



**GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois**

**STATE COMPLIANCE EXAMINATION
For the Year Ended June 30, 2022**

**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, 2022

TABLE OF CONTENTS

<i>State Compliance Examination Report</i>	<u>Page</u>
University Officials	1
Management Assertion Letter	2
State Compliance Report	
Summary	3
Independent Accountant’s Report on State Compliance and on Internal Control over Compliance	6
Schedule of Findings	
Current Findings	10
Prior Findings Not Repeated	30
Other Reports Issued Under a Separate Cover	
The Governors State University’s Financial Audit and Federal Single Audit for the year ended June 30, 2022, were issued under separate covers.	

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
STATE COMPLIANCE EXAMINATION
For the Year Ended June 30, 2022

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, 2021 to October 15, 2021)	Dr. W. Paul Bylaska
General Counsel and Vice President	Ms. Therese Nohos
Chief Internal Auditor	Mr. Kristoffer Evangelista, CPA
Associate Vice President for Finance	Ms. Villalyn Baluga, CPA

OFFICERS OF THE UNIVERSITY BOARD OF TRUSTEES

Chairman (August 5, 2022 to Present)	Ms. Angela Sebastian
Chairman (July 1, 2021 to August 4, 2022)	Ms. Lisa Harrell
Vice Chairman	Mr. Kevin Brookins
Secretary	Mr. James Kvedaras

UNIVERSITY BOARD OF TRUSTEES

Trustee (July 1, 2022 to Present)	Ms. Lluvia Hernandez-Aguirre, Student
Trustee (July 1, 2021 to June 30, 2022)	Ms. Jeanine Latrice Koger, Student
Trustee (January 14, 2023 to Present)	Vacant
Trustee (July 1, 2021 to January 13, 2023)	Mr. Pedro Cevallos-Candau
Trustee	Mr. Kevin Brookins
Trustee	Mr. John Brudnak
Trustee (January 2023 to Present)	Vacant
Trustee (July 1, 2021 to January 2023)	Ms. Lisa Harrell
Trustee	Ms. Angela Sebastian
Trustee	Mr. James Kvedaras
Trustee	Mr. Anibal Taboas

UNIVERSITY OFFICE

1 University Parkway
University Park, Illinois 60484



1 University Parkway
University Park, IL 60484
708.534.5000
www.govst.edu

MANAGEMENT ASSERTION LETTER

June 27, 2023

Adelfia LLC
400 E. Randolph Street, Suite 700
Chicago, IL 60601

Ladies and Gentlemen:

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 the State of Illinois, 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 one-year period ended June 30, 2022. Based on this evaluation, we assert that during the year ended June 30, 2022, 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
University President

SIGNED ORIGINAL ON FILE

Dr. Corey S. Bradford, Sr.
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, 2022

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 (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 or 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</u>	<u>Current Report</u>	<u>Prior Report</u>
Findings	9	15
Repeated findings	9	8
Prior recommendations implemented or not repeated	6	3

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Findings				
2022-001	10	2021/2020	Inadequate Internal Controls over Census Data	Material Weakness and Material Noncompliance
2022-002	13	2021/2021	Enrollment Reporting	Significant Deficiency and Noncompliance
2022-003	15	2021/2016	Federal Perkins Loan Cohort Default Rate Too High	Noncompliance
2022-004	17	2021/2005	Time Sheets not Properly Maintained	Significant Deficiency and Noncompliance
2022-005	19	2021/2019	Weaknesses in Cybersecurity Programs and Practices	Significant Deficiency and Noncompliance

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
STATE COMPLIANCE EXAMINATION
For the Year Ended June 30, 2022

SCHEDULE OF FINDINGS (CONTINUED)

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Findings (Continued)				
2022-006	22	2021/2016	Computer Security Weaknesses	Significant Deficiency and Noncompliance
2022-007	24	2021/2021	Lack of Complete Review of Internal Controls of Service Providers	Significant Deficiency and Noncompliance
2022-008	26	2021/2021	Remote Access to University Information	Significant Deficiency and Noncompliance
2022-009	28	2021/2021	Weaknesses with Payment Card Industry Data Security Standards	Significant Deficiency and Noncompliance
Prior Findings Not Repeated				
A	30	2021/2021	Exit Counseling	
B	30	2021/2021	Fiscal Operations Report	
C	30	2021/2016	Child Abuse Reporter Training	
D	30	2021/2016	Noncompliance with the Campus Security Enhancement Act of 2008	
E	31	2021/2020	Internal Audit Deficiencies	
F	31	2021/2021	Inadequate Controls Over Access Rights	

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
STATE COMPLIANCE EXAMINATION
For the Year Ended June 30, 2022

EXIT CONFERENCE

The University waived an exit conference in a correspondence from Ms. Villalyn Baluga, Associate Vice President for Finance, on June 21, 2023. The responses to the recommendations were provided by Ms. Villalyn Baluga, Associate Vice President for Finance, in a correspondence dated June 21, 2023.



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 the 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, 2022. 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 the specified requirements.

Our examination disclosed material noncompliance with the specified requirement C applicable to the University during the year ended June 30, 2022. As described in the accompanying Schedule of Findings as item 2022-001, 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, 2022, in all material respects. 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 2022-002 through 2022-009.

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 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a 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 2022-001 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, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items 2022-002 and 2022-004 through 2022-009 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

Chicago, Illinois
June 27, 2023

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Year Ended June 30, 2022

2022-001 **FINDING** (Inadequate Internal Controls over Census Data)

The 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 the 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 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. Additionally, CMS' actuary uses census data for employees of the State's public universities provided by SURS, along with census data for the other participating members provided by the State's four other pensions plans, to prepare their projection of the liabilities of CMS' plan. Finally, SURS' actuary and CMS' actuary used census data transmitted by the University during Fiscal Year 2020 to project pension and OPEB-related balances and activity at the plans during Fiscal Year 2021, which is incorporated into the University's Fiscal Year 2022 financial statements.

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.
- During our cut-off testing of data transmitted by the University to SURS, we noted 24 instances of an active employee becoming inactive and 1 instance of an inactive employee becoming retired were reported to SURS after the close of the fiscal year in which the event occurred.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Year Ended June 30, 2022

2022-001 **FINDING** (Inadequate Internal Controls over Census Data) (Continued)

We provided SURS' actuary and CMS' actuary with the exceptions we identified during our testing, along with the results of census data testing at the State Employees Retirement System of Illinois, and determined the net effect of these errors, along with the errors of other plan participants, was immaterial to SURS' and CMS' pension and OPEB-related balances and activity at the plans during Fiscal Year 2021.

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 reports and to maintain accountability over the State's resources.

University officials indicated the base year reconciliation process was not established until Fiscal Year 2021, which is currently being performed by University staff. In addition, they indicated the late reported events were due to the difficulty in timely reporting events which occur near the end of the fiscal year to SURS.

Failure to ensure complete and accurate census data was reported to SURS reduces the overall reliability of pension and OPEB-related balances and activity reported in the University's financial statements, the financial statements of other employers within both plans, and the State of Illinois' Annual Comprehensive Financial Report. (Finding Code No. 2022-001, 2021-001, 2020-001)

RECOMMENDATION

We recommend the University continue to work with SURS to complete the base year reconciliation of Fiscal Year 2021 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.

Further, we recommend the University ensure all events occurring within a census data accumulation year are timely reported to SURS so these events can be incorporated into the census data provided to SURS' actuary and CMS' actuary.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Year Ended June 30, 2022

2022-001 **FINDING** (Inadequate Internal Controls over Census Data) (Continued)

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation. University staff personnel has received a reconciliation training under the guidance of SURS, and a reconciliation process has been established beginning with the Fiscal Year 2021 census data. The University has completed its Fiscal Year 2021 reconciliation; has submitted the reconciliation via the SURS encrypted file submission program; and has provided the related SURS reconciliation certification confirming the University's compliance in a timely manner. In addition, the University has established procedures to ensure census data events are reported to SURS timely and accurately.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Year Ended June 30, 2022

2022-002 **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:	\$22,967,948
Cluster Expenditures:	\$34,781,190

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

During our audit, we tested 40 students who experienced a change in enrollment status during the fiscal year. Our testing identified five students (13%) whose enrollment status change was not reported timely to the NSLDS. The student enrollment status changes were reported between 11 to 180 days late after the date of occurrence. 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 timely student enrollment status reports are submitted to NSLDS.

University officials stated the students noted were granted administrative withdrawal after the semester (the students registered for) ended, which resulted in these students not being reported as withdrawn during the semester they registered for. The students “withdrawn” status was captured and reported to NSLDS in the subsequent reporting cycle, which was during the semester following the semester the students registered for.

Enrollment reporting in a timely 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. 2022-002, 2021-003).

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Year Ended June 30, 2022

2022-002 **FINDING** (Enrollment Reporting) (Continued)

RECOMMENDATION

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

UNIVERSITY RESPONSE

The University agrees with the above finding. The University reports enrollment status changes to NSLDS through the National Student Clearinghouse (NSC), a third-party servicer. Per University Officials, there is currently no mechanism for reporting students who were administratively withdrawn after the semester (the students registered for) ended until after the next reporting cycle to the NSC. The University will work with the NSC to determine a course of action to report these exceptions to NSLDS at the earliest possible date.

GOVERNORS STATE UNIVERSITY
 A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Year Ended June 30, 2022

2022-003 **FINDING** (Federal Perkins Loan Cohort Default Rate Too High)

Federal Department:	U.S. Department of Education
Assistance Listing Number:	84.038, 84.033, 84.007, 84.063, 84.268, 84.379
Cluster Name:	Student Financial Assistance Cluster
Program Name:	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, and P379T210567
Questioned Cost:	None
Program Expenditures:	\$2,837,726; \$467,499; \$287,775; \$6,964,315; \$22,967,948; \$14,145
Cluster Expenditures:	\$34,781,190

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 for the past three years (Fiscal Years 2020, 2021, and 2022, for borrowers who entered repayment during Fiscal Years 2019, 2020, and 2021, respectively) is 19.38% 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.”

For institutions with less than 30 borrowers in the cohort for a fiscal year, cohort default rate is computed as the percentage of the total number of borrowers in that cohort and in the two most recent prior cohorts who are in default by the total number of borrowers in that cohort and the two most recent prior cohorts (34 CFR 668.202 (d)(2)(ii)).

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Year Ended June 30, 2022

2022-003 **FINDING** (Federal Perkins Loan Cohort Default Rate Too High) (Continued)

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.

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. The University’s cohort default rate during the Fiscal Year 2022 (for borrowers who entered repayment during Fiscal Year 2021) was at 11.11%, meeting the 15% threshold. However, since the number of University borrowers who entered repayment during Fiscal Year 2021 were fewer than 30, the current cohort default rate calculation also included the University borrowers who entered into repayment and defaulted for the past three years, in accordance with federal regulations.

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. 2022-003, 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 the above finding. Per University officials, the University’s cohort default rate significantly improves on a year-to-year basis. As indicated in the finding above, the University’s cohort default rate during the Fiscal Year 2022 (for borrowers who entered repayment during Fiscal Year 2021) was at 11.11%, meeting the 15% threshold. 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.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Year Ended June 30, 2022

2022-004 **FINDING** (Time Sheets not Properly Maintained)

The Governors State University (University) did not maintain time sheets for its faculty members and advisors in compliance with the State Officials and Employees Ethics Act (Act).

We tested the time sheets for 25 employees during the fiscal year and noted 3 (12%) 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.

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.

University officials indicated they have not changed timesheet procedures for faculty members/advisors 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 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. 2022-004, 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.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Year Ended June 30, 2022

2022-004 **FINDING** (Time Sheets not Properly Maintained) (Continued)

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

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Year Ended June 30, 2022

2022-005 **FINDING** (Weaknesses in Cybersecurity Programs and Practices)

Governors State University (University) has not fully 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 2022.

In addition, we sampled 25 employees to determine if they had completed cybersecurity training during Fiscal Year 2022. Of the randomly selected samples, nine employees were of terminated status. Two (13%) of the remaining 16 employees did not complete the cybersecurity 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.

The Framework for Improving Critical Infrastructure Cybersecurity and the Security and Privacy Controls for Information Systems and Organizations (Special Publication

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Year Ended June 30, 2022

2022-005 **FINDING** (Weaknesses in Cybersecurity Programs and Practices) (Continued)

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 stated competing priorities hindered the development and adoption of a formal risk management methodology and project management framework during Fiscal Year 2022. University officials also stated the University has built and implemented cybersecurity training for faculty and staff; however, the two employees who did not complete the training was due to oversight. In addition, University officials stated during Fiscal Year 2022, the Information Security Policy was being drafted as the components of the Information Security Program were under consideration.

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. 2022-005, 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.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Year Ended June 30, 2022

2022-005 **FINDING** (Weaknesses in Cybersecurity Programs and Practices) (Continued)

- Establish a formal cybersecurity plan.
- Communicate security policies to employees, students and contractors.
- Develop a project management framework to guide the process of developing and implementing new applications.
- Develop procedures for security event monitoring and maintain a log of security events.
- Provide security training to contractors and ensure employees complete cybersecurity training.

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation. The University's Office of Information Technology Services (ITS) has taken or will take the following corrective actions:

- ITS is currently selecting a risk management methodology to adopt and implement.
- The Data Classification policy has been approved, adopted, and publicly posted with all other University policies. Data inventory and classification efforts are planned.
- The Information Security policy has been approved, adopted, and publicly posted with all other University policies.
- New policies and changes to existing policies will be communicated as appropriate as in future ITS communications.
- The establishment of the project management framework is planned.
- A Request for Proposals (RFP) process has begun for security event monitoring services, and appropriate policies, standards, and processes will follow.
- Appropriate training is planned to be established for contractors.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Year Ended June 30, 2022

2022-006 **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 listing 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 the population was complete, we performed testing of the information provided.

During our review, we noted formal guidelines for configuration of virus detection software were not established.

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

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, 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.

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 competing priorities hindered the development and adoption of formal guidelines for configuration of virus detection software and maintenance and reconciliation of computer inventory listing with the University's Property Control Department records.

Inadequate security controls may result in unauthorized access to, damage to, or theft of University data and computing equipment. (Finding Code No. 2022-006, 2021-011, 2020-011, 2019-011, 2018-019, 2017-019, 2016-020)

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Year Ended June 30, 2022

2022-006 **FINDING** (Computer Security Weaknesses) (Continued)

RECOMMENDATION

We recommend the University maintain a complete inventory of all computers. 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's Office of Information Technology Services is in the process of building its own inventory of all computing devices, independent of inventories maintained by the property control and procurement offices. In addition, antivirus configurations will be documented and will be used as the basis for future configurations.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Year Ended June 30, 2022

2022-007 **FINDING** (Lack of Complete Review of Internal Controls of Service Providers)

Governors State University (University) did not obtain or conduct timely and adequate 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 six 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. The University was able to provide the System and Organization Control (SOC) reports for these service providers and the review documentation of these reports. However, we noted the following:

- Three (50%) SOC reviews performed did not include monitoring and documentation of the operation of the Complementary User Entity Controls (CUECs) relevant to the University's operations noted in the SOC reports.
- Two (33%) SOC reviews performed were not timely conducted.

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, 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 – CURRENT FINDINGS
For the Year Ended June 30, 2022

2022-007 **FINDING** (Lack of Complete Review of Internal Controls of Service Providers)
(Continued)

University officials indicated due to lack of resources, the review process started late in the fiscal year and tracking of CUECs was not in place during Fiscal Year 2022.

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. 2022-007, 2021-012)

RECOMMENDATION

We recommend the University:

- Monitor and document the operation of the Complimentary User Entity Controls relevant to the University's operations noted in the SOC reports.
- Timely review SOC reports from the service providers in order to assess the risk of identified deviations.

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation. A process has been built in which all application administrators are provided with a listing of CUECs (or similar controls where CUECs are not available), along with guidance for compliance. In addition, a Risk and Compliance Analyst position has been created and filled in the Information Technology Services department, which has helped to expedite the review process and catch up on a backlog of service provider reviews.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Year Ended June 30, 2022

2022-008 **FINDING** (Remote Access to University Information)

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 University has drafted an Information Security Policy that provides statements on security-related policies, programs, guidelines, and criteria. Such Policy will be the basis for developing specific procedures. The draft policy has not been approved for implementation during Fiscal Year 2022. Subsequently, the policy has been approved and issued on the University website in March 2023.

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.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Year Ended June 30, 2022

2022-008 **FINDING** (Remote Access to University Information) (Continued)

University officials stated at the time of the examination, they did not believe it was necessary to maintain a record of staff acknowledgement of University Policy 64.

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's 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. 2022-008, 2021-013)

RECOMMENDATION

We recommend the University:

- Maintain records of users' acknowledgement and acceptance of the University's Information Security Policy.
- Develop, document, and disseminate, policies and procedures governing the security and control of remote access 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. As part of the recently adopted information security program, formal policies and processes regarding the assignment, revocation, and monitoring of remote access privileges will be implemented.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Year Ended June 30, 2022

2022-009 **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 Years 2022, the University accepted approximately 18,815 credit card transactions estimated at \$15.3 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 formal assessments of each location (19 of 20 merchants) accepting credit card payments, including the appropriate Self-Assessment Questionnaire (SAQ) and certifying compliance, and
- Ensured all employees involved in the processing of cardholder data received annual security training.

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 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 stated a lack of sufficient resources hindered efforts to bring University merchants into compliance with PCI-DSS during Fiscal Year 2022.

Failure to establish formal policies, conduct annual PCI security training, and complete SAQs on all merchants could result to the lack of guidance to personnel to ensure PCI DSS compliance or 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. (Finding Code No. 2022-008, 2021-015)

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Year Ended June 30, 2022

2022-009 **FINDING** (Weaknesses with Payment Card Industry Data Security Standards)
(Continued)

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.

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation. A comprehensive policy has been drafted which establishes formal controls to reduce the scope of payment card environments and more quickly reach full compliance with PCI DSS for each University merchant. The policy is currently being reviewed internally. In parallel with the aforementioned policy, some of the University's less complex merchants have been brought into compliance with PCI DSS, and efforts are underway with others.

GOVERNORS STATE UNIVERSITY

A Component Unit of the State of Illinois

SCHEDULE OF FINDINGS – PRIOR FINDINGS NOT REPEATED

For the Year Ended June 30, 2022

A. **FINDING** (Exit Counseling)

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

During the current examination, our sample testing noted the University timely provided exit counseling to students awarded Federal Direct Student Loans who ceased half-time study. (Finding Code No. 2021-002)

B. **FINDING** (Fiscal Operations Report)

During the prior examination, the 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 current examination, our testing noted the University ensured that accurate information was reported on time. Updates to the FISAP were minimal and filed ahead of the deadline to file errors, adjustments, and changes. (Finding Code No. 2021-004)

C. **FINDING** (Child Abuse Reporter Training)

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

During the current examination, our sample testing noted the University personnel have received mandatory training and acknowledged the reporting requirements of the act. (Finding Code No. 2021-006, 2020-006, 2019-006, 2018-011, 2017-010, 2016-012).

D. **FINDING** (Noncompliance with the Campus Security Enhancement Act of 2008)

During the prior examination, the Governors State University (University) did not comply with the Campus Security Enhancement Act of 2008 requiring the University to obtain criminal background investigations prior to employing individuals for security-sensitive positions.

During the current examination, our sample testing noted the University ensured that criminal background investigations were obtained prior to employing individuals for security-sensitive positions. (Finding Code No. 2021-007, 2020-005, 2019-007, 2018-012, 2017-011, 2016-013).

GOVERNORS STATE UNIVERSITY

A Component Unit of the State of Illinois

SCHEDULE OF FINDINGS – PRIOR FINDINGS NOT REPEATED

For the Year Ended June 30, 2022

E. **FINDING** (Internal Audit Deficiencies)

During the prior examination, the 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).

During our current examination, our sample testing noted that the University appropriately completed its responsibilities in accordance with the Act. (Finding Code No. 2021-008, 2020-006)

F. **FINDING** (Inadequate Controls Over Access Rights)

During the prior examination, the Governors State University (University) did not have adequate controls over access rights to applications and data.

During the current examination, our sample testing did not disclose any exceptions. (Finding Code No. 2021-014)