



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, 2020**

Release Date: June 23, 2021

FINDINGS THIS AUDIT: 1	AGING SCHEDULE OF REPEATED FINDINGS																							
	Repeated Since	Category 1	Category 2	Category 3																				
<table border="0"> <tr> <td></td> <td><u>New</u></td> <td><u>Repeat</u></td> <td><u>Total</u></td> </tr> <tr> <td>Category 1:</td> <td>1</td> <td>0</td> <td>1</td> </tr> <tr> <td>Category 2:</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>Category 3:</td> <td><u>0</u></td> <td><u>0</u></td> <td><u>0</u></td> </tr> <tr> <td>TOTAL</td> <td>1</td> <td>0</td> <td>1</td> </tr> </table>		<u>New</u>	<u>Repeat</u>	<u>Total</u>	Category 1:	1	0	1	Category 2:	0	0	0	Category 3:	<u>0</u>	<u>0</u>	<u>0</u>	TOTAL	1	0	1	No Repeat Findings			
	<u>New</u>	<u>Repeat</u>	<u>Total</u>																					
Category 1:	1	0	1																					
Category 2:	0	0	0																					
Category 3:	<u>0</u>	<u>0</u>	<u>0</u>																					
TOTAL	1	0	1																					
FINDINGS LAST AUDIT: 0																								

INTRODUCTION

This digest covers the Governors State University’s (University) Financial Audit as of and for the year ended June 30, 2020. A separate digest covering the University’s Compliance Examination (including the Single Audit) for the year ended June 30, 2020 will be released under separate cover.

SYNOPSIS

- **(20-01)** The University did not have adequate internal control over reporting its census data and did not have a reconciliation process to provide assurance census data submitted to its pension and other postemployment benefits was complete and accurate.

Category 1: Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with State laws and regulations (material noncompliance).
Category 2: Findings that are **significant deficiencies** in internal control and **noncompliance** with State laws and regulations.
Category 3: Findings that have **no internal control issues but are in noncompliance** with State laws and regulations.

GOVERNORS STATE UNIVERSITY
FINANCIAL AUDIT
For the Year Ended June 30, 2020

STATEMENT OF NET POSITION	2020	2019
Assets and Deferred Outflows of Resources		
Cash and cash equivalents.....	\$ 55,941,103	\$ 55,997,123
Accounts, student loan, and other receivables and due from, net.....	16,363,949	10,343,325
Capital assets.....	111,296,741	109,663,687
Investments, Inventories, prepaid expenses, and other assets.....	11,066,618	14,003,271
Pension.....	109,283	107,989
Other postemployment benefits.....	502,531	191,362
Total Assets and Deferred Outflows of Resources.....	195,280,225	190,306,757
Liabilities and Deferred Inflows of Resources		
Accounts and notes payable and accrued liabilities.....	9,543,667	7,629,331
Unearned revenues.....	2,982,689	2,841,900
Accrued compensated absences.....	3,804,879	3,222,039
Revenue bonds payable, net.....	22,218,801	23,144,654
Certificates of participation, net.....	21,342,025	22,373,435
Other postemployment benefits.....	8,997,280	11,065,737
Intangible asset payable.....	532,232	63,810
Refundable grants.....	2,915,328	2,978,941
Other postemployment benefits, deferred.....	19,972,745	23,570,849
Total Assets and Deferred Outflows of Resources.....	92,309,646	96,890,696
Net Position		
Net investment in capital assets.....	78,159,103	78,080,006
Restricted, expendable.....	2,257,967	843,499
Unrestricted.....	22,553,509	14,492,556
Total Net Position.....	\$ 102,970,579	\$ 93,416,061
REVENUES, EXPENSES, AND CHANGES IN NET POSITION	2020	2019
Revenues		
Tuition and fees, net.....	\$ 34,854,701	\$ 34,176,686
State appropriations.....	23,193,600	22,089,100
Federal grants and contracts or other revenue.....	20,138,752	18,659,029
State and local grants or other revenue.....	958,235	1,253,873
Nongovernmental grants and contracts or other revenue.....	5,343,108	6,597,284
Auxiliary enterprises.....	3,345,071	3,379,700
Other.....	21,439,506	22,413,011
Total	109,272,973	108,568,683
Expenses		
Instruction.....	43,810,798	43,663,583
Research and public service.....	4,681,926	5,263,500
Academic support.....	3,364,055	3,155,344
Student services.....	7,655,158	6,534,256
Institutional support.....	15,768,470	14,986,410
Operation and maintenance of plant.....	8,720,776	7,900,500
Auxiliary enterprises.....	1,915,124	1,869,605
Student aid.....	7,407,694	6,370,361
Depreciation.....	4,563,351	4,726,304
Other.....	1,831,103	1,864,755
Total	99,718,455	96,334,618
Change in net position.....	\$ 9,554,518	\$ 12,234,065
PRESIDENT		
During Audit Period: Dr. Elaine P. Maimon (through June 30, 2020)		
Currently: Dr. Cheryl F. Green (effective July 1, 2020)		

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**INADEQUATE INTERNAL CONTROLS OVER
CENSUS DATA**

The University did not have adequate internal control over reporting its census data and did not have a reconciliation process to provide assurance census data submitted to its pension and other postemployment benefits was complete and accurate.

During testing, some of the more significant issues we noted include the following:

University did not perform an initial reconciliation of its census data

- The University had not performed an initial complete reconciliation of its census data recorded by SURS and CMS to its internal records to establish a base year of complete and accurate census data.

University lacked procedures for eligibility to participate in SURS for F and J visas employees

- The University lacked procedures to separately identify its new employees who held F and J visas to determine whether these employees were eligible to participate in SURS. Our review identified eight employees with start dates between 2011 and 2017 who could potentially have too much service credit, which would erroneously increase the State's SURS-related pension liability. SURS' records indicated many individuals initially employed at the University and then moved to other public universities and community colleges within SURS. As of the end of fieldwork, SURS officials were working to identify the population of potentially impacted participants across its employers for review to determine if the participant has received too much service credit.

Former University F and J visas employees still within SURS need a review of their service credit

- We performed an analysis of transactions reported by the University to SURS during the census data accumulation period throughout Fiscal Year 2018, noting three of three (100%) employees with a departure on a leave of absence had the start date of the leave of absence untimely reported to SURS by the University. SURS determined the total potential impact to each of these employees' total service credit was it could be off by one to 3.5 years.

Three of three (100%) employees tested had the start date of a leave of absence untimely reported and was determined the total potential impact to total service credit could be off by one to 3.5 years

Five employees termination or rehire date(s) had been untimely reported and was determined the total potential impact to total service credit was off between 0.0 to 1.75 years

- As of the end of the census data accumulation year on June 30, 2018, we identified five employees where each employee's associated termination or rehire date(s) had been untimely reported to SURS. SURS determined these errors resulted in the employees being misclassified between the active, retired, and inactive member categories within SURS. The total

potential impact to each former employee's total service credit was it could be off between 0.0 and 1.75 years. (Finding 1, pages 70-74)

We recommended the University implement controls to ensure census data events are timely and accurately reported to SURS and CMS. Further, we recommended the University work with SURS and CMS to develop an annual reconciliation process of its active members' census data from its underlying records to a report from each plan of census data submitted to the plan's actuary. Finally, we recommended the University work with SURS and other public universities and community colleges to identify employees initially hired by the University with a visa who had not met the Internal Revenue Service's substantial presence test.

University agreed with recommendation

University officials agreed with our recommendation.

AUDITOR'S OPINION

The auditors stated the financial statements of the University as of and for the year ended June 30, 2020, are fairly stated in all material respects.

This financial audit 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