



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

Frank J. Mautino, Auditor General

**SUMMARY REPORT DIGEST**

**GOVERNORS STATE UNIVERSITY**

**Financial Audit  
 For the Year Ended June 30, 2018**

**Release Date: January 29, 2019**

<b>FINDINGS THIS AUDIT: 1</b>				<b>AGING SCHEDULE OF REPEATED FINDINGS</b>			
	<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>	<b>No Repeat Findings</b>			
<b>Category 2:</b>	<b>1</b>	<b>0</b>	<b>1</b>				
<b>Category 3:</b>	<b>0</b>	<b>0</b>	<b>0</b>				
<b>TOTAL</b>	<b>1</b>	<b>0</b>	<b>1</b>				
<b>FINDINGS LAST AUDIT: 0</b>							

**INTRODUCTION**

This digest covers the Governors State University’s Financial Audit as of and for the year ended June 30, 2018. The Governors State University’s Compliance Examination (including the Single Audit) covering the year ended June 30, 2018 will be issued at a later date.

**SYNOPSIS**

- **(18-01)** The University had not established adequate internal controls over undergraduate student type classifications which are used to identify the appropriate tuition rates charged to students as required by the Governors State University Law.

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| <p><b>Category 1:</b> Findings that are <b>material weaknesses</b> in internal control and/or a <b>qualification</b> on compliance with State laws and regulations (material noncompliance).</p> <p><b>Category 2:</b> Findings that are <b>significant deficiencies</b> in internal control and <b>noncompliance</b> with State laws and regulations.</p> <p><b>Category 3:</b> Findings that have <b>no internal control issues but are in noncompliance</b> with State laws and regulations.</p> |
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{Financial information is summarized on next page.}

**GOVERNORS STATE UNIVERSITY**  
**FINANCIAL AUDIT**  
**For the Year Ended June 30, 2018**

<b>FINANCIAL OPERATIONS</b>	<b>2018</b>	<b>2017</b>
<b>Operating Revenues</b>		
Student tuition and fees, net.....	\$ 35,743,173	\$ 39,823,090
Grants and contracts .....	6,159,785	10,837,831
Sales and services of educational departments.....	64,952	71,376
Auxiliary enterprises.....	3,205,589	3,343,714
Other operating revenues.....	1,677,979	2,030,290
Total Operating Revenues.....	<u>46,851,478</u>	<u>56,106,301</u>
<b>Operating Expenses</b>		
Instruction.....	55,691,815	56,381,735
Research.....	721,030	791,635
Public service.....	7,705,767	15,654,038
Academic support.....	3,626,213	2,823,046
Student services.....	11,507,602	10,324,292
Institutional support.....	19,431,689	17,230,397
Operation and maintenance of plant.....	9,263,944	9,397,855
Auxiliary enterprises.....	2,140,477	2,251,887
Depreciation.....	4,802,242	4,906,310
Total Operating Expenses.....	<u>114,890,779</u>	<u>119,761,195</u>
Operating Income (Loss).....	<u>(68,039,301)</u>	<u>(63,654,894)</u>
<b>Nonoperating Revenues (Expenses)</b>		
State appropriation.....	32,961,100	12,757,000
Payments made on behalf of the University.....	38,812,302	42,550,485
Federal and State nonoperating grants.....	16,967,034	9,268,085
Investment income.....	452,910	129,062
Interest expense.....	(1,802,211)	(1,614,290)
Other nonoperating income (expense).....	4,381	(29,566)
Net Nonoperating Revenues (Expenses).....	<u>87,395,516</u>	<u>63,060,776</u>
Capital Additions - State & Contributions.....	301,698	7,678
<b>Increase in Net Position</b> .....	<u>19,657,913</u>	<u>(586,440)</u>
Net position, beginning of year.....	100,779,097	102,701,269
Prior period adjustment.....	(39,255,014)	(1,335,732)
Net position, end of year.....	<u>\$ 81,181,996</u>	<u>\$ 100,779,097</u>
<b>SUMMARY - STATEMENT OF NET POSITION</b>		
	<b>2018</b>	<b>2017</b>
Current Assets.....	\$ 58,262,042	\$ 35,553,676
Noncurrent Assets.....	113,656,434	117,658,549
Total Assets.....	<u>171,918,476</u>	<u>153,212,225</u>
Total Deferred Outflows of Resources.....	<u>426,877</u>	<u>100,914</u>
Current Liabilities.....	12,866,293	11,437,886
Noncurrent Liabilities.....	70,386,845	41,096,156
Total Liabilities.....	<u>83,253,138</u>	<u>52,534,042</u>
Total Deferred Inflows of Resources.....	<u>7,910,219</u>	<u>-</u>
Total Net Position.....	<u>\$ 81,181,996</u>	<u>\$ 100,779,097</u>
<b>PRESIDENT</b>		
During Audit Period and Currently: Dr. Elaine P. Maimon		

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

**INADEQUATE CONTROLS OVER  
UNDERGRADUATE STUDENT TYPE  
CLASSIFICATIONS**

The University has not established adequate internal controls over undergraduate student type classifications which are used to identify the appropriate tuition rates charged to students as required by the Governors State University Law (Law).

**12 undergraduate students (12%)  
were charged inaccurate tuition  
rates**

We tested the University's internal controls over student tuition revenue for financial statement and compliance purposes. We tested 100 students who registered for classes for the Spring of 2018. Our testing identified 12 undergraduate students (12%) whose tuition rates charged were inaccurate due to inaccurate student type classifications entered in the student profile of the University's ERP system. The student type classification is utilized by the University's ERP system to determine the correct tuition rate based on tables entered into the system. We also noted 6 additional undergraduate students whose student type classifications were inaccurate, but it did not impact the tuition rate assessed due to timing and/or unchanged rates from the year prior. The financial error noted in our sample netted to \$1,584 and resulted in a projected error of \$211,905. The University has not adjusted its Fiscal Year 2018 financial statements to address this error (Finding 1, pages 64-65).

**The financial error noted in our  
sample netted to \$1,584 and results  
in a projected error of \$211,905.**

We recommended the University improve its controls in order to ensure undergraduate student type classifications are properly entered (and maintained) in student profiles so tuition rates comply with the requirements of the Law. We further recommended the University verify the accuracy of the student type classification of each undergraduate student (correcting when necessary) and refund any tuition overcharges identified.

**University agrees with auditors**

The University agreed with the finding and stated they performed a review of student type classifications for all undergraduate students enrolled during the Academic Year 2017-2018 and implemented a process to periodically review student type classifications in the ERP system to ensure undergraduate student type classifications are properly entered and maintained. The University also stated they will make the necessary corrections in the ERP system and will refund overcharges identified as necessary.

**AUDITOR'S OPINION**

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

This financial audit was conducted by Borschnack, Pelletier & Co.

**SIGNED ORIGINAL ON FILE**

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JANE CLARK  
Division Director

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

**SIGNED ORIGINAL ON FILE**

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FRANK J. MAUTINO  
Auditor General

FJM:JGR