

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois

STATE COMPLIANCE EXAMINATION
For the Year Ended June 30, 2021

Performed as Special Assistant Auditors
for the Auditor General, State of Illinois

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
STATE COMPLIANCE EXAMINATION
For the Year Ended June 30, 2021

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GOVERNORS STATE UNIVERSITY
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For the Year Ended June 30, 2021

UNIVERSITY OFFICIALS

President	Dr. Cheryl F. Green
Vice President for Administration and Finance (October 11, 2021 to Present)	Dr. Corey S. Bradford
Vice President for Administration and Finance (July 1, 2020 to October 15, 2021)	Dr. W. Paul Bylaska
General Counsel and Vice President (November 16, 2020 to Present)	Ms. Therese Nohos
General Counsel and Vice President (July 1, 2020 to November 15, 2020)	Vacant
Chief Internal Auditor	Mr. Kristoffer Evangelista, CPA
Associate Vice President for Finance	Ms. Villalyn Baluga, CPA

OFFICERS OF THE UNIVERSITY BOARD OF TRUSTEES

Chairman	Ms. Lisa Harrell
Vice Chairman	Mr. Kevin Brookins
Secretary	Mr. James Kvedaras

UNIVERSITY BOARD OF TRUSTEES

Trustee	Ms. Jeanine Latrice Koger, Student
Trustee	Mr. Pedro Cevallos-Candau
Trustee	Mr. Kevin Brookins
Trustee	Mr. John Brudnak
Trustee	Ms. Lisa Harrell
Trustee	Ms. Angela Sebastian
Trustee	Mr. James Kvedaras
Trustee	Mr. Anibal Taboas

UNIVERSITY OFFICE

1 University Parkway
University Park, Illinois 60484

MANAGEMENT ASSERTION LETTER

June 27, 2022

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 (University). We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the University's compliance with the following specified requirements during the year ended June 30, 2021. Based on this evaluation, we assert that during the year ended June 30, 2021, the University has materially complied with the specified requirements listed below.

- A. The University has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The University has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.
- C. Other than what has been previously disclosed and reported in the Schedule of Findings, the University has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the University are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the University on behalf of the State or held in trust by the University have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Yours truly,

Governors State University

SIGNED ORIGINAL ON FILE

Dr. Cheryl F. Green, President

SIGNED ORIGINAL ON FILE

Dr. Corey S. -Bradford, Vice President for Administration and Finance

SIGNED ORIGINAL ON FILE

Ms. Therese Nohos, General Counsel and Vice President

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
STATE COMPLIANCE EXAMINATION
For the Year Ended June 30, 2021

STATE COMPLIANCE REPORT

SUMMARY

The State compliance testing performed during this 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; and the *Audit Guide*.

ACCOUNTANT’S REPORT

The Independent Accountant’s Report on State Compliance and on Internal Control Over Compliance does not contain scope limitations, disclaimers, but does contain a modified opinion on compliance and identifies a material weakness over internal control over compliance.

SUMMARY OF FINDINGS

<u>Number of Findings</u>	<u>Current Report</u>	<u>Prior Report</u>
Repeated findings	15	11
Prior recommendations implemented or not repeated	8	8
	3	4

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
2021-001	9	2020/2020	Inadequate Internal Controls Over Census Data	Material Weakness / Material Noncompliance
2021-002	13	New	Exit Counseling	Significant Deficiency / Noncompliance
2021-003	15	New	Enrollment Reporting	Significant Deficiency / Noncompliance
2021-004	17	New	Fiscal Operations Report	Significant Deficiency / Noncompliance
2021-005	19	2020/2016	Federal Perkins Loan Cohort Default Rate Too High	Noncompliance
2021-006	21	2020/2016	Child Abuse Reporter Training	Significant Deficiency / Noncompliance

GOVERNORS STATE UNIVERSITY
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STATE COMPLIANCE EXAMINATION
For the Year Ended June 30, 2021

SCHEDULE OF FINDINGS (Continued)

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
2021-007	23	2020/2016	Noncompliance with the Campus Security Enhancement Act of 2008	Significant Deficiency / Noncompliance
2021-008	25	2020/2020	Internal Audit Deficiencies	Significant Deficiency / Noncompliance
2021-009	27	2020/2005	Time Sheets Not Properly Maintained	Significant Deficiency / Noncompliance
2021-010	29	2020/2019	Weaknesses in Cybersecurity Programs and Practices	Significant Deficiency / Noncompliance
2021-011	33	2020/2016	Computer Security Weaknesses	Significant Deficiency / Noncompliance
2021-012	35	New	Lack of Review of Internal Controls of Service Providers	Significant Deficiency / Noncompliance
2021-013	37	New	Remote Access to University Information Systems	Significant Deficiency / Noncompliance
2021-014	39	New	Inadequate Controls Over Access Rights	Significant Deficiency / Noncompliance
2021-015	41	New	Weaknesses with Payment Card Industry Data Security Standards	Significant Deficiency / Noncompliance

PRIOR FINDINGS NOT REPEATED

A	44	2020/2014	Failure to Meet Earmarking Requirements for Head Start Program
B	44	2020/2016	Inadequate Controls over Computers and Equipment
C	44	2020/2020	Illinois Articulation Initiative

**GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
STATE COMPLIANCE EXAMINATION
For the Year Ended June 30, 2021**

EXIT CONFERENCE

Governors State University waived an exit conference in a correspondence from Ms. Villalyn Baluga, Associate Vice President for Finance, on June 14, 2022. The responses to the recommendations were provided by Ms. Villalyn Baluga, Associate Vice President for Finance, in correspondences dated May 25, 2022 and June 15, 2022.

INDEPENDENT ACCOUNTANT'S REPORT ON STATE COMPLIANCE AND
ON INTERNAL CONTROL OVER COMPLIANCE

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

The Board of Trustees
Governors State University

Report on State Compliance

As Special Assistant Auditors for the Auditor General, we have examined compliance by Governors State University (University) with the specified 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, 2021. Management of the University is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the University's compliance with the specified requirements based on our examination.

The specified requirements are:

- A. The University has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The University has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.
- C. The University has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the University are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the University on behalf of the State or held in trust by the University have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the *Audit Guide*. Those standards, the Act, and the *Audit Guide* require that we plan and perform the examination to obtain reasonable assurance about whether the University complied with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether the University complied with the specified requirements. The nature, timing and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance with the specified requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our modified opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the University's compliance with specified requirements.

Our examination disclosed material noncompliance with specified requirement C applicable to the University during the year ended June 30, 2021. As described in the accompanying Schedule of Findings as item 2021-001, the University had not complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

In our opinion, except for the material noncompliance with the specified requirement described in the preceding paragraph, the University complied with the specified requirements during the year ended June 30, 2021. However, the results of our procedures disclosed instances of noncompliance with the specified requirements, which are required to be reported in accordance with criteria established by the *Audit Guide*, and are described in the accompanying Schedule of Findings as items 2021-002 through 2021-015.

The University's responses to the compliance findings identified in our examination are described in the accompanying Schedule of Findings. The 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 is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Report on Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the specified requirements (internal control). In planning and performing our examination, we considered the University's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the University's compliance with the specified requirements and to test and report on the University's internal control in accordance with the *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we

do not express an opinion on the effectiveness of the University's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, we did identify certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

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, noncompliance with the specified requirements on a timely basis. *A material weakness in internal control* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings as item 2021-001 to be a material weakness.

A significant deficiency in internal control is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items 2021-002 through 2021-004 and 2021-006 through 2021-015 to be significant deficiencies.

As required by the *Audit Guide*, immaterial findings excluded from this report have been reported in a separate letter.

The University's responses to the internal control findings identified in our examination are described in the accompanying Schedule of Findings. The University's responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the responses.

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing based on the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Kankakee, IL

June 27, 2022

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2021

CURRENT FINDINGS

2021-001 FINDING: INADEQUATE INTERNAL CONTROLS OVER CENSUS DATA

Governors State University (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 (OPEB) plans was complete and accurate.

Census data is demographic data (date of birth, gender, years of service, etc.) of the active, inactive, or retired members of a pension or OPEB plan. The accumulation of inactive or retired members' census data occurs before the current accumulation period of census data used in the plan's actuarial valuation (which eventually flows into each employer's financial statements), meaning the plan is solely responsible for establishing internal controls over these records and transmitting this data to the plan's actuary. In contrast, responsibility for active members' census data during the current accumulation period is split among the plan and each member's current employer(s). Initially, employers must accurately transmit census data elements of their employees to the plan. Then, the plan must record and retain these records for active employees and then transmit this census data to the plan's actuary.

We noted the University's employees are members of both the State Universities Retirement System (SURS) for their pensions and the State Employees Group Insurance Program sponsored by the State of Illinois, Department of Central Management Services (CMS) for their OPEB. In addition, we noted these plans have characteristics of different types of pension and OPEB plans, including single employer plans and cost-sharing multiple-employer plans. Finally, CMS' actuaries use census data for employees of the State's public universities provided by SURS along with census data for the other participating members which is provided by the State's four other pension plans to prepare the projection of the OPEB plan's liabilities.

During testing, we noted the following:

- The University had not performed an initial complete reconciliation of its census data recorded by SURS to its internal records to establish a base year of complete and accurate census data.
- After establishing a base year, the University had not developed a process to annually obtain from SURS the incremental changes recorded by SURS in their census data records and reconcile these changes back to the University's internal supporting records.

Based on information we obtained while performing our audit, we learned these deficiencies are pervasive across the public universities participating in SURS and across the State's agencies participating in one of the other four State pension plans, the State Employees' Retirement System of Illinois. These conditions significantly increase the risk there could be errors at one or more employers within the plans, and these errors could have a significant impact on SURS' and CMS' measurement of pension and OPEB liabilities, respectively.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2021

CURRENT FINDINGS

2021-001 FINDING: INADEQUATE INTERNAL CONTROLS OVER CENSUS DATA (Continued)

In addition, we noted errors within CMS' allocation of OPEB-related balances across the State's funds, public universities, and the Illinois State Toll Highway Authority related to a failure by CMS to account for a separately financed specific OPEB liability for certain groups of employees at one component unit of the State. The impact of these errors resulted in the University restating its beginning net position by \$16,829,183 as of July 1, 2020.

Based upon the significance of these issues alone, we concluded a material weakness exists within the University's internal controls related to ensuring both SURS and CMS can provide their respective actuaries with complete and accurate census data related to the University's active employees. Even given these exceptions, we performed detail testing of a sample of employees and certain data analysis tests of the total population of the University's census data transactions reported to SURS and noted that one of 512 employees that taught a course during either the Fall 2018 or Spring 2019 semester on a continuous basis for four months or one academic term, whatever is less was improperly excluded from SURS. In earlier years, this employee took refunds of their prior contributions; however, this does not preclude the employee from participating in the future. SURS determined the total potential impact to the employee's total service credit could be off by 3.5 years.

For employers where their employees participate in plans with multiple-employer and cost-sharing features, the American Institute of Certified Public Accountants' *Audit and Accounting Guide: State and Local Governments* (AAG-SLG) (§ 13.177 for pensions and § 14.184 for OPEB) notes the determination of net pension/OPEB liability, pension/OPEB expense, and the associated deferred inflows and deferred outflows of resources depends on employer-provided census data reported to the plan being complete and accurate along with the accumulation and maintenance of this data by the plan being complete and accurate. To help mitigate against the risk of a plan's actuary using incomplete or inaccurate census data within similar agent multiple-employer plans, the AAG-SLG (§ 13.181 (A-27) for pensions and § 14.141 for OPEB) recommends an employer annually reconcile its active members' census data to a report from the plan of census data submitted to the plan's actuary, by comparing the current year's census data file to both the prior year's census data file and its underlying records for changes occurring during the current year.

Additionally, eligibility criteria for participation in SURS under the Illinois Pension Code (Code) (40 ILCS 5/15-134(a)) states any person who is an employee of the University becomes a participant in SURS. Under the Code (40 ILCS 5/15-107), an employee is a person who works for the University in a secretarial, mechanical, labor, clerical, educational, administrative, or other staff position which is either (a) permanent and continuous or (b) for a period of four months or an academic term, whichever is less, who is:

- 1) not a student employed on a less than full-time temporary basis;
- 2) not receiving a retirement or disability annuity from SURS;
- 3) not on military leave;
- 4) not eligible to participate in the Federal Civil Service Retirement System,

GOVERNORS STATE UNIVERSITY
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SCHEDULE OF FINDINGS
For the Year Ended June 30, 2021

CURRENT FINDINGS

2021-001 FINDING: INADEQUATE INTERNAL CONTROLS OVER CENSUS DATA (Continued)

- 5) not currently on a leave of absence without pay more than 60 days after the termination of SURS' disability benefits;
- 6) not paid from funds received under the Federal Comprehensive Employment and Training Act as a public service employment program participant hired on or after July 1, 1979;
- 7) not a patient in a hospital or home;
- 8) not an employee compensated solely on a fee basis where such income would net earnings from self-employment;
- 9) not providing military courses pursuant to a federally-funded contract where the University has filed a written notice with SURS electing to exclude these persons from the definition of an employee;
- 10) currently on lay-off status of not more than 120 days after the lay-off date;
- 11) not on an absence without pay of more than 30 days; and,
- 12) a nonresident alien on a visa defined under subparagraphs (F), (J), (M), or (Q) of Section 1101(a)(15) of Title 8 of the United States Code who (1) has met the Internal Revenue Service's substantial presence test and (2) became an employee on and after July 1, 1991.

Further, for CMS' OPEB plan, we noted participation in OPEB is derivative of an employee's eligibility to participate in SURS, as members of SURS participate in OPEB as annuitants under the State Employees Group Insurance Act of 1971 (Act) (5 ILCS 375/3(b)).

In addition, the Illinois Pension Code (40 ILCS 5/15-157) requires the University to, at a minimum, withhold contributions of each employee's total compensation of 8% (9.5% for firefighters or police officers) for their participation in SURS, unless further contributions by the employee would either exceed the maximum retirement annuity in the Code (40 ILCS 5/15-136(c)) or the Tier 2 earnings limitation within the Code (40 ILCS 5/15-111(b)), and remit these amounts to SURS. Further, the Code (40 ILCS 5/15-155(b)) requires the University remit employer contributions to SURS reflecting the accruing normal costs of an employee paid from federal or trust funds. Additionally, the Act (5 ILCS 375/10) requires active employees to make contributions as set by CMS and the Act (5 ILCS 375/11) requires employer contributions by the University for all employees not totally compensated from its Income Fund, local auxiliary funds, and the Agricultural Premium Fund.

Finally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds applicable to operations are properly recorded and accounted for to permit the preparation of reliable financial and statistical reports.

University officials indicated:

- The University had no established practice or procedure to verify the census data submitted by SURS to the plan actuaries are complete and accurate.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2021

CURRENT FINDINGS

2021-001 FINDING: INADEQUATE INTERNAL CONTROLS OVER CENSUS DATA (Continued)

- The University believed that once an employee received a refund of prior SURS contributions it precluded the employee from SURS participation in the future.

Failure to ensure complete and accurate census data was reported to SURS could result in a material misstatement of the University's financial statements and reduced the overall accuracy of pension/OPEB-related liabilities, deferred inflows and outflows of resources, and expense recorded by the State, the State's agencies, and other public universities and community colleges across the State. In addition, failure to reconcile active members' census data reported to and held by SURS to the University's internal records could result in each plan's actuary relying on incomplete or inaccurate census data in the calculation of the pension and OPEB balances, which could result in a material misstatement of these amounts. Finally, the allocation error involving one component unit in the OPEB plan resulted in misstatements within each employer's allocation, which resulted in a restatement at the University. (Finding Code No. 2021-001, 2020-001)

RECOMMENDATION

We recommend the University implement controls to ensure census data events are timely and accurately reported to SURS.

Further, we recommend the University work with SURS to annually reconcile its active members' census data from its underlying records to a report of census data submitted to SURS' actuary and CMS' actuary. After completing an initial full reconciliation, the University may limit the annual reconciliations to focus on the incremental changes to the census data file from the prior actuarial valuation, provided no risks are identified that incomplete or inaccurate reporting of census data may have occurred during prior periods. Any errors identified during this process should be promptly corrected by either the University or SURS, with the impact of these errors communicated to both SURS' actuary and CMS' actuary.

Finally, we recommend the University work with SURS and CMS to identify and address any unremitted or erroneously remitted employee and, if applicable, employer contributions related to these events.

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation. Procedures have been established by the University to ensure census data events are reported to SURS timely and accurately. The University will continue to work with SURS to annually reconcile its active members' census data from its underlying records to a report of census data submitted to SURS' actuary and CMS' actuary, in accordance with the reconciliation process developed by SURS. On the one employee noted by the auditors that was improperly excluded from SURS, the University is currently working with SURS to determine the actual impact and the related corrective action.

GOVERNORS STATE UNIVERSITY
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SCHEDULE OF FINDINGS
For the Year Ended June 30, 2021

CURRENT FINDINGS

2021-002 FINDING: EXIT COUNSELING

Federal Department:	U.S. Department of Education
Assistance Listing Number:	84.268
Cluster Name:	Student Financial Assistance Cluster
Program:	Federal Direct Student Loans
Award Numbers:	P268K200567, P268K210567
Questioned Cost:	None
Program Expenditures:	\$27,426,646
Cluster Expenditures:	\$40,197,084

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 14 Federal Direct Student Loan recipients who ceased half-time study at the University during Fiscal Year 2021. The University's notification to the students of the need to complete exit counseling was provided 43 days late for 2 (14%) of the students and was never sent for 3 (21%) students. The sample was not intended to be, and was not, a statistically valid sample.

The Code of Federal Regulations (34 CFR 685.304(b)) requires schools to ensure 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. In addition, 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 indicated the Office of Financial Aid receives a report from the Office of the Registrar indicating which students have ceased half-time enrollment and due to issues with the timing of reports, some exit counseling notifications were sent out late. The notifications not sent at all were due to oversight.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2021

CURRENT FINDINGS

2021-002 FINDING: EXIT COUNSELING (Continued)

Failure to conduct timely exit counseling resulted in students not being notified of their rights and responsibilities, and could result in the loss of Federal funding. (Finding Code No. 2021-002)

RECOMMENDATION

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

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation and has updated its procedures to conduct timely exit counseling in accordance with Federal regulations.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2021

CURRENT FINDINGS

2021-003 FINDING: ENROLLMENT REPORTING

Federal Department:	U.S. Department of Education
Assistance Listing Number:	84.268
Cluster Name:	Student Financial Assistance Cluster
Program Name:	Federal Direct Student Loans
Award Numbers:	P268K200567, P268K210567
Questioned Cost:	None
Program Expenditures:	\$27,426,646
Cluster Expenditures:	\$40,197,084

Governors State University (University) did not accurately and timely report student enrollment information to the U.S. Department of Education’s National Student Loan Data System (NSLDS).

During our audit, we tested 25 students who experienced a change in enrollment status during the fiscal year. Our testing identified two students (8%) who had a change in enrollment status (graduated) which was not reported accurately to the NSLDS (student was erringly reported as withdrawn). These two students were reported to NSLDS 119 days (59 days late) after the status change.

The sample was not intended to be, and was not, a statistically valid sample.

The Code of Federal Regulations (34 CFR 685.309) requires the University, upon the receipt of an enrollment report from the Secretary, to update all information included in the report and return the report to the Secretary within the timeframe prescribed by the Secretary. It further requires the University to report enrollment changes within 30 days unless a roster file is expected within 60 days, in which case the enrollment data may be updated on that roster file.

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 accurate and timely student enroll status reports are submitted to NSLDS.

University officials stated the Registrar’s office did not timely and accurately update student enrollment with NSLDS due to delays in transitioning students to graduate status in the University’s system.

Enrollment reporting in a timely and accurate manner is critical for effective management of the student financial aid programs. Noncompliance with enrollment reporting regulations may result in a loss of future Federal funding. (Finding Code No. 2021-003)

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CURRENT FINDINGS

2021-003 **FINDING: ENROLLMENT REPORTING** (Continued)

RECOMMENDATION

We recommend the University improve its procedures to ensure timely and accurate reporting of student enrollment status to the NSLDS.

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation and has updated its procedures to ensure timely and accurate reporting of students to NSLDS.

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CURRENT FINDINGS

2021-004 FINDING: FISCAL OPERATIONS REPORT

Federal Department: U.S. Department of Education
Assistance Listing Number: 84.038
Cluster Name: Student Financial Assistance Cluster
Program Name: Federal Perkins Loan Program – Federal Capital Contributions
Questioned Cost: None
Program Expenditures: \$3,257,469
Cluster Expenditures: \$40,197,084

Governors State University (University) did not have adequate procedures to ensure accurate information was reported and the final changes, corrections, and edits to the Fiscal Operations Report and Application to Participate (FISAP) were timely filed.

During the audit, we noted the University did not report accurate information for the following fields related to the Federal Perkins Loan Program:

	<u>As reported</u>	<u>Correct amount</u>
Part III, Section A, Field 30.2 (Repayments of excess/liquidated fund capital to Institution)	\$77,118	\$95,122
Part III, Section B, Field 13 (Amount of loan service cancellation)	\$ -	\$59,881

We also noted the second submission of the FISAP, which included final changes, corrections and edits, was not timely filed. The University submitted its final FISAP to the U.S. Department of Education on January 18, 2022 (34 days late). (The FISAP’s first submission was made timely by the University and there were only minor updates/changes on the final submission.)

The Code of Federal Regulations (34 CFR 674.19 (d)(2)) requires the University to submit a Fiscal Operations Report plus other information required; the information must be accurate and shall be submitted on the form at the time specified.

The Federal Register notice on January 26, 2021 (86 FR 7075) requires corrections to the FISAP be made by December 15, 2021.

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 accurate information is reported on the FISAP on a timely basis.

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CURRENT FINDINGS

2021-004 FINDING: FISCAL OPERATIONS REPORT (Continued)

University officials stated the input error in FISAP was due to oversight on the part of the employee preparing the FISAP. The amounts were thought to be immaterial differences, and the correct amounts were properly reported and included on the totals column. The late filing of the second submission was due to additional changes that need to be made after the December 15, 2021 deadline. University officials stated changes made were extremely minor and did not affect total amounts of Perkins, FSEOG, or FWS. As allowed by Federal regulations, the University can request to change the information on FISAP even after the deadline, and the University has secured approval from the U.S. Department of Education to submit changes after the deadline.

Failure to timely and accurately submit the University's FISAP may jeopardize future federal funding. (Finding Code No. 2021-004)

RECOMMENDATION

We recommend the University improve procedures to ensure accurate and timely reporting.

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation and has updated its procedures to ensure that reporting requirements and deadlines are met.

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CURRENT FINDINGS

2021-005 FINDING: FEDERAL PERKINS LOAN COHORT DEFAULT RATE TOO HIGH

Federal Department:	U.S. Department of Education
Assistance Listing Numbers:	84.038, 84.033, 84.007, 84.063, 84.268, 84.379
Cluster Name:	Student Financial Assistance Cluster
Programs:	Federal Perkins Loan Program – Federal Capital Contributions, Federal Work-Study Program, Federal Supplemental Educational Opportunity Grants, Federal Pell Grant Program, Federal Direct Student Loans, Teacher Education Assistance for College and Higher Education Grants
Award Numbers:	P033A201156, P033A191156, P007A151156, P007A191156, P007A201156, P063P190567, P063P200567, P268K210567, P268K200567, P379T200567, P379T210567
Questioned Cost:	None
Program Expenditures:	\$3,257,469; \$437,855; \$303,625; \$7,662,088; \$27,426,646; \$12,244
Cluster Expenditures:	\$40,197,084

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, 2021 (for borrowers who entered repayment during Fiscal Year 2020) was 16.67%, which exceeded the 15% threshold. The University chose to continue servicing their Perkins Loan portfolio after Federal Perkins Loan Program loan originations were discontinued in Fiscal Year 2018.

The Code of Federal Regulations (Code) (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 U.S. Department of Education’s Dear Colleague Letter (DCL ID: GEN-17-10) states institutions that choose to continue to service their outstanding Perkins Loan portfolios must continue to service these loans in accordance with the Federal Perkins Loan Program regulations in 34 CFR 674.

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CURRENT FINDINGS

2021-005 FINDING: FEDERAL PERKINS LOAN COHORT DEFAULT RATE TOO HIGH (Continued)

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 indicated they have met all due diligence requirements with regards to Perkins collections and have worked closely with the collection agency and with former students to facilitate loan consolidations, to reduce the cohort default rate; however economic conditions continue to present challenges for some former students.

Failure to maintain a Federal Perkins Loan cohort default rate below 15% resulted in noncompliance with the Code, the Uniform Guidance, and the U.S. Department of Education's directive. (Finding Code No. 2021-005, 2020-002, 2019-005, 2018-008, 2017-003, 2016-006)

RECOMMENDATION

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

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation. The University will continue to closely monitor and communicate with students entering on default on a month-to-month basis, in addition to sending defaulted student loans to the Illinois State Comptroller's Offset system.

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CURRENT FINDINGS

2021-006 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:

- 11 (31%) employees did not receive the required reporter training within one year of initial employment or within three months of initial employment if they were hired after 1/1/2020.
- Two (6%) employees for which the University did not have any documentation in which the employee acknowledged the reporting requirements of the Act.
- Nine (26%) employees did not sign the documentation in which the employee acknowledged the reporting requirements of the Act prior to the commencement of employment.
- 18 (51%) employees signed documents after January 1, 2019 acknowledging the reporting requirements of the Act; however, the form was not up to date as it did not include information regarding mandated reporter training provided by the Department of Children and Family Services.

The University has failed to take substantive corrective actions to resolve the conditions noted in this finding. These conditions were first noted in 2016.

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 (DCFS). The Act further requires University personnel to undergo reporter training within one year of initial employment (or within three months of initial employment effective January 1, 2020) and at least every 5 years thereafter (every 3 years effective January 1, 2020). This training must be completed by an authorized provider. Also, a statement must be signed, prior to commencement of employment, by the employee acknowledging they have knowledge and understanding of the reporting requirements. The Act also requires all signed statements after January 1, 2019 include information about available mandated reporter training provided by DCFS. The training requirement became effective on July 1, 2014 with Public Act 098-0408.

University officials indicated the noncompliance was primarily due to a lack of staffing in the University's Human Resource Department and other issues related to the COVID-19 pandemic.

Failure to use up to date acknowledgement statements, provide child abuse reporter training, and obtain signed statements timely are violations of the Act and could potentially leave children at risk of abuse. (Finding Code No. 2021-006, 2020-004, 2019-006, 2018-011, 2017-010, 2016-012)

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CURRENT FINDINGS

2021-006 **FINDING: CHILD ABUSE REPORTER TRAINING** (Continued)

RECOMMENDATION

We recommend the University comply with the requirements of the Act and ensure all employees receive the proper training within the required timeframe, include the proper information in the employee's signed training statements, and timely obtain signed statements from required employees.

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation. The University will continue to conduct an annual training for Mandated Reporter Training every spring. The University now asks new employees to take their online training before or during new hire orientation and provide their training certification upon completion. In addition, the University is in the process of automating its onboarding process, which will require all new hires to complete training using the up-to-date forms through the PeopleAdmin system.

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CURRENT FINDINGS

2021-007 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 1 employee (4%) hired for a security sensitive position without any evidence the criminal background investigations was ever obtained. Our testing also identified 5 employees (20%) did not have a criminal background investigation completed prior to employment.

The University has failed to take substantive corrective actions to resolve the condition noted in this finding. This condition was first reported in 2016.

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 indicated its identification of security sensitive positions has been overly broad and resulted in some being missed due to oversight.

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. 2021-007, 2020-005, 2019-007, 2018-012, 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 has secured a new vendor to conduct criminal background investigations prior to hiring employees for all positions, not just security sensitive positions. The University developed a comprehensive policy on criminal background checks similar to other State universities. The University is in the

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CURRENT FINDINGS

**2021-007 FINDING: NONCOMPLIANCE WITH THE CAMPUS SECURITY
ENHANCEMENT ACT OF 2008 (Continued)**

process of evaluating conducting background checks for current employees who hold security sensitive positions but have no background check on file and will perform such check if feasible.

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CURRENT FINDINGS

2021-008 FINDING: INTERNAL AUDIT DEFICIENCIES

Governors State University's (University) program of internal auditing included deficiencies in completing its responsibilities in accordance with the Fiscal Control and Internal Auditing Act (Act).

The University's Chief Internal Auditor utilized a risk-based approach to select discretionary risk areas to recommend in its two year audit plan, then planned procedures in order to ensure all 11 major systems of accounting and administrative controls are included at least every two years. From the audits provided, we noted the property, equipment and inventories major system was only minimally reviewed by audits during the two year period. Although several audits were included in the University's two year internal audit plan (including an audit specific to the property, equipment and inventories major system), the only internal audit reports provided to the auditors included an audit of the Illinois Board of Higher Education tuition and fee waiver guidelines from Fiscal Year 2020; and audits of expenditures for the Early Head Start Grant Program, a pre-implementation review of a new information system application used for Admissions and a pre-implementation review of an electronic time entry application from Fiscal Year 2021. In addition, the auditors noted the Chief Internal Auditor reported six other audits were "completed" in the annual report dated September 30, 2021 to the University's President; however, as of February 14, 2022, none of the noted six audit reports had been provided to the auditors in response to requests for audits completed.

The Act (30 ILC 10/2003(a)(2)) requires the University President to ensure the internal auditing program includes audits of major systems of internal accounting and administrative controls so all major systems are reviewed at least every two years. The audits must include testing of:

- A. the obligation, expenditure, receipt and use of public funds of the State and of funds held in trust to determine whether those activities are in accordance with applicable laws and regulations; and
- B. grants received or made by the University to determine the grants are monitored, administered, and accounted for in accordance with applicable laws and regulations.

The Act (30 ILC 10/2003(a)(1)) further requires the chief internal auditor to submit a written report to the chief executive officer detailing how the audit plan for that year was carried out. Reporting audits as having been completed, when they have not been, misrepresents the results.

The University's Internal Audit Charter includes the following in its description of the audit process:

- Adequate documentation supporting the audit procedures performed, the results of testing, analysis, and conclusions.
- A written report of the Office of Internal Audit's evaluation of the risks and controls, including the results of testing, exceptions noted, weaknesses identified, and recommendations.

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CURRENT FINDINGS

2021-008 FINDING: INTERNAL AUDIT DEFICIENCIES (Continued)

University officials indicated its Office of Internal Audit is required by the International Standards for the Professional Practice of Internal Auditing to use a systematic, disciplined and risk-based approach in determining its internal audit activities. University officials also indicated there were difficulties in completing the internal audits due to delays in obtaining the requested information and documents from the auditees, partially related to COVID-19 issues and insufficient staffing. Further, University officials indicated there were many competing priorities for the Chief Internal Auditor's time including coordination of the comprehensive and University-wide annual risk assessment, and the Fiscal Control and Internal Auditing Act internal control evaluation and certification. This resulted in the Chief Internal Auditor being unable to finalize all of the required internal audits. Furthermore, University officials indicated the audits were reported as completed to management because they were substantially completed.

Failure to fully review all major systems of accounting and administrative controls increases the risk an effective system of internal control may not be maintained. Reporting audits as completed when the documentation has not been finalized precludes management from having a clear picture of internal audit activity. (Finding Code No. 2021-008, 2020-006)

RECOMMENDATION

We recommend the University improve its procedures to ensure all major systems of internal accounting and administrative controls are fully reviewed at least once every two years as required by the Act. We further recommend the chief internal auditor timely finalize its audit documentation and clearly report the status of audits in its annual reports.

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation. An additional three audits were issued as of June 30, 2021, but the related audit documentation was completed after the auditors' testing, including the full audit of the property, equipment and inventories major system. These audits along with the audits previously furnished to the auditors, provide a full review of all major systems as required by the Act. The Office of Internal Audit will ensure the efficient completion of planned audits and timely issuance of the reports thereon. Further, the Office of Internal Audit is currently hiring an Internal Audit staff to provide additional support to the department.

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CURRENT FINDINGS

2021-009 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 30 employees during the fiscal year and noted 8 (27%) faculty members/advisors used “negative” timekeeping whereby the employee is assumed to be working unless noted otherwise.

The University has failed to take substantive corrective actions to resolve the condition noted in this finding. This condition was first reported in 2005.

University officials indicated they have not changed timesheet policies to comply with the Act since the inception of the Act. Further, University officials indicated the University continues to review, 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. 2021-009, 2020-009, 2019-009, 2018-016, 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 revise its procedures, policies, and/or contracts to ensure all employees submit time sheets documenting the time spent each day on official State business to the nearest quarter hour.

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation. 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 currently developing a policy, revising

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CURRENT FINDINGS

2021-009 **FINDING: TIME SHEETS NOT PROPERLY MAINTAINED** (Continued)

its procedures, and reviewing existing time reporting requirements for faculty employees in connection with its implementation of an electronic timekeeping system.

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CURRENT FINDINGS

2021-010 FINDING: WEAKNESSES IN CYBERSECURITY PROGRAMS AND PRACTICES

Governors State University (University) had not implemented adequate internal controls related to cybersecurity programs and practices.

As a result of the University's mission to provide higher educational opportunities to its student body, the University maintains computer systems that contain large volumes of confidential or personal information such as names, addresses, educational records, and Social Security numbers within its computerized systems.

The Illinois State Auditing Act (30 ILCS 5/3-2.4) requires the Auditor General to review State agencies, including universities, and their cybersecurity programs and practices. During our examination of the University's cybersecurity program, practices, and control of confidential information, we noted the University had not:

- Documented a risk management methodology to manage security risks to University resources.
- Developed a data classification methodology or identified and classified its confidential and personal data to identify and ensure adequate protection of information.
- Implemented appropriate controls to reduce the risk of unauthorized disclosure.
- Developed a formal, comprehensive, adequate, and communicated security program (policies, procedures, and processes) to manage and monitor the regulatory, legal, environmental and operational requirements.
- Established a formal cybersecurity plan.
- Communicated all of its information system policies to employees, students, and contractors utilizing the University's resources.
- Developed a project management framework to ensure new applications were developed and implemented in accordance with management's intentions.
- Developed written procedures for monitoring security events and did not maintain a log of security events occurring in Fiscal Year 2021.

In addition, we sampled 25 employees to determine if they had completed cybersecurity training during Fiscal Year 2021, noting 4 (16%) employees did not complete the training. Additionally, contractors were not required to complete cybersecurity training.

The University has failed to take substantive corrective actions to resolve the conditions noted in this finding. This condition was first reported in 2019.

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CURRENT FINDINGS

2021-010 FINDING: WEAKNESSES IN CYBERSECURITY PROGRAMS AND PRACTICES (Continued)

The *Framework for Improving Critical Infrastructure Cybersecurity and the Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology requires entities to consider risk management practices, threat environments, legal and regulatory requirements, mission objectives and constraints in order to ensure the security of their applications, data, and continued business mission.

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 funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation and maintain accountability over the State's resources.

University officials indicated use of the document imaging system is evolving to reduce the occurrence of social security numbers in future documents, and a solution to remove their presence in existing documents is in process. University officials also indicated the establishment of a formal security program, risk management methodology, project management framework, and training programs were not completed due to competing priorities, mainly COVID-19 issues.

The lack of adequate cybersecurity programs and practices could result in unidentified risks and vulnerabilities and ultimately lead to the University's information system resources and volumes of personal information being susceptible to cyber-attacks and unauthorized disclosure. (Finding Code No. 2021-010, 2020-010, 2019-010)

RECOMMENDATION

The University has the ultimate responsibility for ensuring its information system resources are available for authorized use and confidential information is protected from accidental or unauthorized disclosure. Specifically, we recommend the University:

- Document a risk management methodology to manage security risks to University resources.
- Develop a data classification methodology and identify and classify its data to ensure adequate protection of confidential or personal information most susceptible to attack.
- Implement appropriate controls to reduce the risk of unauthorized disclosure.
- Develop and communicate the University's security program (formal and comprehensive policies, procedures and processes) to manage and monitor the regulatory, legal, environmental and operational requirements.
- Establish a formal cybersecurity plan.

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CURRENT FINDINGS

2021-010 FINDING: WEAKNESSES IN CYBERSECURITY PROGRAMS AND PRACTICES (Continued)

- Regularly communicate security policies to employees, students and contractors and maintain a record of such.
- Develop a project management framework to guide the process of developing and implementing new applications.
- Develop written procedures for security event monitoring and maintain a log of security events.
- Provide cybersecurity training to contractors and ensure employees complete cybersecurity training.

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation.

Regarding risk management, the University continues to improve and strengthen its risk management activities with its Vendor Risk Management process and annual risk register review. The University's Office of Information Technology Services (ITS) plans to evaluate and propose a timeline for adopting an established risk management methodology during Fiscal Year 2022-2023.

Regarding data classification, a formal Data Classification policy has already been submitted for review on March 9, 2022. Once approved, this policy will be followed by a variety of policies, procedures, and efforts aimed to classify existing data and secure all data based on its classification.

Regarding unauthorized disclosure, a project is well underway to redact all social security numbers within the University's Document Imaging system. A vendor has been hired to perform the bulk of this work and it is anticipated to be completed in June 2022.

Regarding the information security program, the foundational information security policy has been drafted and is being reviewed within ITS before being sent for formal approval. Once approved, this policy will formally establish the Information Security Program and its areas of focus, and will guide the creation of supporting policies, standards, and processes for each focus area.

Regarding cybersecurity training, ITS has built and implemented cybersecurity training for faculty and staff over the past two years. ITS will coordinate with the University's Compliance Office and establish monitoring procedures to ensure all employees complete the annual cybersecurity trainings.

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CURRENT FINDINGS

2021-010 FINDING: WEAKNESSES IN CYBERSECURITY PROGRAMS AND PRACTICES (Continued)

Regarding the communication of policies, ITS will follow the University's process to communicate policies, standards, and procedures.

Regarding a project management framework, processes are in place to ensure that software development projects are properly scoped, tested, documented, and completed. All members of the ITS leadership team are either Project Management Professional (PMP) certified or have taken a Certified Associate in Project Management (CAPM) preparation course through the University's School of Extended Learning.

Regarding security event monitoring:

- A written policy and processes are planned as part of the Information Security Program.
- The University uses multiple products for event monitoring and logging.
- Over the past several months, ITS has worked to build the necessary tracking criteria into the University's ticketing system and intends to use the system to track responses to individual events.

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CURRENT FINDINGS

2021-011 FINDING: COMPUTER SECURITY WEAKNESSES

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

During the examination, we requested the University provide a list of computers in order to determine if the University's computers were properly secured. In response to our request, the University provided a listing. We compared the listing to other records obtained from the University and concluded the listing was not complete and accurate.

Due to these conditions, we were unable to conclude whether the University's population records were sufficiently precise and detailed under the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.36). **Even given the population limitations noted above which hindered our ability to conclude whether a sample selected could be representative of the population**, we selected a sample and performed testing noting the University's computing environment contained significant weaknesses.

We also sampled 15 employees who terminated employment in Fiscal Year 2021, noting 6 (40%) employees with user accounts for the University's ERP system which had not been removed. These six employees had terminated employment with the University 88 to 377 days prior to the date of our testing. The University indicated these employees' active directory accounts were deactivated but could not provide evidence of when the deactivation was performed, so we were unable to conclude those accounts were deactivated timely.

Further, we noted the University had not established formal guidelines for configuration of virus detection software.

This condition was first reported in 2016. In the subsequent years, the University has failed to take substantive corrective actions to resolve the conditions noted in this finding.

The *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology (NIST), Access Control section requires timely termination and periodic reviews of access rights; System and Information Integrity section requires implementation of security protection mechanisms; System and Services Acquisition section requires a properly secured infrastructure; and Configuration Management section requires the development of configuration management policies and procedures.

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

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CURRENT FINDINGS

2021-011 FINDING: COMPUTER SECURITY WEAKNESSES (Continued)

University officials indicated security weaknesses were mainly due to COVID-19 pandemic issues and employees working from home. University officials also indicated funding affected the University's ability to secure the environment. Further, University officials noted although procedures are in place, formal policies had not been adopted and the ERP system accounts of terminated employees were inactivated by other means, but evidence of when it occurred was not retained.

Inadequate security controls may result in unauthorized access to, damage to, or theft of University data and computing equipment. (Finding Code No. 2021-011, 2020-011, 2019-011, 2018-019, 2017-019, 2016-020)

RECOMMENDATION

We recommend the University maintain a complete inventory of all computers, ensure the environment is appropriately secured, and ensure access rights of terminated or transferred employees are removed on a timely basis. We further recommend the University establish formal policies and guidelines for virus detection systems.

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation. The University intends to keep an Office of Information Technology Services-specific inventory of all technology assets using an endpoint manager suite system. A project to build and maintain this inventory has been started and efforts to locate and categorize stray equipment are underway.

Improved processes (including automation), documentation, policies, procedures, and logging changes to user access and rights to applications are planned as part of an account lifecycle management reconstruction. Some of these items have been partially implemented at this time.

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CURRENT FINDINGS

2021-012 FINDING: LACK OF REVIEW OF INTERNAL CONTROLS OF SERVICE PROVIDERS

Governors State University (University) did not obtain or conduct timely independent internal controls reviews over its service providers.

The University maintains numerous cloud-based solutions with various service providers. These service providers maintain the hardware, software and the data for various applications regarding many sectors, such as campus news and events, student orientation, employment, photographs, student organizations, visitor tracking, course evaluations, and emergency notifications.

We selected a sample of seven service providers and requested the University to provide a) documentation of having obtained independent reviews assessing the reliability of controls in place, b) evidence of having reviewed the independent reviews obtained, and c) the University's internal evaluation of the controls related to service providers who did not provide an independent review report. We noted the following:

- The University had not obtained a System and Organization Control (SOC) report for 6 (86%) service providers.
- For the one (14%) SOC report obtained, no evidence of the University's review of SOC report was noted along with reviewing the Complimentary User Entity Controls. This SOC report also identified a subservice provider. However, there was no evidence the University obtained and reviewed the SOC report of the subservice provider or performed alternative procedures to determine the impact on the University's internal control environment.

The University is responsible for the design, implementation, and maintenance of internal controls related to information systems and operations to ensure resources and data are adequately protected from unauthorized or accidental disclosure, modifications, or destruction. This responsibility is not limited due to the process being outsourced.

The *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53 (Fifth Revision)) published by the National Institute of Standards and Technology (NIST), Maintenance and System and Services Acquisition sections, states the organization should ensure operational success by consistently monitoring service providers and organizational security performance against identified requirements, periodically evaluating changes in risks and threats to the organization and ensuring the organizational security solution is adjusted as necessary to maintain an acceptable security posture. As such, reviews of assessments, audits and inspections should be completed to determine the controls are in place at all service providers and subservice providers.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2021

CURRENT FINDINGS

2021-012 FINDING: LACK OF REVIEW OF INTERNAL CONTROLS OF SERVICE PROVIDERS (Continued)

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 revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

University officials indicated they have been unable to fully address the issue due to lack of resources.

Without having reviewed a SOC report, another form of independent internal control review, or having performed its own review and evaluation, the University does not have assurance the service provider's internal controls are adequate. (Finding Code No. 2021-012)

RECOMMENDATION

We recommend the University perform the following procedures for all service providers which the University has determined that a review of controls is required:

- Obtain SOC reports or (perform independent reviews) of internal controls associated with outsourced systems at least annually.
- Monitor and document the operation of the Complimentary User Entity Controls relevant to the University's operations noted in the SOC reports.
- Obtain and review SOC reports for subservice organizations or perform alternative procedures to satisfy itself that the existence of the subservice organization would not impact its internal control environment.
- Document its review of the SOC and other reports and review all significant issues with subservice organizations to ascertain if a corrective action plan exists and when it will be implemented, any impacts to the University, and any compensating controls.

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation. The University's Office of Information Technology Services (ITS) has established a Vendor Risk Management process which covers cloud service providers, and has hired an Extra Help employee to help make additional progress. At this time, ITS believes it has satisfactorily completed reviews for more than 50% of the University's service providers.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2021

CURRENT FINDINGS

2021-013 FINDING: REMOTE ACCESS TO UNIVERSITY INFORMATION SYSTEMS

Governors State University (University) has not developed and documented adequate policies and procedures governing remote access to the University's information systems.

The University has granted remote access to the University's information systems to numerous University faculty, staff and others. Remote access is governed by the user's membership assignment to an organizational unit and is only available to users in specified security groups.

University Policy 64, *Acceptable Use Policy for Computing and Networking, Network Security, and Wireless Computing*, dictates general policies and procedures for network usage, which also apply to remote users. All users of the system are required to accept Policy 64 before being allowed access to the computer network for the first time; however, the University did not maintain a log or record of users agreeing to the Policy. Further, Policy 64 is general in nature and did not specifically address:

- Requirements to obtain remote access
- Rules and procedures regarding usage of remote access, and
- Incident and breach notification requirements for users

Also, we noted the University did not have a policy or procedure for conducting periodic reviews of users' remote access and did not conduct such reviews.

The *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology, Access Control and System and Communication Protection sections, requires entities to implement adequate internal controls over access to their environments, applications and data.

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 funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation and maintain accountability over the University's resources.

University officials indicated Policy 64, located on the University website, addressed remote access of computers and believed it contained or implied the necessary information. University officials further indicated the University no longer maintains a record of staff acknowledgements and acceptances of Policy 64 due to time constraints.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2021

CURRENT FINDINGS

2021-013 FINDING: REMOTE ACCESS TO UNIVERSITY INFORMATION SYSTEMS (Continued)

Failure to develop, document and disseminate policies and procedures related to security and control of remote access increases the risk of unauthorized access and inappropriate usage of University resources. Failure to maintain a record of users acknowledging and accepting the University' computer use policy increases the risk the University may not be able to enforce the policies as there is no documentation of the employee agreeing to them. (Finding Code No. 2021-013)

RECOMMENDATION

We recommend the University:

- Maintain records of users' acknowledgement and acceptance of the University's Policy 64.
- Develop, document, and disseminate, policies and procedures governing the security and control of remote access or update Policy 64 to address the requirements to obtain remote access, procedures for usage of remote access, and incident and breach notification requirements.
- Conduct periodic reviews of users' remote access.

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation.

The University will replace Policy 64 with disparate, modern policies which address individual control areas as defined in the University's Information Security Policy (currently drafted and under internal review). Remote access is intended to be comprehensively addressed across multiple areas including Identity and Access Management, Network Security, and Data Handling.

The University's Office of Information Technology Services Network Team has begun (as of October 27, 2021) retaining the automatic logs generated when a user accepts Policy 64. As new policies are drafted and approved, they will continue to be made publicly available. The University will consider options for, and work towards more robust dissemination, communication, and acknowledgement processes for policies, standards, and procedures.

An internal information security auditing process is planned as part of the Information Security Program, pending the availability of resources. This process will include a requirement for the noted periodic reviews of users' remote access.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2021

CURRENT FINDINGS

2021-014 FINDING: INADEQUATE CONTROLS OVER ACCESS RIGHTS

Governors State University (University) did not maintain adequate controls over user access rights to applications and data.

During the examination, we requested the University provide a list of all users of the University's primary ERP system in order to test if user access had been appropriately restricted. The University provided us with a list of users. We attempted to verify the completeness and accuracy of the user list and concluded the list was not complete and accurate.

Due to these conditions, we were unable to conclude whether the University's population records were sufficiently precise and detailed under the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.36) to test the access rights of the University's primary ERP system. **Even given the population limitations noted above which hindered the ability of the accountants to conclude whether a sample selected could be representative of the population,** the accountants selected a sample and performed testing noting the exception below.

We reviewed and evaluated the access rights of 25 users and noted one (4%) student worker who was assigned management rights to add, modify, or delete student and academic records, including their own.

We also noted the University did not disable student user accounts after a specified period of separation from the University. We noted students still had access to their University e-mail and the on-line learning management system.

The *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology (NIST), Access Control section requires appropriate assignment and periodic reviews of access rights. It also recommends disabling expired/inactive accounts supporting the concept of least privilege and least functionality which reduce the attack surface of the system.

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

University officials indicated the student worker assigned management rights in the ERP system was an oversight. University officials also indicated student accounts were not disabled in order to encourage students to return to the University and pursue their educational goals. Further, University officials could not explain why certain users were not included in the user list provided.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2021

CURRENT FINDINGS

2021-014 FINDING: INADEQUATE CONTROLS OVER ACCESS RIGHTS

(Continued)

Without proper assignment and review of access rights, there is a greater risk of unauthorized access to University resources. In addition, failure to remove student access rights after a defined period of separation increases the likelihood and opportunities for unauthorized access to University resources. Further, without the University providing a complete and accurate population record, the auditors were unable to conclude whether the controls are working as intended and provide useful and relevant feedback to the General Assembly regarding the University's control over access rights. (Finding Code No. 2021-014)

RECOMMENDATION

We recommend the University re-evaluate its procedures for the assignment of access rights to its ERP system users and regularly re-determine if the rights granted remain appropriate. Also, we recommend the University maintain an accurate listing of ERP users. We further recommend the University establish a period of separation/inactivity after which student accounts are disabled.

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation.

The University will explore appropriate options for improving the process of ensuring accuracy and appropriateness of user access to University systems.

Student accounts are planned for inclusion in a multi-year effort to comprehensively reconstruct the University's account lifecycle management standards and processes, including acknowledgement in the Information Security Policy.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2021

CURRENT FINDINGS

2021-015 FINDING: WEAKNESSES WITH PAYMENT CARD INDUSTRY DATA SECURITY STANDARDS

Governors State University (University) had not completed all requirements to demonstrate full compliance with the Payment Card Industry Data Security Standards (PCI DSS).

In Fiscal Year 2021, the University accepted approximately 18,900 credit card transactions estimated at \$14.5 million.

Upon review of the University's efforts to ensure compliance with PCI DSS, we noted the University had not:

- established formal policies dedicated to the processing of PCI transactions,
- completed any formal assessments of each location accepting credit card payments, including the appropriate Self-Assessment Questionnaire (SAQ) and certifying compliance,
- ensured all employees involved in the processing of cardholder data received annual security training,
- maintained documentation verifying PCI DSS compliance of each service provider,
- performed an annual inventory/review of all payment points, terminal locations (including equipment type and serial numbers), along with review of responsible employees using the equipment, and
- ensured all terminals accept Europay, Mastercard and Visa (EMV) compliant credit cards.

PCI DSS was developed to detail security requirements for entities that store, process, or transmit cardholder data. Cardholder data is any personally identifiable data associated with a cardholder. To assist merchants in the assessments of their environment, the PCI Council has established Self-Assessment Questionnaires (SAQ) for validating compliance with PCI's core requirements.

In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation.

University officials indicated formal policies dedicated to PCI compliance were not adopted due to time constraints. University officials also indicated they had commenced the annual inventory/review for Fiscal Year 2021; however, due to resource limitations and a new process,

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2021

CURRENT FINDINGS

2021-015 FINDING: WEAKNESSES WITH PAYMENT CARD INDUSTRY DATA SECURITY STANDARDS (Continued)

were unable to finish and certify compliance with PCI DSS. University officials further indicated they had monitored compliance of its service providers; however, they were unaware of the need to retain documentation of the monitoring. Also, University officials indicated the non-EMV compliant credit card readers were not removed due to time constraints.

Failure to establish formal policies and maintain proper controls and procedures to handle and protect confidential and personally identifiable information could result in identity theft or the loss of credit card data or loss of the right to utilize certain credit card providers if not in compliance with current PCI standards. Failure to maintain PCI approved and EMV compliant terminals increases the risk of unauthorized disclosure of cardholder data. (Finding Code No. 2021-015)

RECOMMENDATION

We recommend the University:

- Establish policies dedicated to the processing of PCI transactions. Such policies would establish the framework for procedures to ensure PCI DSS compliance.
- At least annually, assess each location accepting credit card payments and match the method of acceptance to the appropriate SAQ and complete the appropriate SAQ(s) for its environment and maintain documentation supporting its validation efforts.
- Provide annual security training to employees involved in the processing of cardholder data.
- Document the PCI DSS compliance of each service provider.
- Complete an annual inventory/review of all payment points, terminal locations (including equipment type and serial numbers), along with review of responsible employees using the equipment.
- Perform an upgrade of non-EMV compliant credit card readers.

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation.

A separate PCI DSS policy is planned as part of the Information Security Program (currently under internal review prior to submission for approval) and will be accompanied by appropriate standards and procedures.

The University's Office of Information Technology Services (ITS) has hired an Extra Help employee to assist with compliance efforts including initial PCI DSS compliance. ITS is continuing its efforts with two of the University's most complex merchants and is currently evaluating solutions to enable continued telephone transactions while being able to maintain compliance with PCI regulations.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2021

CURRENT FINDINGS

**2021-015 FINDING: WEAKNESSES WITH PAYMENT CARD INDUSTRY DATA
SECURITY STANDARDS (Continued)**

The University's verification of service providers' PCI compliance will be documented going forward.

An inventory of all payment devices considered "in scope" will be built and maintained, along with complete scoping and data-flow diagrams for each merchant as part of the initial and yearly compliance process. This has already been completed for one of the two aforementioned merchants. Per PCI requirements, all policies, processes, and listing of applicable staff will be documented and maintained.

The procurement process to replace the non EMV compliant payment terminals was initiated in August 2021 and the new EMV compliant terminals are now in place.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2021

PRIOR FINDINGS NOT REPEATED

A **FINDING: Failure to Meet Earmarking Requirements for Head Start Program**

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

During the current examination period, the U.S. Department of Health and Human Services (Department) suspended the enrollment requirements for the Program due to the COVID-19 pandemic. The Department will begin monitoring enrollment again beginning January 2022. (Finding Code No. 2020-003, 2019-001, 2018-010, 2017-004, 2016-007, 2015-002, 2014-003)

B **FINDING: Inadequate Controls over Computers and Equipment**

During the prior examination, the University did not comply with requirements applicable to its computers and other equipment.

During the current examination, our sample testing did not identify any significant instances of the University not complying with the requirements applicable to its computers and equipment. (Finding Code No. 2020-007, 2019-012, 2018-018, 2017-009, 2016-010)

C **FINDING: Illinois Articulation Initiative**

During the prior examination, the University did not submit a minimum of one course per major under the Illinois Articulation Initiative (Initiative) for some majors offered by the University.

During the current examination, the University submitted at least one course per major under the Initiative. (Finding Code No. 2020-008)

**GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
STATE COMPLIANCE EXAMINATION
For the Year Ended June 30, 2021**

DISCLOSURES REPORT

SUMMARY

A reading of the accompanying report components of Governors State University was performed by Borschnack, Pelletier & Co., CPAs.

ACCOUNTANT'S REPORT

The accountants did not conclude an omission or uncorrected material misstatement of the other information exists in the Independent Accountant's Report on Disclosures Accompanying a State Compliance Examination Report.

EXIT CONFERENCE

Governors State University waived an exit conference in a correspondence from Ms. Villalyn Baluga, Associate Vice President for Finance, on June 14, 2022.

INDEPENDENT ACCOUNTANT'S REPORT ON DISCLOSURES
ACCOMPANYING A STATE COMPLIANCE EXAMINATION REPORT

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Trustees
Governors State University

Disclosures Accompanying a State Compliance Examination Report

Management of Governors State University (University) is responsible for the *Disclosures Accompanying a State Compliance Examination Report* (other information), which consists of the Fiscal Schedules and Analysis and Analysis of Operations report components as listed in the Table of Contents. The other information comprises disclosures which must be presented by management in accordance with *Report Components* memorandum published by the Auditor General of the State of Illinois, but does not include our *Independent Accountant's Report on State Compliance and on Internal Control over Compliance* found in the separate *State Compliance Examination Report* included within this document. Our opinion on the University's State compliance and internal control over compliance does not cover this other information, and we do not express an opinion or any form of assurance thereon.

In connection with our examination of the University, our responsibility is to read the other information and consider whether:

- 1) a material inconsistency exists between the other information and our knowledge and facts of the University we obtained as part of the University's State compliance examination;
- 2) the other information appears to have been omitted; or,
- 3) the other information appears to be materially misstated.

If, based on the work performed, we concluded an omission or uncorrected material misstatement of the other information exists, we are required to describe it in this report.

SIGNED ORIGINAL ON FILE

Kankakee, IL
June 27, 2022

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES

Expenditure Authority for Fiscal Year 2021
For the Fifteen Months Ended September 30, 2021

	Expenditure Authority (Net of Transfers)	Expenditures through 6/30/21	Lapse Period Expenditures 7/01 - 9/30/21	Total Expenditures 15 Months ended 9/30/2021	Balances Lapsed 9/30/2021
Public Act 101-0637					
Education Assistance Fund - 007:					
Operational expenses	\$ 23,193,600	\$ 23,193,600	\$ -	\$ 23,193,600	\$ -
Total Education Assistance Fund - 007	<u>\$ 23,193,600</u>	<u>\$ 23,193,600</u>	<u>\$ -</u>	<u>\$ 23,193,600</u>	<u>\$ -</u>
Total Appropriated Funds	<u>\$ 23,193,600</u>	<u>\$ 23,193,600</u>	<u>\$ -</u>	<u>\$ 23,193,600</u>	<u>\$ -</u>

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the University's records and have been reconciled to the State Comptroller's records as of September 30, 2021.

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

As further described in the Independent Accountant's Report on Disclosures Accompanying a State Compliance Examination Report, the accountants do not express an opinion or any form of assurance on this report component.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,
EXPENDITURES, AND LAPSED BALANCES
For the Fiscal Year Ended June 30,

	2021	2020
APPROPRIATED FUNDS		
Education Assistance Fund - 007:		
Expenditure Authority:	\$ 23,193,600	\$ 23,193,600
Expenditures:		
Operational expenses	23,193,600	23,193,600
Total Expenditures	23,193,600	23,193,600
Balances Lapsed	\$ -	\$ -
TOTAL APPROPRIATED FUNDS		
Expenditure Authority	\$ 23,193,600	\$ 23,193,600
Expenditures	23,193,600	23,193,600
Balances Lapsed	\$ -	\$ -
GRAND TOTAL - ALL FUNDS		
Expenditures	\$ 23,193,600	\$ 23,193,600

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the University's records and have been reconciled to the State Comptroller's records as of September 30, 2021 and September 30, 2020.

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 University received appropriations during Fiscal Year 2021 from Public Act 101-0637. In addition, the University received appropriations during Fiscal Year 2020 from Public Act 101-0007.

As further described in the Independent Accountant's Report on Disclosures Accompanying a State Compliance Examination Report, the accountants do not express an opinion or any form of assurance on this report component.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
COMPARATIVE SCHEDULE OF NET EXPENDITURES BY MAJOR ACTIVITY
For the Fiscal Year Ended June 30,

	2021	2020
EXPENDITURE STATISTICS		
All State Treasury Funds		
Total Operating Expenditures:	\$ 23,193,600	\$ 23,193,600
Percentage of Total Expenditures:	100%	100%
Personal services	22,537,400	22,537,400
Other payroll costs	656,200	656,200
GRAND TOTAL - ALL EXPENDITURES:	\$ 23,193,600	\$ 23,193,600

Note 1: Expenditures were obtained from the University's records and have been reconciled to the State Comptroller's records as of September 30, 2021 and September 30, 2020.

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

As further described in the Independent Accountant's Report on Disclosures Accompanying a State Compliance Examination Report, the accountants do not express an opinion or any form of assurance on this report component.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Year Ended June 30, 2021

Fiscal Year 2021 Compared to Fiscal Year 2020

Education Assistance Fund - 007

Personal Services and Group Insurance

There were no significant variations in expenditures during Fiscal Year 2021 as the University was provided the same level of State appropriations.

As further described in the Independent Accountant's Report on Disclosures Accompanying a State Compliance Examination Report, the accountants do not express an opinion or any form of assurance on this report component.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING
For the Year Ended June 30, 2021

Education Assistance Fund – 007

Personal Services and Group Insurance

There was no significant lapse period spending during the lapse period for Fiscal Year 2021.

As further described in the Independent Accountant's Report on Disclosures Accompanying a State Compliance Examination Report, the accountants do not express an opinion or any form of assurance on this report component.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF CHANGES IN PROPERTY
For the Year Ended June 30, 2021

	<u>Balance</u> <u>June 30, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Net</u> <u>Transfers</u>	<u>Balance</u> <u>June 30, 2021</u>
Property					
Land and land improvements	\$ 1,389,086	\$ -	\$ -	\$ -	\$ 1,389,086
Site improvements	9,657,646	98,005	-	836,247	10,591,898
Buildings and building improvements*	155,841,479	236,835	-	-	156,078,314
Equipment *	33,589,904	1,404,911	524,986	-	34,469,829
	<u>\$ 200,478,115</u>	<u>\$ 1,739,751</u>	<u>\$ 524,986</u>	<u>\$ 836,247</u>	<u>\$ 202,529,127</u>
Construction in Progress					
Construction in progress	\$ 4,505,758	\$ 1,585,890	\$ -	\$ (241,446)	\$ 5,850,202
	<u>\$ 4,505,758</u>	<u>\$ 1,585,890</u>	<u>\$ -</u>	<u>\$ (241,446)</u>	<u>\$ 5,850,202</u>

Note 1: These balances were obtained from the University's records and have been reconciled to the University's quarterly *Agency Report of State Property* reports submitted to the Office of the State Comptroller for the year ended June 30, 2021.

Note 2: This schedule was prepared from State property records as required by the Illinois Administrative Code (Code) and the Statewide Accounting Management System (SAMS). The capitalization policy required by the Code and SAMS is different from the capitalization policy established by the Office of the State Comptroller for financial reporting in accordance with generally accepted accounting principles (GAAP).

As further described in the Independent Accountant's Report on Disclosures Accompanying a State Compliance Examination Report, the accountants do not express an opinion or any form of assurance on this report component.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
ANALYSIS OF SIGNIFICANT VARIATIONS IN ACCOUNT BALANCES
For the Year Ended June 30, 2021

Fiscal Year 2021 Compared to Fiscal Year 2020

The University's Fiscal Year 2021 Statement of Net Position and Statement of Revenue, Expenses, and Changes in Net Position can be found on pages 18 and 19, respectively, within its separately released Fiscal Year 2021 financial audit report. Additionally, the University's Fiscal Year 2020 Statement of Net Position and Statement of Revenue, Expenses, and Changes in Net Position can be found on pages 16 and 17, respectively, within its previously released Fiscal Year 2020 financial audit report.

Statement of Net Position

Current Assets

Current assets, consisting mostly of cash and cash equivalents, and receivables, slightly decreased as of June 30, 2021 as compared to 2020. The slight decrease was mostly attributable to the \$3.8 million net decrease in restricted cash and investments as the proceeds from the Certificates of Participation issued by the University during Fiscal Year 2019 were spent for deferred maintenance projects; the \$0.6 million decrease in accounts receivable mainly due to timing of payments from students, and increase in the related allowance for doubtful accounts; the \$2.0 million decrease in amount due from Capital Development Board (CDB) as the receivable was fully reimbursed by CDB to the University during Fiscal Year 2021; and the \$5.0 million decrease in State appropriation receivable mainly due to timely receipt of appropriations from the State of Illinois. At the end of Fiscal Year 2021, the University received 100% of its Fiscal Year 2021 appropriation from the State of Illinois. These decreases were partially offset by the \$7.6 million increase in cash and cash equivalents mostly due to the overall increase in the University's net position during the fiscal year, timing of vendor payments, and timing of collections from students; the \$2.9 million increase in grants receivable due to the overall increase in Federal and State grant funding associated with the COVID-19 relief grants, and the related timing of receipt of funds from the grantors; \$0.2 million increase in inventories mostly related to COVID-19 supplies; and the \$0.6 million increase in other assets mostly due to prepaid expenses related to software subscriptions.

Noncurrent Assets - Capital Assets

The \$0.8 million net increase in noncurrent capital assets was due to the \$5.5 million costs incurred during Fiscal Year 2021 in connection with the various deferred maintenance projects and acquisitions of equipment, computer software and library collections. This increase was partially offset by the \$4.7 million depreciation expense recognized during Fiscal Year 2021.

Noncurrent Assets - Other

Other noncurrent assets consist primarily of the long-term portion of student loans receivable and prepaid debt service insurance. The \$0.4 million decrease in noncurrent assets - other was mostly attributable to the \$0.3 million decrease in student loans receivable due to loan

As further described in the *Independent Accountant's Report on Disclosures Accompanying a State Compliance Examination Report*, the accountants do not express an opinion or any form of assurance on this report component.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
ANALYSIS OF SIGNIFICANT VARIATIONS IN ACCOUNT BALANCES
For the Year Ended June 30, 2021

collections. The U.S. Department of Education curtailed the awarding of any Federal Perkins Loans after September 30, 2017; thus, are expected to decline in coming years as existing Federal Perkins Loans are repaid by students without replacement of new loans to students. In addition, prepaid debt service insurance decreased by \$0.1 million due to the amortization expense recognized during Fiscal Year 2021.

Deferred outflows of resources

The University recognizes deferred outflows of resources related to pensions and other postemployment benefits (OPEB) in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transitions for Contributions Made Subsequent to the Measurement Date*, and GASB Statement No.75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The \$0.1 million decrease was mostly attributable to the decrease in the deferred outflows of resources related to OPEB as the percentage of contributions after the measurement date related to retirees decreased by 10%, coupled with the decrease in the actuarially determined changes in assumptions during Fiscal Year 2021.

Current Liabilities

Current liabilities include accounts payable, accrued compensated absences, unearned revenue, and the current portion of long-term liabilities, which are payable in less than one year. The \$0.4 million decrease in current liabilities was mostly attributable to the \$1.2 million decrease in accounts payable primarily due to timing of vendor payments and student refunds; partially offset by the \$0.6 million increase in unearned revenue primarily due to the higher level of collections during the fiscal year that are attributable to the tuition and fees for the following fiscal year, the deferral of revenues related to the AIM HIGH grant funding that were provided by the Illinois Student Assistance Commission to the University in advance; and the \$0.2 million increase in intangible asset payable due to additional acquisitions of computer software through multi-year licensing agreements.

Noncurrent Liabilities

Noncurrent liabilities are liabilities with due dates beyond one year, which include accrued compensated absences, refundable grants, revenue bonds payable, notes payable, certificates of participation, intangible asset payable and the OPEB liability. The \$5.2 million decrease in noncurrent liabilities was mostly attributable to the 3.2 million in principal payments made on existing debts; the \$2.4 million decrease in the University's allocated share of the State's OPEB liability as of June 30, 2021; and the \$0.4 million decrease in refundable grants primarily due to the return of the Perkins Loan Program's excess funds to the Department of Education during Fiscal Year 2021. These decreases were partially offset by the \$0.7 million increase in accrued compensated absences due to minimal usage of compensable benefits during the COVID-19 pandemic, and the 2.75% across the board salary increase approved by the University's Board of Trustees during the Fiscal Year 2021.

As further described in the *Independent Accountant's Report on Disclosures Accompanying a State Compliance Examination Report*, the accountants do not express an opinion or any form of assurance on this report component.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
ANALYSIS OF SIGNIFICANT VARIATIONS IN ACCOUNT BALANCES
For the Year Ended June 30, 2021

Deferred inflows of resources

The University recognizes deferred inflows of resources related to OPEB in accordance with GASB Statement No. 75. During Fiscal Year 2021, these deferred inflows of resources resulted from differences between expected and actual experience, changes in actuarial assumptions and changes in the proportion of contributions used as the basis for allocating the State's OPEB liability and related amounts, which are then amortized to smooth the effect of these changes over several years. Deferred inflows of resources decreased by \$15.5 million mainly due to the effects of the prior period adjustments related to OPEB as discussed under analysis of Statement of Revenue, Expenses, and Changes in Net Position analysis and as disclosed under Note 16 to the Financial Statements.

Statement of Revenue, Expenses, and Changes in Net Position

Operating Revenues

Net student tuition and fees decreased by \$1.4 million mostly due to a 4% decrease in credit hours from 104,643 in Academic Year 2019-2020 to 100,393 in Academic Year 2020-2021. Grants and contracts decreased by \$0.2 million mostly due to the \$0.9 million decrease in federal grants and contracts as the physical therapy and mental health counseling programs under the Health Professions Students from Disadvantaged Backgrounds grant ended during Fiscal Year 2020, partially offset by the \$0.7 million increase in State grants and contracts primarily due to new grants and increased funding on existing grants received by the University from the State during Fiscal Year 2021. Auxiliary enterprises decreased by \$1.7 million mostly attributable to the decreases in housing, parking and center for performing arts revenues as the operations of these auxiliary enterprises were significantly impacted by the COVID-19 pandemic during Fiscal Year 2021. Other operating revenues decreased by \$0.8 million primarily due to the overall economic challenges caused by the COVID-19 pandemic.

Operating Expenses

Salaries and benefits, representing the University's largest operating expense, increased by \$28.9 million mostly due to the significant increase in expenses recognized for the University's proportionate share of State funded health care, retirement, and other postemployment benefits, coupled with the 2.75% across the board salary increase during Fiscal Year 2021. Student aid increased by \$1.2 million mostly due to the increase in the Federal and State nonoperating grants attributable to the various COVID-19 relief grant funding received from the Federal Government, and the Illinois AIM HIGH grant. Capital expenditures increased by \$1.0 million as the University continues with its deferred maintenance project initiatives that were delayed during the budget impasse. These increases were partially offset by the \$2.9 million decrease in services, supplies and other, primarily as a result of reduction in activities due to the COVID-19 pandemic.

As further described in the *Independent Accountant's Report on Disclosures Accompanying a State Compliance Examination Report*, the accountants do not express an opinion or any form of assurance on this report component.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
ANALYSIS OF SIGNIFICANT VARIATIONS IN ACCOUNT BALANCES
For the Year Ended June 30, 2021

Nonoperating Revenues (Expenses)

The University received the same level of State appropriation revenue from the State of Illinois during Fiscal Years 2021 and 2020.

Payments made on behalf of the University increased by \$2.4 million primarily due to the increase in the University's proportionate share of State funded health, life, and dental insurance benefits for active University employees increasing from 55.35% to 65.39% of costs incurred.

Fringe benefits under special funding situation increased by \$18.8 million primarily due to the \$13.8 million increase in the University's proportionate share of State funded health, life, and dental insurance benefits for retired University employees, and the \$5.0 million increase in the University's proportionate share in the State funded retirement benefits.

Federal and State nonoperating grant revenues increased by \$6.2 million primarily due to the increase in the COVID-19 relief grant funding received from the Federal Government, and the Illinois AIM HIGH grant.

Investment income decreased by \$0.9 million as the invested proceeds of Certificates of Participation, Series 2018 issued by the University during Fiscal Year 2019 were expended for deferred maintenance projects during Fiscal Year 2021; thus, lower cash balances were available for investments. In addition, money market interest rates significantly declined during Fiscal Year 2021 due to the COVID-19 pandemic.

Capital appropriations and grants provided by State of Illinois increased by \$1.5 million primarily due to the additional project expenditures incurred for various CDB-funded projects (main building roofing, campus roadway and sidewalk improvements, piping, and arts in architecture projects) that are ongoing during Fiscal Year 2021.

Prior Period Adjustment

As disclosed in Note 16 to the Financial Statements, the University restated its beginning net position during Fiscal Year 2021. The \$16.9 million restatement was mostly attributable to an error correction that occurred due to the Illinois State Toll Highway Authority (Tollway) and the State of Illinois, Department of Central Management Services not separately stating OPEB balances for Tollway employees who only partake in the State Employees Group Insurance Program (SEGIP) upon their retirement from the Tollway from other employees accounted for within SEGIP's cost-sharing proportionate share allocation of OPEB balances. This error impacted SEGIP's cost-sharing proportionate share allocation, which is used by the State of Illinois' agencies and public universities to record their OPEB activity. At the University, this correction also impacted the beginning OPEB liability and the related deferred inflows of resources and deferred outflows of resources. The University also restated its net position for the adoption of GASB Statement No. 84.

As further described in the *Independent Accountant's Report on Disclosures Accompanying a State Compliance Examination Report*, the accountants do not express an opinion or any form of assurance on this report component.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF SOURCES AND APPLICATIONS –
INDIRECT COST REIMBURSEMENTS
For the Year Ended June 30, 2021

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, 2021 are used to meet budgeted operational costs in Fiscal Year 2022. 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, 2021:

	<u>Indirect Costs</u>	<u>Administrative Overhead</u>	<u>Total</u>
Balance at June 30, 2020	\$ 1,948,824	\$ 106,581	\$ 2,055,405
Add: Sources			
Recovered from grants and contracts	522,218	-	522,218
Financial aid program reimbursements	-	55,664	55,664
Total sources	<u>522,218</u>	<u>55,664</u>	<u>577,882</u>
Less: Applications			
Personal services	13,893	12,956	26,849
Contractual services	137,128	-	137,128
Commodities	1,133	675	1,808
Equipment	1,047	-	1,047
Others	198,054	-	198,054
Total applications	<u>351,255</u>	<u>13,631</u>	<u>364,886</u>
Balance at June 30, 2021	<u>\$ 2,119,787</u>	<u>\$ 148,614</u>	<u>\$ 2,268,401</u>

As further described in the *Independent Accountant's Report on Disclosures Accompanying a State Compliance Examination Report*, the accountants do not express an opinion or any form of assurance on this report component.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
AUXILIARY ENTERPRISES, ACTIVITIES AND ACCOUNTING ENTITIES
For the Year Ended June 30, 2021

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 textbooks and supplies to students. The bookstore is managed under contract by a third party whereby the University receives commission revenue from operations.
 - Parking provides operation and maintenance of University parking facilities. Revenues are generated from user fees.
 - 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.

As further described in the *Independent Accountant’s Report on Disclosures Accompanying a State Compliance Examination Report*, the accountants do not express an opinion or any form of assurance on this report component.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
COMPARATIVE SCHEDULE OF INCOME FUND REVENUES AND EXPENDITURES
For the Years Ended June 30, 2021 and 2020

	2021	2020
Income fund revenues:		
Student tuition and fees	\$ 36,075,791	\$ 36,239,523
Investment income	59,001	741,541
Miscellaneous		4,556
Total income fund revenues	\$ 36,134,792	\$ 36,985,620
Income fund expenditures:		
Personal services (including change in accrued compensated absences)	\$ 22,315,608	\$ 20,100,213
Medicare and benefits	1,424,382	1,445,355
Contractual services	6,463,731	7,567,652
Travel	4,748	187,310
Commodities	387,872	601,426
Equipment and permanent improvements	726,719	507,877
Telecommunications services	134,859	148,451
Operation of automotive equipment	52,002	48,862
Miscellaneous expenditures	6,562	-
Awards, grants and matching funds	518,667	900,234
Tuition and fee waivers	2,402,792	2,089,341
Debt services transfer	60,640	48,181
Total income fund expenditures	\$ 34,498,582	\$ 33,644,902

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

As further described in the Independent Accountant's Report on Disclosures Accompanying a State Compliance Examination Report, the accountants do not express an opinion or any form of assurance on this report component.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
BALANCE SHEETS - AUXILIARY ENTERPRISES AND ACTIVITIES ENTITIES
AS OF JUNE 30, 2021

	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	\$ 254,845	\$ 6,136	\$ 5,265,396	\$ -	\$ 2,381,019	\$ 7,907,396
Accounts receivable, net	239,122	-	371,732	-	-	610,854
Inventories	-	-	209,203	105,301	-	314,504
Prepaid debt service insurance	6,110	-	-	-	-	6,110
Buildings and improvements, net	4,257,379	4,930,854	20,023,462	70,248	-	29,281,943
Housing, net	17,824,792	-	-	-	-	17,824,792
Parking lots, net	1,784,365	-	-	-	-	1,784,365
Equipment, net	198,327	34,417	-	198,168	-	430,912
Total assets	24,564,940	4,971,407	25,869,793	373,717	2,381,019	58,160,876
Liabilities						
Accounts payable	486,171	7,257	588,058	21,260	112,618	1,215,364
Revenue bonds payable	21,262,947	-	-	-	-	21,262,947
Unearned revenue	207,564	-	414,562	-	-	622,126
Total liabilities	21,956,682	7,257	1,002,620	21,260	112,618	23,100,437
Fund balances						
Other unrestricted funds	(193,658)	(1,121)	4,843,711	84,041	2,268,401	7,001,374
Net investment in capital assets	2,801,916	4,965,271	20,023,462	268,416	-	28,059,065
Total fund balances	2,608,258	4,964,150	24,867,173	352,457	2,268,401	35,060,439
Total liabilities and fund balances	\$ 24,564,940	\$ 4,971,407	\$ 25,869,793	\$ 373,717	\$ 2,381,019	\$ 58,160,876

As further described in the Independent Accountant's Report on Disclosures Accompanying a State Compliance Examination Report, the accountants do not express an opinion or any form of assurance on this report component.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
AUXILIARY ENTERPRISES AND ACTIVITIES ENTITIES
For the Year Ended June 30, 2021

	Auxiliary Enterprises	
	University Facilities System Revenue Bonds	Center for Performing Arts *
Revenues	\$ 5,606,968	\$ 557,974
Expenditures		
Personal services	2,120,113	474,905
Contractual services	1,829,074	54,581
Commodities	203,847	22,629
Equipment	488	3,835
Other	1,280,706	944
Total expenditures	5,434,228	556,894
Excess of revenues over expenditures	172,740	1,080
Fund balance (deficit), beginning of year	2,435,518	(2,201)
Fund balance (deficit), end of year	\$ 2,608,258	\$ (1,121)

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

As further described in the Independent Accountant's Report on Disclosures Accompanying a State Compliance Examination Report, the accountants do not express an opinion or any form of assurance on this report component.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
AUXILIARY ENTERPRISES AND ACTIVITIES ENTITIES
For the Year Ended June 30, 2021

	Educational and Student Life Activities *						Total	
	Educational Program	Student Activities	Academic Enhancement	Media	Farm	Telecomm		Others
Revenues	\$ 1,748,684	\$ 694,048	\$ 2,508,085	\$ 447,702	\$ 45,054	\$ -	\$ 394,567	\$ 5,838,140
Expenditures								
Personal services	1,269,925	364,803	-	411,442	-	-	96,213	2,142,383
Contractual services	174,882	425,158	648,969	58,860	3,006	-	609,646	1,920,521
Commodities	25,632	38,943	-	1,617	-	-	17,946	84,138
Equipment	54,080	-	574,136	9,469	-	-	24,551	662,236
Others	63,246	42,250	999,567	-	2,480	-	28,794	1,136,337
Total expenditures	1,587,765	871,154	2,222,672	481,388	5,486	-	777,150	5,945,615
Transfers								
Transfer out	-	-	(2,740,656)	-	-	-	(2,313)	(2,742,969)
Total transfers, net	-	-	(2,740,656)	-	-	-	(2,313)	(2,742,969)
Total expenditures and transfers	1,587,765	871,154	4,963,328	481,388	5,486	-	779,463	8,688,584
Excess (deficiency) of revenues over (under) expenditures and transfers	160,919	(177,106)	(2,455,243)	(33,686)	39,568	-	(384,896)	(2,850,444)
Fund balance (deficit), beginning of year	389,573	854,163	3,940,081	(5,062)	525,360	16,628	1,973,412	7,694,155
Fund balance (deficit), end of year	\$ 550,492	\$ 677,057	\$ 1,484,838	\$ (38,748)	\$ 564,928	\$ 16,628	\$ 1,588,516	4,843,711

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

As further described in the Independent Accountant's Report on Disclosures Accompanying a State Compliance Examination Report, the accountants do not express an opinion or any form of assurance on this report component.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
AUXILIARY ENTERPRISES AND ACTIVITIES ENTITIES
For the Year Ended June 30, 2021

	University Service Departments *			Total
	Business Services	Motor Pool	Mail Service	
Revenues	\$ 241,967	\$ 46,326	\$ 99,105	\$ 387,398
Expenditures				
Personal services	4,124	-	-	4,124
Contractual services	32,482	389	90,133	123,004
Commodities	127,904	-	633	128,537
Other	4,602	45,334	-	49,936
Total expenditures	169,112	45,723	90,766	305,601
Excess of revenues over expenditures and transfers	72,855	603	8,339	81,797
Fund balance (deficit), beginning of year	564	(603)	2,283	2,244
Fund balance, end of year	\$ 73,419	\$ -	\$ 10,622	\$ 84,041

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

As further described in the Independent Accountant's Report on Disclosures Accompanying a State Compliance Examination Report, the accountants do not express an opinion or any form of assurance on this report component.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
AUXILIARY ENTERPRISES AND ACTIVITIES ENTITIES
For the Year Ended June 30, 2021

	Administrative Overhead/Indirect Costs *				Total
	Grants and Contracts	Financial Services **	Financial Aid and Veterans Affairs	Other Activities	
Revenues	\$ 328,273	\$ 26,664	\$ 29,000	\$ 193,945	\$ 577,882
Expenditures					
Personal services	13,893	-	12,956	-	26,849
Contractual services	136,250	-	-	878	137,128
Commodities	1,133	-	675	-	1,808
Equipment	1,047	-	-	-	1,047
Others	7,685	-	-	190,369	198,054
Total expenditures	160,008	-	13,631	191,247	364,886
Excess of revenues over expenditures	168,265	26,664	15,369	2,698	212,996
Fund balance, beginning of year	1,170,681	54,090	52,491	778,143	2,055,405
Fund balance, end of year	\$ 1,338,946	\$ 80,754	\$ 67,860	\$ 780,841	\$ 2,268,401

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

** Formerly called Business Office

As further described in the Independent Accountant's Report on Disclosures Accompanying a State Compliance Examination Report, the accountants do not express an opinion or any form of assurance on this report component.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
FUNCTIONS AND PLANNING
For the Year Ended June 30, 2021

Functions

Governors State University (University or GSU) 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. The University's curricula (baccalaureate through doctoral) are offered through the Colleges of Arts and Sciences, Business, Education, and Health and Human Services.

The University's mission and vision statements are 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.

As further described in the *Independent Accountant's Report on Disclosures Accompanying a State Compliance Examination Report*, the accountants do not express an opinion or any form of assurance on this report component.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
FUNCTIONS AND PLANNING
For the Year Ended June 30, 2021

Consistent with these values, the University actively pursues the following eight primary goals, with the related strategic objectives:

(1) **Academic Excellence:** Provide quality, current and relevant, academic programs.

Strategic Objectives:

- Ensure that all academic programs are up to date, relevant, and in demand, while aligned with professional or discipline standards.
- Utilize continuous improvement processes for increasing the quality of academic programs.
- Provide a campus environment and infrastructure that supports learning/teaching and scholarly/ creative activities.

(2) **Student Success:** Provide equitable pathways to graduation which lead to academic, personal, and career success.

Strategic Objectives:

- Deliver academic support services that advance timely degree completion goals.
- Provide a broad array of extra-academic support services for all GSU students.
- Provide meaningful opportunities for practical career application/experiential learning.

(3) **High Quality Faculty and Staff:** Create a learning environment where highly qualified and diversified faculty and staff are hired and retained.

Strategic Objectives:

- Hire, develop, and retain diverse and exceptional faculty.
- Hire, develop, and retain diverse and exceptional staff.
- Utilize contingent faculty in an effective and strategic manner to address program and student needs.

(4) **Enrollment Optimization:** Implement a strategic enrollment plan consistent with University mission.

Strategic Objectives:

- Optimize enrollment within the framework of the University's Strategic Enrollment Management Plan.
- Increase enrollment of and support for our Hispanic student population.
- Determine and develop course/program delivery modes that support enrollment optimization.

As further described in the Independent Accountant's Report on Disclosures Accompanying a State Compliance Examination Report, the accountants do not express an opinion or any form of assurance on this report component.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
FUNCTIONS AND PLANNING
For the Year Ended June 30, 2021

(5) **Invest in Excellence:** Enhance and diversify revenue streams, serve as a destination for social, cultural, and continuing education, and be an economic catalyst for the region.

Strategic Objectives:

- Increase and diversify revenue streams and external stakeholder investments to grow resources, reach, and reputation.
- Provide opportunities to engage with GSU as a premier community resource/destination.
- Contribute to workforce development and regional economy.

(6) **Social, Ethical and Environmental Responsibility:** Institutional actions and decisions demonstrate a commitment to social, ethical, and environmental responsibility.

Strategic Objectives:

- Demonstrate a commitment to ethics, equity, inclusiveness, diversity, and accountability for all students, faculty, and staff.
- Integrate sustainability, environmental health, ecological stewardship, and environmental justice into campus operations, academic programs, university development, and student life.
- Realize the university's public responsibility to stimulate educational, cultural, environmental, and economic development in Chicagoland and beyond, with particular emphasis on community members historically underserved by higher education.

(7) **Strong Cyber Presence:** Support the people, tools, and environment that are needed to succeed in today's digital world.

Strategic Objectives:

- Infuse information technology excellence across the University by selecting and implementing information and communications platforms and training and support systems that are driven by university priorities and user needs.
- Invest in innovative instructional technologies to deliver and support excellent and accessible academic programs and student services, and build institutional digital expertise through end-user training, development, and recognition.
- Increase GSU's Digital Visibility to promote GSU programs, faculty, and resources through our web presence, social media, news media, and digital marketing.

(8) **Continuous Improvement:** Institutional processes for continuous improvement are guided by evidence-based decision-making to achieve the mission of the University.

As further described in the Independent Accountant's Report on Disclosures Accompanying a State Compliance Examination Report, the accountants do not express an opinion or any form of assurance on this report component.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
FUNCTIONS AND PLANNING
For the Year Ended June 30, 2021

Strategic Objectives:

- Each unit will undergo a strategic planning process resulting in key performance indicators that provide qualitative and quantitative data which demonstrate the unit's contribution toward meeting the goals of the University strategic plan.
- Engage members of the campus community in an examination of campus/unit wide findings and data analysis.
- Inform the campus community about progress toward meeting Strategic Plan goals.

The University is accredited by the Higher Learning Commission of the North Central Association of Colleges and Schools. The University is also a member of the Illinois Council of Baccalaureate and Higher Degree Programs. Each program is accredited by a professional accrediting agency in each case where there is a national accreditation body.

As a campus for both traditional and non-traditional students, the University's main campus, located 35 miles south of Chicago in University Park, is easily accessible by car, the Metra train system, or Pace bus service. The campus is situated on 760 acres of wooded landscape with several lakes, ponds, and nature trails. It is home to the internationally renowned Nathan Manilow Sculpture Park, the Center for Performing Arts, and the Family Development Center. The University boasts a complete library equipped with numerous smart classrooms, a health center that provides both physical and mental health services, a Follett Bookstore, a cafeteria, student housing, and a fully-equipped fitness center with swimming pool. The vast grounds also include a 120 acre environmental research preserve as well as a fully certified organic farm.

The University's Nathan Manilow Sculpture Park is a collection of 30 master works of large-scale sculpture situated within 100 acres of the prairie landscape and is open for public viewing 365 days a year, free of charge. The Park provides programs for adults and children that integrate art and nature and is complimented with our on-site Visual Arts Gallery. The Sculpture Park was founded and is maintained through grants and donations from businesses and individuals.

The University's Center for Performing Arts (CPA) presents more than 50 performances offering diverse, high quality and affordable cultural and arts education experiences to more than 60,000 people. The CPA offers national touring acts, Chicago-based artists and community and academic theatre as well as contributes a vital role in achieving the University's academic mission within the College of Arts and Sciences.

Within the campus, the Family Development Center (FDC) provides university-quality programs for children and their parents. The FDC is an educational experience promoting lifelong learning with programs that model the best practices in Early Childhood Education and draw on the expertise of University faculty and staff in Early Childhood Education, Nursing, Communications Disorders (speech and hearing), Psychology and Counseling. University students in these programs at both the undergraduate and graduate levels are active participants in the FDC. The FDC has been nationally recognized for meeting the highest standards of early childhood education and has been awarded accreditation from the National Association for the Education of Young Children, the nation's leading professional organization working on behalf of young children.

As further described in the Independent Accountant's Report on Disclosures Accompanying a State Compliance Examination Report, the accountants do not express an opinion or any form of assurance on this report component.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
FUNCTIONS AND PLANNING
For the Year Ended June 30, 2021

In 1972, GSU proclaimed its “responsibility to serve the educational needs of low and middle-income and minority students.” In developing its academic programs, the University gives priority to providing instruction designed to meet the educational needs and concerns of those residing in its service region. The University provides access to education for all citizens of the region but gives special emphasis to serving adult, minority, female, and economically disadvantaged students. As a result of this historical commitment to diversity, the University’s student body and full-time faculty members are among the most diverse in the nation.

The University strives to create opportunities for students to transform themselves and change the world. With the University’s commitment to offer an exceptional and accessible education, the University prepares students with the knowledge, skills and confidence to succeed in a global society. In every college, the University has stellar programs and passionate professors, all focused on delivering academic excellence in a small-class setting. An example of our commitment to our mission is the campus-wide effort to support the Dual Degree Program (DDP). This program is a national model for university-community college partnerships, where students receive intensive advising while still at the community college (academic, financial, and social) and guaranteed admission to GSU with a locked-in tuition rate. In 2014, GSU’s DDP was honored with the Student Success and College Completion Award by the American Association of State Colleges and Universities. That same year, the National Resource Center (NRC) for the First Year Experience and Students in Transition also recognized the DDP at GSU with an award during its annual conference. GSU was also awarded the 2015 American Council on Education/Fidelity Investments Award for Institutional Transformation. As an institution that serves undergraduates that are primarily transfer-entry, GSU continues to focus on serving its community while becoming a national leader in this area.

Guided by our six core values, GSU invests in student success through a commitment of mentoring, counseling and a deliberate University focus on student achievement of academic, professional and personal goals including the availability of technology for innovative instruction. GSU continually seeks partnership programs and pursues grant funding to design and implement student services programs for all of our students especially individuals from disadvantaged backgrounds.

The following are the University’s selected service efforts and accomplishments:

	<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>	<u>2020-2021</u>
Student headcount - Fall term (a)	5,819	5,185	4,857	4,789	4,649
Minority enrollment - Fall term (a)	2,937	2,845	2,731	2,794	2,680
Degrees awarded - Fiscal year (a)	1,688	1,559	1,347	1,304	1,038
Credit hours - Academic year (a)	119,937	111,351	104,952	104,643	100,393

As further described in the Independent Accountant’s Report on Disclosures Accompanying a State Compliance Examination Report, the accountants do not express an opinion or any form of assurance on this report component.

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	<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>	<u>2020-2021</u>
Unduplicated headcount - Academic Year (a, c)	7,128	6,347	5,954	5,947	5,651
Annualized tuition and fees (b):					
Undergraduate					
Resident (d)	\$ 8,884	\$ 9,412	\$ 9,772	\$ 10,108	\$ 10,108
Nonresident	\$ 15,412	\$ 16,924	\$ 17,284	\$ 17,620	\$ 17,620
Graduate					
Resident	\$ 7,882	\$ 8,254	\$ 8,068	\$ 8,320	\$ 8,320
Nonresident	\$ 13,408	\$ 14,608	\$ 14,422	\$ 14,674	\$ 14,674

- (a) Per data file extracted by the University's Institutional Research Office each term.
- (b) The calculation uses 12 and 9 credit hours per term for full-time status undergraduate and graduate students, respectively.
- (c) This represents cumulative students for the academic year without double counting students enrolled more than one term.
- (d) Tuition rate used is the rate for new full-time undergraduate students.

After years of positive enrollment trends, the University experienced enrollment declines starting with Academic Year 2016-2017 primarily driven by lack of State confidence and losses in graduate enrollment. As a historically upper-division school, the University developed a strategic plan to facilitate baccalaureate degree completion for its nontraditional enrollment base and enrolled freshman beginning in the fall semester of 2014. The University management team has focused on increasing undergraduate enrollment by leveraging the strong demographics of high school graduates in the Chicago area through admissions and marketing activities and through active coordination with regional feeder community colleges. Recent efforts focused on undergraduate recruitment include the hiring of academic and recruitment advisers to serve at each of the local community colleges, the formalization of the dual-degree program with 17 surrounding community colleges, and expanded marketing efforts. To combat graduate enrollment pressures, expected to continue based on market indications, GSU has added focus with a Director of Graduate Admissions, support staff and international partnership efforts. The University's tuition and fee rates remain to be among the lowest as compared to the other Illinois public universities.

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 was designed to provide general direction for all University initiatives through the 2019-2020 academic year. The University has revised its strategic plan (Strategy 2025) and on February 14, 2020, the University Board of Trustees affirmed the mission, vision, values, and proposed Strategy 2025 goals. The Strategy 2025 was again presented to the University Board of Trustees on August 13, 2021, with the strategic objectives that were developed for each goal. The University's units are in the process of developing their strategic plans to align with the University Strategy 2025.

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Within the larger context set by the University's strategic plan, the annual budget process at the University operates under the general direction of the Planning and Budget Advisory Council (PBAC), a 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 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, PBAC operates the annual budget process. The group develops guidelines consistent with the goals of the University's strategic plan, and procedures and timelines in accordance with which every budget unit of the University develops its budget requests for the fiscal year to come. Public hearings are held at which each unit presents its request and is subject to questions and discussions from the members of the PBAC. Final recommendations are developed and forwarded to the President for her adoption. The President, in turn, forwards final recommendations on tuition and fees and on budgets to the Board of Trustees.

The University relies heavily on State appropriations to fund operations with about half of overall revenue coming from State appropriations, including the special funding situation and on behalf payments for pension and post-retirement benefits. Favorably, State funding has improved after two years of reduced payments (Fiscal Years 2016 and 2017), which led to stressed operating performance and a use of liquid reserves to fund operations. State funding prospects are improved, with stable funding in Fiscal Years 2018 and 2019. The funding increased by 5% in Fiscal Year 2020 and remained at the same level in Fiscal Year 2021. These payments materially improved the University's operating performance and significantly increased liquidity. As a result of the University's planned financial recovery process, including prioritized expense management, the University has recognized surplus results in Fiscal Year 2018 through Fiscal Year 2021, significantly mitigating risks.

As represented in GSU's financial statements, the State of Illinois adopted complete operating budgets for Fiscal Years 2017-2021 providing the University with full funding for general operations. Fiscal Year 2018 operating appropriations totaled \$21.7 million, and the University also retroactively received State appropriation funds for Fiscal Year 2017, equal to \$11.3 million. The total \$33.0 million of State funds were recognized as revenue in Fiscal Year 2018 in accordance with governmental accounting standards; thus, audited operating results are inflated in Fiscal Year 2018. With a modest increase in appropriations and another full accrual, a surplus was realized for Fiscals Year 2019, 2020, and 2021 increasing the University's net position by 15%, 10%, and 21%, respectively. The 21% increase in net position in Fiscal Year 2021 was partly due to the effects of the prior period adjustment related to other postemployment benefits as disclosed under Note 16 to the financial audit report. Net tuition revenue, the second largest revenue source, remains stable. With improved State funding and stabilized enrollment, GSU has slowly filled previously vacant positions, with only modest expense growth. GSU management is not currently planning for significant programmatic expansion at this time, which will further contain operating expense growth. The University has been able to continue with its various initiatives that were delayed during the budget impasse and maintain effective operations. GSU remains focused on

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continuing to build its liquidity through retaining cash flow, while making necessary strategic investments, to prepare for any future State funding impasses. Further information on the University's financial and enrollment highlights can be found on pages 7 through 17 of the Fiscal Year 2021 financial audit report.

Given the difficult budgetary challenges and the uncertainties of stable State appropriations, fund reallocations were considered for new programs and strategic initiatives that promote enrollment growth. University employees have a direct responsibility to align the allocation of resources to invest in priorities and initiatives that support the University's mission and allocate these resources to meet strategic goals. University employees with budgetary authority are expected to monitor revenues and expenses regularly. They are further expected to review budget versus actual reports to proactively assess budget performance and ensure that budgeted revenues are realized and spending is within budgetary authority.

The University's top priorities for the next fiscal year are as follows:

1. Maintain and enhance the academic program enrichment opportunities for both faculty and students at a high level of quality by achieving specialized program accreditation or reaccreditation of all programs where such processes are operative and relevant; achieving recognition, validation of the curriculum and expected program outcomes from external reviewers for programs where no specialized program accrediting agencies exist; developing a staff training program array for professional development, personal enrichment and greater staff retention; expanding the Social Justice Institute to broaden its focus to include research, performing arts, community service, training, post-doctoral fellows and a legal clinic; and assessing and examining the longer term impact of COVID-19.
2. Release of Rebuild Illinois monies for capital renewal and investment. Public Act 101-0029 appropriates \$32,725,000 in funding from the Capital Development Fund to the Capital Development Board (CDB) for the construction of an expansion of academic building E, and other capital improvements at GSU that need funding to be released so the projects can be effectively coordinated to avoid additional costs/reconstruction. It is critical that these funds be released as soon as possible in order to provide state of the art resources and learning environments and to contribute to student success inclusive of more student services as well as places for study, research and collaborative group interactions. Use of Rebuild Illinois funds will enable GSU to recruit and serve more first generation and Illinois students and grow enrollment according to the University's strategic planning.
3. Strategic Student Recruitment and Retention, including partnered efforts with local high schools and community colleges. With the promise of a stabilized State appropriated budget and an Enrollment, Recruitment, and Retention Task Force focused on student success, retention, and institutional growth, GSU was experiencing more predictable enrollment and retention prior to COVID-19. GSU remains a Minority-Serving Institution, one of only a few state universities in Illinois with that designation, with more than half of

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all students a minority race or ethnicity. GSU continues to be on the path for two national distinctions for the diversity of our student body. Designation as a Predominantly Black Institution (PBI) is a Federal designation that signifies more than 40% of our undergraduates are Black or African American. The other designation, determined by the national advocacy and education organization Excelencia in Education recognizes “emerging Hispanic-serving Institutions” (eHSI) which are institutions that serve a significant population of Latinx students and together these designations note the broad diversity of the communities that GSU serves in its region that call Governors State University their university. GSU will respond to the highly competitive marketplace by streamlining and modernizing its recruitment and admissions operations to increase the efficiency and effectiveness of student engagement at the point of entry into the University. The implementation of AIM HIGH assists with the recruiting and retention of high achieving students. Further investments will allow GSU to improve its outreach to some of the most vulnerable populations including transfer students, part-time students, and students who have dropped out / stopped out but can still complete a degree program.

4. Organize and implement new academic, degree-granting programs and other new or expanded academic program options in accordance with the University’s Academic Master Plan, including partnered efforts with local high schools and community colleges, to better meet the educational and employment needs of its region by exploring the development of a 3-year BA/BS and the development of a Dual Enrollment Program; by strengthening and expanding GSU offering of High Impact Practices (HIPS) across all academic programs; and by implementing the recently approved PhD degree designation for the doctorate in Counselor Education and Supervision.
5. Pursue funding for Instructional Design and Technology supporting the implementation of a Strategic Technology Plan designed for 21st Century learning. GSU is seriously concerned about its dated technology infrastructure and security. GSU is in need of new investment funding for Instructional Design & Technology allowing for the implementation of the Strategic Technology Plan designed for 21st Century learning including: infrastructure and cloud services; development and integration of centralized ERP; individual computers with updated software; connected services for recruitment, student applications, admissions, Financial Aid and student communication. This Technology Infrastructure plan will provide state of the art resources including advanced technology-enhanced classrooms and wireless access, resulting in pedagogical support for a digital age, optimized for our students and faculty, supporting collaborative learning environments, interaction analysis, and computational modeling.

Significant Challenges

As discussed above, the University relies heavily on State appropriations to fund operations with about half of overall revenue coming from State appropriations, including the special funding situation and on behalf payments for pension and post-retirement benefits. There can be no assurance that appropriations will continue to be made at the current level or received in a timely

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manner. The University is attempting to rely more on its own resources by increasing fund-raising and attempting to increase enrollment. However, despite such measures, the University cannot continue to operate satisfactorily over time without sufficient State appropriations. The amount of State appropriations and the timely receipt thereof in future fiscal years cannot be predicted and is not controlled by the University. A drastic reduction of State appropriations would have a materially adverse impact on the University.

In March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. During Fiscal Years 2020, 2021, and 2022, the University received various funding under the Federal Government's Coronavirus Aid, Relief, and Economic Security (CARES) Act, the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSAA), and the American Rescue Plan Act of 2021 (ARP). These funds were awarded to institutions of higher education to cover any institutional costs associated with significant changes to the delivery of instruction due to the coronavirus; to defray institutional expenses associated with COVID-19, including lost revenue, reimbursement for expenses already incurred, technology costs associated with a transition to distance education, faculty and staff trainings, and payroll; to provide emergency financial aid grants to students; to support efforts to enroll and retain low-income, underrepresented and first-generation students who might not otherwise enroll or return due to the pandemic, including by closing digital equity gaps; to implement evidence-based practices to monitor and suppress coronavirus in accordance with public health guidelines; and to conduct direct outreach to financial aid applicants about the opportunity to receive a financial aid adjustment due to the recent unemployment of a family member or independent student, or other circumstances, described in section 479A of the Higher Education Act.

COVID-19 may impact various parts of the University's Fiscal Year 2022 and future fiscal years' operations and financial results. Management believes the University is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

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GOVERNORS STATE UNIVERSITY
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NUMBER OF EMPLOYEES
For the Year Ended June 30,

	2021	2020
<u>AVERAGE FULL-TIME EMPLOYEES</u>		
By Function		
Instruction	335.0	324.7
Academic Support	206.7	204.7
Student Services	32.7	35.0
Institutional Support	300.0	327.7
Operation and Maintenance of Plant	51.0	49.7
Auxiliary Activities	8.3	6.0
Total Full-Time Equivalent Employees	933.7	947.8

Note 1: This schedule presents the average number of employees, by function, at the University.

Note 2: Full-time equivalents were prepared in accordance with the State of Illinois, Board of Higher Education's methodology where (1) each employee with a full-time contract is counted as a full-time equivalent and (2) each part-time employee is multiplied by the number of months worked and then divided by 12 to derive their full-time equivalency.

	2021	2020
By Type		
Faculty	335.0	324.7
Academic Professionals	161.0	192.0
Support Staff	308.0	254.3
Other	129.7	176.8
Total Full-Time Equivalent Employees	933.7	947.8

Note 1: This schedule presents the average number of employees, by type, at the University.

Note 2: The other category includes graduate assistants, student workers, and extra-help employees.

Note 3: Full-time equivalents were prepared in accordance with the State of Illinois, Board of Higher Education's methodology where (1) each employee with a full-time contract is counted as a full-time equivalent and (2) each part-time employee is multiplied by the number of months worked and then divided by 12 to derive their full-time equivalency.

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GOVERNORS STATE UNIVERSITY
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COST STATISTICS
For the Year Ended June 30,

	2021	2020
Appropriations Method (Note 1)		
Main Campus		
Total Costs	\$ 23,193,600	\$ 23,193,600
Full-Time Equivalent Students (Note 3)	3,613	3,740
Cost Per Full-Time Equivalent Student	\$ 6,419	\$ 6,201

Instructional Expenses Method (Note 2)

Main Campus

Total Costs	\$ 59,959,445	\$ 43,810,798
Full-Time Equivalent Students (Note 3)	3,613	3,740
Cost Per Full-Time Equivalent Student	\$ 16,595	\$ 11,714

Note 1: The total cost for the appropriations method equals the amount of funds appropriated to the University for the fiscal year. Expenditures related to salaries are prioritized for appropriation funding and vouchered to the State of Illinois accordingly. Instructional costs are greater than the amount of appropriations received.

Note 2: The total cost for the instructional expenses method is total operating expenses related to instruction from the University's Statement of Revenues, Expenses, and Changes in Net Position.

Note 3: 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.

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GOVERNORS STATE UNIVERSITY
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DISCLOSURE OF EMERGENCY PURCHASES
For the Year Ended June 30, 2021

The University did not have any emergency purchases during Fiscal Year 2021; however, the University had one emergency purchase that continued from previous fiscal years. The need for these emergency services also concluded during Fiscal Year 2021.

Immediate Need for Legal Services to Prevent Disruption of the University Services

Obligation Number: Emergency Award Number 040819
Vendor: Burke, Burns & Pinelli, Ltd.
Estimated Amount: \$787,000
Final Amount: \$826,447

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GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
HOUSING BENEFITS
For the Year Ended June 30, 2021

Lodging Provided for the Convenience of the Employer

The University, as a condition of employment with each resident assistant, provides a free room in a four-bedroom single occupancy apartment, so they can immediately respond to emergencies occurring during the academic year. All maintenance and repairs to the room, except for intentional damage or gross negligence, is paid for by the University, along with all utility costs in accordance with each resident assistant's contract. The University has deemed the rooms for its resident assistants as a fringe benefit excluded from taxable income.

The University, as a condition of employment with each faculty-in-residence, provides a 2-bedroom apartment within student housing, to promote interaction between students and faculty through out-of-classroom experiences. All maintenance and repairs to the room is paid for by the University, along with all utilities, cable service and wireless internet. The University has deemed the rooms for its faculty-in-residence as a fringe benefit excluded from taxable income.

Other Lodging

The University provides the University President with a monthly stipend for the purchase, or lease and maintenance, of a personal residence. The stipend is considered a taxable fringe benefit by the University.

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GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
ANALYSIS OF OVERTIME AND COMPENSATORY TIME
For the Year Ended June 30,

FUNCTION	2021	2020
Instruction		
Overtime Hours Paid	239	324
Compensatory Hours Granted	185	499
Total	424	823
Value of Overtime Hours Paid	\$ 7,110	\$ 9,172
Value of Compensatory Hours Granted	3,418	8,893
Total Costs	\$ 10,528	\$ 18,065
Research		
Overtime Hours Paid	-	4
Compensatory Hours Granted	-	-
Total	-	4
Value of Overtime Hours Paid	\$ -	\$ 143
Value of Compensatory Hours Granted	-	-
Total Costs	\$ -	\$ 143
Public Service		
Overtime Hours Paid	39	103
Compensatory Hours Granted	75	53
Total	114	156
Value of Overtime Hours Paid	\$ 1,481	\$ 2,572
Value of Compensatory Hours Granted	1,202	816
Total Costs	\$ 2,683	\$ 3,388
Academic Support		
Overtime Hours Paid	15	84
Compensatory Hours Granted	-	-
Total	15	84
Value of Overtime Hours Paid	\$ 556	\$ 2,684
Value of Compensatory Hours Granted	-	-
Total Costs	\$ 556	\$ 2,684
Student Services		
Overtime Hours Paid	71	151
Compensatory Hours Granted	12	64
Total	83	215
Value of Overtime Hours Paid	\$ 1,989	\$ 5,223
Value of Compensatory Hours Granted	139	1,040
Total Costs	\$ 2,128	\$ 6,263

As further described in the Independent Accountant's Report on Disclosures Accompanying a State Compliance Examination Report, the accountants do not express an opinion or any form of assurance on this report component.

GOVERNORS STATE UNIVERSITY
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ANALYSIS OF OVERTIME AND COMPENSATORY TIME
For the Year Ended June 30,

	<u>2021</u>	<u>2020</u>
Institutional Support		
Overtime Hours Paid	86	298
Compensatory Hours Granted	59	147
Total	<u>145</u>	<u>445</u>
Value of Overtime Hours Paid	\$ 2,800	\$ 9,283
Value of Compensatory Hours Granted	1,213	2,869
Total Costs	<u>\$ 4,013</u>	<u>\$ 12,152</u>
Operation and Maintenance of Plant		
Overtime Hours Paid	7,336	6,844
Compensatory Hours Granted	261	391
Total	<u>7,597</u>	<u>7,235</u>
Value of Overtime Hours Paid	\$ 345,335	\$ 320,157
Value of Compensatory Hours Granted	7,689	11,602
Total Costs	<u>\$ 353,024</u>	<u>\$ 331,759</u>
Auxiliary Enterprises		
Overtime Hours Paid	831	1,478
Compensatory Hours Granted	8	5
Total	<u>839</u>	<u>1,483</u>
Value of Overtime Hours Paid	\$ 32,908	\$ 47,326
Value of Compensatory Hours Granted	345	97
Total Costs	<u>\$ 33,253</u>	<u>\$ 47,423</u>
GRAND TOTAL - UNIVERSITY		
Overtime Hours Paid	8,617	9,286
Compensatory Hours Granted	600	1,159
Total	<u>9,217</u>	<u>10,445</u>
Value of Overtime Hours Paid	\$ 392,179	\$ 396,560
Value of Compensatory Hours Granted	14,006	25,317
Total Costs	<u>\$ 406,185</u>	<u>\$ 421,877</u>

As further described in the Independent Accountant's Report on Disclosures Accompanying a State Compliance Examination Report, the accountants do not express an opinion or any form of assurance on this report component.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
MAJOR CONSTRUCTION PROJECTS
For the Year Ended June 30, 2021

Jaguar Dining Center (Cafeteria) - Equipment/Infrastructure Replacement

The new Jaguar Dining Center officially opened on August 31, 2020. The overhaul of the 17,500-square-foot café features expanded and renovated spaces now serving as cafeteria stations, the dining area, and the kitchen. Renovation began mid-April 2020 and currently features spaced serving stations and socially distanced seating. Although the Dining Center is designed to accommodate over 200 seats, the University currently set the Dining Center so social distancing can be practiced in accordance with the Center for Disease Control (CDC) as well as Illinois Board of Higher Education (IBHE) guidelines. The renovation was substantially completed as of June 30, 2021.

Pathway Lighting (Vehicular/Pedestrian Circulation Renovations)

For campus safety and improvement of vehicular/pedestrian circulation, the University has completed its Alumni Pathway lighting and emergency phones project subsequent to June 30, 2020. This project used solar powered and wired equipment covering 4,200 linear feet. Although maintenance costs are higher for solar powered equipment, lower operating costs offset the higher cost of maintenance. The project was completed as of June 30, 2021.

Building(s) Roof Replacement/Safety Upgrading

Of the 286,000 net square footage of roofing covering the University's main campus complex, over half (163,000 square feet) is over twenty years old. The relationship between fully-functional roofing and the structural soundness of the buildings underneath is self-evident. Construction bids related to the roof replacements of the other buildings (A, B, and the Center for Performing Arts) are being processed through the Illinois Capital Development Board (CDB). The project is ongoing as of June 30, 2021.

Deteriorating Piping/Domestic Water Line Replacement and Washroom Upgrade

This project is to replace corroded domestic water pipes, sewer, and storm drains in buildings A through E, as well as remodel/upgrade the washrooms. This project is planned for a phased approach; it is estimated to take three to four years to complete; and is currently being coordinated by the University and the CDB.

Campus Roadway and Sidewalk Improvements

Projects replacing and renovating campus roadways and sidewalks are currently being coordinated by the University and the CDB.

As further described in the Independent Accountant's Report on Disclosures Accompanying a State Compliance Examination Report, the accountants do not express an opinion or any form of assurance on this report component.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
MAJOR CONSTRUCTION PROJECTS
For the Year Ended June 30, 2021

HVAC Replacement and Upgrade

A number of the University's boilers, HVAC equipment, and RTU (Roof-top Units) have ongoing issues because of poor design, improper ductwork, air distribution, and the age of the equipment. Replacements are necessary to bring the University's facility up to current code, as well as creating greater safety and efficiency.

As further described in the *Independent Accountant's Report on Disclosures Accompanying a State Compliance Examination Report*, the accountants do not express an opinion or any form of assurance on this report component.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SPECIAL DATA REQUIREMENTS FOR UNIVERSITY ENGAGEMENTS
For the Year Ended June 30, 2021

Purpose

In accordance with a July 25, 2000, memorandum from the Office of the Auditor General entitled “*Matters Regarding University Audits*”, certain supplemental data is required to be reported for University engagements. The table below cross references the requirements (indicated by number and letter paragraph references) to the University financial audit and compliance examination reports for the year ended June 30, 2021, where such special data is found.

Compliance Findings

13(a) There were no violations of the compliance requirements of the *University Guidelines* identified during the financial audit and compliance examination of the University for the year ended June 30, 2021.

Indirect Cost Reimbursements

13(b) A statement of the sources and application of indirect cost recoveries is presented on page 57 within this report.

13(c) The University’s calculation sheet for indirect cost carryforward and any required remittance to the University’s Income Fund is presented within this report on page 89.

Tuition Charges and Fees

13(d) There were no diversions of tuition revenues to auxiliary enterprise operations identified during the financial audit and compliance examination of the University for the year ended June 30, 2021.

Auxiliary Enterprises, Activities and Accounting Entities

13(e) An identification of each specific accounting entity and a description of each entity’s sources of revenues and purpose are presented within this report on page 58.

13(f) The present financial statements for each accounting entity are presented on pages 60 through 64 within this report. These financial statements should be read in conjunction with the University’s audited financial statements for the year ended June 30, 2021.

13(g) The University’s calculation sheets for current excess funds within each accounting entity and any required remittance to the University’s Income Fund are presented within this report on page 88.

As further described in the *Independent Accountant’s Report on Disclosures Accompanying a State Compliance Examination Report*, the accountants do not express an opinion or any form of assurance on this report component.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SPECIAL DATA REQUIREMENTS FOR UNIVERSITY ENGAGEMENTS
For the Year Ended June 30, 2021

13(h) The following is a schedule of indirect subsidies to Auxiliary Enterprises and Activities for the year ended June 30, 2021:

Auxiliary Enterprises:	
University Facilities System Revenue Bonds	\$ 1,740,607
Center for Performing Arts	389,896
	<u>\$ 2,130,503</u>
Activities:	
Educational and Student Life Activities	\$ 1,758,892
University Service Departments	3,386
	<u>\$ 1,762,278</u>

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, 2021.

13(i) The present financial statements for Housing, the Student Center, Bookstore, Parking, Food Service and Vending entities which are covered by a bond indenture are presented on pages 70-72 in the financial audit report. A description of the Housing, the Student Center, Bookstore, Parking, Food Service and Vending entities' sources of revenues and purpose are presented within this report on page 58.

13(j) There were no violations of the University's bond covenants identified during the financial audit and compliance examination for the year ended June 30, 2021.

13(k) The University does not currently have any non-instructional facilities reserves established by the University's Board of Trustees.

University Related Organizations (UROs)

13(l) The University recognizes the Governors State University Foundation (Foundation) as a University Related Organization. The University does not have any "Independent Organizations" under 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 86 of this report for details related to services and support provided.

As further described in the *Independent Accountant's Report on Disclosures Accompanying a State Compliance Examination Report*, the accountants do not express an opinion or any form of assurance on this report component.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SPECIAL DATA REQUIREMENTS FOR UNIVERSITY ENGAGEMENTS
For the Year Ended June 30, 2021

- 13(n) The University does not pay the Foundation for services provided. Compensation is in the form of services and facilities provided. See footnote 11 on page 62 of the financial audit report for details related to services and support provided.
- 13(o) As of June 30, 2021, 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.

Other Topics

- 13(q) The University's cash and cash equivalents are disclosed within the financial audit report in Notes 3 and 4 on pages 34-38. The University's investments are disclosed within the financial audit report in Notes 3 and 4 on pages 34-38.
- 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) The cost per full-time equivalent student, prepared in accordance with the requirements of the State of Illinois, Board of Higher Education, is presented within this report on page 76.
- 13(t) The University and its Foundation did not purchase any real estate with an acquisition cost in excess of \$250,000 that was not funded by a separate, specific appropriation from the General Assembly.
- 13(u) The University's Certificate of Participation issuances are disclosed within the financial audit report in Note 9 on pages 55-61.

Other Schedules

- 13(1) An analysis of State appropriations to the University is presented on pages 47 through 49 within this report. In addition, the University's analysis of significant variations in expenditures and significant spending during the Lapse Period is presented within this report on page 50 and 51, respectively.
- 13(2) A Comparative Schedule of Revenues and Expenses for the University's Income Fund is presented on page 59 within this report.
- 13(3) Separate schedules of tuition and fee waivers for undergraduate and graduate students, respectively, are presented within this report on page 87.

As further described in the *Independent Accountant's Report on Disclosures Accompanying a State Compliance Examination Report*, the accountants do not express an opinion or any form of assurance on this report component.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SUMMARY OF FOUNDATION TRANSACTIONS WITH THE UNIVERSITY
For the Year Ended June 30, 2021

During Fiscal Year 2021, the University engaged the Foundation, under contract, to provide fundraising services. As provided in the contract agreement, the University provided \$315,085 of services to the Foundation equal to the cost of the services the Foundation provided the University for the fiscal year ended June 30, 2021. 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, 2021.

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	\$	2,350
- Given to a particular department		331,340
Total funds considered unrestricted		333,690

Funds considered restricted for purposes of the University Guidelines computations:

Given for the Center for Performing Arts		34,500
Given for scholarships		397,118
Total funds considered restricted		431,618

Total funds provided to the University by the Foundation	\$	765,308
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As further described in the Independent Accountant's Report on Disclosures Accompanying a State Compliance Examination Report, the accountants do not express an opinion or any form of assurance on this report component.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF TUITION AND FEE WAIVERS
For the Year Ended June 30, 2021

	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	-	\$ -	-	\$ -	7	\$ 30.5	7	\$ 7.6
DCFS	5	24.1	5	6.1	-	-	-	-
Children of Employees	26	68.5	-	-	-	-	-	-
Senior Citizens	6	20.9	-	-	9	24.0	-	-
Veterans Grants & Scholarships	88	235.4	88	58.8	54	201.3	54	50.3
Subtotal	<u>125</u>	<u>348.9</u>	<u>93</u>	<u>64.9</u>	<u>70</u>	<u>255.8</u>	<u>61</u>	<u>57.9</u>
<u>Discretionary Waivers</u>								
Faculty/Administrators	8	24.9	8	6.3	29	147.4	29	36.8
Civil Service	7	26.3	7	6.5	14	59.9	14	14.9
Academic/Other Talent	108	536.1	108	134.0	3	10.0	12	2.5
AIM High Match	288	471.8	288	117.9	-	-	-	-
Athletics	93	333.6	93	83.4	3	16.2	3	4.1
Cooperating Professionals	-	-	-	-	1	1.1	1	0.3
Foreign Exchange	1	2.5	1	0.7	21	52.2	21	13.1
Other Assistants	-	-	-	-	91	469.0	91	117.3
Interinstitutional	37	124.0	37	31.0	52	217.6	52	54.4
Subtotal	<u>542</u>	<u>1,519.2</u>	<u>542</u>	<u>379.8</u>	<u>214</u>	<u>973.4</u>	<u>223</u>	<u>243.4</u>
Total	<u>667</u>	<u>\$ 1,868.1</u>	<u>635</u>	<u>\$ 444.7</u>	<u>284</u>	<u>\$ 1,229.2</u>	<u>284</u>	<u>\$ 301.3</u>

As further described in the Independent Accountant's Report on Disclosures Accompanying a State Compliance Examination Report, the accountants do not express an opinion or any form of assurance on this report component.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF EXCESS FUNDS CALCULATION BY ENTITY AS REQUIRED
BY 1982 UNIVERSITY GUIDELINES (AMENDED 2020)
For the Year Ended June 30, 2021

	Auxiliary Enterprises		Activities	
	University Facilities System Revenue Bonds	Center for Performing Arts	Educational and Student Life Activities	University Service Departments
Current available funds:				
Cash and cash equivalents	A \$ 254,845	\$ 6,136	\$ 5,265,396	\$ -
Working capital allowance:				
Highest month's expenditures	1,331,905	60,296	2,411,272	56,289
Current liabilities paid during lapse period	486,171	7,257	588,058	21,260
Unearned revenue	207,564	-	414,562	-
Working capital allowance	B <u>2,025,640</u>	<u>67,553</u>	<u>3,413,892</u>	<u>77,549</u>
Current excess funds (margin of compliance):				
Deduct B from A	<u>\$ (1,770,795)</u>	<u>\$ (61,417)</u>	<u>\$ 1,851,504</u>	<u>\$ (77,549)</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			5,270,783	
10% of the historical cost of parking lots			-	
20% of the historical cost of equipment			-	
Total allowable capital reserves			<u>\$ 5,270,783</u>	
Net excess funds			<u>\$ (3,419,279)</u>	

As further described in the Independent Accountant's Report on Disclosures Accompanying a State Compliance Examination Report, the accountants do not express an opinion or any form of assurance on this report component.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF INDIRECT COST FUNDS TO BE DEPOSITED INTO THE UNIVERSITY INCOME
FUND AS REQUIRED BY 1982 UNIVERSITY GUIDELINES (AMENDED 2020)
For the Year Ended June 30, 2021

Cash and cash equivalents balance:	
Cash and cash equivalents	<u>\$ 2,381,019</u>
Actual cash carried forward	<u>2,381,019</u>
Less: Allowable carry-forward per formula:	
Allocated reimbursements: 30% of total indirect cost reimbursements allocated for expenditure for the fiscal year completed (\$7,567,810 x 30%)	2,270,343
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>112,618</u>
Maximum allowable carry-forward	<u>2,382,961</u>
Excess cash and cash equivalents to be deposited into the University Income Fund	<u><u>\$ -</u></u>

As further described in the Independent Accountant's Report on Disclosures Accompanying a State Compliance Examination Report, the accountants do not express an opinion or any form of assurance on this report component.