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OFFICE OF THE AUDITOR GENERAL  
WILLIAM G. HOLLAND

REPORT DIGEST

5-94-61200-10

**GOVERNORS STATE UNIVERSITY  
FINANCIAL AND COMPLIANCE AUDIT**  
(In accordance with the Single Audit Act of 1984  
and OMB Circular A-133)  
For the Year Ended June 30, 1994

SYNOPSIS

- The University did not provide internal audit coverage for all significant audit areas and did not properly document the work which was performed. This condition has existed since 1987.
- The University took an early draw of federal funds related to the College Work Study program.
- The University did not maintain separate bank accounts for federal programs. Consequently, the cash balance of each federal program was not clear.
- The University charged expenses to federal programs without adequate documentation of the charges.

{Expenditures and Activity Measures are summarized on the reverse page.}

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RECYCLED PAPER · SOYBEAN INKS

**GOVERNOR'S STATE UNIVERSITY  
FINANCIAL AND COMPLIANCE AUDIT  
FOR THE YEAR ENDED JUNE 30, 1994**

FINANCIAL OPERATIONS (CURRENT FUNDS)	FY 1994	FY 1993
<b>REVENUES</b>		
Appropriations . . . . .	\$ 18,942,300	\$ 17,641,900
Student tuition and fees . . . . .	9,460,782	7,965,844
Grants, contracts, and gifts . . . . .	1,807,445	1,445,984
Auxiliary enterprises . . . . .	289,382	287,770
Other . . . . .	1,393,658	680,358
<b>Total . . . . .</b>	<u>\$ 31,893,567</u>	<u>\$ 28,021,856</u>
<b>EXPENDITURES AND MANDATORY TRANSFERS</b>		
Instruction . . . . .	\$14,341,798	\$ 12,985,738
Research . . . . .	41,015	53,244
Academic support . . . . .	1,590,096	1,607,593
Student services . . . . .	1,770,184	1,684,476
Institutional support . . . . .	7,988,293	7,021,419
Operation of plant . . . . .	3,759,293	3,581,391
Staff benefits . . . . .	1,394,308	1,572,420
Scholarships and fellowships . . . . .	414,828	310,065
Auxiliary enterprises . . . . .	283,730	332,560
Mandatory transfers . . . . .	31,064	22,034
Public service . . . . .	573,261	379,877
<b>Total . . . . .</b>	<u>\$ 32,187,870</u>	<u>\$ 29,550,817</u>
SELECTED ACCOUNT BALANCES (ALL FUNDS)	JUNE 30, 1994	JUNE 30, 1993
Cash and short-term investments . . . . .	\$ 3,154,990	\$ 1,016,687
Accrued compensated absences . . . . .	6,292,166	5,914,449
Fund balances (deficit):		
Unrestricted . . . . .	(5,817,040)	(5,046,280)
Restricted . . . . .	27,180	268,792
Loan . . . . .	2,251,612	1,836,082
Net investment in plant . . . . .	57,395,251	48,216,988
SUPPLEMENTARY INFORMATION	FY 1994	FY 1993
<b>Employment Statistics</b>		
Appropriated funds:		
Faculty/administrative . . . . .	284.3	266.6
Civil service . . . . .	211.2	218.3
Student employees . . . . .	43.5	32.7
Nonappropriated funds:		
Faculty/administrative . . . . .	28.2	25.7
Civil service . . . . .	39.9	40.1
Student employees . . . . .	64.7	49.0
<b>Total Employees . . . . .</b>	<b>671.8</b>	<b>632.4</b>
<b>Selected Activity Measures</b>		
Annual full-time equivalent students - undergraduate . . . . .	1,844	1,716
Annual full-time equivalent students - graduate . . . . .	1,671	1,418
Full-time equivalent cost per student . . . . .	\$8,479	\$8,803
<b>UNIVERSITY PRESIDENT</b>		
During Audit Period: Dr. Paula Wolff		
Currently: Dr. Paula Wolff		

## INTRODUCTION

Governors State University is a two-year upper division university located in University Park near Chicago. The annual full-time equivalent enrollment of Governors State is approximately 3,500 students.

## FINDINGS AND RECOMMENDATIONS

### INTERNAL AUDITS

We noted two significant problems with the internal audit function of the University.

First, all major areas of internal controls were not covered during the audit period. This problem was compounded by the failure of the University to keep a copy of an approved two-year audit plan as required by the Fiscal Control and Internal Audit Act. Significant internal control areas not covered by internal audit included revenues, accounting, and EDP. (Finding 1, page 7) **This finding has been repeated since 1987.**

Second, the audit workpapers we examined contained deficiencies. We noted lack of documentation of items required by internal auditing standards. The items not properly documented included the source of the information recorded in the workpapers, evidence of supervisory review, and cross references to other workpapers. (Finding 2, page 8)

We recommended the University comply with the provisions of the Fiscal Control and Internal Audit Act by providing internal audit coverage for all required areas, and recommended the internal audit workpapers comply with all applicable internal audit standards for documentation.

The University agreed with our recommendations and stated they are being implemented. (For previous agency responses, see Digest Footnote 1.)

### CASH MANAGEMENT AND EARLY DRAW OF FUNDS

The University made early drawdowns of federal funds related to the College Work Study Program. The University attempts to run its U.S. Department of Education federal programs on a reimbursement basis; that is, drawdowns are not initiated until the money has been disbursed. We noted that some drawdowns for this program were initiated based on anticipated expenses. (Finding 8, page 80)

We recommended the University comply with the U.S. Department of Education requirements that drawdowns be made within three days of disbursement of the funds drawn. The University responded that the drawdowns cited in excess of federally-defined cash needs resulted from two inaccurate assessments of projected three-day cash needs and did not materially differ from the U.S. Department of Education's drawdown policies.

... future errors in estimating cash needs, the University changed its drawdown  
... of October 1, 1994, so that federal drawdowns are now based on only the actual  
... at the date of the drawdown.

### FAIR OF SEPARATE FUND ACCOUNTS

... The University has not established separate ledger accounts for each federal program.  
... utilizes a single non-interest bearing checking account for the management of all  
... grant funds. Further, a single set of balance sheet accounts is utilized for all  
... Department of Education "direct" grants. Due to this method of accounting, we were unable  
... to adequately test the drawdown of federal funds because the cash position of any single grant  
... was not readily determinable. (Finding 9, page 81)

... We recommended the University separate the balance sheet accounting for each federal  
... program. The University responded that it has implemented the recommendation effective July  
... 1994.

### INADEQUATE DOCUMENTATION OF FEDERAL EXPENSES

... The University charged expenses to federal programs without clear documentation of the  
... charges.

#### Eisenhower Math & Science (FY93 Project - \$108,000)

... Secretarial time (\$2,000) was charged to the grant. No written timekeeping records exist  
... to substantiate this charge to the program. In addition, charges were also made to the  
... program for contractual services (\$639), commodities (\$955) and travel (\$1,925) based  
... on estimates.

#### Federal Work Study (Job Location and Development)

... \$13,585 (representing 67.4% of an employee's total salary) was charged to the J.L.D.  
... Program. No formal written payroll distribution records for this employee were  
... available; but we were informed that the employee spends about 60% of her time on  
... J.L.D. duties. (Finding 10, page 82)

... We recommended charges to federal programs be made only on the basis of properly  
... documented and supported costs. The University responded that while documentation for the  
... charges cited in the finding were based on estimated expenditures, those charges were both  
... reasonable and proper. The University agreed to strengthen its grant management quality control  
... procedures to document future charges as they are incurred.

### OTHER FINDINGS

... The remaining findings are less significant and are being given appropriate attention by  
... the University.

## AUDITORS' OPINION

Our auditors have expressed the opinion that the financial statements of Governors State University are fairly presented.



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WILLIAM G. HOLLAND, Auditor General

WGH:JTD:jr  
May 16, 1995

## SUMMARY OF AUDIT FINDINGS

<u>Number of</u>	<u>This Audit</u>	<u>Prior Audit</u>
Audit findings	9	9
Repeated audit findings	6	3
Recommendations implemented or not repeated	3	7

## SPECIAL ASSISTANT AUDITORS

Nykiel, Carlin, Lemna & Co. served as our special assistant auditors on this audit.

## DIGEST FOOTNOTES

### #1 Internal Audit Deficiencies - Previous Agency Responses

#### Responses:

- 1993: "The University agrees with the finding and is implementing the recommendation."
- 1991: "The University agrees with the finding and will implement the recommendation."
- 1989 "The university agrees with the finding and recommendation. A comprehensive audit plan has been submitted to the President of the University which would ensure coverage of all major systems of internal accounting and administrative controls, as well as grants administration within the 1990-91 period, as required by the Internal Audit Act. This plan was approved by the President on July 18, 1989.