporting:

- Material weaknesses identified? Yes No
- Significant deficiencies identified? Yes None Reported

Noncompliance material to the financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

- Material weaknesses identified? Yes No
- Significant deficiencies identified? Yes None Reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 C.F.R. § 200.516(a)? Yes No

Identification of major federal programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
84.268, 84.063, 84.038, 84.033, 84.007, 84.379, 93.925, 93.264	Student Financial Assistance Cluster
59.075	Shuttered Venue Operators Grant

Dollar threshold used to distinguish between type A and type B programs: **\$1,498,225**

Auditee qualified as a low-risk auditee? Yes No

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022

CURRENT FINDING – *GOVERNMENT AUDITING STANDARDS*

2022-001. FINDING: Inadequate Internal Controls Over Census Data

The Governors State University (University) did not have adequate internal control over reporting its census data and did not have a reconciliation process to provide assurance census data submitted to its pension and other postemployment benefits (OPEB) plans was complete and accurate.

Census data is demographic data (date of birth, gender, years of service, etc.) of the active, inactive, or retired members of a pension or OPEB plan. The accumulation of inactive or retired members' census data occurs before the current accumulation period of census data used in the plan's actuarial valuation (which eventually flows into each employer's financial statements), meaning the plan is solely responsible for establishing internal controls over these records and transmitting the data to the plan's actuary. In contrast, responsibility for active members' census data during the current accumulation period is split among the plan and each member's current employer(s). Initially, employers must accurately transmit census data elements of their employees to the plan. Then, the plan must record and retain these records for active employees and then transmit this census data to the plan's actuary.

We noted the University's employees are members of the State Universities Retirement System (SURS) for their pensions and the State Employees Group Insurance Program sponsored by the State of Illinois, Department of Central Management Services (CMS) for their OPEB. In addition, we noted these plans have characteristics of different types of pensions and OPEB plans, including single employer plans and cost-sharing multiple employer plans. Additionally, CMS' actuary uses census data for employees of the State's public universities provided by SURS, along with census data for the other participating members provided by the State's four other pensions plans, to prepare their projection of the liabilities of CMS' plan. Finally, SURS' actuary and CMS' actuary used census data transmitted by the University during Fiscal Year 2020 to project pension and OPEB-related balances and activity at the plans during Fiscal Year 2021, which is incorporated into the University's Fiscal Year 2022 financial statements.

During testing, we noted the following:

- The University had not performed an initial complete reconciliation of its census data recorded by SURS to its internal records to establish a base year of complete and accurate census data.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022

CURRENT FINDING – *GOVERNMENT AUDITING STANDARDS*

2022-001. FINDING: Inadequate Internal Controls Over Census Data (Continued)

- After establishing a base year, the University had not developed a process to annually obtain from SURS the incremental changes recorded by SURS in their census data records and reconcile these changes back to the University's internal supporting records.
- During our cut-off testing of data transmitted by the University to SURS, we noted 24 instances of an active employee becoming inactive and 1 instance of an inactive employee becoming retired were reported to SURS after the close of the fiscal year in which the event occurred.

We provided SURS' actuary and CMS' actuary with the exceptions we identified during our testing, along with the results of census data testing at the State Employees Retirement System of Illinois, and determined the net effect of these errors, along with the errors of other plan participants, was immaterial to SURS' and CMS' pension and OPEB-related balances and activity at the plans during Fiscal Year 2021.

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

University officials indicated the base year reconciliation process was not established until Fiscal Year 2021, which is currently being performed by University staff. In addition, they indicated the late reported events were due to the difficulty in timely reporting events which occur near the end of the fiscal year to SURS.

Failure to ensure complete and accurate census data was reported to SURS reduces the overall reliability of pension and OPEB-related balances and activity reported in the University's financial statements, the financial statements of other employers within both plans, and the State of Illinois' Annual Comprehensive Financial Report. (Finding Code No. 2022-001, 2021-001, 2020-001)

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022

CURRENT FINDING – *GOVERNMENT AUDITING STANDARDS*

2022-001. FINDING: Inadequate Internal Controls Over Census Data (Continued)

RECOMMENDATION

We recommend the University continue to work with SURS to complete the base year reconciliation of Fiscal Year 2021 active members' census data from its underlying records to a report of census data submitted to SURS' actuary and CMS' actuary. After completing an initial full reconciliation, the University may limit the annual reconciliations to focus on the incremental changes to the census data file from the prior actuarial valuation, provided no risks are identified that incomplete or inaccurate reporting of census data may have occurred during prior periods. Any errors identified during this process should be promptly corrected by either the University or SURS, with the impact of these errors communicated to both SURS' actuary and CMS' actuary.

Further, we recommend the University ensure all events occurring within a census data accumulation year are timely reported to SURS so these events can be incorporated into the census data provided to SURS' actuary and CMS' actuary.

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation. University staff personnel has received a reconciliation training under the guidance of SURS, and a reconciliation process has been established beginning with the Fiscal Year 2021 census data. The University has completed its Fiscal Year 2021 reconciliation; has submitted the reconciliation via the SURS encrypted file submission program; and has provided the related SURS reconciliation certification confirming the University's compliance in a timely manner. In addition, the University has established procedures to ensure census data events are reported to SURS timely and accurately.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022

CURRENT FINDINGS – FEDERAL COMPLIANCE

2022-002. FINDING: Enrollment Reporting

Federal Department:	U.S. Department of Education
Assistance Listing Number:	84.268
Cluster Name:	Student Financial Assistance Cluster
Program Name:	Federal Direct Student Loans
Award Numbers:	P268K200567, P268K210567
Questioned Cost:	None
Program Expenditures:	\$22,967,948
Cluster Expenditures:	\$34,781,190

Governors State University (University) did not timely report student enrollment information to the U.S. Department of Education’s National Student Loan Data System (NSLDS).

During our audit, we tested 40 students who experienced a change in enrollment status during the fiscal year. Our testing identified five students (13%) whose enrollment status change was not reported timely to the NSLDS. The student enrollment status changes were reported between 11 to 180 days late after the date of occurrence. The sample was not intended to be, and was not, a statistically valid sample.

The Code of Federal Regulations (34 CFR 685.309) requires the University, upon the receipt of an enrollment report from the Secretary, to update all information included in the report and return the report to the Secretary within the timeframe prescribed by the Secretary. It further requires the University to report enrollment changes within 30 days unless a roster file is expected within 60 days, in which case the enrollment data may be updated on that roster file. The Uniform Guidance (2 CFR 200.303) requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal statutes, regulations, and terms and conditions of the Federal award. Effective internal controls should include procedures to ensure timely student enrollment status reports are submitted to NSLDS.

University officials stated the students noted were granted administrative withdrawal after the semester (the students registered for) ended, which resulted in these students not being reported as withdrawn during the semester they registered for. The students “withdrawn” status was captured and reported to NSLDS in the subsequent reporting cycle, which was during the semester following the semester the students registered for.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022

CURRENT FINDINGS – FEDERAL COMPLIANCE

2022-002. FINDING: Enrollment Reporting (Continued)

Enrollment reporting in a timely manner is critical for effective management of the student financial aid programs. Noncompliance with enrollment reporting regulations may result in a loss of future Federal funding. (Finding Code No. 2022-002, 2021-003).

RECOMMENDATION

We recommend the University improve its procedures to ensure timely reporting of student enrollment status to the NSLDS.

UNIVERSITY RESPONSE

The University agrees with the above finding. The University reports enrollment status changes to NSLDS through the National Student Clearinghouse (NSC), a third-party servicer. Per University Officials, there is currently no mechanism for reporting students who were administratively withdrawn after the semester (the students registered for) ended until after the next reporting cycle to the NSC. The University will work with the NSC to determine a course of action to report these exceptions to NSLDS at the earliest possible date.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022

CURRENT FINDINGS – FEDERAL COMPLIANCE

2022-003. FINDING: Federal Perkins Loan Cohort Default Rate Too High

Federal Department:	U.S. Department of Education
Assistance Listing Number:	84.038, 84.033, 84.007, 84.063, 84.268, 84.379
Cluster Name:	Student Financial Assistance Cluster
Program Name:	Federal Perkins Loan Program – Federal Capital Contributions, Federal Work-Study Program, Federal Supplemental Educational Opportunity Grants, Federal Pell Grant Program, Federal Direct Student Loans, Teacher Education Assistance for College, and Higher Education Grants
Award Numbers:	P033A201156, P033A191156, P007A151156, P007A191156, P007A201156, P063P190567, P063P200567, P268K210567, P268K200567, P379T200567, and P379T210567
Questioned Cost:	None
Program Expenditures:	\$2,837,726; \$467,499; \$287,775; \$6,964,315; \$22,967,948; \$14,145
Cluster Expenditures:	\$34,781,190

Governors State University’s (University) Federal Perkins loan cohort default rate is in excess of the threshold for administrative capability stipulated by the U.S. Department of Education.

The Federal Perkins Loan Cohort Default Rate for the past three years (Fiscal Years 2020, 2021, and 2022, for borrowers who entered repayment during Fiscal Years 2019, 2020, and 2021, respectively) is 19.38% which exceeded the 15% threshold. The University chose to continue servicing their Perkins Loan portfolio after Federal Perkins Loan Program loan originations were discontinued in Fiscal Year 2018.

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

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022

CURRENT FINDINGS – FEDERAL COMPLIANCE

2022-003. FINDING: Federal Perkins Loan Cohort Default Rate Too High (Continued)

For institutions with less than 30 borrowers in the cohort for a fiscal year, cohort default rate is computed as the percentage of the total number of borrowers in that cohort and in the two most recent prior cohorts who are in default by the total number of borrowers in that cohort and the two most recent prior cohorts (34 CFR 668.202 (d)(2)(ii)).

The U.S. Department of Education’s Dear Colleague Letter (DCL ID: GEN-17-10) states institutions that choose to continue to service their outstanding Perkins Loan portfolios must continue to service these loans in accordance with the Federal Perkins Loan Program regulations in 34 CFR 674.

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

University officials indicated they have met all due diligence requirements with regards to Perkins collections and have worked closely with the collection agency and with former students to facilitate loan consolidations, to reduce the cohort default rate. The University’s cohort default rate during the Fiscal Year 2022 (for borrowers who entered repayment during Fiscal Year 2021) was at 11.11%, meeting the 15% threshold. However, since the number of University borrowers who entered repayment during Fiscal Year 2021 were fewer than 30, the current cohort default rate calculation also included the University borrowers who entered into repayment and defaulted for the past three years, in accordance with federal regulations.

Failure to maintain a Federal Perkins Loan cohort default rate below 15% resulted in noncompliance with the Code, the Uniform Guidance, and the U.S. Department of Education’s directive. (Finding Code No. 2022- 003, 2021-005, 2020-002, 2019-005, 2018-008, 2017-003, 2016-006)

RECOMMENDATION

We recommend the University improve its efforts and procedures to ensure its cohort default rate is not in excess of the threshold for administrative capabilities stipulated by the U.S. Department of Education.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022

CURRENT FINDINGS – FEDERAL COMPLIANCE

2022-003. FINDING: Federal Perkins Loan Cohort Default Rate Too High (Continued)

UNIVERSITY RESPONSE

The University agrees with the above finding. Per University officials, the University's cohort default rate significantly improves on a year-to-year basis. As indicated in the finding above, the University's cohort default rate during the Fiscal Year 2022 (for borrowers who entered repayment during Fiscal Year 2021) was at 11.11%, meeting the 15% threshold. The University will continue to closely monitor and communicate with students entering on default on a month-to-month basis, in addition to sending defaulted student loans to the Illinois State Comptroller's Offset system.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022

PRIOR FINDINGS NOT REPEATED

A. FINDING: Exit Counseling

During the prior audit, Governors State University (University) did not timely provide exit counseling for Federal Direct Student Loan recipients who ceased half-time study at the University.

During the current audit, our sample testing noted the University timely provided exit counseling to students awarded Federal Direct Student Loans who ceased half-time study. (Finding Code No. 2021-002)

B. FINDING: Fiscal Operations Report

During the prior audit, Governors State University (University) did not have adequate procedures to ensure accurate information was reported and the final changes, corrections, and edits to the Fiscal Operations Report and Application to Participate (FISAP) were timely filed.

During the current audit, our testing noted the University ensured that accurate information was reported on time. Updates to the FISAP were minimal and filed ahead of the deadline to file errors, adjustments, and changes. (Finding Code No. 2021-004)

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-Through Grantor Program/Grant Title	Assistance Listing Number	Federal Project or Pass-Through Number	Pass-Through To Subrecipients	FY 2022 Expenditures
STUDENT FINANCIAL ASSISTANCE CLUSTER:				
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Federal Direct Student Loans	(M) 84.268		\$ -	\$ 22,967,948
Federal Pell Grant Program	(M) 84.063		-	6,964,315
Federal Perkins Loan Program	(M) 84.038		-	2,837,726
Federal Work-Study Program	(M) 84.033		-	467,499
Federal Supplemental Educational Opportunity Grants (FSEOG)	(M) 84.007		-	287,775
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	(M) 84.379		-	14,145
TOTAL U.S. DEPARTMENT OF EDUCATION			-	33,539,408
<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/Occupational Therapy</i>	(M) 93.925		-	576,000
Nurse Faculty Loan Program (NFLP) <i>Nurse Faculty Loan Program</i>	(M) 93.264		-	665,782
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			-	1,241,782
TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER			-	34,781,190
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Education Stabilization Fund Passed through the Illinois State Board of Education <i>New Principal Mentoring Program</i>	84.425	586-28-2391-4998-F	-	20,198
COVID-19 - Education Stabilization Fund <i>COVID-19 - Education Stabilization Fund/Governors State University Emergency Financial Aid Grants Under CARES Act - Higher Education Emergency Relief Fund (HEERF) - Student Aid Portion</i>	84.425E		-	5,288,070
<i>COVID-19 - Education Stabilization Fund/Governors State University Higher Education Emergency Relief Fund (HEERF) - Institutional Portion</i>	84.425F		-	5,698,557
<i>COVID-19 - Education Stabilization Fund/Governors State University Higher Education Emergency Relief Fund (HEERF) - Strengthening Institutions Program (SIP)</i>	84.425M		-	136,623
Passed through the Illinois Board of Higher Education <i>COVID-19 - Education Stabilization Fund Program Governor's Emergency Education Relief Fund (GEERF)</i>	84.425C	21GEERGSU	-	847,944
<i>COVID-19 - Education Stabilization Fund Program Governor's Emergency Education Relief Fund (GEERF)</i>	84.425C	21RFP04	-	180,678
Total COVID-19 - Education Stabilization Fund			-	12,151,872
Elementary and Secondary School Emergency Relief Fund Passed through the Illinois Board of Higher Education <i>Illinois Tutoring Initiative</i>	84.425D	22&23TUTORIPO-GSU	-	211,745
TOTAL U.S. DEPARTMENT OF EDUCATION			-	12,383,815

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-Through Grantor Program/Grant Title	Assistance Listing Number	Federal Project or Pass-Through Number	Pass-Through To Subrecipients	FY 2022 Expenditures
RESEARCH AND DEVELOPMENT CLUSTER:				
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Higher Education - Institutional Aid <i>Integrating Pathways: Student Success Through Junior Year Transition</i>	84.031A		-	48,989
Centers for International Business Education Passed through the Trustees of Indiana University <i>Center for International Business Education Research (CIBER) 2018-2022</i>	84.220A	BL-4236302-GSU	-	21,754
TOTAL U.S. DEPARTMENT OF EDUCATION			-	<u>70,743</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Biomedical Research and Research Training Passed through the Board of Trustees of the University of Illinois <i>IRACDA at University of Illinois at Chicago</i>	93.859	18121	-	40,296
Family Smoking Prevention and Tobacco Control Act Regulatory Research Passed through the Regents of the University of Michigan <i>Center for the Assessment of the Public Health Impact of Tobacco Regulations</i>	93.077	SUBK00014316	-	25,012
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			-	<u>65,308</u>
<u>NATIONAL SCIENCE FOUNDATION</u>				
Education and Human Resources Passed through Chicago State University <i>Louis Stokes STEM Pathways and Research Alliances: The Illinois LSAMP STEM Pathway and Research Alliance (ILSPRA)</i>	47.076	53114	-	6,951
TOTAL NATIONAL SCIENCE FOUNDATION			-	<u>6,951</u>
TOTAL RESEARCH AND DEVELOPMENT CLUSTER			-	<u>143,002</u>
TRIO CLUSTER:				
<u>U.S. DEPARTMENT OF EDUCATION</u>				
TRIO Educational Opportunity Centers <i>Governors State University TRIO Educational Opportunities Centers Project</i>	84.066A		-	52,592
TOTAL U.S. DEPARTMENT OF EDUCATION			-	<u>52,592</u>
TOTAL TRIO CLUSTER			-	<u>52,592</u>
CHILDCARE AND DEVELOPMENT FUND CLUSTER:				
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Child Care and Development Block Grant <i>Child Care Workforce Bonus Program</i>	93.575		-	51,461
Passed through the Illinois Board of Higher Education <i>Degree completion pathways for the early childhood incumbent workforce</i>	93.575	601-ECC-2200-GSU	-	25,825
Total Child Care and Development Block Grant			-	<u>77,286</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			-	<u>77,286</u>
TOTAL CHILDCARE AND DEVELOPMENT FUND CLUSTER			-	<u>77,286</u>

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-Through Grantor Program/Grant Title	Assistance Listing Number	Federal Project or Pass-Through Number	Pass-Through To Subrecipients	FY 2022 Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Child Care Access Means Parents in School <i>CCAMPIS at Governors State University</i>	84.335A		-	78,168
Undergraduate International Studies and Foreign Language Programs <i>Making Spanish and Global Studies Accessible to All</i>	84.016A		-	60,400
Business and International Education Projects <i>Business and International Education Program</i>	84.153A		-	8,727
TOTAL U.S. DEPARTMENT OF EDUCATION			-	147,295
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Head Start				
<i>Early Head Start</i>	93.600		-	1,036,983
<i>COVID-19 - Early Head Start</i>	93.600		-	26,282
<i>American Rescue Plan</i>	93.600		-	76,561
Total Head Start			-	1,139,826
Mental and Behavioral Health Education and Training Grants <i>Behavioral Health Workforce Education and Training (BHWET)</i>	93.732		-	106,347
Substance Abuse and Mental Health Services Projects of Regional and National Significance <i>Module-Based Substance Use Disorders Training for Behavioral, Medical, and Allied Health Practitioners</i>	93.243		-	104,029
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	43CAC00123	-	241,650
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			-	1,591,852
<u>U.S. DEPARTMENT OF COMMERCE</u>				
Cluster Grants <i>Fostering Supply Chain and Logistics Innovation in Chicago Southland</i>	11.020		-	116,520
TOTAL U.S. DEPARTMENT OF COMMERCE			-	116,520
<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	56099527051	-	88,601
TOTAL U.S. DEPARTMENT OF AGRICULTURE			-	88,601
<u>U.S. SMALL BUSINESS ADMINISTRATION</u>				
Shuttered Venue Operators Grant Program <i>Shuttered Venue Operators Grant</i>	(M) 59.075		-	507,474
TOTAL U.S. SMALL BUSINESS ADMINISTRATION			-	507,474
<u>U.S. NATIONAL ENDOWMENT FOR THE ARTS</u>				
Promotion of the Arts Partnership Agreements <i>Arts Midwest Touring Fund</i>	45.025		-	6,500
Promotion of the Arts Grants to Organizations and Individuals <i>Importance of Arts Participation for the Sense of Belonging and Academic Outcomes of University Students of Color</i>	45.024		9,800	13,361
<i>Grants for Arts Projects, Presenting & Multidisciplinary Works</i>	45.024		-	20,000
Total Promotion of the Arts Grants to Organizations and Individuals			9,800	33,361
TOTAL U.S. NATIONAL ENDOWMENT FOR THE ARTS			9,800	39,861

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-Through Grantor Program/Grant Title	Assistance Listing Number	Federal Project or Pass-Through Number	Pass-Through To Subrecipients	FY 2022 Expenditures
<u>U.S. NATIONAL ENDOWMENT FOR THE HUMANITIES</u>				
Promotion of the Humanities Federal/State Partnership Passed through the Illinois Humanities <i>COVID-19 - American Rescue Plan Act Funding to State and Jurisdictional Humanities Councils</i>	45.129	GR_R385000_00	-	5,000
TOTAL U.S. NATIONAL ENDOWMENT FOR THE HUMANITIES			-	5,000
<u>U.S. DEPARTMENT OF TREASURY</u>				
Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) Passed through the Illinois Department of Commerce and Economic Opportunity <i>The American Rescue Plan Act/State Fiscal Recovery Fund Program</i>	21.027	21-417013	-	3,588
TOTAL U.S. DEPARTMENT OF TREASURY			-	3,588
<u>THE INSTITUTE OF MUSEUM AND LIBRARY SERVICES</u>				
National Leadership Grants Passed through Texas A&M University <i>Libraries & Veterans National Forum</i>	45.312	M2201313	-	2,772
TOTAL THE INSTITUTE OF MUSEUM AND LIBRARY SERVICES			-	2,772
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 9,800	\$ 49,940,848

(M) - Program was audited as a Major Program.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the State of Illinois, Governors State University (University) under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200 *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because this schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net position, or cash flows of the University.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The University has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 - FEDERAL STUDENT LOAN PROGRAMS

The federal student loan programs listed subsequently are administered directly by the University and balances and transactions relating to these programs are included in the University's basic financial statements. Expenditures reported on the Schedule include loans outstanding at the beginning of the year, loans made during the year, any administrative cost allowance claimed, cash balance of the fund as of the end of the year, and cancellations receivable at the end of the year. The balance of loans outstanding at June 30, 2022 consists of:

Assistance Listing Number	Program Name	Outstanding Balance at June 30, 2022
84.038	Federal Perkins Loan Program	\$940,194
93.264	Nurse Faculty Loan Program	\$283,765

NOTE 4 - SUBRECIPIENTS

During the year ended June 30, 2022, the University passed through federal assistance to subrecipients in an amount of \$9,800.

NOTE 5 - NON-CASH ASSISTANCE

The University did not receive any federal non-cash assistance during the year ended June 30, 2022.

NOTE 6 - INSURANCE

The University did not have federally funded insurance in effect during the year ended June 30, 2022.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FEDERAL AND NONFEDERAL FINANCIAL ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2022

The following schedules are used to determine the University's Single Audit costs in accordance with the Uniform Guidance (2 C.F.R. § 200.425).

Schedule A: Federal Financial Component

Total federal expenditures ¹	\$ 49,940,848
Total, Schedule A	\$ 49,940,848

Schedule B: Total Financial Component

Total operating expenses ²	\$ 124,575,711
Total nonoperating expenses ²	1,361,915
Federal loan balances: ^{1,3}	
Perkins Loan Program	2,837,726
Nursing Faculty Loan Program	606,284
Total value of new federal loans: ^{1,4}	
Perkins Loan Program	-
Nursing Faculty Loan Program	59,498
Federal Direct Loans	22,967,948
Other noncash federal award expenditures	-
Total, Schedule B	\$ 152,409,082

Schedule C: Computation of Nonfederal Expenses

Total, Schedule B	\$ 152,409,082	100.0%
Total, Schedule A	49,940,848	32.8%
Total nonfederal expenses	\$ 102,468,234	67.2%

¹ Obtained from the Schedule of Expenditures of Federal Awards

² Obtained from the Statement of Revenues, Expenses, and Changes in Net Positions

³ Balance at the beginning of the fiscal year with continuing compliance requirements

⁴ Balance of loans issued during the fiscal year