

**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, 2015**

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, 2015**

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**Financial Statement Report:**

The University’s financial statement report for the year ended June 30, 2015, which includes the Independent Auditor’s Report, Management’s Discussion and Analysis, Basic Financial Statements and Notes to the Basic Financial Statements, Required Supplementary Information - Pension and Notes to the Required Supplementary Information - Pension, 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  
COMPLIANCE EXAMINATION  
(IN ACCORDANCE WITH THE SINGLE AUDIT ACT AND OMB CIRCULAR A-133)  
FOR THE YEAR ENDED JUNE 30, 2015**

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**STATE OF ILLINOIS  
GOVERNORS STATE UNIVERSITY  
COMPLIANCE EXAMINATION  
FOR THE YEAR ENDED JUNE 30, 2015**

**University Officials**

President	Dr. Elaine Maimon
Interim Executive Vice President October 28, 2015 to present	Dr. Gebeyehu Ejigu
Executive Vice President, Treasurer April 1, 2015 to October 28, 2015	Mr. David Meadows
Executive Vice President, Chief of Staff, Treasurer Through June 30, 2015	Dr. Gebeyehu Ejigu
Interim Vice President, Administration and Finance November 1, 2015 to present	Dr. Jeffrey Slovak
Vice President, Administration and Finance Through August 15, 2015	Ms. Karen Kissel
General Counsel and Vice President	Ms. Alexis Kennedy
Internal Auditor November 1, 2015 to present Through October 31, 2015	Vacant Mr. David Dixon
Associate Vice President for Finance September 1, 2015 to present	Ms. Melinda Gieseke, CPA
Controller Through August 31, 2015	Ms. Melinda Gieseke, CPA

***University offices are located at:***

1 University Parkway  
University Park, Illinois 60484

February 9, 2016

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


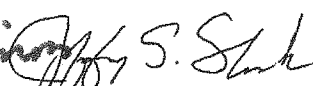
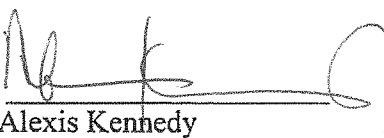
Ladies and Gentlemen:

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, 2015. Based on this evaluation, we assert that during the year ended June 30, 2015, 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  
\_\_\_\_\_  
Dr. Jeffrey Slovak  
Interim 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, 2015**

**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	7	6
Repeated findings	5	3
Prior recommendations implemented or not repeated	1	8

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
<b>FINDING (GOVERNMENT AUDITING STANDARDS)</b>			
No matters were reported.			
<b>FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE)</b>			
2015-001	17	Errors in the Verification and Updating of Information in Student Aid Applications	Noncompliance/ Significant Deficiency
2015-002	20	Failure to Meet Earmarking Requirements for Head Start Program	Noncompliance/ Significant Deficiency
2015-003	22	Required Annual Submission to the U.S. Department of Education Not Made Timely	Noncompliance/ Significant Deficiency
2015-004	24	Noncompliance with Federal Reporting Requirements for Post-9/11 Veterans Educational Assistance Grant	Noncompliance/ Significant Deficiency

**STATE OF ILLINOIS  
GOVERNORS STATE UNIVERSITY  
COMPLIANCE EXAMINATION  
FOR THE YEAR ENDED JUNE 30, 2015**

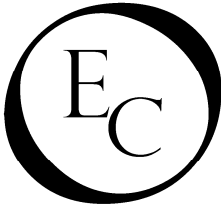
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued**

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (STATE COMPLIANCE)			
2015-005	26	Time Sheets Not Properly Maintained	Noncompliance/ Significant Deficiency
2015-006	28	Inadequate Controls Over Verification of Job Applicant's Information	Noncompliance/ Significant Deficiency
2015-007	30	Weakness with Payment Card Industry Data Security Standards	Noncompliance/ Significant Deficiency
PRIOR FINDING NOT REPEATED			
A	32	Noncompliance with Federal Requirements on Notification of Disbursements	

**EXIT CONFERENCE**

The University waived having an exit conference in a letter dated February 4, 2016 from the University's Associate Vice President for Finance, Ms. Melinda Gieseke.

The responses to the recommendations were provided by Ms. Melinda Gieseke in a letter dated February 9, 2016.



**INDEPENDENT ACCOUNTANT’S REPORT ON STATE COMPLIANCE, ON INTERNAL CONTROL OVER COMPLIANCE, AND ON SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES**

Honorable Frank J. Mautino  
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, 2015. 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, 2015. 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 2015-005 through 2015-007.

### **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 2015-005 through 2015-007, 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, 2015, and have issued our report thereon dated December 21, 2015, 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 other auditors 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 auditors. We have not performed any procedures with respect to the audited financial statements subsequent to December 21, 2015. The accompanying supplementary information for the year ended June 30, 2015 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, 2015 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, 2015 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, 2015.

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, 2014 and June 30, 2013 (not presented herein), and have issued our reports thereon dated December 12, 2014 and December 20, 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 other auditors 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 auditors. The accompanying supplementary information for the years ended June 30, 2014 and June 30, 2013 in Schedules 4 through 10 and 12 is the responsibility of management and was derived from and relates directly to the

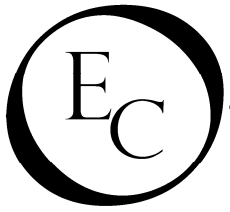
underlying accounting and other records used to prepare the June 30, 2014 and June 30, 2013 financial statements. The accompanying supplementary information for the years ended June 30, 2014 and June 30, 2013 in Schedules 4 through 10 and 12 has been subjected to the auditing procedures applied in the audits of the June 30, 2014 and June 30, 2013 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, 2014 and June 30, 2013 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. Artiz & Co., LLP*  
Chicago, Illinois

February 9, 2016, except for our report on the Supplementary Information for State Compliance Purposes, as to which the date is December 21, 2015.



**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, 2015, 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 21, 2015. 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. Artig & Co., LLP*  
Chicago, Illinois  
December 21, 2015



**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 Frank J. Mautino  
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, 2015. 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, 2015 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, 2015.

### ***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 2015-001 through 2015-004. 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, 2015 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 2015-001 through 2015-004 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, 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated December 21, 2015, which contained unmodified opinions on those financial statements. 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. 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 21, 2015. 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. Artig & Co., LLP*  
Chicago, Illinois

February 9, 2016, except for our report on the Schedule of Expenditures of Federal Awards, as to which the date is December 21, 2015.

**STATE OF ILLINOIS  
GOVERNORS STATE UNIVERSITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**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 Loan Program - 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)
93.264	Nurse Faculty Loan Program (NFLP)
93.925	Scholarships for Health Professions Students from Disadvantaged Backgrounds

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FOR THE YEAR ENDED JUNE 30, 2015**

**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>
84.405	Teacher Quality Partnership Grants Cluster: ARRA - Teacher Quality Partnerships, Recovery Act
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, 2015**

**CURRENT FINDINGS - FEDERAL COMPLIANCE**

**Federal Agency:** U.S. Department of Education

<b>Program Name</b>	<b>CFDA #</b>	<b>Program Expenditures</b>
SFA Cluster - Federal Direct Student Loans	84.268	\$43,724,055
SFA Cluster - Federal Pell Grant Program	84.063	\$7,710,218
SFA Cluster - Federal Perkins Loan Program - Federal Capital Contributions	84.038	\$4,128,903
SFA Cluster - Federal Work-Study Program	84.033	\$340,232
SFA Cluster - Federal Supplemental Educational Opportunity Grants	84.007	\$146,414

**Questioned Costs:** None - Procedural Finding Only

2015-001. **FINDING** (Errors in the Verification and Updating of Information in Student Aid Applications)

Governors State University (University) had errors in the verification and updating of information submitted by students applying for subsidized financial aid under the Student Financial Assistance Cluster programs.

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 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 Institutional Student Information Report (ISIR) will have the correct information when calculating the student's financial aid award.

During our detailed verification testing, we noted three (5%) of 60 student samples tested had errors on information reflected on the ISIR as follows:

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**CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued**

- Difference on a student's parents' U.S. income tax paid of \$2,884 (\$2,884 per the University verification worksheet 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 did not affect the total amount awarded to the student.
- Difference on a student's parents' untaxed pensions of \$355 (none per University verification worksheet and \$355 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 \$100 in awards made to the student.
- Difference on income earned from work of a non-tax filer student of \$9,982 (none per University verification worksheet and \$9,982 per supporting income document) 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 did not affect the total amount awarded to the student.

The Code of Federal Regulations (34 CFR Section 668.54(a)(1)) states that an institution must require an applicant whose Free Application for Federal Student Aid (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 2014-2015, the Federal Register notice published on June 13, 2013 (FR Doc. 2013-14069) specifies verification items and acceptable documentation for FAFSA information which include U.S. income tax paid, untaxed pensions, and income earned from work by non-tax filer.

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.

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**CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued**

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 procedures to ensure accurate information is reflected on the ISIR.

University officials stated that the errors were caused by clerical miscalculations during a period of high volume ISIR processing and administrative oversight.

Errors in the 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. 2015-001, 2014-001, 2013-006)

**RECOMMENDATION**

We recommend the University strengthen 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. An extensive review of the verification process has been performed and changes have been made to further minimize the possibility of any human error. While the human error aspect cannot be completely eliminated, the University's processes are in accordance with federal regulations and funds are awarded in a manner consistent with U.S. Department of Education best practices.

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FOR THE YEAR ENDED JUNE 30, 2015**

**CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued**

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

<b>Program Name</b>	<b>CFDA #</b>	<b>Program Expenditures</b>
Head Start	93.600	\$903,919

**Questioned Costs:** None - Procedural Finding Only

2015-002. **FINDING** (Failure to Meet Earmarking Requirements for Head Start Program)

Governors State University (University) did not meet the funded enrollment requirement 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 2015, we noted that the University did not meet the funded enrollment requirement for 7 months (1 to 5 individuals under enrolled).

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 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

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**CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued**

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 that funded enrollment is being met.

University officials stated the condition noted above was due to changes in eligibility guidelines that made it more difficult to enroll participants, staffing shortages in the recruitment area, and the loss of enrolled families that moved out of the service area.

Failure to meet the funded enrollment of its Head Start program resulted in noncompliance with the federal program earmarking requirement. Additionally, the awarding agency may recapture, withhold, or reduce the base grant for the program. (Finding Code Nos. 2015-002, 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 University has increased recruitment through staffing and marketing as an effort to maintain enrollment requirements.



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**CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued**

**Federal Agency:** U.S. Department of Education

<b>Program Name</b>	<b>CFDA #</b>	<b>Program Expenditures</b>
SFA Cluster - Federal Direct Student Loans	84.268	\$43,724,055
SFA Cluster - Federal Pell Grant Program	84.063	\$7,710,218
SFA Cluster - Federal Perkins Loan Program - Federal Capital Contributions	84.038	\$4,128,903
SFA Cluster - Federal Work-Study Program	84.033	\$340,232
SFA Cluster - Federal Supplemental Educational Opportunity Grants	84.007	\$146,414
SFA Cluster - Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379	\$68,300

**Questioned Costs:** None - Procedural Finding Only

2015-003. **FINDING** (Required Annual Submission to the U.S. Department of Education Not Made Timely)

Governors State University (University) did not submit its June 30, 2014 audited financial statements and compliance audits to the U.S. Department of Education within the required timeframe.

During our audit, we noted the June 30, 2014 audited financial statements and compliance audits required to be submitted electronically, via eZ-Audit, to the U.S. Department of Education by March 31, 2015, were submitted by the University on April 2, 2015 (2 days late). However, the U.S. Department of Education did not impose any sanction for the late submission as the June 30, 2014 data collection form and related reporting package was submitted by the University to the Federal Audit Clearinghouse on March 12, 2015, within the required timeframe for A-133 submissions.

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**CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued**

The Office of Management and Budget (OMB) Circular A-133 Compliance Supplement (Part 5, Clusters of Programs, Student Financial Assistance Programs), the U.S. Department of Education's Step by Step Guide to Using eZ-Audit for Public Schools, and the May 16, 2003 Federal Register (Vol. 68, No. 95) require institutions receiving grants or loans from the U.S. Department of Education under the specified Title IV programs to submit audited financial statements and compliance audits electronically, via eZ-Audit, to the U.S. Department of Education annually within nine months after the end of the fiscal year.

In addition, 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 each of its federal programs. An effective system of internal controls should include procedures to ensure compliance with federal reporting requirements and timely submission of required federal reports.

University officials stated that the condition noted above was due to oversight.

Failure to submit timely the required annual information impairs the ability of the U.S. Department of Education to perform its review and monitoring functions on a timely basis. Additionally, this resulted in noncompliance with federal requirements and could also result in the withholding of funding for other eligible projects or activities involving the University. (Finding Code No. 2015-003)

**RECOMMENDATION**

We recommend the University ensure timely submission of required federal reports.

**UNIVERSITY RESPONSE**

The University agrees with this finding and accepts the recommendation. The University has implemented processes to ensure timely submission of required federal reports.

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FOR THE YEAR ENDED JUNE 30, 2015**

**CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued**

**Federal Agency:** U.S. Department of Veterans Affairs

<b>Program Name</b>	<b>CFDA #</b>	<b>Program Expenditures</b>
Post-9/11 Veterans Educational Assistance	64.028	\$533,066

**Questioned Costs:** None - Procedural Finding Only

2015-004. **FINDING** (Noncompliance with Federal Reporting Requirements for Post-9/11 Veterans Educational Assistance Grant)

Governors State University (University) is a recipient of a grant from the Veterans Benefits Administration of the U.S. Department of Veterans Affairs (VA). The University did not comply with the federal reporting requirements of the grant.

In our detailed testing of 25 students awarded with Post-9/11 Veterans Educational Assistance grant during the Academic Year 2014-2015, we noted the following:

- Enrollment status change for a student (4%) was not reported to VA within 30 days from the date the change occurred (53 days late).
- Enrollment status change for a student (4%) was not reported to VA at all, which resulted in an overstatement of \$328 in award made to the student. The University subsequently reported the enrollment status change to VA after being noted during the audit.

The Code of Federal Regulations (38 CFR 21.4203(d)(1)) requires for any change in status or change in number of hours of credit of attendance occurs, the school will initiate a report of the change in time for the VA to receive it within 30 days of the date on which the change occurs.

In addition, the 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

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FOR THE YEAR ENDED JUNE 30, 2015**

**CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued**

of its federal programs. An effective system of internal controls should include procedures to ensure compliance with the reporting requirements of its federal grant programs.

University officials stated that the conditions noted above were due to administrative oversight.

Reporting of enrollment status changes is critical for effective administration of the federal grant program as a student's enrollment status determines the amount of award that a student is eligible to receive, among others. Failure to properly report enrollment status changes resulted in an overstatement in award made to the student and noncompliance with federal requirements. Additionally, this could result in the withholding of funding for other eligible projects or activities involving the University. (Finding Code No. 2015-004)

**RECOMMENDATION**

We recommend the University improve its procedures to ensure compliance with the reporting requirements of its Post-9/11 Veterans Educational Assistance federal grant program.

**UNIVERSITY RESPONSE**

The University agrees with this finding and accepts the recommendation. The University has hired and trained staff to reduce the probability of this occurring in the future.

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FOR THE YEAR ENDED JUNE 30, 2015**

**CURRENT FINDINGS - STATE COMPLIANCE**

2015-005.     **FINDING**     (Time Sheets Not Properly Maintained)

Governors State University (University) is not maintaining time sheets for its faculty members in compliance with the State Officials and Employees Ethics Act (Act). In addition, some time sheets were not approved as required by University procedures.

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 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.

In addition, the University’s procedures require each employee’s timesheet to be approved by his or her supervisor and/or unit head.

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.
- Timesheets submitted by two administrative employees for one pay period were not approved by the employees’ supervisor or unit head.

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. In addition, the condition noted on timesheets not approved was due to administrative oversight.

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FOR THE YEAR ENDED JUNE 30, 2015**

**CURRENT FINDINGS - STATE COMPLIANCE, Continued**

By not requiring positive time reporting from all its employees, the University is not in compliance with the Act. In addition, timesheets not being approved as required by University procedures may result in inaccurate time records and overpayment of payroll. (Finding Code Nos. 2015-005, 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. In addition, the University should adhere to its procedures of approving employees' timesheets.

**UNIVERSITY RESPONSE**

This finding is under study. 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.

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FOR THE YEAR ENDED JUNE 30, 2015**

**CURRENT FINDINGS - STATE COMPLIANCE, Continued**

2015-006.     **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 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 reference check form which is a required documentation relating to the University's verification procedures.

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

The 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.

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 maintain the required documentation relating to the verification procedures resulted in noncompliance with University procedures. (Finding Code Nos. 2015-006, 2014-005)

**RECOMMENDATION**

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

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**CURRENT FINDINGS - STATE COMPLIANCE, Continued**

**UNIVERSITY RESPONSE**

The University agrees with this finding and accepts the recommendation. The University has implemented procedures to ensure that all required documentation is forwarded to the Human Resources Department as a part of the hiring process.



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SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**CURRENT FINDINGS - STATE COMPLIANCE, Continued**

2015-007.     **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, student housing, and fitness memberships. In Fiscal Year 2015, the University handled approximately 22,000 transactions estimated at approximately \$12.5 million.

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

- Completed Self-Assessment Questionnaire (SAQ) on all areas where cardholder data are processed.
- Formally documented procedures for all areas that handle credit card transactions, assess each area and ensure compliance with PCI DSS.
- Ensured that all devices used to process credit card transactions are PCI compliant.
- Maintained updated agreements with credit card service providers.

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.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**CURRENT FINDINGS - STATE COMPLIANCE, Continued**

University officials stated the University had taken steps to satisfy PCI compliance requirements; however, were not fully implemented as of fiscal year end due to timing constraints.

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 Nos. 2015-007, 2014-006)

**RECOMMENDATION**

We recommend the University:

- At least annually, assess each program accepting credit card payments and match the payment method to the appropriate SAQ.
- Complete the appropriate SAQ(s) for its environment and maintain documentation supporting its validation efforts.
- Ensure agreements with service providers are current and maintained.
- Maintain contact with service providers to ensure sufficient knowledge and awareness of PCI Compliance status, issues, and guidance.
- Formally document procedures for all areas that handle credit card transactions.
- Upgrade all 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 has developed procedures to 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.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**PRIOR FINDING NOT REPEATED**

A. **FINDING** (Noncompliance with Federal Requirements on Notification of Disbursements)

During the prior examination, the University did not comply with federal requirements on notification of financial aid disbursements to students under the Student Financial Assistance Cluster programs. One student with four disbursements did not receive the required notifications regarding disbursements of Federal Direct Student Loans and Federal Perkins Loans.

During the current examination, our sample testing disclosed that the required notifications of financial aid disbursements to students were made by the University in compliance with federal regulations. (Finding Code Nos. 2014-002, 2013-007)

**STATE OF ILLINOIS  
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COMPLIANCE EXAMINATION  
FOR THE YEAR ENDED JUNE 30, 2015**

**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  
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COMPLIANCE EXAMINATION  
FOR THE YEAR ENDED JUNE 30, 2015**

**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, 2015*

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Federal Project or Pass-Through Number	FY 2015 Expenditures
<b>MAJOR PROGRAMS</b>			
STUDENT FINANCIAL ASSISTANCE CLUSTER:			
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Federal Direct Student Loans	84.268		\$ 43,724,055
Federal Pell Grant Program	84.063		7,710,218
Federal Perkins Loan Program - Federal Capital Contributions	84.038		4,128,903
Federal Work-Study Program	84.033		340,232
Federal Supplemental Educational Opportunity Grants	84.007		146,414
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379		<u>68,300</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u><u>56,118,122</u></u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Nurse Faculty Loan Program (NFLP) <i>Nurse Faculty Loan Program</i>	93.264		732,874
Scholarships for Health Professions Students from Disadvantaged Backgrounds <i>Scholarships for Health Professions Students from Disadvantaged Backgrounds/CSW</i>	93.925		<u>633,530</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u><u>1,366,404</u></u>
TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER			<u><u>57,484,526</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>2,331,001</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u><u>2,331,001</u></u>
TOTAL TEACHER QUALITY PARTNERSHIP GRANTS CLUSTER			<u><u>2,331,001</u></u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Head Start <i>Early Head Start</i>	93.600		<u>903,919</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u><u>903,919</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, 2015*

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Federal Project or Pass-Through Number	FY 2015 Expenditures
<u>U.S. DEPARTMENT OF VETERANS AFFAIRS</u>			
Post-9/11 Veterans Educational Assistance <i>VA Chapter 33 Award</i>	64.028		533,066
TOTAL U.S. DEPARTMENT OF VETERANS AFFAIRS			533,066
<b>TOTAL MAJOR PROGRAMS</b>			<b>61,252,512</b>
<b>OTHER PROGRAMS</b>			
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-1411219	928
TOTAL NATIONAL SCIENCE FOUNDATION			928
TOTAL RESEARCH AND DEVELOPMENT CLUSTER			928
<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	43CTC00123	163,117
Child Care and Development Block Grant Passed through the Illinois Department of Human Services <i>Child Care and Development Block Grant</i>	93.575	80408490W	55,958
<i>Child Care and Development Block Grant</i>	93.575	01001490B	10,849
			66,807
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			229,924
<u>LIBRARY OF CONGRESS</u>			
Teaching With Primary Sources <i>Teaching With Primary Sources</i>	N.A.	GA06C0076	193,800
TOTAL LIBRARY OF CONGRESS			193,800
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Juvenile Accountability Block Grants Passed through the Illinois Juvenile Justice Commission <i>Juvenile Accountability Block Grants</i>	16.523	FCSTR03614	81,009
TOTAL U.S. DEPARTMENT OF JUSTICE			81,009

**STATE OF ILLINOIS  
GOVERNORS STATE UNIVERSITY**

**FISCAL SCHEDULES AND ANALYSIS, Continued**

**Schedule of Expenditures of Federal Awards, Continued**  
*For the Year Ended June 30, 2015*

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Federal Project or Pass-Through Number	FY 2015 Expenditures
<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.	<u>79,940</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u><u>79,940</u></u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Race to the Top - Early Learning Challenge Passed through the Illinois Board of Higher Education <i>Race to the Top Incentive Grants</i>	84.412	2014-4999-00-65108016051	44,287
Centers for International Business Education Passed through the Indiana University <i>CIBER - Award</i>	84.220	N/A	<u>21,738</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u><u>66,025</u></u>
<u>NATIONAL ENDOWMENT FOR THE ARTS</u>			
Promotion of the Arts_Grants to Organizations and Individuals <i>Art Rising</i>	45.024		<u>10,000</u>
TOTAL NATIONAL ENDOWMENT FOR THE ARTS			<u><u>10,000</u></u>
<b>TOTAL OTHER PROGRAMS</b>			<u><b>661,626</b></u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><b>\$ 61,914,138</b></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, 2015*

**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**

During the fiscal year ended June 30, 2015, the University provided federal award to a subrecipient under the Juvenile Accountability Block Grants (CFDA Number 16.523) amounting to \$60,696.

**3. Non-cash Assistance**

The University did not receive any federal non-cash assistance during the fiscal year ended June 30, 2015.

**4. Insurance**

The University did not have federally funded insurance in effect during the fiscal year ended June 30, 2015.

STATE OF ILLINOIS  
GOVERNORS STATE UNIVERSITY

FISCAL SCHEDULES AND ANALYSIS, Continued

Schedule of Net Appropriations, Expenditures and Lapsed Balances

Appropriations for Fiscal Year 2015

Fourteen Months Ended August 31, 2015

	<u>Appropriations (Net After Transfers)</u>	<u>Expenditures through 6/30/15</u>	<u>Lapse Period Expenditures 7/01 - 8/31/15</u>	<u>Total Expenditures</u>	<u>Lapsed Balances</u>
Public Acts 98-0678 and 99-0001					
Education Assistance Fund - 007:					
Personal services	\$ 21,328,800	\$ 21,159,114	\$ 1,507	\$ 21,160,621	\$ 168,179
Group insurance	595,300	437,464	122,115	559,579	35,721
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	88,000	88,000	-	88,000	-
	<u>\$ 24,062,100</u>	<u>\$ 23,734,578</u>	<u>\$ 123,622</u>	<u>\$ 23,858,200</u>	<u>\$ 203,900</u>
Total Education Assistance Fund	<u>\$ 24,062,100</u>	<u>\$ 23,734,578</u>	<u>\$ 123,622</u>	<u>\$ 23,858,200</u>	<u>\$ 203,900</u>
Total Appropriated Fund	<u>\$ 24,062,100</u>	<u>\$ 23,734,578</u>	<u>\$ 123,622</u>	<u>\$ 23,858,200</u>	<u>\$ 203,900</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, 2015, 2014, and 2013

	Fiscal Years		
	2015 P.A. 98-0678 and P.A. 99-0001	2014 P.A. 98-0035	2013 P.A. 97-0729
<b>Education Assistance Fund - 007:</b>			
Appropriations (net after transfers)	\$ 24,062,100	\$ 24,675,000	\$ 24,650,500
Expenditures:			
Personal services	\$ 21,160,621	\$ 21,878,800	\$ 21,854,300
Group insurance	559,579	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	88,000	90,000	90,000
Total Expenditures	\$ 23,858,200	\$ 24,675,000	\$ 24,650,500
Lapsed Balances	\$ 203,900	\$ -	\$ -

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 Income Fund Revenues and Expenditures**

*For the Years Ended June 30, 2015 and 2014*

	<u>2015</u>	<u>2014</u>
Fund balance, beginning of year	\$ 47,215,121	\$ 44,871,120
Income fund revenues:		
Student tuition and fees	33,842,100	30,649,384
Investment income	6,928	8,215
Miscellaneous	24,283	13,553
Total income fund revenues	<u>33,873,311</u>	<u>30,671,152</u>
Income fund expenditures:		
Personal services (including change in accrued compensated absences)	21,972,209	18,662,014
Medicare	756,144	617,311
Contractual services	4,907,534	4,605,337
Travel	279,917	356,601
Commodities	593,201	580,219
Equipment and permanent improvements	605,435	584,455
Telecommunications services	255,653	280,023
Operation of automotive equipment	63,820	54,424
Awards, grants and matching funds	1,197,069	915,818
Tuition and fee waivers	1,813,001	1,670,949
Total income fund expenditures	<u>32,443,983</u>	<u>28,327,151</u>
Fund balance, end of year	<u>\$ 48,644,449</u>	<u>\$ 47,215,121</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, 2015

	<b>Balance</b> <b>June 30, 2014</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance</b> <b>June 30, 2015</b>
Land	\$ 1,389,086	\$ -	\$ -	\$ 1,389,086
Equipment	19,736,769	2,620,147	976,289	21,380,627
Equipment under capital lease	-	236,662	-	236,662
Intangible assets	1,077,097	-	-	1,077,097
Artwork/Artifacts	431,323	-	-	431,323
Library collection	13,318,927	91,022	560,784	12,849,165
Buildings and site improvements	134,928,352	25,086,151	20,000	159,994,503
Construction in progress	19,806,881	5,279,270	25,086,151	-
Total	<u>\$ 190,688,435</u>	<u>\$ 33,313,252</u>	<u>\$ 26,643,224</u>	<u>\$ 197,358,463</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, 2015

The Statement of Revenues, Expenses and Changes in Net Position is presented on page 16 of the financial audit report. Following are explanations for significant variances between expense accounts exceeding \$112,000 and 10%:

	2015	2014	Increase (Decrease)		Comments
			Amount	Percentage	
Academic support	\$ 2,940,413	\$ 2,676,252	\$ 264,161	10%	Increase was primarily attributable to the overall increase in operations resulting from the University's transition to a four-year undergraduate institution and the negotiated salary increase of 2.8% for most full-time employees.
Student services	11,557,096	9,974,678	1,582,418	16%	Increase was primarily attributable to the overall increase in operations resulting from the University's transition to a four-year undergraduate institution and the negotiated salary increase of 2.8% for most full-time employees.
Operation and maintenance of plant	11,131,670	8,253,658	2,878,012	35%	Increase was primarily attributable to the overall increase in operations resulting from the University's transition to a four-year undergraduate institution and the negotiated salary increase of 2.8% for most full-time employees.

**STATE OF ILLINOIS  
GOVERNORS STATE UNIVERSITY**

**FISCAL SCHEDULES AND ANALYSIS, Continued**

**Analysis of Significant Variations in Expenses, Continued**  
*For the Year Ended June 30, 2015*

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>		<u>Comments</u>
			<u>Amount</u>	<u>Percentage</u>	
Auxiliary enterprises	\$ 1,892,209	\$ 1,485,930	\$ 406,279	27%	Increase was primarily attributable to the overall increase in operations resulting from the University's transition to a four-year undergraduate institution, the negotiated salary increase of 2.8% for most full-time employees, and the operations of the on-campus student housing complex which began in late summer of 2014.
Depreciation	4,723,021	3,858,722	864,299	22%	Increased as assets under construction in the prior fiscal year are completed and depreciated during the current fiscal year.
Interest expense	1,730,542	1,052,668	677,874	64%	Increase was primarily due to the fact that interest capitalization in the prior fiscal year is now being expensed as the related construction projects are completed.

**STATE OF ILLINOIS  
GOVERNORS STATE UNIVERSITY**

**FISCAL SCHEDULES AND ANALYSIS, Continued**

**Analysis of Significant Variations in Revenues**

*For the Year Ended June 30, 2015*

The Statement of Revenues, Expenses and Changes in Net Position is presented on page 16 of the financial audit report. Following are explanations for significant variances between revenue accounts exceeding \$112,000 and 10%:

	2015	2014	Increase (Decrease)		Comments
			Amount	Percentage	
State grants and contracts	\$ 680,222	\$ 563,309	\$ 116,913	21%	Increase was mostly due to the fact that unspent funds for some grants were returned during Fiscal Year 2014. Grants were more closely monitored during Fiscal Year 2015 to ensure that funding is spent during the grant period.
Other grants and contracts	269,568	103,916	165,652	159%	Increase was mostly attributable to the timing of revenue recognition related to the Kresge Grant.
Auxiliary enterprises	2,725,837	1,233,039	1,492,798	121%	Increase was mostly attributable to the operations of the on-campus student housing complex which began in late summer of 2014.
Other operating revenues	2,586,827	2,240,079	346,748	15%	Increase was mostly attributable to the increase in revenue from the Family Development Center due to higher enrollment in full-time child care.



STATE OF ILLINOIS  
GOVERNORS STATE UNIVERSITY

FISCAL SCHEDULES AND ANALYSIS, Continued

Analysis of Significant Variations in Revenues, Continued

For the Year Ended June 30, 2015

	2015	2014	Increase (Decrease)		Comments
			Amount	Percentage	
Payments made on behalf of the University	\$ 32,313,639	\$ 28,461,000	\$ 3,852,639	14%	Payments made by the State on behalf of the University to fund retirement, health, life, and dental insurance benefits for University employees and retirees are paid directly by other State agencies on behalf of the University. In Fiscal Year 2015, the State's funding of retirement and health benefits increased by \$0.7 million and \$3.1 million, respectively.
Federal and State nonoperating grants	10,710,436	9,286,795	1,423,641	15%	Increase was primarily due to increased enrollment and need for the federal Pell and State Monetary Award Program grants.
Capital additions provided by State of Illinois	2,968,818	6,859,646	(3,890,828)	-57%	Decreased as the Capital Development Board projects 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, 2015*

**Cash and Cash Equivalents**

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

	<u>2015</u>	<u>2014</u>
Deposit types:		
Cash	\$ 7,029,911	\$ 3,709,984
Illinois Funds	28,769,247	31,876,443
	<u>\$ 35,799,158</u>	<u>\$ 35,586,427</u>
Depositories used:		
First Midwest Bank	\$ 7,009,298	\$ 3,689,809
Illinois Funds	28,769,247	31,876,443
Cash on hand	20,613	20,175
	<u>\$ 35,799,158</u>	<u>\$ 35,586,427</u>

**Cash and Cash Equivalents, Restricted**

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

	<u>2015</u>	<u>2014</u>
Deposit types:		
Money market	\$ 373,317	\$ 309,180
Illinois Funds	28,497	6,434,185
	<u>\$ 401,814</u>	<u>\$ 6,743,365</u>
Depositories used:		
Amalgamated Bank	\$ 373,317	\$ 309,180
Illinois Funds	28,497	6,434,185
	<u>\$ 401,814</u>	<u>\$ 6,743,365</u>

Cash and cash equivalents, restricted decreased by \$6.3 million primarily due to expending the proceeds from debt financing on the on-campus student housing construction project.

**STATE OF ILLINOIS  
GOVERNORS STATE UNIVERSITY**

**FISCAL SCHEDULES AND ANALYSIS, Continued**

**Analysis of Significant Account Balances, Continued**

*For the Year Ended June 30, 2015*

**Capital Assets**

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

	<u>2015</u>	<u>2014</u>
Land	\$ 1,389,086	\$ 1,389,086
Artwork/Artifacts	431,323	431,323
Site improvements	9,309,741	7,576,773
Buildings	151,946,953	127,351,579
Intangible assets	1,077,097	1,077,097
Equipment under capital lease	236,662	-
Equipment	11,956,809	10,704,324
Library collection	12,849,165	13,318,927
Construction in progress	-	20,919,090
Gross capital assets	<u>189,196,836</u>	<u>182,768,199</u>
Accumulated depreciation	<u>(65,970,804)</u>	<u>(62,096,896)</u>
Net capital assets	<u>\$ 123,226,032</u>	<u>\$ 120,671,303</u>

Net capital assets increased by \$2.6 million due to the costs incurred in connection with the renovation of the University's E and F buildings and roadways/sidewalks 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 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, 2015*

**Liabilities**

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

	<u>2015</u>	<u>2014</u>
Accounts payable	\$ 3,671,890	\$ 10,405,093
Agency funds payable	190,744	156,216
Accrued compensated absences	4,077,424	4,075,194
Due to component unit	4,144	-
Unearned revenue	4,161,997	3,811,768
Refundable grants	3,654,484	3,476,481
Revenue bonds payable	26,568,068	27,363,921
Notes payable	2,189,246	2,676,273
Capital lease payable	241,394	-
Certificates of participation	13,417,899	14,515,571
Total liabilities	<u>\$ 58,177,290</u>	<u>\$ 66,480,517</u>

Total liabilities decreased by \$8.3 million mostly due to the \$6.7 million decrease in accounts payable caused by the decrease in spending related to construction and renovation projects and retainage on those projects at fiscal yearend as the projects are completed, and the \$2.4 million in principal payments made on revenue bonds payable, notes payable, and certificates of participation. These decreases were partially offset by the \$0.4 million increase in unearned revenue primarily due to higher level of collections during the fiscal year that are attributable to tuition and fees for the following fiscal year (summer and fall semesters of 2015), and the \$0.2 million liability from capital lease entered into by the University during the fiscal year.

**STATE OF ILLINOIS  
GOVERNORS STATE UNIVERSITY**

**FISCAL SCHEDULES AND ANALYSIS, Continued**

**Analysis of Receivables**

*For the Year Ended June 30, 2015*

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

	<u>2015</u>	<u>2014</u>
Accounts receivable, net of allowance for uncollectible accounts of \$6,500,000 in 2015 and \$5,870,000 in 2014	\$ 4,536,489	\$ 6,236,575
Grants receivable	1,110,536	3,404,783
State appropriation receivable	3,680,628	5,355,254
Student loans, net of allowance for uncollectible loans of \$700,000 in 2015 and \$766,000 in 2014	3,574,925	3,473,100
Due from component unit	-	42,396
Total receivables	<u>\$ 12,902,578</u>	<u>\$ 18,512,108</u>

Total receivables decreased by \$5.6 million mostly due to the decrease in net accounts receivable, grants receivable and State appropriation receivable. Net accounts receivable decreased by \$1.7 million primarily due to more timely payments of reimbursements from the University's contract with the Department of Children and Family Services. Grants receivable, which consists of amounts due from the federal government and other granting sources at the end of the fiscal year, decreased by \$2.3 million primarily due to the timing of drawdowns. State appropriation receivable decreased by \$1.7 million primarily due to decrease in total State appropriation and timely payments of State reimbursements.

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

	<u>2015</u>	<u>2014</u>
Not in repayment	\$ 2,488,633	\$ 2,499,989
Current	5,154,851	9,324,465
Up to 120 days past due	1,233,314	942,413
From 121 to 365 days past due	1,060,294	835,360
More than 365 days past due	6,484,858	6,148,231
Allowance for doubtful accounts	<u>(7,200,000)</u>	<u>(6,636,000)</u>
Net accounts, grants, and student loans receivable	<u>\$ 9,221,950</u>	<u>\$ 13,114,458</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, 2015

**Schedule A - Federal Financial Component**

Total federal expenditures reported on SEFA schedule	\$ 61,914,138
Total Schedule A	<u>\$ 61,914,138</u>

**Schedule B - Total Financial Component**

Total operating expenses (from Financial Statements)	\$ 121,254,240
Total nonoperating expenses (from Financial Statements)	1,735,387
Total new loans made	43,724,055
Amount of federal loan balances	4,861,777
Total Schedule B	<u>\$ 171,575,459</u>

**Schedule C**

		<b><u>Percent</u></b>
Total Schedule A	\$ 61,914,138	36.1%
Total nonfederal expenses	109,661,321	63.9%
Total Schedule B	<u>\$ 171,575,459</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, 2015*

The University receives indirect and administrative cost reimbursements for administration of grants and contracts, federally assisted financial aid programs, Veterans Affairs 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, 2015 are used to meet budgeted operational costs in Fiscal Year 2016. 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, 2015:

	<b>Indirect Costs</b>	<b>Administrative Overhead</b>	<b>Total</b>
Balance at June 30, 2014	\$ 336,874	\$ 94,840	\$ 431,714
Add: Sources			
Recovered from grants and contracts	156,384	-	156,384
Financial aid program reimbursements	-	58,758	58,758
Total sources	<u>156,384</u>	<u>58,758</u>	<u>215,142</u>
Less: Applications			
Personal services	188,901	59,937	248,838
Contractual services	134,083	-	134,083
Commodities	1,415	-	1,415
Equipment	3,489	-	3,489
Others	9,316	-	9,316
Total applications	<u>337,204</u>	<u>59,937</u>	<u>397,141</u>
Balance at June 30, 2015	<u>\$ 156,054</u>	<u>\$ 93,661</u>	<u>\$ 249,715</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, 2015*

Cash and cash equivalents balance:	
Cash and cash equivalents	\$ 403,811
Actual cash carried forward	<u>403,811</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>154,096</u>
Maximum allowable carry-forward	<u>1,843,950</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, 2015*

	<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 \$ (414,121)	\$ (3,089)	\$ 5,991,698	\$ 6,851
Working capital allowance:				
Highest month's expenditures	2,329,286	110,354	2,912,884	129,114
Current liabilities paid during lapse period	513,527	-	564,585	57,959
Unearned revenue	199,916	-	721,059	-
Working capital allowance	B <u>3,042,729</u>	<u>110,354</u>	<u>4,198,528</u>	<u>187,073</u>
Current excess funds (margin of compliance):				
Deduct B from A	<u>\$ (3,456,850)</u>	<u>\$ (113,443)</u>	<u>\$ 1,793,170</u>	<u>\$ (180,222)</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			4,589,357	
10% of the historical cost of parking lots			-	
20% of the historical cost of equipment			-	
Total allowable capital reserves			<u>\$ 4,589,357</u>	
Net excess funds			<u>\$ -</u>	

STATE OF ILLINOIS  
GOVERNORS STATE UNIVERSITY

FISCAL SCHEDULES AND ANALYSIS, Continued

Balance Sheets - Auxiliary Enterprises and Activities Entities

As of June 30, 2015

	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	
<b>Assets</b>						
Cash and cash equivalents	\$ (414,121)	\$ (3,089)	\$ 5,991,698	\$ 6,851	\$ 403,811	\$ 5,985,150
Accounts receivable, net	603,751	-	2,034,268	4,732	-	2,642,751
Inventories	-	-	-	53,432	-	53,432
Prepaid debt service insurance	11,750	-	-	-	-	11,750
Buildings and improvements, net	4,988,357	5,992,324	24,848,947	96,336	-	35,925,964
Housing, net	20,936,846	-	-	-	-	20,936,846
Parking lots, net	2,972,840	-	-	-	-	2,972,840
Equipment, net	205,515	95,298	-	156,796	-	457,609
Total assets	<u>29,304,938</u>	<u>6,084,533</u>	<u>32,874,913</u>	<u>318,147</u>	<u>403,811</u>	<u>68,986,342</u>
<b>Liabilities</b>						
Accounts payable	513,527	-	564,585	57,959	154,096	1,290,167
Revenue bonds payable	26,568,068	-	-	-	-	26,568,068
Unearned revenue	199,916	-	721,059	-	-	920,975
Total liabilities	<u>27,281,511</u>	<u>-</u>	<u>1,285,644</u>	<u>57,959</u>	<u>154,096</u>	<u>28,779,210</u>
<b>Fund balances</b>						
Other unrestricted funds	(512,062)	(3,089)	6,740,322	7,056	249,715	6,481,942
Net investment in capital assets	2,535,489	6,087,622	24,848,947	253,132	-	33,725,190
Total fund balances	<u>2,023,427</u>	<u>6,084,533</u>	<u>31,589,269</u>	<u>260,188</u>	<u>249,715</u>	<u>40,207,132</u>
Total liabilities and fund balances	<u>\$ 29,304,938</u>	<u>\$ 6,084,533</u>	<u>\$ 32,874,913</u>	<u>\$ 318,147</u>	<u>\$ 403,811</u>	<u>\$ 68,986,342</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**

*For the Year Ended June 30, 2015*

**UNIVERSITY FACILITIES SYSTEM REVENUE BONDS - ALL FUNDS:**

Revenues	<u>\$ 4,118,243</u>
Expenditures	
Personal services	1,476,193
Contractual services	1,726,481
Commodities	195,789
Equipment	962,394
Others	<u>1,056,332</u>
Total expenditures	<u>5,417,189</u>
Deficiency of revenues under expenditures	(1,298,946)
Fund balance, beginning of year	<u>3,322,373</u>
Fund balance, end of year	<u><u>\$ 2,023,427</u></u>

**CENTER FOR PERFORMING ARTS - OTHER UNRESTRICTED FUNDS:**

Revenues	<u>\$ 702,743</u>
Expenditures	
Personal services	372,511
Contractual services	288,934
Commodities	38,762
Equipment	9,217
Others	<u>427</u>
Total expenditures	<u>709,851</u>
Deficiency of revenues under expenditures	(7,108)
Fund balance, beginning of year	<u>4,019</u>
Fund deficit, end of year	<u><u>\$ (3,089)</u></u>

**STATE OF ILLINOIS  
GOVERNORS STATE UNIVERSITY**

**FISCAL SCHEDULES AND ANALYSIS, Continued**

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

*For the Year Ended June 30, 2015*

**EDUCATIONAL AND STUDENT LIFE ACTIVITIES - OTHER UNRESTRICTED FUNDS**

	<b>Educational Program</b>	<b>Student Activities</b>	<b>Academic Enhancement</b>	<b>Media</b>	<b>Farm</b>	<b>Telecomm</b>	<b>Others</b>	<b>Total</b>
Revenues	\$ 7,571,962	\$ 618,942	\$ 2,416,892	\$573,788	\$ 57,369	\$ 124	\$ 3,657,019	\$ 14,896,096
Expenditures								
Personal services	5,450,334	129,514	60,474	83,156	-	-	460,205	6,183,683
Contractual services	399,714	27,990	412,926	254,184	19,960	-	432,697	1,547,471
Commodities	14,006	12,516	71,607	12,308	-	-	68,572	179,009
Equipment	101,895	6,057	894,111	88,020	-	-	1,881,603	2,971,686
Others	438,624	435	5,605,513	6,128	5,680	-	329,065	6,385,445
Total expenditures	6,404,573	176,512	7,044,631	443,796	25,640	-	3,172,142	17,267,294
Excess (deficiency) of revenues over (under) expenditures	1,167,389	442,430	(4,627,739)	129,992	31,729	124	484,877	(2,371,198)
Fund balance (deficit), beginning of year	(130,887)	2,731,679	3,141,929	835,512	530,433	19,081	1,983,773	9,111,520
Fund balance (deficit), end of year	\$ 1,036,502	\$3,174,109	\$ (1,485,810)	\$965,504	\$562,162	\$ 19,205	\$ 2,468,650	\$ 6,740,322

**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, 2015*

**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	\$ 353,382	\$ 112,071	\$ 305,138	\$ 62,072	\$ 111,342	\$ 944,005
Expenditures						
Personal services	57,227	28,882	41,935	25,245	68,038	221,327
Contractual services	12,550	150,979	6,716	-	96,473	266,718
Commodities	141,792	3,494	255,670	-	790	401,746
Equipment	9,929	-	-	-	-	9,929
Others	-	65	4,648	62,072	118	66,903
Total expenditures	<u>221,498</u>	<u>183,420</u>	<u>308,969</u>	<u>87,317</u>	<u>165,419</u>	<u>966,623</u>
Excess (deficiency) of revenues over (under) expenditures	131,884	(71,349)	(3,831)	(25,245)	(54,077)	(22,618)
Fund balance (deficit), beginning 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>
Fund balance (deficit), end of year	<u><u>\$ 189,704</u></u>	<u><u>\$ (101,135)</u></u>	<u><u>\$ 25,820</u></u>	<u><u>\$ (56,559)</u></u>	<u><u>\$ (50,774)</u></u>	<u><u>\$ 7,056</u></u>

**STATE OF ILLINOIS  
GOVERNORS STATE UNIVERSITY**

**FISCAL SCHEDULES AND ANALYSIS, Continued**

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

*For the Year Ended June 30, 2015*

**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	\$ 77,942	\$ 31,899	\$ 26,859	\$ 78,442	\$ 215,142
Expenditures					
Personal services	154,492	45,125	14,812	34,409	248,838
Contractual services	106,615	-	-	27,468	134,083
Commodities	-	-	-	1,415	1,415
Equipment	-	-	-	3,489	3,489
Others	-	-	-	9,316	9,316
Total expenditures	<u>261,107</u>	<u>45,125</u>	<u>14,812</u>	<u>76,097</u>	<u>397,141</u>
Excess (deficiency) of revenues over (under) expenditures	(183,165)	(13,226)	12,047	2,345	(181,999)
Fund balance (deficit), beginning of year	<u>(440,847)</u>	<u>75,817</u>	<u>19,023</u>	<u>777,721</u>	<u>431,714</u>
Fund balance (deficit), end of year	<u><u>\$ (624,012)</u></u>	<u><u>\$ 62,591</u></u>	<u><u>\$ 31,070</u></u>	<u><u>\$ 780,066</u></u>	<u><u>\$ 249,715</u></u>

**STATE OF ILLINOIS  
GOVERNORS STATE UNIVERSITY**

**ANALYSIS OF OPERATIONS (UNAUDITED)**

**University Functions and Planning Program (Unaudited)**

*For the Year Ended June 30, 2015*

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. 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. As a comprehensive public university, the University provides liberal arts, science, and professional preparation at the undergraduate, master and doctoral levels.

Planning

*Vision 2020* is the strategic plan of the University. The Vision 2020 Strategic Planning Committee was given the charge to review, revise and update *Strategy 2015* with the addition of clear parameters for performance, which can be monitored for progress and success. *Vision 2020* was formally adopted by the University Board of Trustees on February 27, 2015 and is designed to provide general direction for all University initiatives through the 2019-2020 academic year.

*Vision 2020* articulates the mission and vision statements of the University as follows:

- **Mission Statement:** Governors State University is committed to offering exceptional and accessible education that prepares students with the knowledge, skills and confidence to succeed in a global society.
- **Vision Statement:** Governors State University will create an intellectually stimulating public square, serve as an economic catalyst for the region, and lead as a model of academic excellence, innovation, diversity and responsible citizenship.

The mission and vision statements are informed by six core values, specified as follows:

- (1) Invest in Student Success through a commitment to mentoring and a deliberate University focus on student achievement of academic, professional and personal goals.
- (2) Provide Opportunity and Access to a first-class public education to residents of our surrounding communities and all those traditionally underserved by higher education.

**STATE OF ILLINOIS  
GOVERNORS STATE UNIVERSITY**

**ANALYSIS OF OPERATIONS (UNAUDITED), Continued**

**University Functions and Planning Program (Unaudited), Continued**

*For the Year Ended June 30, 2015*

- (3) Serve as an Economic Catalyst for the citizens of the State of Illinois and our larger Midwest region, so that our communities grow and flourish.
- (4) Prepare Stewards of our Future to thrive in the global economy, to contribute to ongoing innovative research and to serve as stewards of the environment.
- (5) Demonstrate Inclusiveness and Diversity to encourage acceptance of wide-ranging perspectives among students, staff, faculty and members of the broader community.
- (6) Promote Quality of Life which encompasses civic, personal, professional and cultural growth.

Consistent with these values, the University actively pursues eight primary goals:

- (1) **Academic Excellence:** Provide distinctive academic programs that effectively prepare students to become leaders and productive citizens in the global community.
- (2) **Student Success:** Provide a seamless and supportive pathway from admission to graduation focused on personal and academic success to help ensure that students are career ready and positioned to be leaders and citizens in the community.
- (3) **High Quality Faculty and Staff:** Provide students access to a highly qualified, motivated, and diverse faculty and staff.
- (4) **Enrollment Management:** Develop and implement strategic initiatives with respect to recruitment, admission, retention, and graduation rates of undergraduate and graduate students at Governors State University.
- (5) **Financial Growth and Resiliency:** Diversify the University's revenue streams to ensure resources that are necessary for institutional growth and fiscal sustainability.
- (6) **Visibility, Outreach and Economic Catalyst:** Pursue initiatives that make the University a preferred destination in the region for cultural, social, economic, and continuing education pursuits; enhance collaboration between the University and its communities; position the University as a leader and partner in vibrant public dialogue; and increase the University's effectiveness as an economic catalyst in the region.



**STATE OF ILLINOIS  
GOVERNORS STATE UNIVERSITY**

**ANALYSIS OF OPERATIONS (UNAUDITED), Continued**

**University Functions and Planning Program (Unaudited), Continued**

*For the Year Ended June 30, 2015*

- (7) Social, Ethical and Environmental Responsibility: Build an institution that is socially, ethically, and environmentally responsible.
- (8) Continuous Process Improvement: Develop and sustain a climate of continuous improvement which is defined by evidence-based decision-making focused on enriching the student experience.

Within the larger context set by *Vision 2020*, the annual budget process operates under the general direction of the Planning and Budget Advisory Council (PBAC), a 22-member group composed of administrators, 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, forwards those recommendations to the University President.

Every spring, PBAC operates the annual budget process. The group develops guidelines consistent with the goals of *Vision 2020*, 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.

The Provost and the Executive Vice President are working with their respective unit heads and with other University staff to develop a set of indicators to measure achievement of the goals specified in *Vision 2020*. When that development process is complete, data will be gathered on those indicators by the Office of Institutional Research and displayed for viewing by members of the GSU community and the general public.

**STATE OF ILLINOIS  
GOVERNORS STATE UNIVERSITY**

**ANALYSIS OF OPERATIONS (UNAUDITED), Continued**

**Average Number of Employees (Unaudited)**

*For the Year Ended June 30, 2015*

	<u>2015</u>	<u>2014</u>
Full-time equivalent employees funded by State appropriated funds:		
Faculty	304.5	248.7
Administrative	67.4	47.5
Civil service	166.7	168.7
Other professionals	99.5	94.6
Graduate assistants	17.7	30.7
Students	13.4	5.5
Total	<u>669.2</u>	<u>595.7</u>
Full-time equivalent employees funded by nonappropriated funds:		
Faculty	9.8	20.7
Administrative	21.9	22.8
Civil service	84.0	73.7
Other professionals	83.0	103.7
Graduate assistants	2.7	6.3
Students	27.6	49.5
Total	<u>229.0</u>	<u>276.7</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, 2015*

Enrollment Statistics

	<u>Academic Year 2014-2015</u>		
	<u>Fall</u>	<u>Spring</u>	<u>Summer</u>
Headcount:			
Undergraduate	3,585	3,420	1,503
Graduate	2,191	2,247	1,529
Total	<u>5,776</u>	<u>5,667</u>	<u>3,032</u>
Full-time equivalent:			
Undergraduate	2,394	2,290	575
Graduate	1,325	1,372	794
Total	<u>3,719</u>	<u>3,662</u>	<u>1,369</u>

Student Cost Statistics

	<u>2015</u>	<u>2014</u>
Annual full-time equivalent students:*		
Undergraduate	2,629	2,324
Graduate	1,745	1,742
Total	<u>4,374</u>	<u>4,066</u>
Total instructional costs per IBHE Cost Study Report**	<u>\$ 28,809,773</u>	<u>\$ 27,439,773</u>
Annual full-time equivalent students	<u>4,374</u>	<u>4,066</u>
Cost per full-time equivalent student	<u>\$ 6,587</u>	<u>\$ 6,749</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, 2015*

	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>
1. Student headcount - Fall term (a)	<u>5,660</u>	<u>5,603</u>	<u>5,609</u>	<u>5,568</u>	<u>5,776</u>
2. Minority enrollment - Fall term (a)	<u>2,617</u>	<u>2,798</u>	<u>2,814</u>	<u>2,797</u>	<u>3,069</u>
3. Degrees awarded - Fiscal year (b)	<u>1,832</u>	<u>1,701</u>	<u>1,634</u>	<u>1,621</u>	<u>1,496</u>
4. Credit hours - Academic year (f)	<u>114,853</u>	<u>115,355</u>	<u>113,602</u>	<u>111,515</u>	<u>120,768</u>
5. Unduplicated headcount - Academic year (d, f)	<u>7,444</u>	<u>7,437</u>	<u>7,396</u>	<u>7,121</u>	<u>7,315</u>
6. Annualized tuition and fees (c):					
Undergraduate					
Resident (e)	<u>\$ 7,048</u>	<u>\$ 7,202</u>	<u>\$ 7,346</u>	<u>\$ 7,562</u>	<u>\$ 7,562</u>
Nonresident	<u>\$ 12,736</u>	<u>\$ 13,034</u>	<u>\$ 13,322</u>	<u>\$ 13,682</u>	<u>\$ 13,682</u>
Graduate					
Resident	<u>\$ 5,746</u>	<u>\$ 5,882</u>	<u>\$ 5,990</u>	<u>\$ 6,170</u>	<u>\$ 6,170</u>
Nonresident	<u>\$ 10,408</u>	<u>\$ 10,670</u>	<u>\$ 10,886</u>	<u>\$ 11,192</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  
GOVERNORS STATE UNIVERSITY**

**ANALYSIS OF OPERATIONS (UNAUDITED), Continued**

**University Bookstore Information (Unaudited)**

*For the Year Ended June 30, 2015*

The University has a contractual arrangement for bookstore operations on campus. The University's current contract is for the period 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:

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 2015, the bookstore had gross sales of \$1,081,572, the University received commissions of \$146,444, and the University spent a total of \$47,329 at the bookstore. The contract with the bookstore gives the contractor exclusive rights to sell books on campus, and there are no other "on-campus" or nearby bookstores.

**STATE OF ILLINOIS  
GOVERNORS STATE UNIVERSITY**

**ANALYSIS OF OPERATIONS (UNAUDITED), Continued**

**Schedule of Degrees Awarded (Unaudited)**

*For the Year Ended June 30, 2015*

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>
2015	591	905	1,496
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

**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, 2015*

**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, 2015, where such special data is found.

Compliance Findings

13(a) As of June 30, 2015, no findings of noncompliance with University Guidelines were noted.

Indirect Cost Reimbursements

13(b) Refer to page 52 of this report for an analysis of the sources and applications of indirect cost reimbursements for the year ended June 30, 2015.

13(c) Refer to page 53 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, University Bookstore, University Parking Facilities, University Housing, and University Food Service and Vending Facilities.
  - 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.
  - 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.

**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, 2015*

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

- Parking provides operation and maintenance of University parking facilities. Revenues are generated from user fees.
  - Housing provides living quarters for students on campus. Revenues are generated from residence fees.
  - Food service and vending provide meals and catering services under contract to the University community. Commission revenue is received by the University.
  
  - 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 55 through 59 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 54 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, 2015:

Auxiliary Enterprises:	
University Facilities System Revenue Bonds	\$ 1,591,957
Center for Performing Arts	221,918
	<u>\$ 1,813,875</u>
Activities:	
Educational and Student Life Activities	\$ 2,206,111
University Service Departments	131,852
	<u>\$ 2,337,963</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, 2015*

**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, 2015.

- 13(i) A Statement of Revenues, Expenses and Changes in Net Position for the bond indenture required accounts is presented on page 51 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, 2015, 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 72 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 43 and 44 of the financial audit report for details related to services and support provided.
- 13(o) As of June 30, 2015, 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, 2015*

**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, 2015 are presented in the Analysis of Significant Account Balances section of this report on page 47, and in footnotes 3 and 4 on pages 27 through 30 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 64 of this report.
- 13(t) Neither the University nor the Foundation has purchased any real estate during the year ended June 30, 2015.
- 13(u) Neither the University nor the Foundation issued certificates of participation during the year ended June 30, 2015.

**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, 2015*

**Summary of Foundation Cash Support to the University (Unaudited)**

During Fiscal Year 2015, the University engaged the Foundation, under contract, to provide fundraising services. As provided in the contract agreement, the University provided \$380,269 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, 2015. 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, 2015.

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	\$ 5,331
- Given to a particular department	<u>87,158</u>
Total funds considered unrestricted	<u>92,489</u>

Funds considered restricted for purposes of the University Guidelines computations:

Given for Center for Performing Arts	105,030
Given for scholarships	<u>107,695</u>
Total funds considered restricted	<u>212,725</u>

Total funds provided to the University by the Foundation \$ 305,214

**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, 2015*

**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)
<b><u>Mandatory Waivers</u></b>								
Teacher Special Education	3	\$ 10.7	3	\$ 1.2	9	\$ 17.2	9	\$ 1.9
Children of Employees	41	49.8	41	5.6	-	-	-	-
Senior Citizens	7	11.2	7	1.3	9	17.1	9	1.9
Veterans Grants & Scholarships	212	452.8	212	50.3	155	319.4	155	35.4
Subtotal	263	524.5	263	58.4	173	353.7	173	39.2
<b><u>Discretionary Waivers</u></b>								
Faculty/Administrators	-	-	-	-	75	119.3	75	13.3
Civil Service	25	39.0	25	4.3	81	123.8	81	13.8
Academic/Other Talent	163	404.3	163	45.0	113	193.7	113	21.6
Athletics	45	69.1	45	7.7	3	11.6	3	1.2
Foreign Students	-	-	-	-	2	3.3	2	0.3
Cooperating Professionals	-	-	-	-	10	7.3	10	0.8
Other Assistants	-	-	-	-	200	700.6	200	77.9
Interinstitutional/Related Agencies	26	34.7	26	3.9	82	140.9	82	15.7
Subtotal	259	547.1	259	60.9	566	1,300.5	566	144.6
Total	522	\$ 1,071.6	522	\$ 119.3	739	\$ 1,654.2	739	\$ 183.8