

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

**COMPLIANCE EXAMINATION
(In Accordance with the Single Audit Act
and Applicable Federal Regulations)
For the Year Ended June 30, 2017**

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
APPLICABLE FEDERAL REGULATIONS)
FOR THE YEAR ENDED JUNE 30, 2017

TABLE OF CONTENTS

	<u>Page No.</u>
University Officials	1
Management Assertion Letter	2
Compliance Report:	
Summary	3
Independent Accountant’s Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes	6
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 <i>Government Auditing Standards</i>	10
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 the Uniform Guidance	12
Schedule of Findings and Questioned Costs	
Summary of Auditors’ Results	15
Current Findings - Federal Compliance	17
Current Findings - State Compliance	33
Prior Findings Not Repeated	47

Financial Statement Report:

The University’s financial statement report for the year ended June 30, 2017, which includes the Independent Auditor’s Report, Management’s Discussion and Analysis, Basic Financial Statements, Notes to the Basic Financial Statements, Required Supplementary Information, Supplementary Information, Other 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
APPLICABLE FEDERAL REGULATIONS)
FOR THE YEAR ENDED JUNE 30, 2017**

TABLE OF CONTENTS

	<u>Schedule</u>	<u>Page No.</u>
Supplementary Information for State Compliance Purposes:		
Summary		49
Fiscal Schedules and Analysis:		
Schedule of Expenditures of Federal Awards	1	51
Notes to the Schedule of Expenditures of Federal Awards		54
Schedule of Appropriations, Expenditures and Lapsed Balances	2	55
Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances	3	56
Comparative Schedule of Income Fund Revenues and Expenditures	4	58
Schedule of Changes in Capital Assets	5	59
Analysis of Significant Variations in Expenses	6	60
Analysis of Significant Variations in Revenues	7	61
Analysis of Significant Account Balances	8	62
Analysis of Receivables	9	65
Schedule of Federal Expenditures, Nonfederal Expenses and New Loans	10	66
Summary of Indirect Cost Reimbursement Funds	11	67
Analysis of Operations (Unaudited):		
University Functions and Planning Program (Unaudited)		68
Analysis of Significant Lapse Period Spending (Unaudited)		71
Budget Impasse Disclosures (Unaudited)		72
Alternative Funding in Lieu of Appropriations and Programs to Address Untimely Payments to Vendors (Unaudited)		72
Interest Costs on Invoices (Unaudited)		72
Average Number of Employees (Unaudited)		73
Student Statistics (Unaudited)		74
Selected Service Efforts and Accomplishments (Unaudited)		75
Emergency Purchases (Unaudited)		76
University Bookstore Information (Unaudited)		76
Schedule of Degrees Awarded (Unaudited)		77
Special Data Requirements for Audits of Universities (Unaudited):		
University Reporting in Accordance with University Guidelines (Unaudited)		78
Schedule of Indirect Cost Funds to be Deposited into the University Income Fund as Required by 1982 University Guidelines (Amended 1997) (Unaudited)		82
Schedule of Excess Funds Calculation by Entity as Required by 1982 University Guidelines (Amended 1997) (Unaudited)		83
Balance Sheets - Auxiliary Enterprises and Activities Entities (Unaudited)		84
Schedules of Revenues, Expenditures and Changes in Fund Balances - Auxiliary Enterprises and Activities Entities (Unaudited)		85
Summary of Foundation Cash Support to the University (Unaudited)		89
Schedule of Tuition and Fee Waivers (Unaudited)		90

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
COMPLIANCE EXAMINATION
FOR THE YEAR ENDED JUNE 30, 2017**

AGENCY OFFICIALS

President

Dr. Elaine P. Maimon

Vice President for Administration and Finance

September 11, 2017 to present (Interim)

January 16, 2017 to September 10, 2017

Through January 15, 2017 (Interim)

Dr. W. Paul Bylaska

Ms. Kimberly Lambert-Thomas

Ms. Kimberly Lambert-Thomas

General Counsel and Vice President

January 2, 2018 to present

December 1, 2017 to January 1, 2018

Through November 30, 2017

Ms. Sarah Luke

Vacant

Ms. Alexis Kennedy

Chief Internal Auditor

June 16, 2017 to present

March 1, 2017 to June 15, 2017

Through February 28, 2017

Mr. Kristoffer Evangelista, CPA

Vacant

Ms. Villalyn Baluga, CPA

Associate Vice President for Finance

July 1, 2017 to present

March 1, 2017 to June 30, 2017 (Interim)

Through February 28, 2017

Ms. Villalyn Baluga, CPA

Ms. Villalyn Baluga, CPA

Ms. Melinda Gieseke, CPA

University offices are located at:

1 University Parkway

University Park, Illinois 60484

March 8, 2018

Borschnack, Pelletier & Co.
Certified Public Accountants
200 E. Court St., Suite 608
Kankakee, IL 60901

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 Governors State 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 Governors State University's compliance with the following assertions during the year ended June 30, 2017. Based on this evaluation, we assert that during the year ended June 30, 2017, Governors State University has materially complied with the assertions below.

- A. Governors State 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. Governors State 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. Governors State 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 Governors State 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 Governors State University on behalf of the State or held in trust by Governors State University have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Yours truly,

Governors State University

SIGNED ORIGINAL ON FILE

Dr. Elaine P. Maimon, President

SIGNED ORIGINAL ON FILE

Dr. Paul Bylaska, Interim Vice President for Administration and Finance

SIGNED ORIGINAL ON FILE

Sarah Luke, General Counsel and Vice President

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
COMPLIANCE EXAMINATION
FOR THE YEAR ENDED JUNE 30, 2017**

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	19	20
Repeated findings	13	5
Prior recommendations implemented or not repeated	7	2

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE)			
2017-001	17	Failure to Report Additional Location to the Department of Education	Significant Deficiency / Noncompliance
2017-002	19	Federal Perkins Loan Conversion to Repayment	Significant Deficiency / Noncompliance
2017-003	21	Federal Perkins Loan Cohort Default Rate Too High	Significant Deficiency / Noncompliance
2017-004	23	Failure to Meet Earmarking Requirements for Head Start Program	Significant Deficiency / Noncompliance
2017-005	25	Exit Counseling	Significant Deficiency / Noncompliance
2017-006	27	Noncompliance with the Research And Development Cluster Grant Reporting Requirements	Significant Deficiency / Noncompliance
2017-007	29	Unallowable Costs Recorded in Federal Perkins Loan Fund	Significant Deficiency / Noncompliance

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
COMPLIANCE EXAMINATION
FOR THE YEAR ENDED JUNE 30, 2017**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE)			
2017-008	31	Controls over Exclusion and Disqualification	Significant Deficiency / Noncompliance
FINDINGS (STATE COMPLIANCE)			
2017-009	33	Inadequate Controls Over Property and Equipment	Significant Deficiency / Noncompliance
2017-010	36	Child Abuse Reporter Training	Significant Deficiency / Noncompliance
2017-011	37	Noncompliance with the Campus Security Enhancement Act of 2008	Significant Deficiency / Noncompliance
2017-012	38	Inadequate Purchasing Card Procedures	Significant Deficiency / Noncompliance
2017-013	40	Inadequate Controls Over Verification of Job Applicant's Information	Significant Deficiency / Noncompliance
2017-014	41	Noncompliance with the Illinois State Collection Act of 1986	Significant Deficiency / Noncompliance
2017-015	42	Subsidies between Accounting Entities	Significant Deficiency / Noncompliance
2017-016	43	Tuition and Fee Waivers Noncompliance	Significant Deficiency / Noncompliance
2017-017	44	Time Sheets Not Properly Maintained	Significant Deficiency / Noncompliance
2017-018	45	Noncompliance with Federal Reporting Requirements for Post-9/11 Veterans Educational Assistance Benefits	Significant Deficiency / Noncompliance
2017-019	46	Computer Security Weaknesses	Significant Deficiency / Noncompliance

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
COMPLIANCE EXAMINATION
FOR THE YEAR ENDED JUNE 30, 2017**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
PRIOR FINDINGS NOT REPEATED			
A	47	Inadequate Controls Over Identifying and Recording Accrued Liabilities	
B	47	Inadequate Controls Over Student Accounts Receivable	
C	47	Errors in the Verification and Updating of Student Aid Applications	
D	47	Financial Aid Awarded to Ineligible Students	
E	48	Noncompliance with Revenue Bond and Certificates of Participation Continuing Disclosures	
F	48	Noncompliance with the Fiscal Control and Internal Auditing Act	
G	48	Noncompliance with the Higher Education Veterans Service Act Annual Reporting	

EXIT CONFERENCE

The University waived having an exit conference in a communication dated March 1, 2018 from the University's Associate Vice President for Finance, Ms. Villalyn Baluga.

The responses to the recommendations were provided by the University's Associate Vice President for Finance, Ms. Villalyn Baluga, in a communication dated March 6, 2018.

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

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

The Board of Trustees
Governors State University

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the Governors State University's 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, 2017. The management of Governors State University is responsible for compliance with these requirements. Our responsibility is to express an opinion on Governors State University's compliance based on our examination.

- A. Governors State 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. Governors State 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. Governors State 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 Governors State 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 Governors State University on behalf of the State or held in trust by Governors State 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 (the Audit Guide). Those standards, the Act, and the Audit Guide require that we plan and perform the examination to obtain reasonable assurance about whether Governors State University complied, in all material respects, with the specified requirements listed above. An examination involves performing procedures to obtain evidence about whether Governors State University complied with the specified requirements listed above. The nature, timing and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error.

We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on Governors State University's compliance with specified requirements.

In our opinion, Governors State University complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the year ended June 30, 2017. 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 2017-009 through 2017-019.

Governors State University's responses to the findings identified in our examination are described in the accompanying schedule of findings and questioned costs. Governors State University's responses were not subjected to the procedures applied in the compliance examination and, accordingly, we express no opinion on the responses.

The purpose of this report on compliance is solely to describe the scope of our audit testing and the results of that testing in accordance with the requirements of the Audit Guide issued by the Illinois Office of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Internal Control

Management of Governors State 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 Governors State 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 Governors State 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 2017-009 through 2017-019 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.

Governors State University's responses to the internal control findings identified in our examination are described in the accompanying schedule of findings and questioned costs. Governors State University's responses were not subjected to the procedures applied in the compliance examination 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 the Audit Guide, issued by the Illinois Office of the Auditor General. Accordingly, this report is not suitable for any other purpose.

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 Governors State University and its discretely presented component unit as of and for the year ended June 30, 2017, and have issued our report thereon dated December 15, 2017, 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 Governors State University's basic financial statements. Our report included reference to other auditors who audited the financial statements of Governors State University's discretely presented component unit and whose report had been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, was based solely on the report of the other auditors. We have not performed any procedures with respect to the audited financial statements subsequent to December 15, 2017. The accompanying supplementary information for the year ended June 30, 2017 in Schedules 1 through 11 is presented for the purposes of additional analysis and is not a required part of the basic financial statements of Governors State 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, 2017 in Schedules 1 through 11 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, 2017 in Schedules 1 through 11 is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2017.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, Governors State University's basic financial statements as of and for the year ended June 30, 2016 and have issued our report thereon dated December 8, 2016, which contained unmodified opinions on the respective financial statements of the business-type activities of Governors State University and its discretely presented component unit. The accompanying supplementary information for the year ended June 30, 2016 in Schedules 1, 3 through 5, 7 through 9, and 11 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, 2016 financial statements. The accompanying supplementary information for the year ended June 30, 2016 in Schedules 1, 3 through 5, 7 through 9, and 11 has been subjected to auditing procedures applied in the audit of the June 30, 2016 basis 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 year ended June 30, 2016 in Schedules 1, 3 through 5, 7 through 9, and 11 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 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.

SIGNED ORIGINAL ON FILE

Kankakee, IL

March 8, 2018, except for our report on the Supplementary Information for State Compliance Purposes, as to which the date is December 15, 2017.

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

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Trustees
Governors State University

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Governors State University and its discretely presented component unit, collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Governors State University's basic financial statements, and have issued our report thereon dated December 15, 2017. Our report includes a reference to another auditor who audited the financial statements of the Governors State University's discretely presented component unit, as described in our report on the University's financial statements. The financial statements of the Governors State University's discretely presented component unit were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Governors State 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 Governors State University's internal control. Accordingly, we do not express an opinion on the effectiveness of the Governors State 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 Governors State 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 Governors State 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 Governors State University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Kankakee, IL

December 15, 2017



Certified Public Accountants & Consultants

200 East Court Street • Suite 608 • Kankakee, IL 60901
815.933.1771 • fax: 815.933.1163

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE, AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

The Board of Trustees
Governors State University

Report on Compliance for Each Major Federal Program

We have audited Governors State University's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Governors State University's major federal programs for the year ended June 30, 2017. Governors State 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 entity determined to be a component unit of Governors State University for financial statement purposes.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, contracts, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Governors State University's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Governors State 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 Governors State University's compliance.

Opinion on Each Major Federal Program

In our opinion, Governors State 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, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2017-001 through 2017-008. Our opinion on each major federal program is not modified with respect to these matters.

Governors State University's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Governors State 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 Governors State 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 Governors State 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 the Uniform Guidance, 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 Governors State 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 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 2017-001 through 2017-008 that we consider to be significant deficiencies.

Governors State 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. Governors State 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities of Governors State University and its discretely presented component unit as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Governors State University's basic financial statements. We issued our report thereon dated December 15, 2017, which contained unmodified opinions on those financial statements. Our report includes a reference to other auditors who audited the financial statements of Governors State University's discretely presented component unit, as described in our report on Governors State University's financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to December 15, 2017. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. 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.

SIGNED ORIGINAL ON FILE

Kankakee, IL

March 8, 2018

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? X Yes _____ None reported

Type of auditors' 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 Uniform Guidance? _____ X Yes _____ No

Name of Federal Program or Cluster	<u>CFDA Numbers</u>
<u>Student Financial Assistance Cluster:</u>	
Federal Direct Student Loans	84.268
Federal Pell Grant Program	84.063
Federal Perkins Loan Program - Federal Capital Contributions	84.038
Federal Work-Study Program	84.033
Federal Supplemental Educational Opportunity Grants	84.007
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379
Nurse Faculty Loan Program (NFLP)	93.264
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

SUMMARY OF AUDITORS' RESULTS (Continued)

Research and Development Cluster:

Cancer Centers Support Grants	93.397
Research on Healthcare Costs, Quality and Outcomes	93.226
Higher Education - Institutional Aid	84.031A
Centers for International Business Education	84.220
Education and Human Resources	47.076

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

_____ Yes X No

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2017-001 FINDING: FAILURE TO REPORT ADDITIONAL LOCATION TO THE DEPARTMENT OF EDUCATION

Federal Department:	U.S. Department of Education
CFDA Numbers:	84.268
Program Name:	Federal Direct Student Loans
Cluster Name:	Student Financial Assistance Cluster
Questioned Cost:	\$98,250
Program Expenditures:	\$41,279,890

Governors State University (University) failed to timely notify the Department of Education of an additional location where 50% or more of an educational program would be offered.

Our testing of the University’s Eligibility and Certification Approval Report (ECAR) disclosed 1 of 5 (20%) offsite locations where the University provides education courses, was not timely submitted for approval to the Department of Education. The University received approval from the Higher Learning Commission (HLC) for classes at an additional location on January 13, 2016. The University reported the site to the Department of Education on May 24, 2017. Classes commenced at the site in the Fall semester of 2016. The University awarded Federal Direct Student Loans to 5 students attending that site totaling \$98,250 prior to submitting the site for approval.

The Code of Federal Regulations (34 CFR 600.21(a)(3)) requires an institution to report to the Department of Education its establishment of an accredited and licensed additional location at which it will offer 50% or more of an education program no later than 10 days after the change occurs.

University officials stated it was unclear as to what was meant by the word “reporting.” University officials submitted and received approval from the HLC for this location. The HLC shared this information with the Department of Education via a website. At this point it was assumed that this location was an approved site for instruction and, therefore, eligible to disburse financial aid.

Failure to properly report additional locations to the Department of Education may jeopardize future federal funding. (Finding Code No. 2017-001)

RECOMMENDATION

We recommend the University obtain approval from the Department of Education for any locations where educational programs are offered prior to awarding student financial assistance to students attending at such locations.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2017-001 FINDING: FAILURE TO REPORT ADDITIONAL LOCATION TO THE DEPARTMENT OF EDUCATION (Continued)

UNIVERSITY RESPONSE

The University agrees with the finding and accepts the recommendation. The University will ensure that the Office of Financial Aid and the Provost's Office coordinate prior to the beginning of each semester as to the addition, deletion, or change to locations where greater than 50% of the program is being offered. These locations will be added, deleted, or adjusted on the ECAR prior to the disbursement of any Title IV financial aid funds. Further, the Director of Financial Aid and the Associate Director of Financial Aid will work with personnel from the Office of Information Technology Services and the Registrar's Office on the creation of rules in the Colleague system to prevent the transmittal of aid to students attending locations that have not been approved. It is expected that these corrective actions will be implemented prior to the beginning of the Fall 2018 semester.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2017-002 FINDING: FEDERAL PERKINS LOAN CONVERSION TO REPAYMENT

Federal Department:	U.S. Department of Education
CFDA Numbers:	84.038
Program Name:	Federal Perkins Loan Program
Cluster Name:	Student Financial Assistance Cluster
Questioned Cost:	None
Program Expenditures:	\$4,274,734

Governors State University (University) failed to accurately report separation dates for Federal Perkins Loan borrowers.

We tested 25 Federal Perkins Loan recipients whom the University reported to its loan servicer as having separated (enrollment ended) and were due to start repaying loans during Fiscal Year 2017. The University reported inaccurate separation dates to the loan servicer for 19 (76%) of those borrowers. Due to these errors, students were scheduled to begin repayment anywhere from 11 months early to 28 months late. In addition, four of the students were converted to repayment despite still being enrolled at least half-time at the University. The sample was not intended to be, and was not, a statistically valid sample.

The Code of Federal Regulations (34 CFR 674.31(b)(2)) states “The repayment period for Federal Perkins Loans, begins 9 months after the borrower ceases to be at least a half-time regular student at an institution of higher education or a comparable institution outside the U.S. approved for this purpose by the Secretary, and normally ends 10 years later.”

The Uniform Guidance (2 CFR 200.303) requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal statutes, regulations, and terms and conditions of the Federal award. Effective internal controls should include procedures to ensure the University converts Federal Perkins Loan borrowers who cease to be at least a half-time regular student to repayment in the correct timeframe.

University officials stated the condition noted above was due to clerical error and misinterpretation of separation dates by the staff personnel who reports the information.

Failure to accurately report separation dates for Federal Perkins Loan borrowers delays the collection of loans from borrowers, initiates an earlier repayment cycle for borrowers which were reported too soon, could compromise the collectability of loans, may result in stress and hardship for students still enrolled, and could result in the loss of future Federal funding. (Finding Code No. 2017-002, 2016-005)

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2017-002 **FINDING: FEDERAL PERKINS LOAN CONVERSION TO REPAYMENT**
(Continued)

RECOMMENDATION

We recommend the University improve its procedures for accurately reporting separation dates for Perkins Loan borrowers who have ceased half-time attendance at the University.

UNIVERSITY RESPONSE

The University agrees with the finding and accepts the recommendation. During Fiscal Year 2018, the Office of Financial Services has instituted a process to review the separation dates reflected in the computer system prior to reporting. Further, the Office of Financial Services has started the process of reviewing the submissions made in prior years and correcting any errors as necessary.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2017-003 FINDING: FEDERAL PERKINS LOAN COHORT DEFAULT RATE TOO HIGH

Federal Department:	U.S. Department of Education
CFDA Numbers:	84.038
Program Name:	Federal Perkins Loan Program
Cluster Name:	Student Financial Assistance Cluster
Questioned Cost:	None
Program Expenditures:	\$4,274,734

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

The Federal Perkins Loan cohort default rate as of June 30, 2016 (the default rate data trails the fiscal year by approximately ten months) was 15.43%, which exceeded the 15% threshold, and was obtained from the U.S. Department of Education’s website.

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

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

University officials stated economic conditions continue to present challenges for University students in loan repayment status.

Failure to maintain a cohort default rate below 15% could jeopardize the University’s future Federal funding. (Finding Code No. 2017-003, 2016-006)

RECOMMENDATION

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

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2017-003 FINDING: FEDERAL PERKINS LOAN COHORT DEFAULT RATE TOO HIGH (Continued)

UNIVERSITY RESPONSE

The University agrees with the finding and accepts the recommendation. The University continues to explore options to reduce the default rate and continues to increase collection efforts internally and through an external collection agency.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2017-004 FINDING: FAILURE TO MEET EARMARKING REQUIREMENTS FOR HEAD START PROGRAM

Federal Department: U.S. Department of Health and Human Services
CFDA Numbers: 93.600
Program Name: Head Start
Award Numbers: 05CH8457-02 & 05CH8457-03
Questioned Cost: None
Program Expenditures: \$948,213

Governors State University (University) did not meet the funded enrollment requirement for its Head Start Program.

The University is a recipient of a grant from the Administration for Children and Families of the U.S. Department of Health and Human Services (DHHS). In accordance with the grant agreement with the DHHS, the University has a funded enrollment requirement of 72 individuals. In our detailed testing of the monthly enrollment report for fiscal year 2017, we noted the University did not meet the funded enrollment requirement for 5 months (1 to 5 individuals under-enrolled).

The Head Start Act (Act) (42 USC 9837(g)) requires each Head Start agency to enroll 100% of its funded enrollment and maintain an active waiting list at all times with ongoing outreach to the community and activities to identify underserved populations. The Act (42 USC 9836a(h)(2)(A)) further requires each entity carrying out a Head Start program shall report on a monthly basis to the Secretary (DHHS) and the relevant Head Start agency the actual enrollment in such program. As defined by the Act (42 USC 9836a(h)(1)(A)), actual enrollment means, with respect to the program of a Head Start agency, the actual number of children enrolled in such program and reported by the agency in a given month.

The Uniform Guidance (2 CFR 200.303) requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal statutes, regulations, and terms and conditions of the Federal award. Effective internal controls should include procedures to ensure earmarking requirements are met.

University officials stated failure to meet the enrollment requirement for the program is due to unanticipated loss of enrolled families that moved out of the service area. University officials stated the program’s proximity to Indiana, and the requirement to serve families within a specific service area contribute to the problem, and the nature of this service makes it difficult to match exact enrollment.

Failure to meet the funded enrollment of its Head Start program resulted in noncompliance with the Federal program earmarking requirement. Additionally, the awarding agency may recapture, withhold, or reduce the base grant for the program. (Finding Code No. 2017-004, 2016-007, 2015-002, 2014-003)

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

CURRENT FINDINGS – FEDERAL COMPLIANCE

**2017-004 FINDING: FAILURE TO MEET EARMARKING REQUIREMENTS FOR
HEAD START PROGRAM** (Continued)

RECOMMENDATION

We recommend the University improve its recruitment procedures to ensure compliance with the funded enrollment requirement of its Head Start program.

UNIVERSITY RESPONSE

The University agrees with the finding and accepts the recommendation. A comprehensive corrective action plan has been developed and will be in place by April 1, 2018. This plan includes short, medium and long term planning and tasks to correct the audit finding.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2017-005 FINDING: EXIT COUNSELING

Federal Department:	U.S. Department of Education
CFDA Numbers:	84.268
Program Name:	Federal Direct Student Loans
Cluster Name:	Student Financial Assistance Cluster
Questioned Cost:	None
Program Expenditures:	\$41,279,890

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

We tested a sample of 60 students who received Federal student financial aid. Included in those 60 students were 10 Federal Direct Student Loan recipients who ceased half-time study at the University during Fiscal Year 2017. (The University e-mails students who ceased half-time enrollment and notifies the students of the instructions and the need to complete exit counseling on-line.) The notification was provided 30 days late for 3 (30%) of the students. Each of these 3 students graduated in December 2016. The sample was not intended to be, and was not, a statistically valid sample.

The Code of Federal Regulations (34 CFR 685.304(b)) states (1) “A school must ensure that exit counseling is conducted with each Direct Subsidized Loan or Direct Unsubsidized Loan borrower and graduate or professional student Direct PLUS Loan borrower shortly before the student borrower ceases at least half-time study at the school. ... (3) If a student borrower withdraws from school without the school’s prior knowledge or fails to complete the exit counseling as required, exit counseling must, within 30 days after the school learns that the student borrower has withdrawn from the school or failed to complete exit counseling as required, be provided either through interactive electronic means, by mailing written counseling materials to the student borrower at the student borrower’s last known address, or by sending written counseling materials to an email address provided by the student borrower that is not an email address associated with the school sending the counseling materials.”

The Uniform Guidance (2 CFR 200.303) requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal statutes, regulations, and terms and conditions of the Federal award. Effective internal controls should include procedures to ensure the University conducts timely exit counseling for students that have received Federal Direct Student Loans and have ceased half-time study at the school.

University officials stated the Office of Financial Aid receives a report from the Office of Registration indicating which students have ceased half-time enrollment and due to miscommunication between the two Offices exit counseling notifications were sent out late.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2017-005 FINDING: EXIT COUNSELING (Continued)

Failure to conduct timely exit counseling could result in the loss of Federal funding. (Finding Code No. 2017-005, 2016-008)

RECOMMENDATION

We recommend the University conduct timely exit counseling in accordance with Federal regulations.

UNIVERSITY RESPONSE

The University agrees with the finding and accepts the recommendation. The Office of Financial Aid has adjusted its process to notify the Office of Registration when the report is needed so exit counseling can be sent out in a timely manner. This should not be an issue in the future.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2017-006 FINDING: NONCOMPLIANCE WITH THE RESEARCH AND DEVELOPMENT CLUSTER GRANT REPORTING REQUIRMENTS

Federal Department:	U.S. Department of Health and Human Services
CFDA Numbers:	93.226
Program Name:	Research on Healthcare Costs, Quality and Outcomes
Cluster Name:	Research and Development Cluster
Award Number:	1R03HS024302-01
Questioned Cost:	None noted
Program Expenditures:	\$30,018

Governors State University (University) did not fully comply with the reporting compliance requirements related to its project titled *The Impact of Public Hospitals' Privatization on Nurse Staffing* award from the Department of Health and Human Services (HHS).

Our review of financial reports submitted for this program noted the Federal Financial Report (SF-425) was completed for the incorrect period. The SF-425 was required to be completed for a 12-month period ending August 31, 2016; however, the report prepared by the University was for a 13-month period ending September 30, 2016.

The Notice of Award (Award) section 4 of the special terms and conditions specifically states that a form SF-425 must be submitted for expenditures through August 31, 2016.

The Uniform Guidance (2 CFR 200.303) requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal statutes, regulations, and terms and conditions of the Federal award. Effective internal controls should include procedures to ensure reports are completed for the proper time periods.

University officials stated the initial end date of the grant was August 31, 2016; however, the University requested from the grantor a carry forward of remaining funds and the carry forward was approved which allowed additional expenditures on the grant through September 30, 2016. University officials stated the foregoing resulted in a misunderstanding as to the timing of submission and the period covered for the related annual report.

Failure to comply with Federal reporting requirements resulted in noncompliance with Federal regulations and could jeopardize future Federal funding. (Finding Code No. 2017-006)

RECOMMENDATION

We recommend the University improve its controls to ensure compliance with reporting requirements applicable to its Federally funded programs.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2017-006 FINDING: NONCOMPLIANCE WITH THE RESEARCH AND DEVELOPMENT CLUSTER GRANT REPORTING REQUIRMENTS (Continued)

UNIVERSITY RESPONSE

The University agrees with the finding and accepts the recommendation. The University has existing procedures in place to ensure timely submission of federal reports and the finding noted above is an isolated case. The University will however improve its communication process with personnel involved internally and with awarding agencies to ensure that this type of finding will not reoccur in the future.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2017-007 FINDING: UNALLOWABLE COSTS RECORDED IN FEDERAL PERKINS LOAN FUND

Federal Department:	U.S. Department of Education
CFDA Numbers:	84.038
Program Name:	Federal Perkins Loan Program
Cluster Name:	Student Financial Assistance Cluster
Questioned Cost:	\$20,771
Program Expenditures:	\$4,274,734

Governors State University (University) recorded unallowable costs in its Federal Perkins Loan Fund (Fund).

During our review of the allowed activities for the Federal Perkins Loan Program, we noted the University recorded \$20,771 in personnel costs to the Fund in addition to the \$12,250 administrative cost allowance claimed. The job description for the employee whose salary was partially charged to the Fund included some administrative functions relative to the Federal Perkins Loan Program, but was not directly involved in the collection process at the University. The University did not report these personnel costs on their Fiscal Operations Report and Application to Participate (FISAP) or the Schedule of Expenditures of Federal Awards.

The Code of Federal Regulations (34 CFR 674.8(b)) states the institution shall use the money in the Fund only for –

- 1) Making loans to students;
- 2) Administrative expenses as provided for in 34 CFR 673.7;
- 3) Capital distributions;
- 4) Litigation costs;
- 5) Other collection costs, agreed to by the Secretary in connection with the collection of principal, interest, and late charges on a loan made from the fund; and
- 6) Repayment of any short-term no interest loans made to the Fund by the institution in anticipation of collections or receipt of FCC.

The Code of Federal Regulations (34 CFR 673.7(a)) states an institution participating in the Federal Perkins Loan Program is entitled to an administrative cost allowance for an award year if it advances funds under the Federal Perkins Loan Program to students during the year.

The Uniform Guidance (2 CFR 200.303) requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal statutes, regulations, and terms and conditions of the Federal award. Effective internal controls should include procedures to ensure the University charge only allowable costs to its Federal Perkins Loan fund.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2017-007 FINDING: UNALLOWABLE COSTS RECORDED IN FEDERAL PERKINS LOAN FUND (Continued)

University officials stated due to staffing constraints, the subject employee was assigned to help perform Perkins collections and reconciliations in addition to the administrative functions as set forth in the employee’s job description and acknowledges the related personnel costs should have been taken-up under the indirect cost account.

The University’s recording of unallowable costs to the Fund results in inaccurate financial reporting and could result in the loss of future Federal funding. (Finding Code No. 2017-007)

RECOMMENDATION

We recommend the University record the administrative costs relative to administering its Federal Perkins Loan Fund to its Indirect Cost Fund.

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation. There are no salaries being charged to the Federal Perkins Loan Fund after Fiscal Year 2017.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2017-008 FINDING: CONTROLS OVER EXCLUSION AND DISQUALIFICATION

Federal Department:	U.S. Department of Education
CFDA Numbers:	84.031A
Program Name:	Higher Education - Institutional Aid
Cluster Name:	Research and Development Cluster
Award Number:	P31A150122
Questioned Cost:	None
Program Expenditures:	\$336,185

Governors State University (University) did not adhere to their internal control procedures to ensure vendors had not been excluded or disqualified from participating in contracts funded by Federal awards.

We obtained an understanding of the University’s internal controls over compliance applicable to exclusion or disqualification from participating in contracts funded by Federal awards. The University’s procurement procedures require the procurement office to check the System for Award Management (SAM) (formerly the Excluded Party List System) to ensure the vendor was not excluded or disqualified, and affixing a stamp to the purchase requisition to indicate the vendor was not listed as excluded or disqualified on SAM. We noted there was no stamp affixed to the requisition indicating the procedure had operated as described by the University on the only procurement transaction of the Research and Development Cluster, totaling \$45,770. We examined the SAM and determined the vendor in this transaction was not included on the list.

The Code of Federal Regulations (2 CFR 180.300) requires the University to perform additional procedures to ensure parties with whom the University contracts are not excluded or disqualified prior to entering into a covered transaction. Those procedures include:

- Checking SAM Exclusions; or
- Collecting a certification form from that person; or
- Adding a clause or condition to the covered transaction with that person.

The Uniform Guidance (2 CFR 200.303) requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal statutes, regulations, and terms and conditions of the Federal award. Effective internal controls should include documentation evidencing the procedures to ensure vendors are not excluded or disqualified from participating in a Federally funded contract were performed.

University officials stated when confirming exclusion or disqualification of the vendor in SAM, the procurement staff failed to stamp the requisition with “not found on disbarred vendors list” to document the verification was performed.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2017-008 FINDING: CONTROLS OVER EXCLUSION AND DISQUALIFICATION
(Continued)

Failure to document the procedures performed to ensure vendors are not excluded or disqualified, increases the risk the University may be conducting business with an unauthorized vendor. The Federal Agency may disallow costs related to this vendor, debar or suspend the University, or annul or terminate the transaction. (Finding Code No. 2017-008)

RECOMMENDATION

We recommend the University improve the documentation of its controls to ensure each vendor engaged in a covered transaction is not excluded or disqualified from Federal award programs.

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation. Effective immediately, the University will monitor and review related purchases to provide proof that ensures the Federal vendor search was completed prior to the contract issuance.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

CURRENT FINDINGS – STATE COMPLIANCE

2017-009 FINDING: INADEQUATE CONTROLS OVER PROPERTY AND EQUIPMENT

Governors State University (University) did not fully comply with the requirements applicable to its property and equipment.

During our examination, we noted the following:

- In August of 2017, the auditors requested to examine 16 iPads which were issued to employees during prior fiscal years and had the wireless cell service cancelled during the current fiscal year or earlier. We were unable to examine one iPad (6%) because it had been stolen while taken off campus in June of 2016. The employee informed the University of the theft and provided a copy of the police report filed when the theft occurred to the University after our audit inquiry approximately 14 months after the theft.

The University's internal property control procedures requires University departments to immediately contact the University's Department of Public Safety to report missing or stolen equipment and complete a Property Change Request Form. In addition, the University's Asset Possession Form (signed by employees in order to be allowed to take equipment off campus) includes an acknowledgement of responsibility (which may include payment or replacement cost) for equipment in their possession and a statement they will inform property control and the Campus Police of the theft or loss of GSU owned equipment in their possession.

- We tested 156 computers that were sent to surplus according to the University's property control records to determine the University maintained evidence such computers had been "wiped" prior to transfer. The University could not provide any evidence that eight (5%) of these computers were cleared of data and software before they were transferred to surplus. In addition, one of these computers was subsequently found on the University campus by Information Technology personnel even though the records indicated it had been sent to the State surplus in May of 2017.

The Data Security on State Computers Act (20 ILCS 450/20) requires the University to implement a policy to mandate all hard drives of surplus electronic data processing equipment be erased, wipe, sanitized, or destroyed in a manner that prevents retrieval of sensitive data and software before being sold, donated, or transferred by (i) overwriting the previously stored data on a drive or a disk at least 3 times or physically destroying the hard drive and (ii) certifying in writing that the overwriting process has been completed by providing the following information (1) the serial number of the computer or other surplus electronic data processing equipment; (2) the name of the overwriting software or physical destruction process used; and (3) the name, date, and signature of the person performing the overwriting or destruction process. The University has such a policy; however, the controls did not operate effectively during the examination period.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

CURRENT FINDINGS – STATE COMPLIANCE

2017-009 FINDING: INADEQUATE CONTROLS OVER PROPERTY AND EQUIPMENT (Continued)

- We examined a listing of surplus property held by the University at June 30, 2017 and noted three items with a value of over \$500 included on the list. One of these items (exam table) with a reported value of \$835, was not included on the University’s property control records.
- During our examination of the University’s Agency Report of State Property (C-15), we noted the University did not report software totaling \$827,822, which was purchased during the fiscal year.

Statewide Accounting Management System (SAMS) (Procedure 29.10.30) requires the University to include on the Agency Report of State Property (C-15) all assets with an individual value of \$500 or more.

- We tested 10 equipment additions made during the year and noted two (20%) items (digital mixer and fluorometer) did not include the delivery costs (totaling \$129) in the purchase price of the equipment.
- We tested 25 equipment expenditures and noted 4 (16%) expenditures in which the cost of freight and installation charges was not added to the purchase price of the equipment in the University’s property control records. This understated the purchase price of these items by \$2,461. We also noted one expenditure which was recorded in the property control records based upon the purchase order instead of the actual amount paid. This overstated the purchase price of this item by \$100.

The Illinois Administrative Code (44 Ill. Admin. Code 5010.240) states the purchase price is the price of the equipment delivered, including delivery and installation costs.

The State Property Control Act (30 ILCS 605/4) requires responsible officers at each State agency to be accountable for the supervision, control and inventory of property under their jurisdiction to ensure proper accounting and safeguarding of assets.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University to maintain a system, or systems, of internal fiscal and administrative controls, that provide assurance that property is safeguarded against waste, loss, unauthorized use, and misappropriation.

University officials stated property control procedures are in place and include annual property control training of responsible University employees; however, certain University departments are not completely in compliance due to staffing constraints. In addition, University officials stated a University employee failed to appropriately safeguard an asset in their possession and did not adhere to required University procedures after determining it had been stolen. University officials

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

CURRENT FINDINGS – STATE COMPLIANCE

2017-009 FINDING: INADEQUATE CONTROLS OVER PROPERTY AND EQUIPMENT (Continued)

also stated software purchases were properly recorded in the University's financial statements; however, when preparing the 4th quarter C-15 report during the fiscal year, the amount was inadvertently omitted from the report, and other errors were clerical in nature.

Inadequate controls over University property and equipment results in inaccurate and incomplete property control records. It could also result in incorrect accounting information and could cause unnecessary equipment expenditures and incorrect financial reporting. Loss of University property and equipment may not be detected timely or may remain undetected without an accurate property inventory listing and strict compliance with University property procedures. Failure to file a complete C-15 results in noncompliance with Illinois Office of Comptroller's SAMS requirements. Failure to add delivery and installation costs to equipment results in inaccurate equipment records and could result in incorrect financial reporting. (Finding Code No. 2017-009, 2016-010)

RECOMMENDATION

We recommend the University improve the operation of its internal controls over the accountability of University equipment and compliance with University policies and procedures for documenting wiping of computer equipment prior to disposal. We also recommend the University improve its internal controls to ensure property and equipment records are accurate and properly maintained. Finally, we recommend the University evaluate whether the employee should be held financially accountable for the stolen iPad.

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation. With the recent hiring of an additional staff member to monitor and track equipment, property control improvements were implemented. Equipment items are being researched, tracked and located in a more systematic manner. Reports that provides updates on additions and deletions are now generated monthly for data review and quality control. Property Control Officers were reminded in training of the importance of immediately notifying the GSU Police Department and Property Control in matters of loss or stolen items. Periodic trainings related to process, reporting and securing University tagged assets will be conducted throughout the fiscal year with departmental property control officers. Effective immediately, the University will review its handling of surplus inventory under the Information Technology Services area and will re-train staff on how to adequately document the clearing of data and software from hard drives in order to prevent the related finding to reoccur in the future. The University will continue to work on improving property control processes and entry/reporting accuracies.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

CURRENT FINDINGS – STATE COMPLIANCE

2017-010 FINDING: CHILD ABUSE REPORTER TRAINING

Governors State University (University) did not comply with the Abused and Neglected Child Reporting Act (Act) requiring training of those personnel required to report child abuse.

Our testing of 35 employees identified 23 (66%) employees did not receive the required reporter training within one year of initial employment (or within one year of the effective date of the Act if hired before the effective date of the Act).

The Act (325 ILCS 5/4) requires personnel of institutions of higher education having reasonable cause to believe a child known to them in their professional or official capacity may be an abused or neglected child to immediately report or cause a report to be made to the Department of Children and Family Services. The Act further requires University personnel to undergo reporter training within one year of initial employment and at least every 5 years thereafter. This training must be completed by a provider or agency with expertise in recognizing and reporting child abuse. The training requirement became effective on July 1, 2014 with Public Act 098-0408.

University officials stated the noncompliance was primarily related to employees who were hired before Public Act 098-0408 was enacted.

Failure to provide child abuse reporter training is a violation of the Act and could potentially leave children at risk of abuse. (Finding Code No. 2017-010, 2016-012)

RECOMMENDATION

We recommend the University comply with the requirements of the Act and ensure all employees receive the proper training within the required timeframe.

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation. The University has updated its practices and will initiate a campus wide training to be in compliance with the mandate over the next six months.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

CURRENT FINDINGS – STATE COMPLIANCE

2017-011 FINDING: NONCOMPLIANCE WITH THE CAMPUS SECURITY ENHANCEMENT ACT OF 2008

Governors State University (University) did not comply with the Campus Security Enhancement Act of 2008 (Act).

The University did not obtain criminal background investigations prior to employing individuals for security-sensitive positions. We obtained a listing of positions the University identified as security-sensitive positions and selected 25 employees from such positions for testing. Our testing identified 16 employees (64%) were hired for security sensitive positions without any evidence the criminal background investigations were ever obtained. We also noted three additional employees (12%) working in security-sensitive positions were hired prior to the effective date of the Act and had no evidence criminal background investigations were ever obtained.

The Act (110 ILCS 12/5) requires each public institution of higher education, through written policy and procedures, identify security-sensitive positions and make provision for the completion of criminal background investigations prior to employing individuals in those positions.

University officials stated prior to 2016, criminal background checks were generally only obtained for Department of Public Safety employees. University officials also stated the University has not yet performed criminal background checks on most employees who were hired before the current employment practices were put in place due to budget constraints.

Failure to obtain the required criminal background investigations prior to the employment of individuals in security-sensitive positions results in noncompliance with the Act and may result in the University allowing access to security-sensitive information to individuals who should not be entrusted with such access. (Finding Code No. 2017-011, 2016-013)

RECOMMENDATION

We recommend the University comply with the requirements of the Act by:

- obtaining criminal background investigations prior to hiring employees for security-sensitive positions; and
- obtaining criminal background investigations for all employees in security-sensitive positions for which a prior background investigation was not obtained.

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation. The University will continue to explore viable options to be in compliance with this mandate. However, the University will face a delay in implementation due to staffing and budget constraints.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

CURRENT FINDINGS – STATE COMPLIANCE

2017-012 FINDING: INADEQUATE PURCHASING CARD PROCEDURES

Governors State University (University) did not maintain adequate controls to ensure University purchasing cards (P-Card) expenditures are made in accordance with the University's P-Card Purchasing Guidelines and other University procedures.

During Fiscal Year 2017, the University expanded its P-Card program and made net purchases totaling \$390,007 with its P-Cards.

We reviewed 8 of the 35 Procurement Card Authorization/Agreements and noted four (50%) of the cardholder agreements were approved after purchases had already been made on the P-Card. The total purchases made prior to approval were \$2,475.

The University's procedures for P-Card authorization and issuance requires a P-Card Authorization/Agreement to be signed by the P-Card holder, the account approver, and the Associate Vice President for Finance. It further states P-Card holders are to be provided training on the University's P-Card Purchasing Guidelines and procedures prior to issuance of the P-Card.

In addition, we tested 40 P-Card transactions totaling \$43,960 and noted the following:

- Six (15%) transactions were for unauthorized purchases of food (\$597).
- One (3%) transaction was for the purchase of gasoline for a rental car (\$16).
- Three (8%) transactions totaling \$322 included Illinois sales tax included on the transaction amount. The total sales tax paid was \$29.
- One (3%) transaction did not include a detailed receipt for expenditures (\$134). Only a summary receipt was included.
- One (3%) transaction for \$610 was included on the P-Card holder's monthly transaction log, but the log was not approved by the department head or appropriate vice president.

The Governors State University P-Card Purchasing Guidelines (Guidelines) states the following:

- P-Cards are not to be used for gasoline purchases in personal or rental vehicles.
- P-Cards are not to be used for meals at restaurants or outside catering. (The Family Development Center, the Center for Performing Arts, athletic team travel meals, and international programs may be given authorization.)
- P-Card holders are to submit monthly transaction control logs to the department head or appropriate vice president for approval.
- Original receipts must be submitted to the Financial Services Office with the monthly transaction control log by the 10th of the following month.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

CURRENT FINDINGS – STATE COMPLIANCE

2017-012 FINDING: INADEQUATE PURCHASING CARD PROCEDURES
(Continued)

Additionally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University to establish and maintain a system of internal fiscal and administrative controls to provide assurance funds are safeguarded against waste, loss, unauthorized use, and misappropriations. The payment of Illinois Sales Taxes when not required is a waste of University funds.

University officials stated the conditions noted above were due to processing guidelines not being consistently followed caused by staffing constraints.

Failure to have the Procurement Card Authorization/Agreement form approved prior to allowing P-card holders to make purchases puts the University at risk of holders making inappropriate purchases. Also, failure to adhere to the University's P-Card Purchasing Guidelines and paying Illinois sales tax puts the University at risk of making unauthorized or unnecessary purchases and wastes State funds. (Finding Code No. 2017-012)

RECOMMENDATION

We recommend the University enhance its internal controls relative to P-cards. We further recommend the University re-evaluate its P-Card Purchasing Guidelines and enforce adherence.

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation. The University has improved the training, review and approval process for the issuance and use of P-Cards.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

CURRENT FINDINGS – STATE COMPLIANCE

2017-013 FINDING: INADEQUATE CONTROLS OVER VERIFICATION OF JOB APPLICANT’S INFORMATION

Governors State University’s (University) did not have adequate controls over verification of information included on a job applicant’s resume or application prior to hiring for a specific position.

During our testing of the University’s compliance with its policy and procedures for verification of information on a job applicant’s resume, we noted no reference check documentation was on file for all ten (100%) personnel selected for testing.

University procedures on verification of job applicant’s information require the department head, dean, director or immediate supervisor to check professional references. It further states all reference checks should be returned to Human Resources before hire.

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, to provide assurance resources are utilized efficiently, effectively, and in compliance with applicable law.

University officials stated hiring practices require the hiring supervisor to follow-up on references and forward the information to the Human Resources Department. University officials also stated the ability of the Human Resources Department to follow-up on procedures developed to collect the required documentation has been impeded due to staff reduction caused by budget issues.

Failure to maintain the reference verification documentation resulted in noncompliance with the University’s procedures and if the verifications were not performed, could result in inappropriate hiring decisions. (Finding Code No. 2017-013, 2016-015, 2015-006, 2014-005)

RECOMMENDATION

We recommend the University improve its processes to ensure compliance with University policy and procedures.

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation. Based on updated procedures, the Office of Human Resources will not move forward with the hiring process without the reference check documentation from the hiring department.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

CURRENT FINDINGS – STATE COMPLIANCE

2017-014 FINDING: NONCOMPLIANCE WITH THE ILLINOIS STATE COLLECTION ACT OF 1986

Governors State University (University) did not comply with the requirements of the Illinois State Collection Act of 1986 (Act).

As of December 31, 2016, the University's accounts receivable aging report included 2,723 accounts totaling \$7,756,004 with receivable balances greater than \$1,000 and in excess of 90 days past due. We tested a sample of 30 such accounts (totaling \$80,137) and determined 18 (60%) of those accounts (totaling \$41,770) had not been submitted by the University for placement with the Comptroller's Offset System.

The Act (30 ILCS 210/5(c-1)) requires the University to place in the Comptroller's Offset System debts owed to the University that exceed \$1,000 and are more than 90 days past due.

University officials stated the University's collection procedures include turning accounts over to the Comptroller's Offset System; however, staffing constraints presented a challenge for the University to catch up with the prior reporting backlogs.

Failure to comply with the Act may result in the University not collecting all receivables that are due to the University. (Finding Code No. 2017-014, 2016-014)

RECOMMENDATION

We recommend the University improve its procedures to ensure all debts owed to the University are placed in the Comptroller's Offset System once they exceed \$1,000 and are 90 days past due.

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation. As of the end of Fiscal Year 2017, the University was able to turn accounts over to the Comptroller's Offset System through the Spring 2016 semester. The University is expecting to be current by the end of Fiscal Year 2018.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

CURRENT FINDINGS – STATE COMPLIANCE

2017-015 FINDING: **SUBSIDIES BETWEEN ACCOUNTING ENTITIES**

Governors State University (University) subsidized the operation of University activities between accounting entities during the fiscal year. Activities are functions which are self-supporting in whole or in part, which are directly related to instructional, research, or service units.

During our testing of the University Guidelines, we noted the “Center for Performing Arts” and “University Service Departments” (both accounting entities) had negative cash balances at the beginning of the fiscal year of \$133,176 and \$183,798 and the end of the fiscal year of \$127,296 and \$201,915, respectively. A negative cash balance is in effect an unbooked interfund payable/receivable, thereby causing a subsidy between entities to occur.

The University Guidelines (Chapter III, Section D, Part 1) states “there shall be no subsidies between accounting entities. Subsidies include cash advances and interfund payables/receivables outstanding for more than one year.”

University officials stated that due to tough economic conditions, the University needed to subsidize these entities in order to continue to provide the services to the community and University departments.

Subsidies between accounting entities result in other accounting entities incurring unrelated cost to fund the operation of entities with negative cash balances and is a violation of the University Guidelines. (Finding Code No. 2017-015)

RECOMMENDATION

We recommend the University review the activities of the accounting entities and ensure fees charged for services are sufficient to cover expenditures and ensure subsidies between accounting entities do not occur.

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation. Effective immediately, the University will review its charge back processes and pricing levels on these accounting entities.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

CURRENT FINDINGS – STATE COMPLIANCE

2017-016 FINDING: TUITION AND FEE WAIVERS NONCOMPLIANCE

Governors State University (University) did not comply with the requirements related to tuition and fee waivers.

During our testing, we noted the University did not have on file signed agreements from students that received the Gender Equity in Intercollegiate Athletics waiver. We obtained a listing of students who received waivers provided under Gender Equity in Intercollegiate Athletics and selected 5 students for testing. The University was unable to provide written waiver agreements for any of the 5 students.

The Illinois Administrative Code (Code) (23 Ill. Admin. Code 1075.600(d)) requires each public university to adopt written procedures that provide the requirements for waiver agreements between students and the university. The Code further requires these agreements to include the level of waiver support the public university will provide to the student.

University officials stated the condition noted above was due to inadequate controls over record-keeping procedures within the Athletics office.

Failure to comply with appropriate tuition and fee waiver requirements is a violation of the Code and puts the University at risk to lose revenue due to the waiving of tuition to unauthorized individuals by not having proper controls in place. (Finding Code No. 2017-016, 2016-018)

RECOMMENDATION

We recommend the University improve its controls to ensure required written waiver agreements are obtained and retained.

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation. To ensure the proper filing of such agreement letters, a process has been implemented to monitor athlete documentation. This entails a checklist and a centralized filing system within the Athletics office.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

CURRENT FINDINGS – STATE COMPLIANCE

2017-017 FINDING: TIME SHEETS NOT PROPERLY MAINTAINED

Governors State University (University) is not maintaining time sheets for its faculty members and advisors 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 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.

We tested the time sheets for 35 employees during the fiscal year and noted nine (26%) faculty members/advisors used “negative” timekeeping whereby the employee is assumed to be working unless noted otherwise.

University officials stated the University is reviewing, along with other State universities, time reporting for faculty members, as it relates to existing collectively bargained contractual obligations and 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 No. 2017-017, 2016-017, 2015-005, 2014-004, 2013-010, 12-11, 11-11, 10-11, 09-3, 08-3, 07-3, 06-4, 05-7)

RECOMMENDATION

We recommend the University amend its policies and revise its procedures to ensure all employees submit time sheets documenting the time spent each day on official State business to the nearest quarter hour.

UNIVERSITY RESPONSE

This finding is under study. The University acknowledges the requirements of the Act for employees to periodically report time spent each day on official State business to the nearest quarter hour. The University currently collects and monitors reported time spent on official business from all nonacademic, civil service, and professional and administrative staff. The University is reviewing existing time reporting requirements for faculty employees established by federal granting agencies and others to determine whether the requirements of the Act can be met by existing requirements rather than requiring dual reporting. In addition, the University is reviewing, along with other State universities, time reporting for faculty, as it relates to existing collectively bargained contractual obligations.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

CURRENT FINDINGS – STATE COMPLIANCE

2017-018 FINDING: NONCOMPLIANCE WITH FEDERAL REPORTING REQUIREMENTS FOR POST-9/11 VETERANS EDUCATIONAL ASSISTANCE BENEFITS

Several of Governors State University's (University) students are recipients of benefits from the Veterans Benefits Administration of the U.S. Department of Veterans Affairs (VA). The University receives a reporting fee for submitting the enrollment reports required by the VA. The University did not comply with the Federal reporting requirements of the program.

In our testing of 40 students with a Post-9/11 Veterans Education Assistance benefit during the year, 10 students had enrollment status changes or corrections. Five (50%) of those changes were not reported to the VA within 30 days from the date the change occurred (5-158 days late). The sample was not intended to be, and was not, a statistically valid sample.

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

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, to provide assurance resources are utilized efficiently, effectively, and in compliance with applicable law.

University officials stated the condition noted above was due to an error in the enrollment report generated for VA students, and staffing constraints in the Veterans Resource Center.

Reporting of enrollment changes is critical for the VA's effective administration of the benefit program as a student's enrollment status determines the amount of award a student is eligible to receive. (Finding Code No. 2017-018, 2016-009, 2015-004)

RECOMMENDATION

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

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation. A shared staff person was put into place and is assisting with awarding and tracking VA awards, and also became the alternate VA School Certifying Official on July 1, 2017. Further, the Veterans Resource Center has begun to coordinate with the Information Technology Services Department to utilize a reporting tool that will effectively track all students that receive VA benefits. This reporting tool is expected to be in place by the end of Fiscal Year 2018.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

CURRENT FINDINGS – STATE COMPLIANCE

2017-019 FINDING: COMPUTER SECURITY WEAKNESSES

Governors State University (University) had not established adequate controls for its computing environment.

During the review of the University, the following weaknesses were noted:

- User access rights were not periodically reviewed.
- Access rights were not always removed in a timely manner.
- Operating system updates and patches were not up-to-date on University servers.
- Users were allowed a high number of attempts to successfully log-in before being locked out of the network.

Generally accepted information technology guidance endorses the development of well-designed and well-managed controls to protect facilities, computer systems, and data. Effective computer security controls, such as recertification of user access rights, up-to-date patches for computer servers, and tight password controls provide safeguards for secure access to computing environments.

University officials stated the condition above was due to budget constraints and employee turnover.

Failure to periodically review employee's access rights, untimely account termination, and lax security practices may result in unauthorized access to the University data and computing environment. (Finding Code No. 2017-019, 2016-020)

RECOMMENDATION

We recommend the University:

- Finalize and implement procedures to periodically review user access rights to ensure they are appropriate based on job duties and prevent unauthorized access to University computing environment.
- Ensure access rights are timely removed.
- Ensure all servers are updated with the latest upgrades and patches.
- Reduce the account lockout threshold to limit the number of unsuccessful log-in attempts.

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation. The University has automated its employee separation process using the University's computing system to help ensure timely communication of employee separation so that access rights are also timely removed. As of March 2018, a new policy for Systems Access Controls has been submitted for University review. Operating and application patching now occurs on a bi-weekly basis based on vendor's operating system and technology certifications and upon user acceptance testing. Additionally, the Director of Information Security and Compliance position is in the recruitment process.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

PRIOR FINDINGS NOT REPEATED

A FINDING: Inadequate Controls Over Identifying and Recording Accrued Liabilities

During the prior audit period, Governors State University (University) had not established adequate internal controls over identifying and recording accrued liabilities for financial reporting purposes.

During the current audit period, we did not identify any instances where the University failed to identify and record accrued liabilities. (Finding Code No. 2016-001)

B FINDING: Inadequate Controls over Student Accounts Receivable

During the prior audit period, the University's procedures for the substantiation and collection of student accounts receivable were inadequate.

During the current audit period, we did not identify any substantiation issues with balances incurred since 2011 and noted the University has increased its collection efforts. (Finding Code No. 2016-002)

C FINDING: Errors in the Verification and Updating of Student Aid Applications

During the prior audit period, the University's verification procedures did not function as designed. The University did not accurately update verification data with the Central Processor for 4 of 25 student verifications tested.

During the current audit period, our sample testing of students selected for verification did not identify any exceptions. (Finding Code No. 2016-003, 2015-001, 2014-001, 2013-006)

D FINDING: Financial Aid Awarded to Ineligible Students

During the prior audit period, the University made Federal Supplemental Educational Opportunity Grant (FSEOG) awards to students who were no longer eligible for such awards.

During the current audit period, our sample testing of FSEOG awards did not identify any awards to students who were no longer eligible for such awards. (Finding Code No. 2016-004)

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

PRIOR FINDINGS NOT REPEATED

E FINDING: Noncompliance with Revenue Bond and Certificates of Participation Continuing Disclosures

During the prior examination period, the University did not comply with the continuing disclosures requirements of their revenue bonds and certificates of participation.

During the current examination period, our sample testing of the continuing disclosure requirements for revenue bonds and certificates of participation did not identify any exceptions. (Finding Code No. 2016-011)

F FINDING: Noncompliance with the Fiscal Control and Internal Auditing Act

During the prior examination, the University did not comply with the Fiscal Control and Internal Auditing Act (FCIAA).

During the current examination, the University performed a timely evaluation of its internal fiscal and administrative controls and submitted its FCIAA certification by the due date. The University did not install any new computer systems or implement major upgrades to the existing system during the current fiscal year. (Finding Code No. 2016-016)

G FINDING: Noncompliance with the Higher Education Veterans Service Act Annual Reporting

During the prior examination, the University did not comply with the annual reporting requirements of the Higher Education Veterans Service Act (Act).

During the current examination, our testing did not identify any exceptions related to the annual reporting requirements of the Act. (Finding Code No. 2016-019)

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
COMPLIANCE EXAMINATION
FOR THE YEAR ENDED JUNE 30, 2017**

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 Federal Awards
 - Schedule of 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 Capital Assets
 - 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
- Analysis of Operations (Unaudited):
 - University Functions and Planning Program (Unaudited)
 - Analysis of Significant Lapse Period Spending (Unaudited)
 - Budget Impasse Disclosures (Unaudited)
 - Alternative Financing in Lieu of Appropriations and Programs to Address Untimely Payments to Vendors (Unaudited)
 - Interest Costs on Invoices (Unaudited)
 - Average Number of Employees (Unaudited)
 - Student Statistics (Unaudited)
 - Selected Service Efforts and Accomplishments (Unaudited)
 - Emergency Purchases (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)
 - 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 (Unaudited)
 - Schedules of Revenues, Expenditures and Changes in Fund Balances - Auxiliary Enterprises and Activities Entities (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, 2017**

**SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES
(Continued)**

The accountant's report that covers the Supplementary Information for State Compliance Purposes 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 auditors' 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 accountants' report also states the Analysis of Operations Section 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 it.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FISCAL SCHEDULES AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

Schedule 1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Federal Project or Pass-Through Number	Passed-Through to Subrecipients	FY 2017 Expenditures
MAJOR PROGRAMS				
STUDENT FINANCIAL ASSISTANCE CLUSTER:				
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Federal Direct Student Loans	84.268		\$ -	\$ 41,279,890
Federal Pell Grant Program	84.063		-	7,751,690
Federal Perkins Loan Program - Federal Capital Contributions	84.038		-	4,274,734
Federal Work-Study Program	84.033		-	375,905
Federal Supplemental Educational Opportunity Grants	84.007		-	176,057
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379		-	9,786
TOTAL U.S. DEPARTMENT OF EDUCATION			-	53,868,062
<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/Physical Therapy</i>	93.925		-	612,112
<i>Scholarships for Health Professions Students from Disadvantaged Backgrounds/Mental Health Counseling</i>	93.925		-	353,190
			-	965,302
Nurse Faculty Loan Program (NFLP) <i>Nurse Faculty Loan Program</i>	93.264		-	869,291
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			-	1,834,593
TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER			-	55,702,655
RESEARCH AND DEVELOPMENT CLUSTER:				
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Cancer Centers Support Grants <i>The GUIDE Cancer Research Training Project</i>	93.397		-	202,691
Research on Healthcare Costs, Quality and Outcomes <i>The Impact of Public Hospitals' Privatization on Nursing Staff</i>	93.226		5,185	30,018
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			5,185	232,709
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Higher Education - Institutional Aid <i>Integrating Pathways: Student Success Through Junior Year Transition</i>	84.031A		-	336,185
Centers for International Business Education Passed through Indiana University <i>Center for International Business Education Research (CIBER)</i>	84.220	BL-4236301-GSU	-	27,305
TOTAL U.S. DEPARTMENT OF EDUCATION			-	363,490

STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FISCAL SCHEDULES AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

Schedule 1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Federal Project or Pass-Through Number	Passed-Through to Subrecipients	FY 2017 Expenditures
<u>NATIONAL SCIENCE FOUNDATION</u>				
Education and Human Resources Passed through Chicago State University <i>Illinois Louis Stokes Alliance for Minority Participation</i>	47.076	53953	-	9,396
TOTAL NATIONAL SCIENCE FOUNDATION			-	9,396
TOTAL RESEARCH AND DEVELOPMENT CLUSTER			5,185	605,595
TOTAL MAJOR PROGRAMS			5,185	56,308,250
<u>OTHER PROGRAMS</u>				
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Head Start <i>Early Head Start</i>	93.600		-	948,213
Substance Abuse and Mental Health Projects of Regional and National Significance <i>Behavioral Health Workforce Education and Training for Professionals and Paraprofessionals</i>	93.243		-	213,452
Child Care and Development Block Grant Passed through the Illinois Department of Human Services <i>Child Care and Development Block Grant (CCDBG)</i>	93.575	80408490W	-	12,191
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	260134400	-	217,531
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			-	1,391,387
<u>LIBRARY OF CONGRESS</u>				
Teaching With Primary Sources <i>Teaching With Primary Sources</i>	N.A.	GA06C0076	-	24,817
Teaching With Primary Sources <i>Teaching With Primary Sources</i>	N.A.	GA06C0076	-	79,243
TOTAL LIBRARY OF CONGRESS			-	104,060
<u>NATIONAL ENDOWMENT FOR THE ARTS</u>				
Promotion of the Arts Partnership Agreements Passed through Arts Midwest <i>Dallas Childrens Theater</i>	45.025	18365	-	2,000
TOTAL NATIONAL ENDOWMENT FOR THE ARTS			-	2,000

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FISCAL SCHEDULES AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

Schedule 1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Federal Project or Pass-Through Number	Passed-Through to Subrecipients	FY 2017 Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Child and Adult Care Food Program Passed through the Illinois State Board of Education <i>Child and Adult Food Care Program</i>	10.558	56099527051	-	98,805
TOTAL U.S. DEPARTMENT OF AGRICULTURE			-	98,805
<u>NATIONAL ENDOWMENT FOR THE HUMANITIES</u>				
Promotion of the Humanities, Teaching and Learning Resources and Curriculum Development <i>War, Trauma and the Humanities</i>	45.162		-	1,135
TOTAL NATIONAL ENDOWMENT FOR THE HUMANITIES			-	1,135
<u>SMALL BUSINESS ADMINISTRATION</u>				
Small Business Development Centers Passed through the Illinois Department of Commerce & Economic Opportunity <i>Small Business Development Centers</i>	59.037	16-561122	-	35,163
TOTAL SMALL BUSINESS ADMINISTRATION			-	35,163
TOTAL OTHER PROGRAMS			-	1,632,550
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 5,185	\$ 57,940,800

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FISCAL SCHEDULES AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

Schedule 1

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the State of Illinois, Governors State University (University) under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200 *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because this schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net position, or cash flows of the University.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 - FEDERAL STUDENT LOAN PROGRAMS

The federal student loan programs listed subsequently are administered directly by the University and balances and transactions relating to these programs are included in the University's basic financial statements. Loans outstanding at the beginning of the year, loans made during the year, any administrative cost allowance claimed, cash balance of the fund as of the end of the year, and cancellations receivable at the end of the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at June 30, 2017 consists of:

CFDA Number	Program Name	Outstanding Balance at June 30, 2017
84.038	Federal Perkins Loan Program	\$2,877,453
93.264	Nurse Faculty Loan Program	\$ 754,181

NOTE 4 - SUBRECIPIENTS

During the year ended June 30, 2017, the University passed through federal assistance to subrecipients under the Research on Healthcare Costs, Quality and Outcomes program (CFDA Number 93.226) totaling \$5,185.

NOTE 5 - NON-CASH ASSISTANCE

The University did not receive any federal non-cash assistance during for the year ended June 30, 2017.

NOTE 6 - INSURANCE

The University did not have federally funded insurance in effect during the year ended June 30, 2017.

STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FISCAL SCHEDULES AND ANALYSIS
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
EXPENDITURE AUTHORITY FOR FISCAL YEAR 2017

FOR THE FIFTEEN MONTHS ENDED SEPTEMBER 30, 2017

	Expenditure Authority (Net of Transfers)	Expenditures through 6/30/17	Lapse Period Expenditures 7/01 - 9/30/17	Total Expenditures 15 Months ended 9/30/2017	Balances Lapsed
Public Acts 99-0524, 100-0021, and Court Ordered Expenditures					
General Revenue Fund - 001:					
Operational expenses	\$ 8,127,400	\$ -	\$ 8,127,400	\$ 8,127,400	\$ -
Total General Revenue Fund	<u>\$ 8,127,400</u>	<u>\$ -</u>	<u>\$ 8,127,400</u>	<u>\$ 8,127,400</u>	<u>\$ -</u>
Education Assistance Fund - 007:					
Payroll offsets - Court Ordered (Note 3)		\$ 9,565	\$ -	\$ 9,565	
Operational expenses	\$ 15,934,700	12,757,000	3,177,700	15,934,700	\$ -
Total Education Assistance Fund	<u>\$ 15,934,700</u>	<u>\$ 12,766,565</u>	<u>\$ 3,177,700</u>	<u>\$ 15,944,265</u>	<u>\$ -</u>
Total Appropriated Funds	<u>\$ 24,062,100</u>	<u>\$ 12,766,565</u>	<u>\$ 11,305,100</u>	<u>\$ 24,071,665</u>	<u>\$ -</u>

Note 1: Expenditure authority, appropriations, total expenditures, and lapsed balances were obtained from the State Comptroller records as of September 30, 2017, and have been reconciled to the University records.

Note 2: Expenditure amounts are vouchers approved for payment by the University and submitted to the State Comptroller for payment to the vendor.

Note 3: The Circuit Court of St. Clair County in AFSCME Council 31 v. Munger (15 CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to "draw and issue warrants accomplishing payment of wages [for all State employees] at their normal rate of pay." As Public Act 100-0021 states appropriation authority granted by the General Assembly does not supercede any court order directing the expenditure of funds and states such payments are added to the appropriations granted by the General Assembly, the University was able to submit vouchers to pay its court-ordered involuntary withholding payroll payments previously processed through the State Treasury within Fund 007 in full without a maximum expenditure limit during Fiscal Year 2017. In August of 2017, the University reimbursed the State in full for this involuntary withholding from the University's Income Fund.

Note 4: Public Act 99-0524 authorized the University to pay Fiscal Year 2016 costs using its Fiscal Year 2017 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 72 includes information from University management about the number of invoices and the total dollar amount of invoices held by the University submitted against its Fiscal Year 2017 appropriation.

Note 5: During Fiscal Year 2017, the University operated without an enacted full year appropriation until Public Act 100-0021 was approved on July 6, 2017. During the impasse, the University incurred reimburseable payroll obligations within Fund 001 and Fund 007; however, the University was unable to process a reimbursement for these expenditures incurred by the University's Income Fund until the passage of Public Act 100-0021.

Note 6: Notwithstanding anything within Public Act 100-0021 to the contrary, Public Act 100-0021 authorized the University to pay all costs incurred prior to July 1, 2018, using either Fiscal Year 2017 or Fiscal Year 2018 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 72 includes information from University management about the number of invoices and the total dollar amount of invoices held by the University to be submitted against either its Fiscal Year 2017 or Fiscal Year 2018 appropriation.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FISCAL SCHEDULES AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

Schedule 3

**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,
EXPENDITURES AND LAPSED BALANCES**

	Fiscal Years	
	2017 Court Order P.A. 99-0524 and P.A. 100-0021	2016 P.A. 99-0502
General Revenue Fund - 001:		
Appropriations (net after transfers)	\$ 8,127,400	\$ -
Expenditures:		
Operational expenses	8,127,400	-
Total Expenditures	8,127,400	-
Lapsed Balances	\$ -	\$ -
Education Assistance Fund - 007:		
Appropriations (net after transfers)	\$ 15,934,700	\$ 6,974,400
Expenditures:		
Payroll offsets - Court Ordered (Note 3)	9,565	-
Operational expenses	15,934,700	-
Ordinary and contingent expenses	-	6,974,400
Total Expenditures	15,944,265	6,974,400
Lapsed Balances	\$ -	\$ -
GRAND TOTAL, ALL FUNDS		
Appropriations (Net After Transfers)	\$ 24,062,100	\$ 6,974,400
Court Ordered Expenditure Authority	9,565	-
Total Expenditures	24,071,665	6,974,400
Lapsed Balances	\$ -	\$ -

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FISCAL SCHEDULES AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

Schedule 3

**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,
EXPENDITURES AND LAPSED BALANCES**

- Note 1: Expenditure authority, appropriations, total expenditures, and lapsed balances were obtained from the State Comptroller records as of September 30, 2017, and have been reconciled to the University records.
- Note 2: Expenditure amounts are vouchers approved for payment by the University and submitted to the State Comptroller for payment to the vendor.
- Note 3: The Circuit Court of St. Clair County in AFSCME Council 31 v. Munger (15 CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to "draw and issue warrants accomplishing payment of wages [for all State employees] at their normal rate of pay." As Public Act 100-0021 states appropriation authority granted by the General Assembly does not supercede any court order directing the expenditure of funds and states such payments are added to the appropriations granted by the General Assembly, the University was able to submit vouchers to pay its court-ordered involuntary withholding payroll payments previously processed through the State Treasury within Fund 007 in full without a maximum expenditure limit during Fiscal Year 2017. In August of 2017, the University reimbursed the State in full for this involuntary withholding from the University's Income Fund.
- Note 4: Public Act 99-0524 authorized the University to pay Fiscal Year 2016 costs using its Fiscal Year 2017 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 72 includes information from University management about the number of invoices and the total dollar amount of invoices held by the University submitted against its Fiscal Year 2017 appropriation.
- Note 5: During Fiscal Year 2017, the University operated without an enacted full year appropriation until Public Act 100-0021 was approved on July 6, 2017. During the impasse, the University incurred reimburseable payroll obligations within Fund 001 and Fund 007; however, the University was unable to process a reimbursement for these expenditures incurred by the University's Income Fund until the passage of Public Act 100-0021.
- Note 6: Notwithstanding anything within Public Act 100-0021 to the contrary, Public Act 100-0021 authorized the University to pay all costs incurred prior to July 1, 2018, using either Fiscal Year 2017 or Fiscal Year 2018 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 72 includes information from University management about the number of invoices and the total dollar amount of invoices held by the University to be submitted against either its Fiscal Year 2017 or Fiscal Year 2018 appropriation.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FISCAL SCHEDULES AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

Schedule 4

COMPARATIVE SCHEDULE OF INCOME FUND REVENUES AND EXPENDITURES

	2017	2016
Fund balance, beginning of year	\$ 38,966,941	\$ 48,347,784
Income fund revenues:		
Student tuition and fees	38,034,090	38,226,390
Investment income	129,040	28,072
Miscellaneous	55,657	-
Total income fund revenues	38,218,787	38,254,462
Income fund expenditures:		
Personal services (including change in accrued compensated absences)	27,547,250	36,139,249
Medicare and benefits	1,369,157	1,359,103
Contractual services	5,467,980	5,139,049
Travel	201,433	133,291
Commodities	527,431	486,438
Equipment and permanent improvements	946,396	756,051
Telecommunications services	173,856	224,425
Operation of automotive equipment	46,905	54,245
Miscellaneous expenditures	-	114,154
Awards, grants and matching funds	834,319	921,744
Tuition and fee waivers	1,435,132	1,728,483
Debt services transfer	583,533	579,073
Total income fund expenditures	39,133,392	47,635,305
Fund balance, end of year	\$ 38,052,336	\$ 38,966,941

Note: This schedule has been prepared on the accrual basis of accounting.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FISCAL SCHEDULES AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

Schedule 5

SCHEDULE OF CHANGES IN CAPITAL ASSETS

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Land	\$ 1,389,086	\$ -	\$ -	\$ 1,389,086
Equipment	11,952,237	91,028	244,257	11,799,008
Equipment under capital lease	236,662	-	-	236,662
Intangible assets	1,077,097	827,822	-	1,904,919
Artwork/Artifacts	431,323	-	-	431,323
Library collection	12,654,486	17,666	92,047	12,580,105
Site improvements	9,309,741	-	-	9,309,741
Buildings	151,973,503	452,280	7,293	152,418,490
Construction in progress	-	3,000	-	3,000
Subtotal	189,024,135	1,391,796	343,597	190,072,334
Less accumulated depreciation for:				
Equipment	9,668,706	685,326	221,984	10,132,048
Equipment under capital lease	76,007	50,671	-	126,678
Intangible assets	923,226	231,559	-	1,154,785
Library collection	12,034,931	261,773	92,047	12,204,657
Site improvements	3,127,085	414,524	-	3,541,609
Buildings	44,701,471	3,262,457	-	47,963,928
Subtotal	70,531,426	4,906,310	314,031	75,123,705
Total Capital Assets, Net	\$ 118,492,709	\$ (3,514,514)	\$ 29,566	\$ 114,948,629

Note: This summary schedule was prepared using University financial statement records. This schedule has been reconciled to property reports (C-15 Agency Report of State Property) submitted to the Office of the State Comptroller.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FISCAL SCHEDULES AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

Schedule 6

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENSES

The Statement of Revenues, Expenses and Changes in Net Position is presented on page 16 of the financial audit report. The University did not have any expense variances exceeding \$100,000 and 20%.

**STATE OF ILLIOIS
GOVERNORS STATE UNIVERSITY
FISCAL SCHEDULE AND ANALYSIS
FOR TEH YEAR ENDED JUNE 30, 2017**

Schedule 7

ANALYSIS OF SIGNIFICANT VARIATIONS IN REVENUES

The Statement of Revenues, Expenses and Changes in Net Position is presented on page 16 of the financial audit report. Following are explanations for significant variances between revenue accounts exceeding \$100,000 and 20%:

	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>		<u>Comments</u>
			<u>Amount</u>	<u>Percentage</u>	
State grants and contracts	\$ 7,318,716	\$ 661,854	\$ 6,656,862	1006%	The increase is mostly due to revenue from Illinois Department of Children and Family Services that was classified as a State grant in 2017, but had been reported as sales and services of educational departments in previous fiscal years.
Sales and services of educational departments	71,376	5,817,902	(5,746,526)	-99%	The decrease is mostly due to a switch in type of agreement from the Illinois Department of Children and Family Service (see State grants and contracts above).
Other operating revenues	2,030,290	2,885,189	(854,899)	-30%	The decrease is mainly due to a decrease in revenues from psychology and couseling, foster pride program, international pograms, English as a second language program, consortium fees, and forfeited awards from the Teacher Quality Partnership Grant Program.
State appropriations	12,757,000	6,974,400	5,782,600	83%	Increase is due to increased funding provided by the State of Illinois during Fiscal Year 2017 as compared to Fiscal Year 2016.
Investment income	129,062	28,080	100,982	360%	Increase is due to improved management of cash and cash equivalents.
Other nonoperating income (expense)	(29,566)	447,610	(477,176)	-107%	Decrease is due to the recognition of gains from insured losses that occurred during Fiscal Year 2016; not reoccurring during Fiscal Year 2017.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FISCAL SCHEDULES AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

Schedule 8

ANALYSIS OF SIGNIFICANT ACCOUNT BALANCES

Cash and Cash Equivalents

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

	2017	2016
Deposit types:		
Cash	\$ 8,876,083	\$ 14,133,013
Illinois Funds	17,774,906	14,656,541
	\$ 26,650,989	\$ 28,789,554
Depositories used:		
First Midwest Bank	\$ 8,855,553	\$ 14,113,073
Illinois Funds	17,774,906	14,656,541
Cash on hand	20,530	19,940
	\$ 26,650,989	\$ 28,789,554

Cash and Cash Equivalents, Restricted

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

	2017	2016
Deposit types:		
Money market	\$ 28	\$ 7
	\$ 28	\$ 7
Depositories used:		
Amalgamated Bank	\$ 28	\$ 7
	\$ 28	\$ 7

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FISCAL SCHEDULES AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

Schedule 8

ANALYSIS OF SIGNIFICANT ACCOUNT BALANCES

Capital Assets

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

	<u>2017</u>	<u>2016</u>
Land	\$ 1,389,086	\$ 1,389,086
Artwork/Artifacts	431,323	431,323
Construction in progress	3,000	-
Site improvements	9,309,741	9,309,741
Buildings	152,418,490	151,973,503
Intangible assets	1,904,919	1,077,097
Equipment under capital lease	236,662	236,662
Equipment	11,799,008	11,952,237
Library collection	12,580,105	12,654,486
Gross capital assets	<u>190,072,334</u>	<u>189,024,135</u>
Accumulated depreciation	<u>(75,123,705)</u>	<u>(70,531,426)</u>
Net capital assets	<u>\$ 114,948,629</u>	<u>\$ 118,492,709</u>

Net capital assets decreased by \$3.5 million due to \$4.9 million of depreciation offset by nearly \$.5 million in building improvements with the addition of the student health center and the installation of new thermostats throughout the University, and almost \$1 million in software, equipment and library purchases.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FISCAL SCHEDULES AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

Schedule 8

ANALYSIS OF SIGNIFICANT ACCOUNT BALANCES

Liabilities

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

	2017	2016
Accounts payable	\$ 5,291,573	\$ 4,663,002
Agency funds payable	222,997	161,925
Accrued compensated absences	3,439,750	3,671,974
Due to component unit	84,275	-
Unearned revenue	2,656,452	4,298,000
Refundable grants	3,381,820	3,633,293
Revenue bonds payable	24,906,361	25,747,214
Notes payable	1,158,741	1,683,638
Capital lease payable	89,252	169,408
Certificates of participation	11,072,555	12,270,227
Intangible asset payable	230,266	-
Total liabilities	\$ 52,534,042	\$ 56,298,681

The total liabilities decrease of \$3.7 million was mostly attributable to the \$1.6 million decrease in unearned revenue caused by overall decrease in enrollment (credit hours) and lower level of collections during the fiscal year that are attributable to the tuition and fees for the following fiscal year (summer and fall semesters of 2017), \$2.7 million in principal payments made on revenue bonds payable, notes payable, capital lease payable, certificates of participation and intangible assets payable. The decrease was partially offset by the \$0.6 million increase in accounts payable primarily due to timing of vendor payments.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FISCAL SCHEDULES AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

Schedule 9

ANALYSIS OF RECEIVABLES

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

	2017	2016
Accounts receivable, net of allowance for uncollectible accounts of \$5,350,000 in 2017 and \$4,375,000 in 2016	\$ 3,928,747	\$ 7,422,573
Grants receivable	4,209,609	412,387
State appropriation receivable	-	2,711
Student loans, net of allowance for uncollectible loans of \$750,000 in 2017 and \$700,000 in 2016	3,080,590	3,358,809
Due from component unit	-	25,211
Total receivables	\$ 11,218,946	\$ 11,221,691

The University's contract with the Illinois Department of Children and Family Service (DCFS), to promote permanency by maintaining, strengthening and safeguarding the functioning of families, was structured as a grant during Fiscal Year 2017 by DCFS. This mainly accounts for the increase in the grants receivable and the decrease in accounts receivable.

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

	2017	2016
Not in repayment	\$ 1,693,469	\$ 2,076,317
Current	7,476,844	7,836,631
Up to 120 days past due	1,495,115	900,644
From 121 to 365 days past due	2,357,122	1,471,452
More than 365 days past due	4,296,396	3,983,725
Allowance for doubtful accounts	(6,100,000)	(5,075,000)
Net accounts, grants, and student loans receivable	\$ 11,218,946	\$ 11,193,769

Non-student receivables are not aged and have been presented above as current.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FISCAL SCHEDULES AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

Schedule 10

SCHEDULE OF FEDERAL EXPENDITURES, NONFEDERAL EXPENSES AND NEW LOANS

Schedule A - Federal Financial Component

Total federal expenditures reported on SEFA schedule	\$ 57,940,800
Total new loans made not included on SEFA schedule	-
Amount of federal loan balance at beginning of the year (not included on the SEFA schedule and continued compliance is required)	-
Other noncash federal award expenditures (not included on SEFA schedule)	-
Total Schedule A	<u>\$ 57,940,800</u>

Schedule B - Total Financial Component

Total operating expenses (from Financial Statements)	\$ 119,761,195
Total nonoperating expenses (from Financial Statements)	1,643,856
Total new loans made	41,574,753
Amount of federal loan balances at beginning of year	3,857,718
Other noncash federal award expenditures	-
Total Schedule B	<u>\$ 166,837,522</u>

Schedule C

		<u>Percent</u>
Total Schedule A	\$ 57,940,800	34.7%
Total nonfederal expenses	<u>108,896,722</u>	<u>65.3%</u>
Total Schedule B	<u>\$ 166,837,522</u>	<u>100.0%</u>

Note: These schedules are used to determine the University's single audit costs in accordance with Uniform Guidance.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FISCAL SCHEDULES AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

Schedule 11

SUMMARY OF INDIRECT COST REIMBURSEMENT FUNDS

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

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

Balances remaining at June 30, 2017 are used to meet budgeted operational costs in Fiscal Year 2018. 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, 2017:

	<u>Indirect Costs</u>	<u>Administrative Overhead</u>	<u>Total</u>
Balance at June 30, 2016 (restated)*	\$ 321,202	\$ 88,553	\$ 409,755
Add: Sources			
Recovered from grants and contracts	1,383,530	-	1,383,530
Financial aid program reimbursements	-	50,740	50,740
Total sources	<u>1,383,530</u>	<u>50,740</u>	<u>1,434,270</u>
Less: Applications			
Personal services	21,526	56,443	77,969
Contractual services	123,776	3,705	127,481
Commodities	3,358	1,058	4,416
Others	28,708	4,018	32,726
Total applications	<u>177,368</u>	<u>65,224</u>	<u>242,592</u>
Balance at June 30, 2017	<u>\$ 1,527,364</u>	<u>\$ 74,069</u>	<u>\$ 1,601,433</u>

* In Fiscal Year 2016, the University mistakenly reported a portion of income and expenditures to the incorrect activity. This correction reclassifies those net amounts to the correct activity's fund balance. See page 88 for greater detail of the reclassification.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

UNIVERSITY FUNCTIONS AND PLANNING PROGRAM

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

Planning

Vision 2020 is the strategic plan of the University. Vision 2020 was formally adopted by the University Board of Trustees on February 27, 2015 and is designed to provide general direction for all University initiatives through the 2019-2020 academic year.

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

Mission Statement: Governors State University is committed to offering exceptional and accessible education that prepares students with the knowledge, skills and confidence to succeed in a global society.

Vision Statement: Governors State University will create an intellectually stimulating public square, serve as an economic catalyst for the region, and lead as a model of academic excellence, innovation, diversity and responsible citizenship.

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

- (1) Invest in Student Success through a commitment to mentoring and a deliberate University focus on student achievement of academic, professional and personal goals.
- (2) Provide Opportunity and Access to a first-class public education to residents of our surrounding communities and all those traditionally underserved by higher education.
- (3) Serve as an Economic Catalyst for the citizens of the State of Illinois and our larger Midwest region, so that our communities grow and flourish.
- (4) Prepare Stewards of our Future to thrive in the global economy, to contribute to ongoing innovative research and to serve as stewards of the environment.
- (5) Demonstrate Inclusiveness and Diversity to encourage acceptance of wide-ranging perspectives among students, staff, faculty and members of the broader community.
- (6) Promote Quality of Life which encompasses civic, personal, professional and cultural growth.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

UNIVERSITY FUNCTIONS AND PLANNING PROGRAM (Continued)

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

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

Within the larger context set by Vision 2020, the annual budget process at the University operates under the general direction of the Planning and Budget Advisory Council (PBAC), a 22-member group composed of administrators, faculty, staff and students, and co-chaired by the Provost and the Vice President for Administration and Finance. The role of the PBAC is to develop recommendations on all budgetary issues of University-wide scope and, after due deliberation, to forward those recommendations to the University President.

Every spring, the PBAC operates the annual budget process. The group develops guidelines consistent with the goals of Vision 2020, and procedures and timelines in accordance with which every budget unit of the University develops its budget requests for the fiscal year to come. Public

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

UNIVERSITY FUNCTIONS AND PLANNING PROGRAM (Continued)

hearings are held at which each unit presents its request and is subject to questions and discussions from the members of the PBAC. Final recommendations are developed and forwarded to the President for her adoption. The President, in turn, forwards final recommendations on tuition and fees and on budgets to the Board of Trustees.

During Fiscal Year 2017, this process was altered due to lack of an operating appropriation for most of the year. Because of that lack, and its implications for significant funding reductions in both Fiscal Year 2017 and 2018, the President directed the heads of all major budget units to develop and submit to their supervising vice president, a proposal for Fiscal Year 2017 that included significant reductions in their personnel. The President, the Provost, and the Vice President for Administration and Finance evaluated these proposals and determined which would be implemented for Fiscal Year 2017. This alternative procedure was discussed with PBAC prior to its implementation and PBAC endorsed it.

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

University Head and Location

The President of the University is Dr. Elaine P. Maimon whose office is located at:

Governors State University
1 University Parkway
University Park, IL 60484

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING

We obtained variance explanations for the following lapse period expenditures which exceeded 20% of the expenditures for the appropriation line item.

	Lapse Period Expenditures	Total Expenditures	%
<u>GENERAL REVENUE FUND - 001</u>			
Operational expenses	\$ 8,127,400	\$ 8,127,400	100%

The University did not receive an enacted full year appropriation until Public Act 100-0021 was approved on July 6, 2017. During this impasse, the University incurred reimburseable payroll obligations; however the University was unable to process a reimbursement for these expenditures until the passage of Public Act 100-0021.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

BUDGET IMPASSE DISCLOSURES

Payment of Prior Year Costs in Future Fiscal Years

Article 74 of Public Act 99-0524 authorized the University to pay Fiscal Year 2016 costs using the University's Fiscal Year 2017 appropriation for non-payroll expenditures. In addition, Article 998 of Public Act 100-0021 authorized the University to pay its unpaid Fiscal Year 2016 and Fiscal Year 2017 costs using either the University's Fiscal Year 2017 or Fiscal Year 2018 appropriations for non-payroll expenditures. The following chart shows how the University's paid its prior costs using future appropriations:

FISCAL YEAR 2016 INVOICES

Fund No.	Fund Name	Paid from Fiscal Year 2017 Appropriations		Expected payment from Fiscal Year 2018 Appropriations	
		Number	Dollar Value	Number	Dollar Value
007	Education Assistance Fund	8	\$ 12,655,443	-	\$ -

The University did not have any outstanding unpaid invoices from Fiscal Year 2017 after the closure of the Fiscal Year 2017 Lapse Period on September 30, 2017.

**ALTERNATIVE FUNDING IN LIEU OF APPROPRIATIONS AND
PROGRAMS TO ADDRESS UNTIMELY PAYMENTS TO VENDORS**

Transactions Involving the Illinois Finance Authority

The University and its vendors did not participate in alternative financing in lieu of enacted appropriations involving the Illinois Finance Authority during Fiscal Year 2017.

Transactions Involving the Vendor Payment Program and Vendor Support Initiative Program

None of the University's vendors participated in the Vendor Payment Program (VPP) or the Vendor Support Initiative Program (VSI) during Fiscal Year 2017.

INTEREST COSTS ON INVOICES

Prompt Payment Interest Costs

The University did not incur any prompt payment interest due to vendors under the State Prompt Payment Act (Act) (30 ILCS 540). The University's vendors were paid within 90 days or paid from funds and accounts that are ineligible for prompt payment interest due to vendors under this Act.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

AVERAGE NUMBER OF EMPLOYEES

	2017	2016
Full-time equivalent employees funded by State appropriated funds:		
Faculty	307.0	282.6
Administrative	71.5	63.0
Civil service	152.2	168.0
Other professionals	68.7	58.4
Graduate assistants	20.4	22.0
Students	9.8	4.0
Total	629.6	598.0
Full-time equivalent employees funded by nonappropriated funds:		
Faculty	8.3	26.0
Administrative	27.6	28.4
Civil service	112.3	94.3
Other professionals	76.9	77.9
Graduate assistants	3.2	3.2
Students	69.1	61.1
Total	297.4	290.9

Note: Staff years are calculated in accordance with the guidelines established by the Illinois Board of Higher Education for the Historical RAMP report, table 5. A staff-year employee represents one person working full-time for a year.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

STUDENT STATISTICS

Enrollment Statistics

	Academic Year 2016-2017		
	Fall	Spring	Summer
Headcount:			
Undergraduate	3,517	3,324	1,371
Graduate	2,302	2,108	1,296
Total	5,819	5,432	2,667
Full-time equivalent:			
Undergraduate	2,457	2,283	517
Graduate	1,430	1,272	671
Total	3,887	3,555	1,188

Student Cost Statistics

	2017	2016
Annual full-time equivalent students:		
Undergraduate	2,634	2,634
Graduate	1,705	1,884
Total	4,339	4,518
Total instructional costs per IBHE Cost Study Report**	\$ 27,507,200	\$ 30,711,200
Annual full-time equivalent students	4,339	4,518
Cost per full-time equivalent student	\$ 6,340	\$ 6,798

* 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. Data submitted to IBHE via the historical Ramp is used to report to the Governor and General Assembly each public Illinois university's revenues and expenditures.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

SELECTED SERVICE EFFORTS AND ACCOMPLISHMENTS

	<u>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>
1. Student headcount - Fall term (a)	<u>5,609</u>	<u>5,568</u>	<u>5,776</u>	<u>5,938</u>	<u>5,819</u>
2. Minority enrollment - Fall term (a)	<u>2,814</u>	<u>2,797</u>	<u>3,069</u>	<u>2,948</u>	<u>2,937</u>
3. Degrees awarded - Fiscal year (b)	<u>1,634</u>	<u>1,621</u>	<u>1,496</u>	<u>1,678</u>	<u>1,688</u>
4. Credit hours - Academic year (f)	<u>113,602</u>	<u>111,515</u>	<u>120,768</u>	<u>124,235</u>	<u>119,937</u>
5. Unduplicated headcount - Academic year (d, f)	<u>7,396</u>	<u>7,121</u>	<u>7,315</u>	<u>7,503</u>	<u>7,128</u>
6. Annualized tuition and fees (c):					
Undergraduate					
Resident (e)	<u>\$ 7,346</u>	<u>\$ 7,562</u>	<u>\$ 7,562</u>	<u>\$ 8,174</u>	<u>\$ 8,884</u>
Nonresident	<u>\$ 13,322</u>	<u>\$ 13,682</u>	<u>\$ 13,682</u>	<u>\$ 14,918</u>	<u>\$ 15,412</u>
Graduate					
Resident	<u>\$ 5,990</u>	<u>\$ 6,170</u>	<u>\$ 6,170</u>	<u>\$ 6,932</u>	<u>\$ 7,882</u>
Nonresident	<u>\$ 10,886</u>	<u>\$ 11,192</u>	<u>\$ 11,192</u>	<u>\$ 12,458</u>	<u>\$ 13,408</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
FOR THE YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

EMERGENCY PURCHASES

The University was awarded a grant for the installation of wireless pneumatic thermostats by the Illinois Department of Economic Opportunity on February 27, 2017 with a May 8, 2017 deadline for completion. The emergency purchase was needed in order to meet the completion deadline.

Obligation Number: Emergency Award Number 032417
Vendor: Cypress Envirosystems, Inc.
Estimated Amount: \$260,000
Actual Amount: \$257,119

The University awarded a contract for repairs on a chiller. Immediate repairs were needed to prevent further loss or damage to University property.

Obligation Number: Emergency Award Number 061417
Vendor: FE Moran, Inc.
Estimated Amount: \$130,000
Actual Amount: \$120,033

UNIVERSITY BOOKSTORE INFORMATION

The University has a contractual arrangement for bookstore operations on campus. The University's current contract is for the period September 1, 2013 through August 31, 2017. The contract with the bookstore requires commissions to be paid to the University based on the following terms for the fiscal year September 1 to August 31:

1. 10.0% of all gross revenue up to \$1,000,000; plus
2. 11.0% of any part of gross revenue over \$1,000,000 but less than \$1,500,000; plus
3. 12.0% of any part of gross revenue over \$1,500,000.

During the University's fiscal year July 1, 2016 to June 30, 2017, the bookstore had gross sales of \$1,288,956, the University earned commissions of \$122,998 (\$1,015,488 @ 10% commission and \$194,990 @ 11% commission), and the University spent a total of \$78,478 (commission exempt) 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
FOR THE YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

SCHEDULE OF DEGREES AWARDED

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>
2017	788	900	1,688
2016	716	962	1,678
2015	591	905	1,496
2014	645	976	1,621
2013	696	938	1,634
2012	743	958	1,701
2011	909	923	1,832
2010	862	856	1,718
2009	1,001	767	1,768
2008	1,033	878	1,911
2007	964	908	1,872
2006	809	740	1,549

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES

University Reporting in Accordance with University Guidelines

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, 2017, where such special data is found.

Compliance Findings

13(a) We identified violations of University Guidelines for the year ended June 30, 2017 regarding subsidies between accounting entities. See finding 2017-015.

Indirect Cost Reimbursements

13(b) Refer to page 67 of this report for an analysis of the sources and applications of indirect cost reimbursements for the year ended June 30, 2017.

13(c) Refer to page 82 of this report for the calculation sheet for indirect cost carry-forward. Excess funds required to be deposited into the Income Fund were transferred within 45 days after the end of the lapse period.

Tuition Charges and Fees

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

Auxiliary Enterprises, Activities and Accounting Entities

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

- University Facilities System Revenue Bonds includes all operations of the Student Center, University Bookstore, University Parking Facilities, University Housing, and University Food Service and Vending Facilities.
 - Student Center is the focal point of student activity programs on campus and includes student activities and recreation facilities. Student Center revenue is derived from fees charged to students.
 - Bookstore operations provide texts and supplies to students. The bookstore is managed under contract by a third party whereby the University receives commission revenue from operations.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES (Continued)

- Parking provides operation and maintenance of University parking facilities. Revenues are generated from user fees.
 - Housing provides living quarters for students on campus. Revenues are generated from residence fees.
 - Food service and vending provide meals and catering services under contract to the University community. Commission revenue is received by the University.
 - Center for Performing Arts provides cultural entertainment to the University community. Revenues are generated from ticket sales.
 - Educational and Student Life Activities represent credit and noncredit conferences, workshops and seminars, and organized student activities. Revenues are generated from course fees charged to participants and from student activity fees.
 - Service Departments provide products or services to University departments. Revenues are generated from chargebacks to user departments.
 - Indirect and Administrative Cost accounts receive the “overhead” portion of grant and contract expense incurred. Revenues are generated from charges to sponsors as well as royalties received on special projects.
- 13(f) Refer to pages 84 through 88 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 83 of this report. Excess funds required to be deposited into the Income Fund were transferred 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, 2017:

Auxiliary Enterprises:	
University Facilities System Revenue Bonds	\$ 1,448,404
Center for Performing Arts	395,858
	<u>\$ 1,844,262</u>
Activities:	
Educational and Student Life Activities	\$ 1,794,551
University Service Departments	157,252
	<u>\$ 1,951,803</u>

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES (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, 2017.

- 13(i) A Statement of Revenues, Expenses and Changes in Net Position for the bond indenture required accounts is presented on page 53 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, 2017, 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 page 46 of the financial audit report for details related to services and support provided.
- 13(o) As of June 30, 2017, 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
FOR THE YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES (Continued)

Other Topics

- 13(q) Schedules of cash and cash equivalents (short-term investments) for the year ended June 30, 2017 are presented in the Analysis of Significant Account Balances section of this report on page 62, and in footnotes 3 and 4 on pages 28 through 31 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 74 of this report.
- 13(t) Neither the University nor the Foundation has purchased any real estate during the year ended June 30, 2017.
- 13(u) Neither the University nor the Foundation issued certificates of participation during the year ended June 30, 2017.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

**SCHEDULE OF INDIRECT COST FUNDS TO BE DEPOSITED INTO THE
UNIVERSITY INCOME FUND AS REQUIRED BY 1982 UNIVERSITY
GUIDELINES (AMENDED 1997)**

Cash and cash equivalents balance:	
Cash and cash equivalents	<u>\$ 1,744,483</u>
Actual cash carried forward	<u>1,744,483</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>143,050</u>
Maximum allowable carry-forward	<u>1,832,904</u>
Excess cash and cash equivalents to be deposited into the University Income Fund	<u><u>\$ -</u></u>

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

**SCHEDULE OF EXCESS FUNDS CALCULATION BY ENTITY AS REQUIRED
BY 1982 UNIVERSITY GUIDELINES (AMENDED 1997)**

	<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 \$ (46,306)	\$ (127,296)	\$ 10,847,468	\$ (201,915)
Working capital allowance:				
Highest month's expenditures	3,001,452	86,167	2,424,240	116,026
Current liabilities paid during lapse period	351,199	23,416	191,055	27,812
Unearned revenue	183,388	-	328,668	-
Working capital allowance	B <u>3,536,039</u>	<u>109,583</u>	<u>2,943,963</u>	<u>143,838</u>
Current excess funds (margin of compliance):				
Deduct B from A	<u>\$ (3,582,345)</u>	<u>\$ (236,879)</u>	<u>\$ 7,903,505</u>	<u>\$ (345,753)</u>
Calculation of net excess funds for remittance:				
Indentured capital reserves:				
Unspent project proceeds included in cash above			\$ -	
Funds reserved for debt retirement			-	
Nonindentured capital reserves:				
5% of the replacement cost of buildings and improvements			5,449,469	
10% of the historical cost of parking lots			-	
20% of the historical cost of equipment			-	
Total allowable capital reserves			<u>\$ 5,449,469</u>	
Net excess funds			<u>\$ 2,454,036</u>	

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
ANALYSIS OF OPERATIONS
AS OF JUNE 30, 2017
(UNAUDITED)**

BALANCE SHEETS - AUXILIARY ENTERPRISES AND ACTIVITIES ENTITIES

	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	\$ 23	\$ -	\$ 10,847,468	\$ -	\$ 1,744,483	\$ 12,591,974
Accounts receivable, net	106,416	38,889	196,168	-	-	341,473
Inventories	-	-	-	45,008	-	45,008
Prepaid debt service insurance	9,870	-	-	-	-	9,870
Buildings and improvements, net	4,716,871	5,466,153	26,186,251	87,640	-	36,456,915
Housing, net	19,864,181	-	-	-	-	19,864,181
Parking lots, net	2,576,681	-	-	-	-	2,576,681
Equipment, net	169,039	57,680	-	84,709	-	311,428
Total assets	<u>27,443,081</u>	<u>5,562,722</u>	<u>37,229,887</u>	<u>217,357</u>	<u>1,744,483</u>	<u>72,197,530</u>
Liabilities						
Bank overdraft	46,329	127,296	-	201,915	-	375,540
Accounts payable	351,199	23,416	191,055	27,812	143,050	736,532
Revenue bonds payable	24,906,361	-	-	-	-	24,906,361
Unearned revenue	183,388	-	328,668	-	-	512,056
Total liabilities	<u>25,487,277</u>	<u>150,712</u>	<u>519,723</u>	<u>229,727</u>	<u>143,050</u>	<u>26,530,489</u>
Fund balances						
Other unrestricted funds	(464,607)	(111,823)	10,523,913	(184,719)	1,601,433	11,364,197
Net investment in capital assets	2,420,411	5,523,833	26,186,251	172,349	-	34,302,844
Total fund balances	<u>1,955,804</u>	<u>5,412,010</u>	<u>36,710,164</u>	<u>(12,370)</u>	<u>1,601,433</u>	<u>45,667,041</u>
Total liabilities and fund balances	<u>\$ 27,443,081</u>	<u>\$ 5,562,722</u>	<u>\$ 37,229,887</u>	<u>\$ 217,357</u>	<u>\$ 1,744,483</u>	<u>\$ 72,197,530</u>

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

**SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
AUXILIARY ENTERPRISES AND ACTIVITIES ENTITIES**

	Auxiliary Enterprises	
	University Facilities System Revenue Bonds	Center for Performing Arts *
Revenues	\$ 4,966,724	\$ 636,553
Expenditures		
Personal services	1,746,920	477,444
Contractual services	1,744,842	196,044
Commodities	142,996	28,855
Equipment	73,735	12,953
Other	1,182,763	507
Total expenditures	4,891,256	715,803
Deficiency of revenues under expenditures	75,468	(79,250)
Fund balance (deficit), beginning of year	1,880,336	(32,573)
Fund balance (deficit), end of year	\$ 1,955,804	\$ (111,823)

* This Schedule only presents "Other Unrestricted Funds" for the Center for Performing Arts.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

**SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
AUXILIARY ENTERPRISES AND ACTIVITIES**

	Educational and Student Life Activities *						Total	
	Educational Program	Student Activities	Academic Enhancement	Media	Farm	Telecomm		Others
Revenues	\$ 1,330,995	\$ 1,008,593	\$ 4,337,925	\$ 234,787	\$ 50,108	\$ 112	\$ 1,361,429	\$ 8,323,949
Expenditures								
Personal services	1,206,559	288,448	34,250	339,979	-	-	295,172	2,164,408
Contractual services	162,113	75,412	269,002	168,297	7,951	-	839,848	1,522,623
Commodities	21,964	6,614	7,932	16,449	-	-	27,955	80,914
Equipment	63,090	15,879	82,525	99,153	-	-	88,561	349,208
Others	88,523	213,412	581,215	1,379	-	-	80,017	964,546
Total expenditures	1,542,249	599,765	974,924	625,257	7,951	-	1,331,553	5,081,699
Transfers								
Transfer out	(620)	-	(1,744,164)	-	-	-	(28,439)	(1,773,223)
Total transfers, net	(620)	-	(1,744,164)	-	-	-	(28,439)	(1,773,223)
Total expenditures and transfers	1,542,869	599,765	2,719,088	625,257	7,951	-	1,359,992	6,854,922
Excess (deficiency) of revenues over (under) expenditures and transfers	(211,874)	408,828	1,618,837	(390,470)	42,157	112	1,437	1,469,027
Fund balance, beginning of year, as previously reported	1,371,081	2,726,092	251,086	926,009	538,084	20,941	3,007,347	8,840,640
Reclassification **	814,695	(2,520,629)	2,702,061	(48,565)	(4)	1	(733,313)	214,246
Fund balance, beginning of year, as restated	2,185,776	205,463	2,953,147	877,444	538,080	20,942	2,274,034	9,054,886
Fund balance (deficit), end of year	\$ 1,973,902	\$ 614,291	\$ 4,571,984	\$ 486,974	\$ 580,237	\$ 21,054	\$ 2,275,471	\$ 10,523,913

* This Schedule only presents "Other Unrestricted Funds" for the Educational and Student Life Activities.

** Beginning of the year fund balances have been reclassified by activities to agree to the University's accounting records. In previous years, the activities' net income (loss) was added (subtracted) from the previously reported fund balance to arrive at the current period fund balance. In addition, the University restructured some accounts within activities.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

**SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
AUXILIARY ENTERPRISES AND ACTIVITIES**

	University Service Departments *			Total
	Business Services	Motor Pool	Mail Service	
Revenues	\$ 600,813	\$ 42,981	\$ 101,600	\$ 745,394
Expenditures				
Personal services	115,464	34,862	39,336	189,662
Contractual services	181,434	166	93,189	274,789
Commodities	285,467	-	1,971	287,438
Equipment	1,480	-	-	1,480
Others	6,063	42,981	100	49,144
Total expenditures	<u>589,908</u>	<u>78,009</u>	<u>134,596</u>	<u>802,513</u>
Excess (deficiency) of revenues over (under) expenditures and transfers	10,905	(35,028)	(32,996)	(57,119)
Fund balance (deficit), beginning of year	<u>64,164</u>	<u>(89,460)</u>	<u>(102,304)</u>	<u>(127,600)</u>
Fund balance (deficit), end of year	<u><u>\$ 75,069</u></u>	<u><u>\$ (124,488)</u></u>	<u><u>\$ (135,300)</u></u>	<u><u>\$ (184,719)</u></u>

* This Schedule only presents "Other Unrestricted Funds" for the University Service Departments Activities.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

**SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
AUXILIARY ENTERPRISES AND ACTIVITIES**

	Administrative Overhead/Indirect Costs *				Total
	Grants and Contracts	Financial Services **	Financial Aid and Veterans Affairs	Other Activities	
Revenues	\$ 1,372,125	\$ 24,788	\$ 25,952	\$ 11,405	\$ 1,434,270
Expenditures					
Personal services	20,063	41,346	15,097	1,463	77,969
Contractual services	121,744	868	2,837	2,032	127,481
Commodities	3,358	450	608	-	4,416
Others	18,408	3,091	927	10,300	32,726
Total expenditures	163,573	45,755	19,469	13,795	242,592
Excess (deficiency) of revenues over (under) expenditures	1,208,552	(20,967)	6,483	(2,390)	1,191,678
Fund balance (deficit), beginning of year (as reported)	(462,691)	66,418	14,125	791,903	409,755
Reclassification ***	3,528	(20,772)	28,782	(11,538)	-
Fund balance (deficit), beginning of year (restated)	(459,163)	45,646	42,907	780,365	409,755
Fund balance (deficit), end of year	\$ 749,389	\$ 24,679	\$ 49,390	\$ 777,975	\$ 1,601,433

* This Schedule only presents "Other Unrestricted Funds" for the Administrative Overhead/Indirect Costs Activities.

** Formerly called Business Office

*** In Fiscal Year 2016, the University mistakenly reported a portion of income and expenditures to the incorrect activity. This correction reclassifies those net amounts to the correct activity's fund balance.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

Summary of Foundation Cash Support to the University

During Fiscal Year 2017, the University engaged the Foundation, under contract, to provide fundraising services. As provided in the contract agreement, the University provided \$300,115 of services to the Foundation equal to the cost of the services the Foundation provided the University for the fiscal year ended June 30, 2017. 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, 2017.

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	\$	3,850
- Given to a particular department		161,777
Total funds considered unrestricted		165,627

Funds considered restricted for purposes of the University Guidelines computations:

Given for Center for Performing Arts		64,528
Given for scholarships		109,697
Total funds considered restricted		174,225

Total funds provided to the University by the Foundation	\$	339,852
--	----	---------

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

Schedule of Tuition and Fee Waivers

	Undergraduate				Graduate			
	<u>Tuition Waivers</u>		<u>Fee Waivers</u>		<u>Tuition Waivers</u>		<u>Fee Waivers</u>	
	Number of Recipients	Value of Waivers (In Thousands)						
<u>Mandatory Waivers</u>								
Teacher Special Education	1	\$ 8.0	1	\$ 2.0	9	\$ 34.9	9	\$ 8.7
DCFS	1	3.5	1	0.9	-	-	-	-
Children of Employees	23	62.8	-	-	-	-	-	-
Senior Citizens	13	39.0	-	-	7	9.9	-	-
Veterans Grants & Scholarships	123	352.0	123	88.1	69	253.4	69	63.3
Subtotal	<u>161</u>	<u>465.3</u>	<u>125</u>	<u>91.0</u>	<u>85</u>	<u>298.2</u>	<u>78</u>	<u>72.0</u>
<u>Discretionary Waivers</u>								
Faculty/Administrators	1	0.9	1	0.2	39	122.7	39	30.7
Civil Service	7	23.2	7	5.8	19	54.7	19	13.7
Academic/Other Talent	185	403.5	185	100.7	1	8.4	1	2.1
Athletics	58	161.9	58	40.5	-	-	-	-
Gender Equity in Intercollegiate Athletics	11	30.7	11	7.7	2	2.4	2	0.6
Foreign Students	-	-	-	-	37	98.1	37	24.6
Cooperating Professionals	-	-	-	-	2	1.6	2	0.4
Research Assistants	-	-	-	-	8	24.2	8	6.0
Teaching Assistants	-	-	-	-	19	83.3	19	20.8
Other Assistants	-	-	-	-	56	288.6	56	72.2
Interinstitutional	23	48.0	23	12.0	42	121.8	42	30.5
Retired University Employees	1	0.3	1	0.1	-	-	-	-
Subtotal	<u>286</u>	<u>668.5</u>	<u>286</u>	<u>167.0</u>	<u>225</u>	<u>805.8</u>	<u>225</u>	<u>201.6</u>
Total	<u><u>447</u></u>	<u><u>\$ 1,133.8</u></u>	<u><u>411</u></u>	<u><u>\$ 258.0</u></u>	<u><u>310</u></u>	<u><u>\$ 1,104.0</u></u>	<u><u>303</u></u>	<u><u>\$ 273.6</u></u>