



STATE OF ILLINOIS
**OFFICE OF THE
AUDITOR GENERAL**

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

GOVERNORS STATE UNIVERSITY

**Financial Audit, Compliance Examination
and Single Audit
For the Year Ended: June 30, 2010**

Release Date: March 22, 2011

Summary of Findings:

Total this audit:	12
Total last audit:	5
Repeated from last audit:	2

SYNOPSIS

- The University did not have adequate procedures over verification of eligibility requirements for Trio-Cluster – Student Support Services and Upward Bound (EXCEL and Greater Success for U) programs.
- The University did not have adequate record keeping over its equipment acquired from federal funds.
- The University did not have adequate controls in documenting and monitoring the match/cost share provided to the Teacher Quality Partnership Grants.
- The University recorded indirect cost in excess of the federally approved rate.
- The University did not comply with required contracting procedures.
- The University did not comply with the University Faculty Research and Consulting Act.

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

GOVERNORS STATE UNIVERSITY
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
For The Year Ended June 30, 2010

FINANCIAL OPERATIONS	2010	2009*
Operating Revenues		
Student tuition and fees, net.....	\$ 29,882,217	\$ 27,263,876
Grants and contracts	6,975,962	7,204,523
Auxiliary enterprises.....	2,080,224	1,947,705
Sales and services of educational departments.....	6,278,087	6,844,693
Other operating revenues.....	1,150,338	1,464,086
Total Operating Revenues.....	<u>\$ 46,366,828</u>	<u>\$ 44,724,883</u>
Operating Expenses		
Instruction.....	39,975,168	38,597,331
Research.....	1,344,335	1,663,614
Public service.....	11,656,065	11,258,728
Academic support.....	2,175,037	2,077,361
Student serices.....	6,411,820	5,641,293
Institutional support.....	14,136,343	12,793,162
Operation and maintenance of plant.....	6,969,225	6,213,820
Auxiliary enterprises.....	1,589,064	1,662,066
Depreciation expense.....	2,921,072	2,689,039
Total Operating Expenses.....	<u>87,178,129</u>	<u>82,596,414</u>
Operating Income (Loss).....	(40,811,301)	(37,871,531)
NONOPERATING REVENUES (EXPENSES)		
State appropriations - general revenue fund.....	\$ 25,986,000	\$ 27,616,290
ARRA fund.....	2,338,400	-
Payments on behalf of the University.....	17,363,000	13,094,122
Pell Grant.....	5,593,162	3,221,205
Investment income.....	54,664	299,097
Interest on capital assets and related debt.....	(299,857)	(56,063)
Other nonoperating expenses.....	(33,246)	(16,617)
NET NONOPERATING REVENUES (EXPENSES)	<u>51,002,123</u>	<u>44,158,034</u>
INCREASE (DECREASE) IN NET ASSETS.....	<u>\$ 10,190,822</u>	<u>\$ 6,286,503</u>
Net assets, beginning of year.....	\$ 67,998,176	\$ 61,711,673
Net assets, end of year.....	<u>\$ 78,188,998</u>	<u>\$ 67,998,176</u>
SUMMARY - BALANCE SHEET		
Current Assets.....	\$ 48,982,447	\$ 44,142,262
Noncurrent Assets	<u>78,084,519</u>	<u>68,359,392</u>
Total Assets.....	<u>\$ 127,066,966</u>	<u>\$ 112,501,654</u>
Current Liabilities.....	\$ 11,629,168	\$ 9,973,752
Noncurrent Liabilities.....	<u>37,248,800</u>	<u>34,529,726</u>
Total Liabilities.....	<u>\$ 48,877,968</u>	<u>\$ 44,503,478</u>
Total Net Assets.....	<u>\$ 78,188,998</u>	<u>\$ 67,998,176</u>
* Certain reclassifications have been made to the 2009 amounts to conform with the 2010 presentation		
PRESIDENT		
During Audit Period and Currently: Dr. Elaine Maimon		

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**INADEQUATE PROCEDURES OVER VERIFICATION OF
ELIGIBILITY REQUIREMENTS**

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

In our eligibility testing of 30 participants under the TRIO Cluster we noted the following:

Eligibility determination was not supported for some participants

- The University's eligibility determination for five participants was either not supported or does not agree with the supporting documents on file.
- The University did not completely document its eligibility determination for 15 participants. Items on the verification portion of the application form, such as age, citizenship, grade level, enrollment, first generation, income, or disability, were not properly filled-out by program evaluators.

Failure to document and verify the required eligibility information may result in providing benefits or scholarship awards to ineligible applicants thereby resulting in noncompliance with Federal regulations, policies and procedures. (Finding 1, Pages 16-17)

We recommended that the University verify the eligibility requirements for grant applicants and maintain supporting documentation to ensure compliance with Federal regulations.

University agrees with the auditors

University officials accepted the recommendation.

INADEQUATE RECORD KEEPING OVER EQUIPMENT

The University did not have adequate record keeping over its equipment acquired from federal funds.

Equipment acquired with federal funds cannot be identified from the property records

An inventory of the University's property and equipment is maintained in the Fixed Assets module (property records) of the University's Jenzabar information system (CARS). Asset details in the property records include a description of the equipment, serial number, acquisition date, location, asset status, unit acquisition cost, and disposition data, among others. However, University equipment acquired from federal funds cannot be identified from the property records as the source of funds is not indicated.

During our detailed testing of R&D and TRIO Clusters, we obtained a general ledger listing of equipment acquired from these federal funds during the fiscal year 2010 and noted that the following items, each valued at \$500 and above, were not included in the property records:

Equipment items not included on the property listing

- Four items of telephone and data answering equipment with a total value of \$2,248 acquired and charged to the R&D Cluster – Computer and Information Science and Engineering grant fund.
- Three items of scientific equipment with a total value of \$6,546 acquired and charged to the R&D Cluster – Education and Human Resources grant fund.
- Electronic data processing equipment valued at \$4,171 acquired and charged to the TRIO Cluster – Student Support Services grant fund. (Finding 2, pages 18-19)

We recommended that the University comply with federal regulations by monitoring equipment acquired from federal funds

University agrees with the auditors

University officials accepted the recommendation and stated that since this was brought to their attention, the University moved all identified federal equipment into a separate property location in the inventory system and that their new Enterprise Resource Planning system will have the ability to track and identify federal equipment in the inventory system.

CONTROLS OVER FEDERAL MATCHING NEED IMPROVEMENT

The University did not have adequate controls in documenting and monitoring the match/cost share provided to the Teacher Quality Partnership Grants.

In our review of grant performance reports, we noted the following:

Reported match was \$41,993 less than the required amount

The University could not provide support for the \$125,634 match presented on the performance report

- The final performance report for the budget period ended September 30, 2009 for the Teacher Quality Partnership grant – Improving the Preparation of Pre-Service Teachers in Real World Contexts program showed a match of \$125,634, which is \$41,993 or 25% less than the required recipient’s non-federal share of \$167,627. Additionally, we asked for the supporting documentation for the \$125,634 presented on the final performance report but the University was not able to provide it.
- The annual performance report for the April 15, 2010

reporting period for the Teacher Quality Partnership grant – Recruiting and Mentoring of Teachers In Real-World Contexts program did not show any matching amount. The required match should have been \$114,110.

Inadequate controls over federal matching resulted in noncompliance with federal requirements and may result in the withholding of funding for other eligible projects or activities. (Finding 4, pages 22-23)

We recommended that the University improve its procedures to ensure compliance with federal requirements.

University agrees with the auditors

University officials accepted the recommendation and stated that they are making improvements to their grant process and communication procedures as well as hiring additional grant accounting staff to ensure compliance.

INDIRECT COST RECORDED IN EXCESS OF THE FEDERALLY APPROVED RATE

The University recorded indirect costs in excess of the federally approved rate.

Excess indirect cost of \$9,336

In our detailed testing of the Research and Development Cluster – Minority Health and Health Disparities Research program we noted that for the fiscal year ended June 30, 2010, the cost recorded represented 61% of the program's cost base, which is 6% in excess of the approved rate of 55%. This resulted in an excess indirect cost of \$9,336.

Pursuant to the Grant Award Notification issued by the Department of Health and Human Services, the University's cognizant agency for the program, the approved indirect cost rate for the grant is 55% of payroll and fringe benefit costs. (Finding 5, pages 24-25)

We recommended that the University implement procedures to ensure that indirect costs recorded are in accordance with the federally approved rate.

University agrees with the auditors

University officials accepted the recommendation.

NONCOMPLIANCE WITH REQUIRED CONTRACTING PROCEDURES

The University did not comply with certain required contracting procedures.

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

Some contracts did not have the required signatures

- Four contracts totaling \$3,074,064 did not have the three signatures required for contracts of \$250,000 or more.

Contracts not filed with the Office of the State Comptroller

- Two contracts each valued at more than \$10,000 and a contract for professional and artistic services valued at more than \$5,000 were not filed with the Office of the State Comptroller. These contracts were incurred against locally-held funds.
- Three contracts each valued at more than \$10,000 were not filed with the Office of the State Comptroller within 15 days after execution (three to nine days late). These contracts were incurred against locally-held funds. (Finding 7, pages 28-29)

We recommended that the University ensure all contracts over the threshold amounts are filed with the Office of the State Comptroller and that the three signatures for contracts of \$250,000 or more are obtained.

University agrees with the auditors

University officials accepted the recommendation and stated that since this was brought to their attention, the University has modified the contracting procedures to ensure compliance.

NONCOMPLIANCE WITH THE UNIVERSITY FACULTY RESEARCH AND CONSULTING ACT

The University did not comply with the University Faculty Research and Consulting Act.

Approval is to be obtained in advance

Each year, the University's Office of the President requests all faculty members who intend to perform outside research and/or consulting services to submit a Request for Advance Approval of University Faculty Research and Consulting (Request). Faculty members who intend to perform outside research and/or consulting are required to obtain approval from the University President or the President's designee before performing outside services.

Some requests were approved after the start of the service

During our review of nine Requests and the related Annual Statement of Time Spent on Outside Research and/or Consulting Services we noted that three Requests were approved two to 78 days after the start of the related services. In addition, two Annual statements were not submitted by the faculty members to the University. (Finding 9, pages 35-36)

We recommended that the University ensure that faculty members comply with the University Faculty Research and Consulting Act as required by statute.

University agrees with the auditors

University officials accepted the recommendation.

OTHER FINDINGS

The remaining findings are reportedly being given attention by University officials. We will review progress toward implementation of our recommendations in our next audit.

AUDITORS' OPINION

Our auditors state the University financial statements as of June 30, 2010 and for the year then ended, are fairly presented in all material respects.

A handwritten signature in blue ink, appearing to read "William G. Holland", is written above a horizontal line. A small number "2" is written at the end of the signature.

WILLIAM G. HOLLAND
Auditor General

WGH:TLK:pp

SPECIAL ASSISTANT AUDITORS

E.C. Ortiz & Co., LLP were our special assistant auditors.