

**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, 2013**

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, 2013**

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The University’s financial statement report for the year ended June 30, 2013, which includes the Independent Auditor’s Report, Management’s Discussion and Analysis, Basic Financial Statements and Notes to the Basic Financial Statements, Supplementary Information, and the Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* has been issued separately.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
COMPLIANCE EXAMINATION
(IN ACCORDANCE WITH THE SINGLE AUDIT ACT AND OMB CIRCULAR A-133)
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**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
COMPLIANCE EXAMINATION
FOR THE YEAR ENDED JUNE 30, 2013**

University Officials

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

University offices are located at:

1 University Parkway
University Park, Illinois 60484

February 21, 2014

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

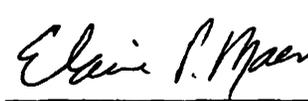
Ladies and Gentlemen:

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, 2013. Based on this evaluation, we assert that during the year ended June 30, 2013, 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 very truly,

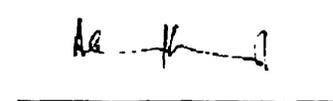
Governors State University



Dr. Elaine P. Maimon
President



Karen Kissel
Vice President, Administration
and Finance



Alexis Kennedy
General Counsel and
Vice President

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
COMPLIANCE EXAMINATION
FOR THE YEAR ENDED JUNE 30, 2013**

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</u>	<u>Current Report</u>	<u>Prior Report</u>
Findings	11	12
Repeated findings	3	6
Prior recommendations implemented or not repeated	9	6

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

<u>Item</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
<u>No.</u>			
FINDING (GOVERNMENT AUDITING STANDARDS)			
No matters were reported.			
FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE)			
2013-001	18	Return of Title IV Funds Not Made Timely	Noncompliance/ Significant Deficiency
2013-002	20	Inadequate Controls Over Federal Reporting	Noncompliance/ Significant Deficiency
2013-003	24	Ineligible Student Awarded with Financial Aid	Noncompliance/ Significant Deficiency
2013-004	26	Failure to Perform Direct Loan Reconciliations	Noncompliance/ Significant Deficiency

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
2013-005	28	Noncompliance with Enrollment Reporting Requirements	Noncompliance/ Significant Deficiency
2013-006	31	Inadequate Procedures Over Verification and Updating of Information in Student Aid Applications	Noncompliance/ Significant Deficiency
2013-007	34	Noncompliance with Federal Requirements on Notification of Disbursements	Noncompliance/ Significant Deficiency
2013-008	36	Data Collection Form and Related Reporting Package Not Submitted Timely	Noncompliance/ Significant Deficiency

FINDINGS (STATE COMPLIANCE)

2013-009	38	Noncompliance with Travel Regulations and Personnel Policies	Noncompliance/ Significant Deficiency
2013-010	41	Time Sheets Not Maintained in Compliance with the State Officials and Employees Ethics Act	Noncompliance/ Significant Deficiency
2013-011	43	Failure to Prepare High School Feedback System Reports	Noncompliance/ Significant Deficiency

PRIOR FINDINGS NOT REPEATED

A	44	Financial Adjustments	
B	44	Inadequate Procedures Over Verification of Eligibility Requirements for Student Financial Assistance Cluster Programs	
C	44	Inadequate Support for Cash Draws	
D	45	Inadequate Procedures Over Verification of Eligibility Requirements for TRIO Cluster Programs	

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COMPLIANCE EXAMINATION
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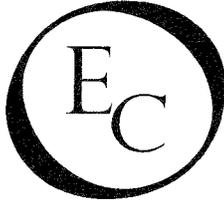
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
E	45	Financial Agreements Not Executed Between the University and Teaching Residents
F	45	Financial Reporting Delays
G	46	Noncompliance with the Required Contracting Procedures
H	46	Inadequate Controls Over University Property and Equipment
I	46	Noncompliance with the University's Law on Board Membership, Terms, and Vacancies

EXIT CONFERENCE

The University waived having an exit conference in a letter dated February 13, 2014 from the University's Vice President, Administration and Finance, Ms. Karen Kissel.

The responses to the recommendations were provided by the University's Controller, Ms. Melinda Gieseke, in a letter dated February 21, 2014.



E.C. ORTIZ & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS

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

Honorable William G. Holland
Auditor General
State of Illinois

and

The Board of Trustees
Governors State University

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the Governors State University's (University) compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the year ended June 30, 2013. 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, 2013. 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 2013-009 through 2013-011.

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 2013-009 through 2013-011, 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, 2013, and have issued our report thereon dated December 20, 2013, 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. We have not performed any procedures with respect to the audited financial statements subsequent to December 20, 2013. The accompanying supplementary information for the year ended June 30, 2013 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, 2013 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, 2013 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, 2013.

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, 2012 and June 30, 2011, and have issued our reports thereon dated April 19, 2013 and February 8, 2012, respectively, which contained unmodified opinions on the respective financial statements of the business-type activities of the University and its discretely presented component unit. The accompanying supplementary information for the years ended June 30, 2012 and June 30, 2011 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, 2012 and June 30, 2011 financial statements. The accompanying supplementary information for the years ended June 30, 2012 and June 30, 2011 in Schedules 4 through 10 and 12 has been subjected to the auditing procedures applied in the audits of the June 30, 2012 and June 30, 2011 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, 2012 and June 30, 2011 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.

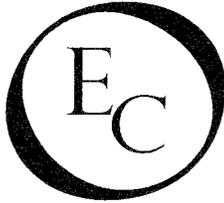
The accompanying supplementary information in the Analysis of Operations Section and Schedules 13 and 14 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the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

Chicago, Illinois

February 21, 2014, except for our report on the Supplementary Information for State Compliance Purposes, as to which the date is December 20, 2013.



E.C. ORTIZ & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS

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, 2013, 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 20, 2013. 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

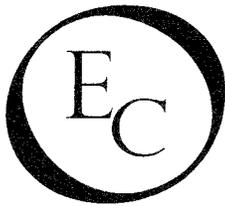
As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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. Artis & Co., LLP

Chicago, Illinois
December 20, 2013



E.C. ORTIZ & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS

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

Honorable William G. Holland
Auditor General
State of Illinois

and

The Board of Trustees
Governors State University

Report on Compliance for Each Major Federal Program

We have audited the Governors State University's (University) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2013. 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, 2013 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, 2013.

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 2013-001 through 2013-008. 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, 2013 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 2013-001 through 2013-008 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, 2013, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated December 20, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to December 20, 2013. 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. Ortiz & Co., LLP

Chicago, Illinois

February 21, 2014, except for our report on the Schedule of Expenditures of Federal Awards, as to which the date is December 20, 2013.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? 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? Yes No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
	Student Financial Assistance (SFA) Cluster:
84.268	Federal Direct Student Loans
84.063	Federal Pell Grant Program
84.038	Federal Perkins Loans - Federal Capital Contributions
84.033	Federal Work-Study Program
84.007	Federal Supplemental Educational Opportunity Grants
84.379	Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)
93.925	Scholarships for Health Professions Students from Disadvantaged Backgrounds

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SUMMARY OF AUDITOR'S RESULTS, Continued

Federal Awards, Continued

Identification of major programs, continued:

CFDA Numbers	Name of Federal Program or Cluster
	Student Financial Assistance (SFA) Cluster, Continued:
93.264	Nurse Faculty Loan Program (NFLP)
93.408	ARRA - Nurse Faculty Loan Program
	Research and Development (R&D) Cluster:
47.082	ARRA - Trans-NSF Recovery Act Research Support
47.076	Education and Human Resources
93.307	Minority Health and Health Disparities Research
93.701	ARRA - Trans-NIH Recovery Act Research Support
	Teacher Quality Partnership Grants Cluster:
84.405	ARRA - Teacher Quality Partnerships, Recovery Act
	Head Start Cluster:
93.600	Head Start
17.275	ARRA - Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors
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

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CURRENT FINDINGS - FEDERAL COMPLIANCE

Federal Agency: U.S. Department of Education

Program Name	CFDA #	Program Expenditures
SFA Cluster - Federal Pell Grant Program	84.063	\$6,291,793
SFA Cluster - Federal Direct Student Loans	84.268	\$42,173,831

Questioned Costs: None - Procedural Finding Only

2013-001. **FINDING** (Return of Title IV Funds Not Made Timely)

Governors State University (University) did not comply with the requirements related to the return of Title IV funds.

During our review of 37 students awarded with Title IV grants who withdrew from classes during the Academic Year 2012-2013, we noted that the University failed to return Title IV funds totaling \$14,613 within 45 days from the withdrawal determination date for 11 (30%) students (two to 54 days late).

The Code of Federal Regulations (34 CFR Section 668.173(b)) states that the return of Title IV funds is required to be deposited or transferred into the SFA account or electronic fund transfers initiated to the Department of Education or the appropriate lender as soon as possible, but no later than 45 days after the institution determines that the student withdrew.

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 that reasonably ensure the timely return of Title IV funds.

University officials stated that the condition noted above was due to problems noted in the University's new administrative computing system associated with the transmittal of funds to the Department of Education after determining date of student withdrawal.

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CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

Failure to return Title IV funds within the required timeline resulted in noncompliance with federal regulations. Additionally, this may jeopardize future federal funding. (Finding Code Nos. 2013-001, 12-3)

RECOMMENDATION

We recommend the University strengthen its controls over processing of returns of Title IV funds to ensure that they are made timely in compliance with federal regulations.

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation. The University has customized the new computer system to automate the identification of students whose funds should be returned to the Department of Education.

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CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

Federal Agency: U.S. Department of Health and Human Services, National Science Foundation,
U.S. Department of Labor

Program Name	CFDA #	Program Expenditures
SFA Cluster - Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925	\$648,288
R&D Cluster - ARRA-Trans-NSF Recovery Act Research Support	47.082	\$2,033,629
R&D Cluster - Education and Human Resources	47.076	\$2,671
Head Start Cluster - Head Start	93.600	\$816,263
ARRA-Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	17.275	\$1,582,184

Questioned Costs: None - Procedural Finding Only

2013-002. **FINDING** (Inadequate Controls Over Federal Reporting)

Governors State University (University) is a recipient of grants from the U.S. Department of Health and Human Services (DHHS), the National Science Foundation (NSF), and the Employment and Training Administration (ETA) of the U.S. Department of Labor (DOL). The University did not have adequate controls over compliance with federal reporting requirements.

In our detailed testing of required federal reports, we noted that certain financial information included in the financial reports was inaccurate as follows:

- The Annual Federal Financial Report of the Head Start Cluster - Head Start grant for the budget period September 30, 2011 to December 31, 2012 included financial information pertaining to federal cash for the quarter instead of the federal cash for the year. Additionally, other required financial information such as federal expenditures, unobligated balance, and recipient share were not provided in the report. A revised report was subsequently submitted by the University after being noted by the federal awarding agency.

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CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

- The Quarterly Financial Reports of the ARRA-Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors grant for all four quarters of Fiscal Year 2013 included financial information pertaining to federal cash that did not agree with supporting documentation.

In our testing of the timely submission of required federal reports, we noted the following:

- The Federal Financial Report of the Student Financial Assistance Cluster - Scholarships for Health Professions Students from Disadvantaged Backgrounds grant for the budget period September 30, 2012 to June 30, 2013 was submitted by the University two days late from the October 30, 2013 deadline.
- The Federal Financial Report of the Research and Development Cluster - ARRA-Trans-NSF Recovery Act Research Support grant for the quarter ended December 31, 2012 was submitted by the University one day late from the January 30, 2013 deadline.
- The Quarterly Report of the Research and Development Cluster - ARRA-Trans-NSF Recovery Act Research Support grant for the quarter ended March 31, 2013 was not submitted by the University. The University was in communication with the principal investigator regarding the issue and the Quarterly Report was subsequently submitted on October 25, 2013.
- The Annual Report of the Research and Development Cluster - Education and Human Resources grant for the period June 1, 2012 to May 31, 2013 was submitted by the University 18 days late from the May 31, 2013 deadline.
- The Semi-Annual Federal Financial Report of the Head Start Cluster - Head Start grant for the period January 1, 2013 to June 30, 2013 was submitted by the University one day late from the July 30, 2013 deadline.
- The Quarterly Financial Report of the ARRA-Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors grant for the quarter ended September 30, 2012 was submitted by the University one day late from the November 14, 2012 deadline.

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CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

Federal Financial Report Instructions from the Office of Management and Budget (OMB), Program Instruction issued by the Administration of Children and Families of DHHS on April 19, 2011, and Article 9 of the NSF Research Terms & Conditions Agency Specific Requirements, require grantees to submit Quarterly, Semi-Annual, and Annual Federal Financial Reports no later than 30 days after the end of each reporting period. Reporting period end dates that shall be used for the quarterly reports are March 31, June 30, September 30 and December 31. The Federal Financial Report Instructions from OMB also state that federal cash to be reported should be the cumulative amount of cash as of the reporting period end date. Additionally, OMB requires the completion of the federal expenditures, unobligated balance, and recipient share sections of the report. The U.S. DOL ETA Financial Status Report Instructions require grantees to submit a Quarterly Financial Report and to state that federal cash to be reported should be the cumulative amount of cash as of the reporting period end date.

The Terms and Conditions of the Notice of Award from DHHS issued on September 21, 2012 for the Student Financial Assistance Cluster - Scholarships for Health Professions Students from Disadvantaged Backgrounds grant state that the University must submit a Federal Financial Report no later than October 30, 2013 for the budget period September 30, 2012 to June 30, 2013. The grant award letter from NSF dated August 17, 2010 requires the University to submit a Quarterly Report. Article IV of the Amendment to Subcontract Agreement effective August 1, 2012 to July 31, 2013 for the Research and Development Cluster - Education and Human Resources grant requires the University to submit to the pass-through entity an Annual Report no later than May 31, 2013. The U.S. DOL ETA Financial Status Report Instructions require grantees to submit a Quarterly Financial Report no later than 45 days after the end of each reporting period. Reporting period end dates that shall be used for the quarterly reports are March 31, June 30, September 30 and December 31.

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 monitoring of compliance with the reporting requirements of its grant programs to ensure accurate and timely submission of required federal reports.

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CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

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

Failure to accurately prepare and submit the required federal reports timely results in noncompliance with federal program requirements. Additionally, this may result in the withholding of funding for other eligible projects or activities involving the University. (Finding Code Nos. 2013-002, 12-6, 11-5, 10-3)

RECOMMENDATION

We recommend the University improve its procedures to ensure compliance with the reporting requirements of its grant programs and ensure accurate and timely submission of all federal reports.

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation. To ensure effective compliance, the University has added staffing and leadership in the grant accounting area to ensure compliance. A checklist of reporting requirements and due dates is maintained and continued professional development is in place.

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CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

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

Program Name	CFDA #	Program Expenditures
SFA Cluster - Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925	\$648,288

Questioned Costs: \$12,188

2013-003. **FINDING** (Ineligible Student Awarded with Financial Aid)

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

We tested a sample of 40 students awarded with financial aid under the Student Financial Assistance Cluster during Academic Year 2012-2013 and nine of these students were awarded scholarships from the Scholarships for Health Professions Students from Disadvantaged Backgrounds grant program. During the eligibility testing, we noted one (11%) of nine students tested was ineligible due to family income exceeding the low income level. This resulted in an overstatement of \$12,188 in awards made to the student for two academic terms.

The Code of Federal Regulations (42 CFR Section 57.206(a)(1)(iii)) requires that applicants are eligible for consideration for a health professions student loan if they are in need of the amount of the loan to pursue a full-time course of study at the school. The Notice of Award issued by the Health Resources and Services Administration of the U.S. Department of Health and Human Services to the University on September 21, 2012 requires that the applicant's family income must not exceed the low income level published in the Federal Register dated April 17, 2012.

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

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CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

of its federal programs. An effective system of internal controls should include procedures to ensure that students receiving financial aid met the federal eligibility requirements.

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

Awarding of financial aid to an ineligible student resulted in noncompliance with federal regulations, policies and procedures. Additionally, this may jeopardize future federal funding. (Finding Code No. 2013-003)

RECOMMENDATION

We recommend the University strengthen its controls to ensure that awards are only provided to eligible students and to ensure compliance with federal regulations, policies and procedures.

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation. To ensure that eligibility guidelines are followed, the University added experienced staff in the Financial Aid area and has implemented appropriate processes.

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CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

Federal Agency: U.S. Department of Education

Program Name	CFDA #	Program Expenditures
SFA Cluster - Federal Direct Student Loans	84.268	\$42,173,831

Questioned Costs: None - Procedural Finding Only

2013-004. **FINDING** (Failure to Perform Direct Loan Reconciliations)

Governors State University (University) did not reconcile the Direct Loan School Account Statement data files to its financial records on a monthly basis.

We requested the monthly reconciliations of the University's Direct Loan records with the information on the School Account Statement data files that the Common Origination and Disbursement (COD) system sends to the University each month during the fiscal year 2013. However, the University could not provide us with the requested reconciliations nor confirm that such reconciliations were performed.

The Department of Education's Direct Loan School Guide, Chapter 6 - Reconciliation, states that a school that participates in the Direct Loan program is required to reconcile the funds that it has received (from the G5 system) to pay its students with the actual disbursement records that it has forwarded to the COD system. Reconciliation takes place on a monthly basis, with a final reconciliation that is conducted after the award year ends. Further, a school reconciles its Direct Loan account by comparing the ending cash balance on the School Account Statement with its internal records, ensuring that any discrepancies are resolved, and documents any reasons for a positive or negative balance.

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 that program records are reconciled to the fiscal records on a monthly basis.

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CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

University officials stated that the condition noted above was due to problems associated with the University's migration from its old administrative computing system to a new computing system and the loss of key staff in the financial aid area.

Failure to perform reconciliations of Direct Loans on a monthly basis may result in unreconciled balances not being timely investigated for proper disposition. 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. 2013-004)

RECOMMENDATION

We recommend the University perform the Direct Loan reconciliations on a monthly basis to ensure compliance with federal regulations.

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation. To ensure that eligibility guidelines are followed, the University added experienced staff in the Financial Aid area and reconciliations are performed monthly as required.

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CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

Federal Agency: U.S. Department of Education

Program Name	CFDA #	Program Expenditures
SFA Cluster - Federal Direct Student Loans	84.268	\$42,173,831

Questioned Costs: None - Procedural Finding Only

2013-005. **FINDING** (Noncompliance with Enrollment Reporting Requirements)

Governors State University (University) did not report changes in enrollment status of student borrowers under the Federal Direct Student Loans (Direct Loans) program within the required timeframes.

The University reports enrollment status changes to the National Student Loan Data System (NSLDS) through the National Student Clearinghouse (NSC), a third-party servicer. NSLDS generally creates and sends to the NSC the Enrollment Reporting Roster File on the first business day of the scheduled month. During our detailed testing, we noted that the University did not complete and return within 30 days the Enrollment Reporting Roster File for one scheduled month. The Enrollment Reporting Roster File was sent by NSLDS on January 1, 2013 but was only returned by NSC on February 8, 2013 (eight days late).

In our detailed testing of 37 student borrowers who received Direct Loans and withdrew from classes during the Academic Year 2012-2013, we noted the following:

- Enrollment status changes for 12 (32%) student borrowers were not reported to NSC within 60 days after the University became aware of the status changes (eight to 97 days late).
- Enrollment status changes for eight (22%) student borrowers were not reported to NSC at all.

The Code of Federal Regulations (34 CFR Section 685.309(b)(1)) and NSLDS Enrollment Reporting Guide (Chapter 1, Section 1.4, Reporting Requirements) require that schools must complete and return within 30 days the Enrollment Reporting Roster File placed in their Student Aid Internet Gateway (SAIG) mailboxes sent by the Department of Education via NSLDS. The Enrollment

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CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

Reporting Roster File is placed in the school's (or enrollment reporting servicer's) designated SAIG mailboxes on the business day of the month designated by their Enrollment Reporting schedule.

The Code of Federal Regulations (34 CFR Section 685.309(b)(2)) and NSLDS Enrollment Reporting Guide (Chapter 1, Section 1.4.2, Additional School Enrollment Reporting Responsibilities) require that, unless the school expects to submit its next Enrollment Reporting Roster File to NSLDS within the next 60 days, to notify NSLDS within 30 days if it discovers that a Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan has been made to or on behalf of a student who enrolled at that school but has ceased to be enrolled on at least a half-time basis. Schools are responsible for timely reporting, whether they report directly to NSLDS or via a third party servicer.

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 compliance with federal requirements on enrollment reporting and timely submission of required reports.

University officials stated that the conditions noted above were due to problems associated with the University's migration from its old administrative computing system to a new computing system, the resignation of the Registrar as well as understaffing in the financial aid area.

Enrollment reporting is critical for effective administration of the federal student loan programs as the student borrower's enrollment status determines eligibility for deferment, grace period, and repayment. Failure to properly report enrollment status of student borrowers under the Direct Loans program resulted in noncompliance with federal requirements and could also result in withholding of funding for other eligible projects or activities involving the University. (Finding Code No. 2013-005)

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CURRENT FINDINGS - FEDERAL COMPLIANCE, *Continued*

RECOMMENDATION

We recommend the University review its procedures to ensure compliance with the federal requirements on enrollment reporting and timely submission of all required reports.

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation. To ensure compliance with enrollment reporting requirements, the University implemented additional processes and added experienced staff in the Registrar's office. Reporting to the National Student Clearinghouse is now performed as required.

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CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

Federal Agency: U.S. Department of Education

Program Name	CFDA #	Program Expenditures
SFA Cluster - Federal Direct Student Loans	84.268	\$42,173,831
SFA Cluster - Federal Pell Grant Program	84.063	\$6,291,793
SFA Cluster - Federal Perkins Loans-Federal Capital Contributions	84.038	\$4,324,675
SFA Cluster - Federal Work-Study Program	84.033	\$327,008
SFA Cluster - Federal Supplemental Educational Opportunity Grants	84.007	\$101,350

Questioned Costs: None - Procedural Finding Only

2013-006. **FINDING** (Inadequate Procedures Over Verification and Updating of Information in Student Aid Applications)

Governors State University (University) did not properly verify and update information submitted by students applying for financial aid under the Student Financial Assistance Cluster programs to ensure accurate information was reflected on the Institutional Student Information Report (ISIR).

When a student applying for financial aid is selected for verification, the student is required to provide supporting documentation to the University to verify information provided by the student during the application process for accuracy. If the University identifies a discrepancy between the information provided during the application process and the supporting documentation provided by the student, the University updates the student's information, as necessary, by submitting data corrections to the Central Processing System so that the ISIR will have the correct information when calculating the student's financial aid award.

We tested a sample of 40 students awarded with financial aid under the Student Financial Assistance Cluster during Academic Year 2012-2013 and eight of these students were selected for verification. During the verification testing, we noted two (25%) of eight students tested had errors as follows:

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CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

- Difference on a student's education credit of \$2,600 (\$232 per ISIR and \$2,832 per tax return) 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.
- Discrepancy between ISIR and supporting documentation for a student. Information on ISIR indicated that the student did not receive any Supplemental Nutrition Assistance Program (SNAP) benefits and did not file an income tax return. However, supporting documentation indicated that the student received SNAP benefits and filed an income tax return. These errors are considered non-dollar items that should have been corrected by the University.

The Code of Federal Regulations (34 CFR Section 668.54(a)(1)) and University policies and procedures state 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 2012-2013, the Federal Register notice published on July 13, 2011 (FR Doc. 2011-17655) specified verification items and acceptable documentation for FAFSA information which include SNAP and U.S. income tax paid.

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

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

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CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

of its federal programs. An effective system of internal controls should include adequate procedures over verification and updating of information in student aid applications.

University officials stated that the conditions noted above were due to human error and oversight during the verification process.

Failure to properly verify and update information in student aid applications resulted in noncompliance with federal regulations and University policies and procedures. Additionally, this may result in inaccurate calculation of a student's financial aid award. (Finding Code No. 2013-006)

RECOMMENDATION

We recommend the University improve its procedures to ensure that information in student aid applications are properly verified and updated in accordance with federal regulations and University policies and procedures.

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation. The University has added experienced staffing and implemented processes to ensure that information in student aid applications is properly verified.

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CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

Federal Agency: U.S. Department of Education

Program Name	CFDA #	Program Expenditures
SFA Cluster - Federal Direct Student Loans	84.268	\$42,173,831
SFA Cluster - Federal Perkins Loans-Federal Capital Contributions	84.038	\$4,324,675
SFA Cluster - Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379	\$38,500

Questioned Costs: None - Procedural Finding Only

2013-007. **FINDING** (Noncompliance with Federal Requirements on Notification of Disbursements)

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

During our disbursement testing of 40 students awarded and disbursed with financial aid under the Student Financial Assistance Cluster programs during the Academic Year 2012-2013, we noted the following:

- Twenty-seven (68%) students did not receive the required notifications regarding disbursements of Federal Direct Student Loans, Federal Perkins Loans and TEACH Grants. These students had 72 disbursements totaling \$190,221.
- Required notifications regarding disbursements of Federal Direct Student Loans for four (10%) students were not made within the required timeframe (one to 14 days late). These students had four disbursements totaling \$5,652.

The Code of Federal Regulations (34 CFR 668.165(a)) states that an institution must notify a student in writing no earlier than 30 days before, and no later than 30 days after (for institutions that obtain affirmative confirmation from the student), crediting the student's account at the institution with Federal Direct Student Loans, Federal

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CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

Perkins Loans, or TEACH Grants. The notification must inform the student of the amount of funds that the student can expect to receive; how and when those funds will be disbursed; student's right to cancel all or portion of the loan, loan disbursement, TEACH Grants or TEACH Grants disbursement; and the procedure and time by which the student must notify the institution that he or she wishes to cancel the loan, loan disbursement, TEACH Grants or TEACH Grants disbursement.

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

University officials stated that the conditions noted above were due to a programming error in the administrative computing system which caused the notification process to not function periodically as required during the Academic Year 2012-2013.

Failure to properly notify students regarding financial aid disbursements resulted in noncompliance with federal requirements and violation of students' rights. Additionally, this may jeopardize future federal funding. (Finding Code No. 2013-007)

RECOMMENDATION

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

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation. To ensure compliance, the University is executing a weekly computerized process that automatically notifies students via email regarding their financial aid disbursements.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

Federal Agency: All

Program Name **CFDA #**

All All

Questioned Costs: None - Procedural Finding Only

2013-008. **FINDING** (Data Collection Form and Related Reporting Package Not Submitted Timely)

Governors State University (University) did not submit its June 30, 2012 data collection form and related reporting package to the Federal Audit Clearinghouse within the required time frame.

The data collection form and related reporting package were required to be submitted by March 31, 2013 but were not submitted until May 29, 2013 (59 days late).

Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Subpart C, Section .320(a) requires the audit be completed and the data collection form and reporting package be submitted to the Federal Audit Clearinghouse within the earlier of 30 days after the receipt of the auditor's reports or nine months after the end of the audit period.

In addition, OMB Circular A-133 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 problems associated with the University's migration from its old administrative computing system to a new computing system and knowledge loss due to the sudden resignation of the University's long time Controller.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

Federal oversight agencies use the data collection form and related reporting package as a key tool in monitoring the accountability of federal awards. Failure to submit timely the required federal reports impairs the ability of federal oversight agencies to perform such monitoring 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. 2013-008)

RECOMMENDATION

We recommend the University comply with the federal reporting requirements and ensure timely submission of required federal reports.

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation. The timely finalization of the audit will make compliance possible going forward.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

CURRENT FINDINGS - STATE COMPLIANCE

2013-009. **FINDING** (Noncompliance with Travel Regulations and Personnel Policies)

Governors State University (University) did not comply with travel regulations and personnel policies.

During our review of travel vouchers for 25 employees during the fiscal year, we noted that for one employee (4%), the University paid unallowable travel expenses between residence and official headquarters (University campus) totaling \$42,580 as follows:

	<u>Amount</u> <u>Reimbursed to</u> <u>the Employee</u>	<u>Amount</u> <u>Paid Directly</u> <u>to Vendors</u>	<u>Total Amount</u> <u>Paid by the</u> <u>University</u>
Airfare, train fare, bus fare	\$ -	\$15,569	\$15,569
Lodging	81	12,616	12,697
Rental car	283	8,086	8,369
Meals or per diem	3,354	-	3,354
Mileage	1,106	-	1,106
Parking, tolls, gas and others	1,485	-	1,485
Totals	\$6,309	\$36,271	\$42,580

In addition, the same employee's monthly time reports for two months (\$12,392 worth of gross compensation) showed that the employee was reported working but was not on the University's campus. The time reports were approved and certified as truthful by the employee's immediate supervisor. The employee is a State Universities Retirement System (SURS) retiree of the University and is subject to a limit on the amount the employee can earn each month from a SURS institution without penalty to the employee's SURS annuity.

University officials stated that during the middle of the Fiscal Year 2012 audit engagement and year end close, and with a new administrative computing system, the University's long term Controller suddenly resigned. This placed the University in an unexpected crisis situation and in need of expert and experienced assistance in order to complete the financial audit and compliance examination accurately and in a timely manner. The employee's immediate supervisor hired the retired University Controller who lived out of State for a period from August 1, 2012 to February 28, 2013. The employee's immediate supervisor was aware of the travel regulations and University personnel policies and employee time sheet certifications but determined

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

CURRENT FINDINGS - STATE COMPLIANCE, Continued

that this person's expertise and experience were essential for the accurate and timely completion of the University audit engagement and that the employee was uniquely qualified to provide this service to the University. For this reason and because the employee would not accept the position at the University without payment of travel expenses and without compensation at a rate comparable to \$75 an hour without impact on the SURS monthly annuity payment the employee received, the immediate supervisor approved payment of the employee's travel expenses and monthly, salaried compensation over a 9-month period rather than a 7-month period.

Management performed an investigation of the above conditions and took certain disciplinary actions.

Higher Education Travel Control Board (80 Illinois Administrative Code, Section 2900.60: *Allowable Transportation Expenses*) states that reimbursement of expenses between the residence and the official headquarters of any individual shall not be allowed. Travel Regulation Council (80 Illinois Administrative Code, Section 3000.220: *Expenses at Headquarters or Residence*) further states that as a condition of employment, employees expect to incur commuting expenses between their residence and headquarters; these expenses are not reimbursable. Meals, lodging and per diem are not reimbursable at headquarters or at residence.

University personnel policies require monthly time reports to be certified as truthful by the employees and employees' superiors. The University's monthly time reports contain the following statement above the signature of the employees and the employees' superiors: "I hereby certify, to the best of my knowledge, that this time report is a true statement of hours spent on University business and benefits used and that all terms of the subject employee's contract/appointment have been fulfilled for this period."

In addition, 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; that obligations and costs are in compliance with applicable law; and that funds and resources are safeguarded against waste, loss, and misappropriation.

The conditions above resulted in management override of controls and noncompliance with travel regulations and University personnel policies. (Finding Code No. 2013-009)

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

CURRENT FINDINGS - STATE COMPLIANCE, Continued

RECOMMENDATION

We recommend the University implement a system of controls to ensure that management does not have the ability to override the controls currently in place to ensure compliance with State regulations and University policies.

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation. Policy for establishing an employee's headquarters for reimbursable travel are being developed.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

CURRENT FINDINGS - STATE COMPLIANCE, Continued

2013-010. **FINDING** (Time Sheets Not Maintained in Compliance with the State Officials and Employees Ethics Act)

Governors State University (University) is not maintaining time sheets for its faculty members and graduate assistants in compliance with the State Officials and Employees Ethics Act (Act).

The Act required the Illinois Board of Higher Education (IBHE), with respect to State employees of public universities, to adopt and implement personnel policies. The Act (5 ILCS 430/5-5(c)) states, “The policies shall require State employees to periodically submit timesheets documenting the time spent each day on official State business to the nearest quarter hour; contractual State employees may satisfy the time sheets requirement by complying with the terms of their contract, which shall provide for a means of compliance with this requirement.” The IBHE adopted personnel policies for public universities on February 3, 2004 in accordance with the Act. The University has not incorporated these policies into the University’s policies.

During our review of timesheets for 25 employees during the fiscal year, we noted the following:

- Two faculty members used “negative” timekeeping whereby the employee is assumed to be working unless noted otherwise.
- An adjunct faculty member who worked on a contract basis was not required by the University to submit timesheets.
- A graduate assistant used positive timekeeping; however, total contract hours worked were reported per week instead of time worked each day to the nearest quarter hour.

University officials stated that the University is reviewing along with other State universities, time reporting for faculty members, as it relates to existing collectively bargained contractual obligations. The Illinois President and Chancellors Group and the individual universities will continue to discuss and explore time reporting.

By not requiring positive time reporting from all its employees, the University is not in compliance with the Act. (Finding Code Nos. 2013-010, 12-11, 11-11, 10-11, 09-3, 08-3, 07-3, 06-4, 05-7)

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

CURRENT FINDINGS - STATE COMPLIANCE, Continued

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.

UNIVERSITY RESPONSE

Understudy. The University acknowledges the requirements of the State Officials and Employees Ethics 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 Ethics Act can be met by existing requirements rather than requiring dual reporting. In addition, the University is reviewing, along with other State universities, time reporting for faculty, as it relates to existing collectively bargained contractual obligations.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

CURRENT FINDINGS - STATE COMPLIANCE, Continued

2013-011. **FINDING** (Failure to Prepare High School Feedback System Reports)

Governors State University (University) did not prepare or submit High School Feedback System reports to high schools within the State.

The Governors State University Law (Law) (110 ILCS 670/15-80) requires the University - in collaboration with Chicago State University, Eastern Illinois University, Illinois State University, Northeastern Illinois University, Northern Illinois University, Southern Illinois University, University of Illinois, and Western Illinois University - annually prepare and submit a single report to each high school within the State concerning the academic progress and success of the high school's former students. Pursuant to the Law, the report must include the number of high school graduates enrolled in each university and the major of each, the number of high school graduates who have withdrawn from each university, and student performance in university coursework.

University officials stated that the condition noted above was due to the fact that the University does not track high school data as students who enter the University already have 60 credit hours of college coursework.

Failure to prepare and submit High School Feedback System reports to the State's high schools limits opportunities for the high schools to identify areas for improving student success in university coursework and represents noncompliance with the Law. (Finding Code No. 2013-011)

RECOMMENDATION

We recommend the University collaborate with the other State universities to prepare High School Feedback System reports for each high school within the State, or seek legislative remedy from the statutory requirement.

UNIVERSITY RESPONSE

The University agrees with this finding and is working to collect the necessary data for future periods.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

PRIOR FINDINGS NOT REPEATED

A. FINDING (Financial Adjustments)

During the prior audit, the University's draft financial statements provided to auditors contained the following errors: (a) interest on borrowed funds used to finance deferred maintenance projects that were already fully completed was capitalized to fixed assets instead of recognizing it as interest expense; (b) deferred revenue pertaining to the Fiscal Year 2013 portion of the summer 2012 tuition and fees was incorrectly calculated; (c) calculation of scholarship discounts and allowances was inaccurate; and (d) difference in the balance of accounts receivable between the general ledger and the related subsidiary ledger was incorrectly adjusted.

During the current audit, our testing disclosed that the University hired additional experienced accounting personnel and implemented processes in the preparation and review of the annual financial statements to ensure that financial information is complete, accurate, and prepared in accordance with the generally accepted accounting principles. (Finding Code No. 12-1)

B. FINDING (Inadequate Procedures Over Verification of Eligibility Requirements for Student Financial Assistance Cluster Programs)

During the prior examination, inadequate procedures over verification of eligibility requirements for Student Financial Assistance Cluster programs were noted as follows: (a) the University awarded financial aid to students in excess of their financial need, and (b) the University failed to properly monitor compliance with its established standards in determining whether eligible students are maintaining satisfactory academic progress in their educational programs.

During the current examination, our testing disclosed that the University changed staffing and leadership in the financial aid area, modified the incorrect coding in the system, and implemented mandatory training for all financial aid staff. (Finding Code No. 12-2)

C. FINDING (Inadequate Support for Cash Draws)

During the prior examination, the University did not have adequate support for reimbursement requests made on various grant programs.

During the current examination, our testing disclosed that the University's cash draws/reimbursement requests made during the year have supporting documentation showing that the costs for which reimbursement was requested were paid prior to the date of the reimbursement request. (Finding Code No. 12-4)

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

PRIOR FINDINGS NOT REPEATED, Continued

- D. **FINDING** (Inadequate Procedures Over Verification of Eligibility Requirements for TRIO Cluster Programs)

During the prior examination, the University did not have adequate procedures over verification of eligibility requirements for TRIO Cluster - Upward Bound programs.

During the current examination, our testing disclosed that the University did not perform any eligibility procedures as there were no new participants for the Upward Bound programs. In addition, TRIO Cluster is not determined as a major program for the current examination; thus, no additional follow-up testing necessary for purposes of the eligibility of participants for Upward Bound programs. (Finding Code Nos. 12-5, 11-3, 10-1)

- E. **FINDING** (Financial Agreements Not Executed Between the University and Teaching Residents)

During the prior examination, the University did not execute a written agreement with teaching residents detailing requirements under its teaching residency program funded by the ARRA - Teacher Quality Partnerships, Recovery Act grant.

During the current examination, our testing disclosed that the University executed a written agreement with teaching residents detailing teaching residency program requirements. (Finding Code No. 12-7)

- F. **FINDING** (Financial Reporting Delays)

During the prior examination, the University did not submit timely the required financial information to the State of Illinois Office of the Comptroller.

During the current examination, our testing disclosed that the University submitted the required financial information to the State of Illinois Office of the Comptroller within the due date. (Finding Code No. 12-8)

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

PRIOR FINDINGS NOT REPEATED, Continued

G. **FINDING** (Noncompliance with the Required Contracting Procedures)

During the prior examination, the University did not comply with certain required contracting procedures.

During the current examination, our testing disclosed that the University made improvements in complying with the required contracting procedures; however, problems were still noted on the timely execution of contract prior to performance of the related service and timely filing of contracts with the State of Illinois Office of the Comptroller. These issues have been included in the report of immaterial findings as Finding Code No. IM2013-001. (Finding Code Nos. 12-9, 11-9, 10-7)

H. **FINDING** (Inadequate Controls over University Property and Equipment)

During the prior examination, the University did not have adequate controls over its property and equipment.

During the current examination, our testing disclosed that the University made improvements in monitoring and recording its property and equipment; however, problems were still noted on certain equipment items not properly deleted, not included in the University's property records and not included in the Property Listing submitted by the University to the Department of Central Management Services. These issues have been included in the report of immaterial findings as Finding Code No. IM2013-002. (Finding Code Nos. 12-10, 11-10, 10-8)

I. **FINDING** (Noncompliance with the University's Law on Board Membership, Terms, and Vacancies)

During the prior examination, the University's Board was not composed of eight members as required by its law. The University's Board had only five members appointed by the Governor and one student member elected by the student body, which left the University's Board with two vacancies.

During the current examination, two Board members were appointed by the Governor on February 25, 2013. Thus, the University's Board is now composed of eight members in compliance with its law. (Finding Code Nos. 12-12, 11-12)

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
COMPLIANCE EXAMINATION
FOR THE YEAR ENDED JUNE 30, 2013**

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)
 - Emergency Purchases (Unaudited)
 - Selected Service Efforts and Accomplishments (Unaudited)
 - University Bookstore Information (Unaudited)
 - Schedule of Degrees Awarded (Unaudited)
 - Special Data Requirements for Audits of Universities (Unaudited):
 - University Reporting in Accordance with University Guidelines (Unaudited)
 - Summary of Foundation Cash Support to the University (Unaudited)
 - Schedule of Tuition and Fee Waivers (Unaudited)

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
COMPLIANCE EXAMINATION
FOR THE YEAR ENDED JUNE 30, 2013**

**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, 2013

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Federal Project or Pass-Through Number	FY 2013 Expenditures
MAJOR PROGRAMS			
STUDENT FINANCIAL ASSISTANCE CLUSTER:			
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Federal Direct Student Loans	84.268		\$ 42,173,831
Federal Pell Grant Program	84.063		6,291,793
Federal Perkins Loans - Federal Capital Contributions	84.038		4,324,675
Federal Work-Study Program	84.033		327,008
Federal Supplemental Educational Opportunity Grants	84.007		101,350
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379		<u>38,500</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u><u>53,257,157</u></u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Scholarships for Health Professions Students from Disadvantaged Backgrounds <i>Scholarships for Health Professions Students from Disadvantaged Backgrounds/CSW</i>	93.925		648,288
Nurse Faculty Loan Program (NFLP) <i>Nurse Faculty Loan Program</i>	93.264		624,795
ARRA - Nurse Faculty Loan Program <i>ARRA/Nurse Faculty Loan Program</i>	93.408		<u>20,054</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u><u>1,293,137</u></u>
TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER			<u><u>54,550,294</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, 2013

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Federal Project or Pass-Through Number	FY 2013 Expenditures
RESEARCH AND DEVELOPMENT CLUSTER:			
<u>NATIONAL SCIENCE FOUNDATION</u>			
ARRA - Trans-NSF Recovery Act Research Support <i>ARRA/Biology Research Laboratories at Governors State University</i>	47.082		2,033,629
Education and Human Resources Passed through the Chicago State University <i>Illinois Louis Stokes Alliance for Minority Participation</i>	47.076	HRD-0904024	2,671
TOTAL NATIONAL SCIENCE FOUNDATION			<u>2,036,300</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Minority Health and Health Disparities Research <i>RIMI - Building Capacity for Health Disparities Research</i>	93.307		83,748
Passed through the University of Illinois at Chicago <i>Center of Excellence in Eliminating Disparities</i>	93.307	5P60MD003424	99,963
			183,711
ARRA - Trans-NIH Recovery Act Research Support <i>ARRA/Building Complex Language: Effect of Treatment and Dosage</i>	93.701		129,612
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>313,323</u>
TOTAL RESEARCH AND DEVELOPMENT CLUSTER			<u>2,349,623</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		1,185,093
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>1,185,093</u>
TOTAL TEACHER QUALITY PARTNERSHIP GRANTS CLUSTER			<u>1,185,093</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, 2013

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Federal Project or Pass-Through Number	FY 2013 Expenditures
HEAD START CLUSTER:			
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Head Start			
<i>Early Head Start</i>	93.600		<u>816,263</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u><u>816,263</u></u>
TOTAL HEAD START CLUSTER			<u><u>816,263</u></u>
OTHER MAJOR PROGRAMS:			
<u>U.S. DEPARTMENT OF LABOR</u>			
ARRA - Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors			
<i>ARRA/Health Care Jobs for the Chicago Southland</i>	17.275		<u>1,582,184</u>
TOTAL U.S. DEPARTMENT OF LABOR			<u><u>1,582,184</u></u>
<u>U.S. DEPARTMENT OF VETERANS AFFAIRS</u>			
Post-9/11 Veterans Educational Assistance			
<i>VA Chapter 33 Award</i>	64.028		<u>465,883</u>
TOTAL U.S. DEPARTMENT OF VETERANS AFFAIRS			<u><u>465,883</u></u>
TOTAL MAJOR PROGRAMS			<u><u>60,949,340</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, 2013

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Federal Project or Pass-Through Number	FY 2013 Expenditures
OTHER PROGRAMS			
TRIO CLUSTER:			
<u>U.S. DEPARTMENT OF EDUCATION</u>			
TRIO - Upward Bound <i>TRIO - Upward Bound</i>	84.047		123,387
TOTAL U.S. DEPARTMENT OF EDUCATION			123,387
TOTAL TRIO CLUSTER			123,387
<u>LIBRARY OF CONGRESS</u>			
Teaching With Primary Sources Passed through the Education and Research Consortium of the Western Carolinas <i>Teaching With Primary Sources</i>	N.A.	GA06C0076	258,780
TOTAL LIBRARY OF CONGRESS			258,780
<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.	69,691
TOTAL U.S. DEPARTMENT OF AGRICULTURE			69,691
<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	43CRC00088	41,649
Child Care and Development Block Grant Passed through the Illinois Department of Human Services <i>Child Care and Development Block Grant</i>	93.575	11GQ02156	7,339
Affordable Care Act (ACA) Personal Responsibility Education Program Passed through the Illinois Department of Children and Family Services <i>Affordable Care Act Personal Responsibility Education Program/Sexual</i>	93.092	IGA3779213	10,246
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			59,234

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

FISCAL SCHEDULES AND ANALYSIS, Continued

Schedule of Expenditures of Federal Awards, Continued

For the Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Federal Project or Pass-Through Number	FY 2013 Expenditures
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Edward Byrne Memorial Justice Assistance Grant Program Passed through the Illinois Criminal Justice Grant Program <i>Edward Byrne Memorial Justice Assistance Grant Program</i>	16.738	410058	<u>45,623</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>45,623</u>
<u>SMALL BUSINESS ADMINISTRATION</u>			
Small Business Development Centers Passed through the Illinois Department of Commerce and Economic Opportunity <i>Small Business Development Center</i>	59.037	1603001Z001428	<u>33,921</u>
TOTAL SMALL BUSINESS ADMINISTRATION			<u>33,921</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Child Care Access Means Parents in School <i>Child Care Access Means Parents in School</i>	84.335		<u>12,266</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>12,266</u>
TOTAL OTHER PROGRAMS			<u>602,902</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 61,552,242</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, 2013

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 2013, the University provided federal awards to subrecipients under the following grants:

Program/Grant Title	CFDA Number	Amounts Provided to Subrecipients
ARRA - Trans-NIH Recovery Act Research Support	93.701	\$ 43,318
ARRA - Trans-NSF Recovery Act Research Support	47.082	20,310
ARRA - Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	17.275	613,975
Total		<u>\$ 677,603</u>

3. Non-cash Assistance

The University did not receive any federal non-cash assistance during the fiscal year ended June 30, 2013.

4. Insurance

The University did not have federally funded insurance in effect during the fiscal year ended June 30, 2013.

STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY

FISCAL SCHEDULES AND ANALYSIS, Continued

Schedule of Net Appropriations, Expenditures and Lapsed Balances*

Appropriations for Fiscal Year 2013

Fourteen Months Ended August 31, 2013

	<u>Appropriations (Net After Transfers)</u>	<u>Expenditures through 6/30/13</u>	<u>Lapse Period Expenditures 7/01 - 8/31/13</u>	<u>Total Expenditures</u>	<u>Lapsed Balances</u>
Public Act 97-0729					
Education Assistance Fund - 007:					
Personal services	\$ 21,854,300	\$ 21,780,951	\$ 73,349	\$ 21,854,300	\$ -
Group insurance	656,200	656,200	-	656,200	-
Contractual services	1,725,000	1,725,000	-	1,725,000	-
Commodities	75,000	75,000	-	75,000	-
Equipment	250,000	250,000	-	250,000	-
Awards and grants	90,000	90,000	-	90,000	-
Total Education Assistance Fund	<u>\$ 24,650,500</u>	<u>\$ 24,577,151</u>	<u>\$ 73,349</u>	<u>\$ 24,650,500</u>	<u>\$ -</u>
Total Appropriated Fund	<u>\$ 24,650,500</u>	<u>\$ 24,577,151</u>	<u>\$ 73,349</u>	<u>\$ 24,650,500</u>	<u>\$ -</u>

* 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, 2013, 2012, and 2011

	Fiscal Years		
	2013	2012	2011
	P.A. 97-0729 (a)	P.A. 97-0069 (b)	P.A. 96-0956 (c)
General Revenue Fund - 001:			
Appropriations (net after transfers)	\$ -	\$ -	\$ 26,558,000
Expenditures:			
Operational expenses	-	-	26,558,000
Total Expenditures	-	-	26,558,000
Lapsed Balances	\$ -	\$ -	\$ -
Education Assistance Fund - 007:			
Appropriations (net after transfers)	\$ 24,650,500	\$ 26,253,400	\$ -
Expenditures:			
Operational expenses	-	26,159,600	-
Personal services	21,854,300	-	-
Group insurance	656,200	-	-
Contractual services	1,725,000	-	-
Commodities	75,000	-	-
Equipment	250,000	-	-
Awards and grants	90,000	93,800	-
Total Expenditures	24,650,500	26,253,400	-
Lapsed Balances	\$ -	\$ -	\$ -
Grand Total, All Funds:			
Appropriations (Net after transfers)	\$ 24,650,500	\$ 26,253,400	\$ 26,558,000
Expenditures	24,650,500	26,253,400	26,558,000
Lapsed Balances	\$ -	\$ -	\$ -

* The information contained in this schedule was taken directly from the University records which have been reconciled to those of the State Comptroller. Expenditure amounts are vouchers approved and paid by the University and submitted to the State Comptroller for reimbursement of payments made to vendors.

- (a) For Fiscal Year 2013, the General Assembly provided an appropriation to the University from the Education Assistance Fund. The appropriation specifically designated the purpose for which the amounts shall be used.
- (b) For Fiscal Year 2012, the General Assembly changed the appropriation to the University from the General Revenue Fund to the Education Assistance Fund. The University received a lump sum appropriation for operational expenses and awards and grants, rather than individual appropriations designated for specific purposes.
- (c) For Fiscal Year 2011, the General Assembly changed the appropriation process for expenditures that were paid from the General Revenue Fund. The University received a lump sum appropriation for operational expenses including personal services expenditures, rather than individual appropriations designated for specific purposes.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

FISCAL SCHEDULES AND ANALYSIS, Continued

Comparative Schedule of Income Fund Revenues and Expenditures*

For the Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Fund balance, beginning of year	\$ 39,644,295	\$ 32,710,957
Income fund revenues:		
Student tuition and fees	30,210,075	30,587,843
Investment income	23,227	25,835
Miscellaneous	-	248,163
Total income fund revenues	<u>30,233,302</u>	<u>30,861,841</u>
Income fund expenditures:		
Personal services (including change in accrued compensated absences)	16,172,760	14,446,805
Medicare	707,801	1,141,476
Contractual services	3,761,251	4,372,426
Travel	363,570	289,259
Commodities	699,570	668,092
Equipment and permanent improvements	507,848	465,632
Telecommunications services	228,518	226,847
Operation of automotive equipment	81,084	26,185
Awards, grants and matching funds	1,012,737	664,794
Tuition and fee waivers	1,471,338	1,626,987
Total income fund expenditures	<u>25,006,477</u>	<u>23,928,503</u>
Fund balance, end of year	<u>\$ 44,871,120</u>	<u>\$ 39,644,295</u>

* 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, 2013

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
Land	\$ 1,389,086	\$ -	\$ -	\$ 1,389,086
Equipment	20,342,635	1,742,176	4,673,190	17,411,621
Intangible assets	1,077,097	-	-	1,077,097
Artwork/Artifacts	268,323	135,000	-	403,323
Library collection	13,558,331	192,822	70,378	13,680,775
Buildings and site improvements	108,991,146	1,088,765	-	110,079,911
Construction in progress	<u>2,893,328</u>	<u>17,118,215</u>	<u>-</u>	<u>20,011,543</u>
Total	<u>\$ 148,519,946</u>	<u>\$ 20,276,978</u>	<u>\$ 4,743,568</u>	<u>\$ 164,053,356</u>

* This schedule has been prepared from the University's property control records. These records are maintained on a basis prescribed by the Department of Central Management Services and differ from the information presented in the basic financial statements due to higher capitalization thresholds which were adopted for financial reporting purposes. These records have been reconciled to the property records 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, 2013

The Statement of Revenues, Expenses, and Changes in Net Position is presented on page 14 of the financial audit report. Following are explanations for significant variances between expense accounts exceeding \$112,000 and 10%:

	<u>2013</u>	<u>2012</u>	<u>Increase (Decrease)</u>		<u>Comments</u>
			<u>Amount</u>	<u>Percentage</u>	
Instruction	\$ 50,912,283	\$ 46,092,139	\$ 4,820,144	10%	Increase mostly due to the increase in salaries and benefits expense attributable to the increase in allocated on behalf payments made by the State.
Research	677,588	1,019,479	(341,891)	-34%	Decrease primarily due to federal research grants that ended and were not replaced by further funding.
Academic support	2,681,093	2,008,781	672,312	33%	Increase mostly due to the transition of University library resources being contracted through electronic sources rather than through the purchase and capitalization of books.
Student services	7,383,078	6,688,295	694,783	10%	Increase mostly due to the increase in the mandated tuition waivers that were unfunded by the State.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

FISCAL SCHEDULES AND ANALYSIS, Continued

Analysis of Significant Variations in Revenues

For the Year Ended June 30, 2013

The Statement of Revenues, Expenses, and Changes in Net Position is presented on page 14 of the financial audit report. Following are explanations for significant variances between revenue accounts exceeding \$112,000 and 10%:

	2013	2012	Increase (Decrease)		Comments
			Amount	Percentage	
Federal grants and contracts	\$ 8,072,663	\$ 6,547,597	\$ 1,525,066	23%	Increase primarily due to the increase in spending for expiring federal grants.
State grants and contracts	769,682	1,326,691	(557,009)	-42%	Decrease was mostly due to the \$0.2 million decrease in funding for the Grow Your Own grant and non renewal of the following grants from the prior fiscal year: (a) ISBE induction grant of \$0.1 million, (b) ISBE 0-3K grant of \$0.2 million, and (c) TIES center grant of \$0.1 million.
Other grants and contracts	272,228	529,154	(256,926)	-49%	Decrease was primarily due to the \$0.3 million decrease in funding for the Kresge grant.
Other operating revenues	1,630,708	2,169,073	(538,365)	-25%	Decrease primarily due to rebates from private loans granted to students and adjustments in the prior year; none were noted in the current year.

STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY

FISCAL SCHEDULES AND ANALYSIS, Continued

Analysis of Significant Variations in Revenues, Continued
For the Year Ended June 30, 2013

	2013	2012	Increase (Decrease)		Comments
			Amount	Percentage	
Payments made on behalf of the University	\$ 29,165,000	\$ 22,668,000	\$ 6,497,000	29%	Increase primarily due to the increase in the State's funding of retirement and health care benefits amounting to \$4.6 million and \$1.9 million, respectively.
Capital additions provided by State of Illinois	13,648,789	2,811,723	10,837,066	385%	Increase primarily due to the funding from the Capital Development Board for the ongoing construction of the University's E and F buildings.
Capital asset contributions	135,000	-	135,000	100%	Represents artifacts (mostly maps) received by the University from private individuals/donors during the current year.

STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY

FISCAL SCHEDULES AND ANALYSIS, Continued

Analysis of Significant Account Balances

For the Year Ended June 30, 2013

Cash and Cash Equivalents

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

	<u>2013</u>	<u>2012</u>
Deposit types:		
Cash	\$ 6,900,389	\$ 3,412,879
Illinois Funds	29,024,608	33,253,335
	<u>\$ 35,924,997</u>	<u>\$ 36,666,214</u>
Depositories used:		
First Midwest Bank	\$ 6,880,367	\$ 3,391,994
Illinois Funds	29,024,608	33,253,335
Cash on hand	20,022	20,885
	<u>\$ 35,924,997</u>	<u>\$ 36,666,214</u>

Cash and Cash Equivalents, Restricted

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

	<u>2013</u>	<u>2012</u>
Deposit types:		
Cash	\$ 1,484,224	\$ 1,381,868
Money market	335,992	20,507,871
Illinois Funds	19,505,080	1,464,075
	<u>\$ 21,325,296</u>	<u>\$ 23,353,814</u>
Depositories used:		
First Midwest Bank	\$ 1,484,224	\$ 1,377,173
Old National Leasing Bank	-	4,695
Illinois Funds	19,505,080	1,464,075
Amalgamated Bank	335,992	20,507,871
	<u>\$ 21,325,296</u>	<u>\$ 23,353,814</u>

Cash and cash equivalents, restricted decreased by \$2.0 million primarily due to expending the proceeds from debt financing on construction and deferred maintenance projects.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

FISCAL SCHEDULES AND ANALYSIS, Continued

Analysis of Significant Account Balances, Continued

For the Year Ended June 30, 2013

Capital Assets

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

	<u>2013</u>	<u>2012</u>
Land	\$ 1,389,086	\$ 1,389,086
Artwork/Artifacts	403,323	268,323
Site improvements	7,576,773	7,576,773
Buildings	102,503,138	101,414,373
Intangible assets	1,077,097	1,077,097
Equipment	9,674,619	9,055,860
Library collection	13,680,775	13,558,331
Construction in progress	<u>21,256,506</u>	<u>2,893,328</u>
Gross capital assets	157,561,317	137,233,171
Accumulated depreciation	<u>(58,893,927)</u>	<u>(55,478,675)</u>
Net capital assets	<u>\$ 98,667,390</u>	<u>\$ 81,754,496</u>

Net capital assets increased by \$16.9 million due to the substantial completion of deferred maintenance projects that have been underway for the past six years, ongoing construction of the University's E and F buildings as funded by the Capital Development Board, ongoing construction of an on-campus student housing complex as funded by the University's Revenue Bonds, Series 2012, and ongoing construction of the grant-supported biology research laboratory.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

FISCAL SCHEDULES AND ANALYSIS, Continued

Analysis of Significant Account Balances, Continued

For the Year Ended June 30, 2013

Liabilities

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

	<u>2013</u>	<u>2012</u>
Accounts payable	\$ 5,101,988	\$ 3,885,366
Agency funds payable	149,814	203,953
Accrued compensated absences	4,187,015	4,621,197
Due to component unit	211,917	-
Deferred revenue	3,737,412	3,315,333
Refundable grants	3,644,107	3,611,829
Revenue bonds payable	27,729,775	28,080,628
Notes payable	3,145,401	3,597,290
Certificates of participation	15,573,243	16,590,915
Total liabilities	<u>\$ 63,480,672</u>	<u>\$ 63,906,511</u>

Total liabilities decreased by \$0.4 million mostly due to the decrease in accrued compensated absences, revenue bonds payable, notes payable and certificates of participation. Accrued compensated absences decreased by \$0.4 million primarily due to retirements which have led to a newer workforce. Revenue bonds payable, notes payable and certificates of participation decreased primarily due to principal payments of \$1.8 million. The decrease in total liabilities was partially offset by the \$1.2 million increase in accounts payable caused by an increase in spending related to construction projects and grants, \$0.2 million amount due to Governors State University Foundation, and the \$0.4 million increase in deferred revenue primarily due to the increased collection of tuition and fee revenue attributable to future terms (summer 2013 and fall 2013).

STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY

FISCAL SCHEDULES AND ANALYSIS, Continued

Analysis of Receivables

For the Year Ended June 30, 2013

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

	<u>2013</u>	<u>2012</u>
Accounts receivable, net of allowance for uncollectible accounts of \$4,900,000 in 2013 and \$4,092,600 in 2012	\$ 5,078,113	\$ 4,314,272
Grants receivable	4,675,759	1,629,390
State appropriation receivable	6,718,815	8,157,160
Student loans, net of allowance for uncollectible loans of \$766,000 in 2013 and \$766,000 in 2012	2,962,315	3,244,691
Due from component unit	-	43,956
Total receivables	<u>\$ 19,435,002</u>	<u>\$ 17,389,469</u>

Total receivables increased by \$2.0 million mostly due to the increase in accounts receivable and grants receivable. Accounts receivable increased by \$0.8 million primarily due to an increase in outstanding reimbursements from the University's contract with the Department of Children and Family Services. Grants receivable consists of amounts due from the federal government and other granting sources at the end of the fiscal year. Grants receivable increased by \$3.0 million primarily due to the timing of drawdowns and increased grant spending near year end. The increase in total receivables was partially offset by the decrease in State appropriation receivable and student loans. State appropriation receivable decreased by \$1.4 million due to timely payments of State reimbursements and the decrease in the amount appropriated by the State to the University. Student loans receivable decreased by \$0.3 million primarily due to the timing of collections of loans from students.

The aging of accounts and grants receivable is as follows:

	<u>2013</u>	<u>2012</u>
Current	\$ 8,708,067	\$ 5,167,154
Up to 120 days past due	997,451	684,587
From 121 to 365 days past due	551,446	482,680
More than 365 days past due	4,396,908	3,701,841
Allowance for doubtful accounts	(4,900,000)	(4,092,600)
Net accounts and grants receivable	<u>\$ 9,753,872</u>	<u>\$ 5,943,662</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

Analysis of Receivables, Continued

For the Year Ended June 30, 2013

The aging of student loans receivable is as follows:

	<u>2013</u>	<u>2012</u>
In school or in grace period - not in repayment	\$ 2,091,920	\$ 2,303,583
In repayment:		
On schedule	569,785	672,800
Past due - not in default	336,145	372,496
Past due - in default	730,465	661,812
Allowance for doubtful accounts	<u>(766,000)</u>	<u>(766,000)</u>
Net student loans receivable	<u>\$ 2,962,315</u>	<u>\$ 3,244,691</u>

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, 2013

Schedule A - Federal Financial Component

Total federal expenditures reported on SEFA schedule	\$ 61,552,242
Total Schedule A	<u>\$ 61,552,242</u>

Schedule B - Total Financial Component

Total operating expenses (from Financial Statements)	\$ 105,306,716
Total nonoperating expenses (from Financial Statements)	1,121,564
Total new loans made	42,173,831
Amount of federal loan balances	4,969,524
Total Schedule B	<u>\$ 153,571,635</u>

Schedule C

		<u>Percent</u>
Total Schedule A	\$ 61,552,242	40.1%
Total nonfederal expenses	92,019,393	59.9%
Total Schedule B	<u>\$ 153,571,635</u>	<u>100.0%</u>

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, 2013

The University receives indirect and administrative cost reimbursements for administration of grants and contracts, federally assisted financial aid programs, Veterans Affairs (VA) programs and other related activities. These funds are recorded in Other Unrestricted Funds and are expended for directly identifiable charges associated with such programs.

The administrative personal services expenditures are for selected University employees working in the functions generating the related revenues. The contractual services expenditures include audit charges to federally assisted programs. The remaining charges are for other expenditures related to the respective programs.

Balances remaining at June 30, 2013 are used to meet budgeted operational costs in Fiscal Year 2014. 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, 2013:

	<u>Indirect Costs</u>	<u>Administrative Overhead</u>	<u>Total</u>
Balance at June 30, 2012	\$ 791,985	\$ 120,581	\$ 912,566
Add: Sources			
Recovered from grants and contracts	289,350	-	289,350
Financial aid program reimbursements	-	51,530	51,530
Total sources	<u>289,350</u>	<u>51,530</u>	<u>340,880</u>
Less: Applications			
Personal services	217,157	76,781	293,938
Contractual services	108,099	-	108,099
Commodities	8,604	4,947	13,551
Equipment	707	-	707
Others	64,372	-	64,372
Total applications	<u>398,939</u>	<u>81,728</u>	<u>480,667</u>
Balance at June 30, 2013	<u>\$ 682,396</u>	<u>\$ 90,383</u>	<u>\$ 772,779</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, 2013

Cash and cash equivalents balance:	
Cash and cash equivalents	\$ 890,982
Actual cash carried forward	<u>890,982</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>118,203</u>
Maximum allowable carry-forward	<u>1,808,057</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, 2013

	<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 \$ 20,959,423	\$ 5,479	\$ 4,454,047	\$ 96,389
Working capital allowance:				
Highest month's expenditures	1,975,802	105,353	5,587,585	310,806
Current liabilities paid during lapse period	1,056,112	-	609,621	23,420
Deferred income	-	-	665,205	-
Working capital allowance	B <u>3,031,914</u>	<u>105,353</u>	<u>6,862,411</u>	<u>334,226</u>
Current excess funds (margin of compliance):				
Deduct B from A	<u>\$ 17,927,509</u>	<u>\$ (99,874)</u>	<u>\$ (2,408,364)</u>	<u>\$ (237,837)</u>
Calculation of net excess funds for remittance:				
Indentured capital reserves:				
Unspent project proceeds included in cash above	\$ 19,173,096			
Funds reserved for debt retirement	1,484,269			
Nonindentured capital reserves:				
5% of the replacement cost of buildings and improvements	752,284			
10% of the historical cost of parking lots	336,900			
20% of the historical cost of equipment	48,398			
Total allowable capital reserves	<u>\$ 21,794,947</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, 2013

	Auxiliary Enterprises		Activities			Total Auxiliary Enterprises and Activities
	University Facilities System Revenue Bonds	Center for Performing Arts	Educational and Student Life Activities	University Service Departments	Administrative Overhead/ Indirect Costs	
Assets						
Cash and cash equivalents	\$ 20,959,423	\$ 5,479	\$ 4,454,047	\$ 96,389	\$ 890,982	\$ 26,406,320
Accounts receivable, net	-	-	2,760,999	-	-	2,760,999
Inventories	-	-	-	71,410	-	71,410
Unamortized debt issuance costs	578,614	-	-	-	-	578,614
Buildings and improvements, net	7,618,719	4,334,885	17,973,007	105,032	-	30,031,643
Parking lots, net	3,368,998	-	-	-	-	3,368,998
Equipment, net	241,991	89,008	-	62,375	-	393,374
Total assets	32,767,745	4,429,372	25,188,053	335,206	890,982	63,611,358
Liabilities						
Accounts payable	1,056,112	-	609,621	23,420	118,203	1,807,356
Revenue bonds payable	27,729,775	-	-	-	-	27,729,775
Deferred revenue	-	-	665,205	-	-	665,205
Total liabilities	28,785,887	-	1,274,826	23,420	118,203	30,202,336
Fund balances						
Other unrestricted funds	805,690	5,479	5,940,220	144,379	772,779	7,668,547
Restricted	1,202,652	-	-	-	-	1,202,652
Net investment in capital assets	1,973,516	4,423,893	17,973,007	167,407	-	24,537,823
Total fund balances	3,981,858	4,429,372	23,913,227	311,786	772,779	33,409,022
Total liabilities and fund balances	\$ 32,767,745	\$ 4,429,372	\$ 25,188,053	\$ 335,206	\$ 890,982	\$ 63,611,358

**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, 2013

UNIVERSITY FACILITIES SYSTEM REVENUE BONDS - ALL FUNDS:

Revenues	<u>\$ 3,180,764</u>
Expenditures	
Personal services	796,830
Contractual	721,405
Commodities	96,355
Equipment	23,747
Others	<u>573,960</u>
Total expenditures	<u>2,212,297</u>
Excess of revenues over expenditures	968,467
Fund balance, beginning of year	<u>3,013,391</u>
Fund balance, end of year	<u><u>\$ 3,981,858</u></u>

CENTER FOR PERFORMING ARTS - OTHER UNRESTRICTED FUNDS:

Revenues	<u>\$ 601,464</u>
Expenditures	
Personal services	267,619
Contractual	292,428
Commodities	36,377
Equipment	1,144
Others	<u>1,492</u>
Total expenditures	<u>599,060</u>
Excess of revenues over expenditures	2,404
Fund balance, beginning of year	<u>3,075</u>
Fund balance, end of year	<u><u>\$ 5,479</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, 2013

EDUCATIONAL AND STUDENT LIFE ACTIVITIES - OTHER UNRESTRICTED FUNDS

	<u>Educational Program</u>	<u>Student Activities</u>	<u>Academic Enhancement</u>	<u>Media</u>	<u>Farm</u>	<u>Telecomm</u>	<u>Others</u>	<u>Total</u>
Revenues	\$ 5,934,317	\$ 3,443,932	\$ 1,578,699	\$ 193,810	\$ 60,541	\$ 3,284	\$ 2,847,570	\$ 14,062,153
Expenditures								
Personal services	5,848,589	17,019	163,713	82,118	-	-	586,754	6,698,193
Contractual	403,225	201,948	589,493	56,865	11,432	-	4,900	1,267,863
Commodities	26,062	8,875	173,652	21,219	-	-	35,918	265,726
Equipment	102,909	13,076	898,448	41,268	-	-	38,603	1,094,304
Others	231,183	3,561,997	581,473	22,713	28,350	-	6,022	4,431,738
Total expenditures	6,611,968	3,802,915	2,406,779	224,183	39,782	-	672,197	13,757,824
Excess (deficiency) of revenues over expenditures	(677,651)	(358,983)	(828,080)	(30,373)	20,759	3,284	2,175,373	304,329
Fund balance (deficit), beginning of year	(462,577)	1,837,081	2,346,165	620,103	464,797	15,571	814,751	5,635,891
Fund balance (deficit), end of year	\$ (1,140,228)	\$ 1,478,098	\$ 1,518,085	\$ 589,730	\$ 485,556	\$ 18,855	\$ 2,990,124	\$ 5,940,220

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, 2013

UNIVERSITY SERVICE DEPARTMENTS - OTHER UNRESTRICTED FUNDS

	University Print Shop	Copier	Central Stores	Motor Pool	Mail Service	Total
Revenues	\$ 350,128	\$ 170,149	\$ 93,918	\$ 94,334	\$ 137,484	\$ 846,013
Expenditures						
Personal services	40,864	40,276	38,017	26,526	70,448	216,131
Contractual	121,111	111,000	6,341	-	68,997	307,449
Commodities	57,476	22,629	58,356	-	1,775	140,236
Equipment	28,762	-	1,160	-	-	29,922
Others	157,211	-	1,816	68,334	-	227,361
Total expenditures	405,424	173,905	105,690	94,860	141,220	921,099
Deficiency of revenues over expenditures	(55,296)	(3,756)	(11,772)	(526)	(3,736)	(75,086)
Fund balance, beginning of year	189,672	4,015	21,525	123	4,130	219,465
Fund balance (deficit), end of year	<u>\$ 134,376</u>	<u>\$ 259</u>	<u>\$ 9,753</u>	<u>\$ (403)</u>	<u>\$ 394</u>	<u>\$ 144,379</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, 2013

ADMINISTRATIVE OVERHEAD/INDIRECT COSTS - OTHER UNRESTRICTED FUNDS

	Grants and Contracts	Business Office	Financial Aid and Veterans Affairs	Other Activities	Total
Revenues	\$ 148,961	\$ 28,322	\$ 23,208	\$ 140,389	\$ 340,880
Expenditures					
Personal services	212,537	41,368	35,413	4,620	293,938
Contractual	98,464	-	-	9,635	108,099
Commodities	-	-	4,947	8,604	13,551
Equipment	-	-	-	707	707
Others	-	-	-	64,372	64,372
Total expenditures	311,001	41,368	40,360	87,938	480,667
Excess (deficiency) of revenues over expenditures	(162,040)	(13,046)	(17,152)	52,451	(139,787)
Fund balance (deficit), beginning of year	(36,837)	93,465	27,116	828,822	912,566
Fund balance (deficit), end of year	\$ (198,877)	\$ 80,419	\$ 9,964	\$ 881,273	\$ 772,779

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

ANALYSIS OF OPERATIONS (UNAUDITED)

University Functions and Planning Program (Unaudited)

For the Year Ended June 30, 2013

Functions

The University was chartered in 1969 to provide affordable and accessible undergraduate and graduate education to its culturally and economically diverse life-long learners in the Chicago metropolitan area. It is governed by the Board of Trustees of the University created in January 1996 as a result of legislation to reorganize governance of State higher education institutions and provides liberal arts, science, and professional preparation at the upper-division, master, and doctoral levels.

Planning

Strategy 2015: Inspire Hope, Realize Dreams, Strengthen Community is the strategic plan of the University. It was formally adopted by the University Board of Trustees in October 2009, and is designed to provide general direction for all University initiatives through the 2014-2015 academic year.

Strategy 2015 articulates the mission of the University as follows:

The University is committed to offering an exceptional and accessible education that imbues students with the knowledge, skills, and confidence to succeed in a global society. The University is dedicated to creating an intellectually stimulating public square, serving as an economic catalyst for the region and being a model of diversity and responsible citizenship.

The mission statement is informed by five core values, specified as follows:

- (1) **Provide Opportunity and Access:** At the University, those traditionally underserved by higher education and residents of surrounding communities have access to a first class public education.
- (2) **Serve as an Economic Catalyst:** The University is committed to the citizens of the State of Illinois and the region to serve as an economic catalyst, so that communities grow and flourish.
- (3) **Prepare Stewards of our Future:** The University is committed to preparing students to thrive in the global economy and to contribute to the ongoing stewardship of the environment.
- (4) **Demonstrate Inclusiveness and Diversity:** The University embraces diversity among students, staff, and faculty as well as members of the broader community, and encourages acceptance of wide-ranging perspectives.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

ANALYSIS OF OPERATIONS (UNAUDITED), Continued

University Functions and Planning Program (Unaudited), Continued

For the Year Ended June 30, 2013

- (5) **Promote Quality of Life:** The University values an atmosphere that fosters a capacity to enjoy life through the fine arts and humanities, marketable skills and attitudes for employment, supportive interpersonal relationships, and participative and informed citizenship.

Consistent with these values and informed by the larger institutional mission, the University actively pursues six primary goals:

- (1) **Academic Excellence:** Provide distinctive academic programs that effectively prepare students to become leaders and productive citizens in the global community.
- (2) **High Quality Faculty and Staff:** Provide students access to a highly qualified, motivated, and diverse faculty and staff.
- (3) **Continuous Process Improvement:** Develop and sustain a climate of continuous improvement that is defined by evidence-based decision-making focused on enriching the student experience.
- (4) **Visibility, Outreach, and Economic Catalyst:** Pursue initiatives that make the University a preferred destination in the region, that create a vibrant public dialogue, and that increase the University's effectiveness as an economic catalyst in the region.
- (5) **Social, Ethical, and Environmental Responsibility:** Build an institution that is socially, ethically, and environmentally responsible.
- (6) **Financial Growth and Sustainability:** Diversify the University's revenue streams to ensure resources that are necessary for institutional growth and fiscal sustainability.

Within the larger context set by *Strategy 2015*, the annual budget process operates under the general direction of the Planning and Budget Advisory Council (PBAC), a 22-member group composed of faculty, staff and students, and co-chaired by the Provost and the Executive Vice-President. PBAC and its six constituent committees develop recommendations on all issues of University-wide scope and, after due deliberation, forward those recommendations to the University President.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

ANALYSIS OF OPERATIONS (UNAUDITED), Continued

University Functions and Planning Program (Unaudited), Continued

For the Year Ended June 30, 2013

Every spring, PBAC operates the annual budget process. The group develops guidelines consistent with the goals of *Strategy 2015*, and procedures and timelines in accordance with which every budget unit of the University develops its budget requests for the fiscal year to come. Public hearings are held at which each unit presents its request and is subject to questions and discussions from the members of the PBAC. Final recommendations are developed and forwarded to the President for her adoption. PBAC also receives recommendations from its Budget and Finance Committee with regard to tuition and fee rates for the year to come and develops and forwards to the President recommendations on these as well. The President, in turn, forwards final recommendations on tuition and fees to the Board of Trustees.

Progress toward achieving the goals of *Strategy 2015* is monitored by means of a series of “dashboard” indicators of accomplishment, which are regularly updated by the Office of Institutional Research and which are available for public viewing on the University’s web site.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

ANALYSIS OF OPERATIONS (UNAUDITED), Continued

Average Number of Employees (Unaudited)

For the Year Ended June 30, 2013

	<u>2013</u>	<u>2012</u>
Full-time equivalent employees funded by State appropriated funds:		
Faculty	258.4	252.5
Administrative	49.9	41.6
Civil service	172.4	172.3
Other professionals	86.9	86.0
Graduate assistants	26.7	27.2
Students	9.2	18.1
Total	<u>603.5</u>	<u>597.7</u>
Full-time equivalent employees funded by nonappropriated funds:		
Faculty	25.4	52.5
Administrative	27.5	4.8
Civil service	81.3	79.8
Other professionals	112.5	119.6
Graduate assistants	15.1	14.8
Students	21.3	19.1
Total	<u>283.1</u>	<u>290.6</u>

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, 2013

Enrollment Statistics

	<u>Academic Year 2012-2013</u>		
	<u>Fall</u>	<u>Spring</u>	<u>Summer</u>
Headcount:			
Undergraduate	3,164	3,271	1,596
Graduate	2,445	2,359	1,956
Total	<u>5,609</u>	<u>5,630</u>	<u>3,552</u>
Full-time equivalent:			
Undergraduate	1,958	2,042	661
Graduate	1,369	1,294	978
Total	<u>3,327</u>	<u>3,336</u>	<u>1,639</u>

Student Cost Statistics

	<u>2013</u>	<u>2012</u>
Annual full-time equivalent students:*		
Undergraduate	2,331	2,312
Graduate	1,820	1,916
Total	<u>4,151</u>	<u>4,228</u>
Total instructional costs per IBHE Cost Study Report**	<u>\$ 24,493,520</u>	<u>\$ 23,799,062</u>
Annual full-time equivalent students	<u>4,151</u>	<u>4,228</u>
Cost per full-time equivalent student	<u>\$ 5,901</u>	<u>\$ 5,629</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

Emergency Purchases (Unaudited)

For the Year Ended June 30, 2013

The University reported one emergency purchase to the Office of the Auditor General during Fiscal Year 2013:

Obligation Number	Vendor	Description	Estimated Amount	Actual Amount
Purchase Order Number 9313	Hygieneering Inc.	The University awarded a contract for assessment, remediation and abatement services related to potential asbestos and mercury contamination within a work zone prior to demolition and reconstruction of chemistry laboratories. Services were needed immediately as these specifications were not known, and therefore, not included in the initial contract award and project scope.	\$ 80,092	\$ 97,181

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

ANALYSIS OF OPERATIONS (UNAUDITED), Continued

Selected Service Efforts and Accomplishments (Unaudited)

For the Year Ended June 30, 2013

	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>
1. Student headcount - Fall term (a)	<u>5,636</u>	<u>5,674</u>	<u>5,660</u>	<u>5,603</u>	<u>5,609</u>
2. Minority enrollment - Fall term (a)	<u>2,406</u>	<u>2,625</u>	<u>2,617</u>	<u>2,798</u>	<u>2,814</u>
3. Degrees awarded - Fiscal year (b)	<u>1,768</u>	<u>1,718</u>	<u>1,832</u>	<u>1,701</u>	<u>1,634</u>
4. Credit hours - Academic year (f)	<u>113,909</u>	<u>120,139</u>	<u>114,853</u>	<u>115,355</u>	<u>113,602</u>
5. Unduplicated headcount - Academic year (d, f)	<u>7,788</u>	<u>7,649</u>	<u>7,444</u>	<u>7,437</u>	<u>7,396</u>
6. Annualized tuition and fees (c):					
Undergraduate					
Resident (e)	<u>\$ 6,084</u>	<u>\$ 6,606</u>	<u>\$ 7,048</u>	<u>\$ 7,202</u>	<u>\$ 7,346</u>
Nonresident	<u>\$ 15,876</u>	<u>\$ 14,670</u>	<u>\$ 12,736</u>	<u>\$ 13,034</u>	<u>\$ 13,322</u>
Graduate					
Resident	<u>\$ 5,274</u>	<u>\$ 5,364</u>	<u>\$ 5,746</u>	<u>\$ 5,882</u>	<u>\$ 5,990</u>
Nonresident	<u>\$ 13,914</u>	<u>\$ 13,104</u>	<u>\$ 10,408</u>	<u>\$ 10,670</u>	<u>\$ 10,886</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, 2013

The University has a contractual arrangement for bookstore operations on campus. The University's current contract was extended through November 30, 2014. The contract with the bookstore requires commissions to be paid to the University based on the following terms:

1. 9.6% of all gross revenue up to \$1,000,000; plus
2. 10.1% of all gross revenue between \$1,000,000 and \$2,000,000; plus
3. 10.6% of all gross revenue over \$2,000,000

During Fiscal Year 2013, the bookstore had gross sales of \$1,248,855, the University received commissions of \$148,191, and the University spent a total of \$28,462 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, 2013

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>
2013	696	938	1,634
2012	743	958	1,701
2011	909	923	1,832
2010	862	856	1,718
2009	1,001	767	1,768
2008	1,033	878	1,911
2007	964	908	1,872
2006	809	740	1,549
2005	714	754	1,468
2004	860	829	1,689
2003	759	795	1,554

**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, 2013

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, 2013, where such special data is found.

Compliance Findings

13(a) As of June 30, 2013, no findings of noncompliance with University Guidelines were noted.

Indirect Cost Reimbursements

13(b) Refer to page 68 of this report for an analysis of the sources and applications of indirect cost reimbursements for the year ended June 30, 2013.

13(c) Refer to page 69 of this report for the calculation sheet for indirect cost carry-forward. There were no excess funds required to be deposited into the Income Fund within 45 days after the end of the lapse period.

Tuition Charges and Fees

13(d) No instances of tuition being diverted to auxiliary enterprise operations were noted.

Auxiliary Enterprises, Activities and Accounting Entities

13(e) Accounting entities as defined by the 1982 Legislative Audit Commission Guidelines and their primary revenue sources are as follows:

- University Facilities System Revenue Bonds includes all operations of the Student Center, the University Bookstore, University Parking Facilities, and University Food Service and Vending Facilities.
 - Bookstore operations provide texts and supplies to students. The bookstore is managed under contract by a third party whereby the University receives commission revenue from operations.
 - Parking provides operation and maintenance of University parking facilities. Revenues are generated from user fees.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

ANALYSIS OF OPERATIONS (UNAUDITED), Continued

Special Data Requirements for Audits of Universities (Unaudited), Continued

For the Year Ended June 30, 2013

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

- Food service and vending provide meals and catering services under contract to the University community. Commission revenue is received by the University.
 - Student Center is the focal point of student activity programs on campus and includes student activities and recreation facilities. Student Center revenue is derived from fees charged to students.

 - Center for Performing Arts provides cultural entertainment to the University community. Revenues are generated from ticket sales.

 - Educational and Student Life Activities represent credit and noncredit conferences, workshops and seminars, and organized student activities. Revenues are generated from course fees charged to participants and from student activity fees.

 - Service Departments provide products or services to University departments. Revenues are generated from chargebacks to user departments.

 - Indirect and Administrative Cost accounts receive the “overhead” portion of grant and contract expense incurred. Revenues are generated from charges to sponsors.
- 13(f) Refer to pages 71 through 75 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 70 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, 2013:

Auxiliary Enterprises:	
University Facilities System Revenue Bonds	\$ 1,193,315
Center for Performing Arts	<u>159,613</u>
	<u>\$ 1,352,928</u>
Activities:	
Educational and Student Life Activities	\$ 2,376,018
University Service Departments	<u>128,905</u>
	<u>\$ 2,504,923</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, 2013

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, 2013.

- 13(i) A Statement of Revenues, Expenses and Changes in Net Position for the bond indenture required accounts is presented on page 39 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, 2013, 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 89 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 33 through 35 of the financial audit report for details related to services and support provided.
- 13(o) As of June 30, 2013, 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, 2013

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, 2013 are presented in the Analysis of Significant Account Balances section of this report on page 62, and in footnotes 3 and 4 on pages 22 through 25 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 80 of this report.
- 13(t) Neither the University nor the Foundation has purchased any real estate during the year ended June 30, 2013.
- 13(u) Neither the University nor the Foundation issued certificates of participation during the year ended June 30, 2013.

**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, 2013

Summary of Foundation Cash Support to the University (Unaudited)

During Fiscal Year 2013, the University engaged the Foundation, under contract, to provide fundraising services. As provided in the contract agreement, the University provided \$315,613 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, 2013. 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, 2013.

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	\$ 15,249
- Given to a particular department	262,961
Total funds considered unrestricted	<u>278,210</u>

Funds considered restricted for purposes of the University Guidelines computations:

Given for Center for Performing Arts	106,162
Given for scholarships	91,597
Total funds considered restricted	<u>197,759</u>

Total funds provided to the University by the Foundation \$ 475,969

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, 2013

Schedule of Tuition and Fee Waivers (Unaudited)

	Undergraduate				Graduate			
	Tuition Waivers		Fee Waivers		Tuition Waivers		Fee Waivers	
	Number of Recipients	Value of Waivers (In Thousands)	Number of Recipients	Value of Waivers (In Thousands)	Number of Recipients	Value of Waivers (In Thousands)	Number of Recipients	Value of Waivers (In Thousands)
<u>Mandatory Waivers</u>								
Teacher Special Education	18	\$ 29.2	18	\$ 3.2	-	\$ -	-	\$ -
General Assembly	7	16.6	7	1.9	9	20.4	9	2.2
DCFS	1	5.0	1	0.6	-	-	-	-
Children of Employees	12	11.8	12	1.3	-	-	-	-
Senior Citizens	7	10.0	7	1.1	15	24.3	15	2.7
Veterans Grants & Scholarships	504	584.9	504	65.0	272	316.2	272	35.1
Subtotal	549	657.5	549	73.1	296	360.9	296	40.0
<u>Discretionary Waivers</u>								
Faculty/Administrators	12	16.1	12	1.8	70	94.8	70	10.5
Civil Service	38	48.7	38	5.4	61	84.7	61	9.4
Academic/Other Talent	203	439.5	203	48.9	160	206.5	160	23.0
Foreign Students	-	-	-	-	8	11.0	8	1.2
Cooperating Professionals	-	-	-	-	10	6.2	10	0.7
Other Assistants	-	-	-	-	186	584.8	186	64.7
Interinstitutional/Related Agencies	16	20.4	16	2.2	57	98.5	57	10.9
Retired University Employees	3	4.6	3	0.6	-	-	-	-
Subtotal	272	529.3	272	58.9	552	1,086.5	552	120.4
Total	821	\$ 1,186.8	821	\$ 132.0	848	\$ 1,447.4	848	\$ 160.4