



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

Frank J. Mautino, Auditor General

**SUMMARY REPORT DIGEST**

**GOVERNORS STATE UNIVERSITY**

Single Audit and Compliance Examination  
 For the Year Ended June 30, 2018

Release Date: March 19, 2019

FINDINGS THIS AUDIT: 19				AGING SCHEDULE OF REPEATED FINDINGS			
	<u>New</u>	<u>Repeat</u>	<u>Total</u>	<u>Repeated Since</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>
<b>Category 1:</b>	<b>0</b>	<b>0</b>	<b>0</b>	2017		18-09, 18-14	
<b>Category 2:</b>	7	12	19	2016		18-08, 18-11, 18-12, 18-13 18-15, 18-18, 18-19	
<b>Category 3:</b>	<u>0</u>	<u>0</u>	<u>0</u>	2015		18-17	
<b>TOTAL</b>	<b>7</b>	<b>12</b>	<b>19</b>	2014		18-10	
				2005		18-16	
<b>FINDINGS LAST AUDIT: 19</b>							

**INTRODUCTION**

This Digest covers our federal Single Audit and Compliance Examination of the Governors State University (University) for the year ended June 30, 2018. A separate Financial Audit as of and for the year ended June 30, 2018 was previously released on January 29, 2019. In total, this report contains 19 findings, one of which was reported in the financial audit.

**SYNOPSIS**

- (18-02) The University did not timely return Title IV funds to the Department of Education.
- (18-03) The University awarded and disbursed financial aid to an ineligible student.
- (18-11) The University did not comply with the Abused and Neglected Child Reporting Act.
- (18-13) The University did not comply with the Illinois State Collection Act of 1986.
- (18-14) The University subsidized operations between accounting entities.
- (18-18) The University did not comply with applicable property and equipment requirements.

**Category 1:** Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with laws and regulations (material noncompliance).

**Category 2:** Findings that are **significant deficiencies** in internal control and **noncompliance** with laws and regulations.

**Category 3:** Findings that have **no internal control issues but are in noncompliance** with laws and regulations.

{Expenditures and Activity Measures are summarized on next page.}

**GOVERNORS STATE UNIVERSITY**  
**SINGLE AUDIT AND STATE COMPLIANCE EXAMINATION**  
**For the Year Ended June 30, 2018**

<b>INCOME FUND REVENUES AND EXPENDITURES</b>	<b>2018</b>	<b>2017</b>
<b>Income Fund Revenues</b>		
Student Tuition and Fees.....	36,600,103	38,034,090
Investment Income.....	452,910	129,040
Miscellaneous.....	2,454,036	55,657
<b>Total Income Fund Revenues.....</b>	<b>39,507,049</b>	<b>38,218,787</b>
<b>Income Fund Expenditures</b>		
Personal Services.....	10,030,606	27,547,250
Medicare and benefits.....	872,329	1,369,157
Contractual Services.....	6,409,955	5,467,980
Travel.....	284,848	201,433
Commodities.....	594,838	527,431
Equipment and Permanent Improvements.....	473,738	946,396
Telecommunications Services.....	147,889	173,856
Operation of Automotive Equipment.....	47,139	46,905
Miscellaneous Expenditures.....	50,648	-
Awards, Grants and Matching Funds.....	864,960	834,319
Tuition and Fee Waivers.....	1,197,264	1,435,132
Debt Service Transfer.....	579,073	583,533
Other Transfers.....	376,723	-
<b>Total Income Fund Expenditures.....</b>	<b>21,930,010</b>	<b>39,133,392</b>
<b>SUPPLEMENTARY INFORMATION (UNAUDITED)</b>	<b>2018</b>	<b>2017</b>
<b>Employment Statistics</b>		
Faculty and Staff (State Appropriated Funds).....	656.1	619.8
Faculty and Staff (Nonappropriated Funds).....	179.0	228.3
Students (State Appropriated Funds).....	28.6	9.8
Students (Nonappropriated Funds).....	92.5	69.1
<b>Total Employees.....</b>	<b>956.2</b>	<b>927.0</b>
<b>Enrollment Statistics</b>		
<b>Headcount:</b>		
Annual Full-time Equivalent Undergraduate Students....	2,604	2,634
Annual Full-time Equivalent Graduate Students.....	1,385	1,705
<b>Total Headcount.....</b>	<b>3,989</b>	<b>4,339</b>
<b>Institutional Cost per Student.....</b>	<b>\$ 6,887</b>	<b>\$ 6,340</b>
<b>Credit Hours - Academic Year.....</b>	<b>111,351</b>	<b>119,937</b>
<b>Degrees Awarded - Fiscal Year.....</b>	<b>1,559</b>	<b>1,688</b>
<b>PRESIDENT</b>		
During Audit Period and Current: Dr. Elaine P. Maimon		

**FINDINGS, CONCLUSIONS, AND**  
**RECOMMENDATIONS**

**UNTIMELY RETURN OF TITLE IV FUNDS**

The University did not timely return Title IV funds to the Department of Education.

**\$3,297 refund of Title IV funds identified by auditor returned 449 days late to the Department of Education**

We tested the Title IV calculations for 40 students who withdrew from the University and identified a \$3,297 refund of an Unsubsidized Direct Loan which was not returned. After the auditors informed the University, the refund was returned to the Department of Education 449 days late. (Finding 2, pages 18-19)

We recommended the University improve procedures to ensure required funds are returned to the Department of Education in a timely manner.

**University agrees with auditors**

University officials agreed with the finding and stated they have begun a process to prevent untimely returns in the future.

**FINANCIAL AID AWARDED TO INELIGIBLE STUDENT**

The University awarded and disbursed Federal Supplemental Educational Opportunity Grant (FSEOG) funds to a student who was not eligible for the award.

**\$350 of financial aid awarded and disbursed to ineligible student**

During testing of returns of Title IV funds, it was noted an ineligible student was awarded and disbursed \$350 from FSEOG. (Finding 3, pages 20-21)

We recommended the University improve its controls to ensure each student meets the eligibility requirements prior to receiving financial aid.

**University agrees with auditors**

University officials agreed with the finding and stated they have begun a process to prevent awarding financial aid to ineligible students.

**CHILD ABUSE REPORTER TRAINING**

The University did not comply with the Abused and Neglected Child Reporting Act regarding training.

**26% of employees tested did not receive required reporter training**

We noted 9 of 35 (26%) employees did not receive the required reporter training within one year of initial employment. (Finding 11, page 36) **This finding has been repeated since 2016.**

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

**University agrees with auditors**

University officials agreed with the finding and stated the University has updated its practices to work towards compliance. *(For the previous University response, see Digest Footnote #1)*

**NONCOMPLIANCE WITH THE ILLINOIS STATE COLLECTION ACT OF 1986**

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

**\$12,890 in eligible accounts receivable were not submitted to the Comptroller’s Offset System**

As of December 31, 2017, the University’s accounts receivable aging report included 2,119 accounts totaling \$6,920,642 with receivable balances greater than \$1,000 and in excess of 90 days past due. We tested a sample of 30 such accounts (totaling \$113,125) and determined 5 of those accounts (totaling \$12,890) had not been submitted by the University for placement with the Comptroller’s Offset System. We also noted 2 accounts (totaling \$12,227) of foreign students which had also not been placed with the Comptroller’s Offset System. (Finding 13, page 38) **This finding has been repeated since 2016.**

**Additional \$12,227 of foreign students eligible accounts receivable had not been placed with the Comptroller’s Offset System**

We recommended 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. We further recommended the University work with the Comptroller to develop a solution to reporting foreign students who do not have a social security number.

**University agrees with auditors**

University officials agreed with the finding and stated the University is now current with placement of past due accounts with the Comptroller’s Offset System and is working with the Comptroller regarding foreign students accounts. *(For the previous University response, see Digest Footnote #2)*

**SUBSIDIES BETWEEN ACCOUNTING ENTITIES**

The 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.

**University subsidizes the operation of University activities between accounting entities**

During our testing of the University Guidelines, we noted the “University Service Departments” (an accounting entity) had a negative cash balance at the beginning of the fiscal year of \$201,915 and the end of the fiscal year of \$38,591. A negative cash balance is in effect an unbooked interfund payable / receivable, thereby causing a subsidy between entities to occur. (Finding 14, page 39)

We recommended 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 agrees with auditors**

University officials agreed with the finding and stated their review of the accounting entities is currently underway.

**INADEQUATE CONTROLS OVER PROPERTY AND EQUIPMENT**

The University did not fully comply with the requirements applicable to its property and equipment.

**Items erroneously reported as unlocated**

We selected a sample of 15 items from a listing of 115 items which were identified as unlocated equipment by the University when it performed its physical inventory as of September 15, 2017. Of the 15 items tested, 3 items were subsequently located by the University and observed by the auditors, 2 items were determined to be clerical errors, 1 item was located and transferred to State Surplus, 2 items were located and were scrapped, and the remaining 7 items were not located and deleted from the University's inventory as lost items.

**Complete assessment of 53 computer items requested for deletion not timely performed**

We examined the University's request for deletions form submitted to the Department of Central Management Services to request inventory deletion for the remaining physical inventory's lost items. The form requested 63 items totaling \$85,503, including 53 computers, servers, CPU's and other storage devices totaling \$71,391, be approved for deletion from the University's inventory. The University did not immediately perform a complete assessment of missing computers and storage devices to determine whether they contained confidential information and whether notifications were required as outlined in the Personal Information Protection Act (815 ILCS 530/25).

**11 computers sent to surplus had no evidence the computers had been "wiped" prior to transfer**

We also tested 25 computers that were sent to surplus according to the University's property control records to determine whether the University complied with its procedures and maintained evidence the computers had been "wiped" prior to transfer. The University could not provide any evidence 11 (44%) of these computers were cleared of data and software before they were transferred to surplus. (Finding 18, pages 44-45) **This finding has been repeated since 2016.**

We recommended the University improve the operation of its internal controls over the accountability of University equipment and comply with its procedures for documenting wiping of computer equipment prior to disposal. Further, we recommended the University perform timely assessments of all missing computer and data storage equipment to determine whether they contained confidential information and whether

notifications under the Personal Information Protection Act are required.

**University agrees with auditors**

University officials agreed with the finding and stated they will continue to improve its property control process and reporting requirements. *(For the previous University response, see Digest Footnote #3)*

**OTHER FINDINGS**

The remaining findings are reportedly being given attention by the University. We will review the University's progress towards the implementation of our recommendations in our next engagement.

**AUDITOR'S OPINIONS**

The financial report was previously released. The auditors stated the financial statements of the University as of and for the year ended June 30, 2018 are fairly stated in all material respects.

The auditors also conducted a Single Audit of the University as required by the Uniform Guidance. The auditors stated the University complied, in all material respects, with the types of compliance requirements that could have a direct and material effect on the University's major federal programs for the year ended June 30, 2018.

**ACCOUNTANT'S OPINION**

The accountants conducted a compliance examination of the University for the year ended June 30, 2018 as required by the Illinois State Auditing Act. The auditors stated the University complied, in all material respects, with the requirements described in the report.

This engagement was conducted by Borschnack, Pelletier & Co.

**SIGNED ORIGINAL ON FILE**

JANE CLARK  
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

**SIGNED ORIGINAL ON FILE**

FRANK J. MAUTINO  
Auditor General

FJM:JGR

## **DIGEST FOOTNOTES**

### **#1 – CHILD ABUSE REPORTER TRAINING**

2017 – 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.

### **#2 – NONCOMPLIANCE WITH THE ILLINOIS STATE COLLECTION ACT OF 1986**

2017 – 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.

### **#3 – INADEQUATE CONTROLS OVER PROPERTY AND EQUIPMENT**

2017 – 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.