



GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois

REPORT REQUIRED UNDER
GOVERNMENT AUDITING STANDARDS
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
Report Required Under *Government Auditing Standards*
For the Year Ended June 30, 2022

Table of Contents

| | Page |
|---|-------------|
| University Officials | 1 |
| <i>Government Auditing Standards</i> Report | |
| Summary | 2 |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 3 |
| Schedule of Findings | |
| Current Finding | 5 |
| Other Reports Issued Under a Separate Cover | |
| The University's <i>State Compliance Examination</i> for the year ended June 30, 2022, will be issued under a separate cover. Additionally, the University's <i>Federal Single Audit</i> for the year ended June 30, 2022 and financial statements as of and for the year ended June 30, 2022, have been issued under a separate cover. | |

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
Report Required Under *Government Auditing Standards*
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 | 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

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
Report Required Under *Government Auditing Standards*
For the Year Ended June 30, 2022

Summary

The audit of the accompanying financial statements of Governors State University (University) was performed by Adelfia LLC. This report is an integral part of that audit.

Based on their audit, the auditors expressed an unmodified opinion on the University’s basic financial statements, issued under a separate cover.

Summary of Findings

The auditors identified a matter involving the University’s internal control over financial reporting that they considered to be a material weakness. Further, the auditors identified a noncompliance matter.

| <u>Item No.</u> | <u>Page</u> | <u>Last/First Reported</u> | <u>Description</u> | <u>Finding Type</u> |
|------------------------|-------------|----------------------------|---|-----------------------------------|
| Current Finding | | | | |
| 2022-001 | 5 | 2021/2020 | Inadequate Internal Controls over Census Data | Material Weakness / Noncompliance |

Exit Conference

The University waived an exit conference in a correspondence from Ms. Villalyn Baluga, Associate Vice President for Finance, in a correspondence dated March 15, 2023.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Trustees
Governors State University

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component unit of Governors State University (University), collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and we have issued our report thereon dated March 21, 2023. Our report includes a reference to other auditors who audited the financial statements of the Governors State University Foundation, as described in our report on the University's financial statements. The financial statements of the Governors State University Foundation were not audited in accordance with Government Auditing Standards and, accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the Governors State University Foundation or that are reported on separately by those auditors who audited the financial statements of the Governors State University Foundation.

Report on Internal Control Over Financial Reporting

Management of the University is responsible for establishing and maintaining effective internal control over financial reporting (internal control).

In planning and performing our audit of the financial statements, we considered the University's internal control as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, 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.

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, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 were not identified. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings as item 2022-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings as item 2022-001.

University's Response to the Finding

Government Auditing Standards requires the auditor to perform limited procedures on the University's response to the finding identified in our audit and described in the accompanying Schedule of Findings. The University's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Chicago, Illinois
March 21, 2023

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
Report Required Under *Government Auditing Standards*
SCHEDULE OF FINDINGS – *GOVERNMENT AUDITING STANDARDS*
For the Year Ended June 30, 2022

2022-01 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.

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.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
Report Required Under *Government Auditing Standards*
SCHEDULE OF FINDINGS – *GOVERNMENT AUDITING STANDARDS*
For the Year Ended June 30, 2022

2022-01 FINDING (Inadequate Internal Controls over Census Data) (Continued)

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.

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.