



**GOVERNORS STATE UNIVERSITY  
A Component Unit of the State of Illinois  
STATE COMPLIANCE EXAMINATION  
For the Year Ended June 30, 2023**

**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, 2023**

**TABLE OF CONTENTS**

<i>State Compliance Examination Report</i>	<b><u>Page</u></b>
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	5
Schedule of Findings	
Current Findings	8
Prior Finding Not Repeated	34

**GOVERNORS STATE UNIVERSITY**  
A Component Unit of the State of Illinois  
**STATE COMPLIANCE EXAMINATION**  
**For the Year Ended June 30, 2023**

**UNIVERSITY OFFICIALS**

President	Dr. Cheryl F. Green
Vice President for Administration and Finance	Dr. Corey S. Bradford, Sr.
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, 2022 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 (October 20, 2023 to Present)	Ms. Stacy Crook
Trustee (January 14, 2023 to October 19, 2023)	Vacant
Trustee (July 1, 2022 to January 13, 2023)	Mr. Pedro Cevallos-Candau
Trustee	Mr. Kevin Brookins
Trustee	Mr. John Brudnak
Trustee (November 27, 2023 to Present)	Ms. Karen Nunn
Trustee (January 2023 to November 26, 2023)	Vacant
Trustee (July 1, 2022 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



Office of the President  
1 University Parkway  
University Park, IL 60484  
708.534.4130  
cgreen@govst.edu  
www.govst.edu

MANAGEMENT ASSERTION LETTER

April 19, 2024

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, 2023. Based on this evaluation, we assert that during the year ended June 30, 2023, 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. 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**  
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**STATE COMPLIANCE EXAMINATION**  
**For the Year Ended June 30, 2023**

**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, disclaimers, or other significant non-standard language.

**SUMMARY OF FINDINGS**

<b>Number of</b>	<b><u>Current Report</u></b>	<b><u>Prior Report</u></b>
Findings	12	9
Repeated findings	8	9
Prior recommendations implemented or not repeated	1	6

**SCHEDULE OF FINDINGS**

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
<b>Current Findings</b>				
2023-001	8	New	Weaknesses in Change Control Processes	Significant Deficiency and Noncompliance
2023-002	10	2022/2021	Enrollment Reporting	Significant Deficiency and Noncompliance
2023-003	12	New	Noncompliance with Gramm-Leach-Bliley Act	Significant Deficiency and Noncompliance
2023-004	14	New	Inadequate Controls over Payroll Expenditures and Noncompliance with Allowable Cost & Cost Principles Requirements Applicable to the Head Start Cluster	Significant Deficiency and Noncompliance

**GOVERNORS STATE UNIVERSITY**  
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**STATE COMPLIANCE EXAMINATION**  
**For the Year Ended June 30, 2023**

**SCHEDULE OF FINDINGS (CONTINUED)**

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
<b>Current Findings (Continued)</b>				
2023-005	17	New	Failure to File Real Property Status Report	Noncompliance
2023-006	19	2022/2020	Inadequate Internal Controls over Census Data	Significant Deficiency and Noncompliance
2023-007	21	2022/2005	Time Sheets not Properly Maintained	Significant Deficiency and Noncompliance
2023-008	23	2022/2019	Weaknesses in Cybersecurity Programs and Practices	Significant Deficiency and Noncompliance
2023-009	26	2022/2016	Computer Security Weaknesses	Significant Deficiency and Noncompliance
2023-010	28	2022/2021	Inadequate Controls around Service Providers	Significant Deficiency and Noncompliance
2023-011	30	2022/2021	Weaknesses in System Access Controls	Significant Deficiency and Noncompliance
2023-012	32	2022/2021	Weaknesses with Payment Card Industry Data Security Standards	Significant Deficiency and Noncompliance
<b>Prior Finding Not Repeated</b>				
A	34	2022/2016	Federal Perkins Loan Cohort Default Rate Too High	

**EXIT CONFERENCE**

The University waived an exit conference in a correspondence from Ms. Villalyn Baluga, Associate Vice President for Finance, on April 9, 2024. The responses to the recommendations were provided by Ms. Villalyn Baluga, Associate Vice President for Finance, in correspondences dated March 15, 2024 and April 16, 2024.



**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, 2023. 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 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.

In our opinion, the University complied with the specified requirements during the year ended June 30, 2023, 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 2023-001 through 2023-012.

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.

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 material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. 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.

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 have not been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as items 2023-001 through 2023-004 and 2023-006 through 2023-012 that we consider 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  
April 19, 2024

**GOVERNORS STATE UNIVERSITY**  
A Component Unit of the State of Illinois  
**SCHEDULE OF FINDINGS – CURRENT FINDINGS**  
**For the Year Ended June 30, 2023**

2023-001. **FINDING** (Weaknesses in Change Control Processes)

Governors State University (University) did not have adequate controls around its change control process and had not adequately controlled developer access to its production environment.

The University established a change management process describing the process from initiation until post-implementation review. However, during the review of the University's change control policies and procedures, we noted the following:

- The change policy did not describe testing and documentation requirements for each type of change.
- One (2%) of 46 changes was deployed to the production environment prior to obtaining the Change Control Board's approval.
- Developers had access to the production environment, resulting in a segregation of duties weakness.

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, Configuration Management and System and Communication Protection sections, requires entities to develop and document control over changes, for changes to follow the documented controls and developers' access to the production environment is restricted.

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 with proper segregation of duties to provide assurance that resources are utilized efficiently and effectively.

Also, the University's Information Technology Services (ITS) Change Control Process for two-cycle changes requires the approval of the Change Control Board prior to deployment.

University officials stated these exceptions were due to resource constraints and competing priorities. Further, University officials stated the one change completed without approval was due to a misunderstanding on the part of the employee.

Failure to establish adequate controls and documentation around the change control process and obtaining proper approvals from the Change Control Board, may lead to the University being unable to monitor and ensure only valid, authorized changes are deployed in the University's Information Technology environment. Also, allowing developers to access the production environment results in segregation of duties weakness and increases the risk of unauthorized changes being made to the computing system. (Finding Code No. 2023-001)

**GOVERNORS STATE UNIVERSITY**  
A Component Unit of the State of Illinois  
**SCHEDULE OF FINDINGS – CURRENT FINDINGS**  
**For the Year Ended June 30, 2023**

2023-001. **FINDING** (Weaknesses in Change Control Processes) (Continued)

**RECOMMENDATION**

We recommend the University update its policies and procedures to describe testing and documentation requirements for each type of change.

Further, we recommend the University strengthen controls to ensure proper segregation of duties are established by restricting developers' access to the production environment and ensure Change Control Board's approval is obtained prior to deploying changes to the production environment.

**UNIVERSITY RESPONSE**

The University agrees with this finding and accepts the recommendation. The University's Office of Information Technology Services (ITS) takes pride in the culture of compliance that has been established around the change control process. The University has existing procedures in place to identify and document noncompliance with the established change control procedures. The one instance of change that was deployed to the production environment prior to obtaining approval has been subsequently identified and discussed in one of the ITS Change Control Board meetings, and has been documented in the related meeting minutes. ITS will update the change control procedures to more explicitly specify the requirements for testing and documentation.

Regarding the issue noted on segregation of duties, the ITS Applications team has implemented a process whereupon the individual installing changes in production is different from the individual installing changes in test. Since the auditors determined that this process is not sufficient, ITS leadership will evaluate alternatives and request additional department funding to implement a more rigorous solution.

**GOVERNORS STATE UNIVERSITY**  
A Component Unit of the State of Illinois  
**SCHEDULE OF FINDINGS – CURRENT FINDINGS**  
**For the Year Ended June 30, 2023**

2023-002. **FINDING** (Enrollment Reporting)

<b>Federal Department:</b>	<b>U.S. Department of Education</b>
<b>Assistance Listing Number:</b>	<b>84.268</b>
<b>Cluster Name:</b>	<b>Student Financial Assistance Cluster</b>
<b>Program Name:</b>	<b>Federal Direct Student Loans</b>
<b>Award Numbers:</b>	<b>P268K230567, P268K220567</b>
<b>Questioned Cost:</b>	<b>None</b>
<b>Program Expenditures:</b>	<b>\$21,864,079</b>
<b>Cluster Expenditures:</b>	<b>\$33,549,307</b>

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 33 students who experienced a change in enrollment status during the fiscal year. Our testing identified two students (6%) whose enrollment status change was not reported timely to the NSLDS. The student enrollment status changes were reported 236 and 353 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 for a single course after the semester (the students registered for) ended, which resulted in a change of enrollment from Full-time to Three-Quarters of a Time. The University reports enrollment status changes to NSLDS through the National Student Clearinghouse (NSC), a third-party servicer. Changes to enrollment that occur after the term has been reported will not be updated in NSLDS by changes made by the University in NSC. Those enrollment changes need to be updated directly in the NSLDS enrollment history update function.

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. 2023-002, 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, 2023**

2023-002. **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 this finding and accepts the recommendation. The University has already identified a method to report directly to NSLDS all enrollment changes occurring after the end of the term. The University will continue to update timely the NSLDS enrollment history as needed when the situation of late withdrawals occurs beyond the reporting dates.

**GOVERNORS STATE UNIVERSITY**  
A Component Unit of the State of Illinois  
**SCHEDULE OF FINDINGS – CURRENT FINDINGS**  
**For the Year Ended June 30, 2023**

2023-003. **FINDING** (Noncompliance with Gramm-Leach-Bliley Act)

**Federal Department:** U.S. Department of Education, U.S. Department of Health and Human Services  
**Assistance Listing Number:** 84.038, 84.033, 84.007, 84.063, 84.268, 84.379, 93.925, 93.264  
**Cluster Name:** Student Financial Assistance Cluster  
**Program Name:** Federal Perkins Loan Program, 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, Scholarships for Health Professions Students from Disadvantaged Backgrounds, and Nurse Faculty Loan Program  
**Award Numbers:** P033A221156, P033A211156, P033A171156, P007A221156, P007A211156, P063P220567, P063P210567, P268K230567, P268K220567, P379T230567, P379T220567, 5 T08HP39308-03-00 and E01HP27019  
**Questioned Cost:** None  
**Program Expenditures:** \$2,474,974; \$503,715; \$265,650; \$7,216,654; \$21,864,079; \$25,930; \$576,000; \$622,305  
**Cluster Expenditures:** \$33,549,307

Governors State University (University) did not establish a written incident response plan designed to promptly respond to, and recover from, any security event materially affecting the confidentiality, integrity, or availability of customer information in their control.

During our audit, we noted the University was unable to complete the development of the written incident response plan as of the end of the audit period.

On December 9, 2021, the Federal Trade Commission issued final regulations to amend the Standards for Safeguarding Customer Information (Safeguards Rule), an important component of the Gramm-Leach-Bliley Act's (GLBA) requirements for protecting the privacy and personal information of consumers.

The Code of Federal Regulations (16 CFR 314.4(h)) requires the University to develop, implement and maintain an information security program which includes establishing a written incident response plan designed to promptly respond to, and recover from, any security event materially affecting the confidentiality, integrity, or availability of customer information in its control.

**GOVERNORS STATE UNIVERSITY**  
A Component Unit of the State of Illinois  
**SCHEDULE OF FINDINGS – CURRENT FINDINGS**  
**For the Year Ended June 30, 2023**

2023-003. **FINDING** (Noncompliance with Gramm-Leach-Bliley Act) (Continued)

At a minimum, such incident response plan shall address the following areas:

- the goals of the incident response plan;
- the internal processes for responding to a security event;
- the definition of clear roles, responsibilities, and levels of decision-making authority;
- external and internal communications and information sharing;
- identification of requirements for the remediation of any identified weaknesses in information systems and associated controls;
- documentation and reporting regarding security events and related incident response activities; and
- the evaluation and revision as necessary of the incident response plan following a security event.

Additionally, the Uniform Guidance (2 CFR 200.303(a)) requires nonfederal entities receiving federal awards establish and maintain effective internal control designed to reasonably ensure compliance with federal laws, statutes, regulations, and the terms and conditions of the federal award.

University officials stated the University has started the process of developing the written incident response plan but has not been completed to date due to resource constraints and competing priorities.

The intent of the GLBA Safeguards Rule is to enhance security over confidential information. Without a documented response to all applicable requirements, the University is more susceptible to vulnerabilities as it relates to protecting the privacy and personal information of students than it will be following full implementation. (Finding Code No. 2023-003)

**RECOMMENDATION**

We recommend the University continue towards completion and full implementation of the written incident response plan.

**UNIVERSITY RESPONSE**

The University agrees with this finding and accepts the recommendation. The University is currently drafting the incident response plan and is working to secure a contract with an incident response firm. Additionally, the University recently hired an Information Security Analyst, a newly created position designed to address smaller-scale alerts and incidents.

**GOVERNORS STATE UNIVERSITY**  
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**SCHEDULE OF FINDINGS – CURRENT FINDINGS**  
**For the Year Ended June 30, 2023**

2023-004. **FINDING** (Inadequate Controls over Payroll Expenditures and Noncompliance with Allowable Cost & Cost Principles Requirements Applicable to the Head Start Cluster)

<b>Federal Department:</b>	<b>U.S. Department of Health and Human Services</b>
<b>Assistance Listing Number:</b>	<b>93.600</b>
<b>Cluster Name:</b>	<b>Head Start Cluster</b>
<b>Program Name:</b>	<b>Early Head Start</b>
<b>Award Numbers:</b>	<b>05CH011351-03-02, 05CH011351-04-03</b>
<b>Questioned Cost:</b>	<b>Known (\$37,377)</b>
<b>Program Expenditures:</b>	<b>\$985,732</b>
<b>Cluster Expenditures:</b>	<b>\$1,026,985</b>

Governors State University (University) did not have adequate controls over payroll expenditures and did not comply with the allowable cost and cost principles requirements applicable to the Head Start Cluster.

During our testing of Head Start Cluster payroll expenditures amounting to \$555,569, we noted the following:

- There was no periodic reconciliation performed between the amount actually worked on the grant (i.e. certified time and effort reports) against payroll expenditures to ensure the amount charged to the grant was accurate. Payroll expenditures for five (5) of twelve (12) employees tested were charged to the Early Head Start program using incorrect time and effort rates. The actual amounts charged to the grant were less than computed payroll expenditures using the certified time and effort rates. These differences were not adjusted at year-end to ensure the accuracy of the accounting records and schedule of expenditures of federal awards. The questioned costs were (\$37,377). The sample was not intended to be, and was not, a statistically valid sample.
- Our testing of payroll expenditures identified 12 instances out of 12 employees tested who worked on multiple federal awards and/or nonfederal awards lacked appropriate supporting documentation to account for 100% actual time and effort certification of the employees for each reporting period to provide a basis to reconcile with payroll distribution used in charging these awards. The University's time and effort certification shows only the percentage of effort for each employee on a specific grant. As a result, we were unable to ascertain the accuracy of the payroll expenditure charged as a whole. The sample was not intended to be, and was not, a statistically valid sample.

**GOVERNORS STATE UNIVERSITY**  
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**SCHEDULE OF FINDINGS – CURRENT FINDINGS**  
**For the Year Ended June 30, 2023**

2023-004. **FINDING** (Inadequate Controls over Payroll Expenditures and Noncompliance with Allowable Cost & Cost Principles Requirements Applicable to the Head Start Cluster) (Continued)

The Code of Federal Regulations (Code) (2 CFR 200.303) requires the University establish and maintain effective internal control over the federal award that provides reasonable assurance the University is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. Effective internal controls should include procedures to ensure that there is reconciliation between the compensation for personal services charged to the agreement and the amount actually worked on the agreement.

The Code (2 CFR 200.430) states charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed and must support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one federal award; a federal award and nonfederal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. These records must be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated.

The University's effort reporting guidelines requires the University to have a periodic review of the salary distribution system to confirm the reasonableness of the charges to the federal projects. In addition, the University is required to review, update, and prepare salary reallocations, and if necessary, make appropriate changes to the effort reports and certify reports on a quarterly basis to ensure that the salaries charged to federally sponsored projects are reasonable and consistent with the portion of activity committed to projects. The effort report must represent, in percentages totaling 100%, a reasonable estimate of an employee's University compensated effort for the period.

University officials stated the reconciliation process for time and effort reports is in place; however, staffing constraints resulted in some delays in the reconciliation process. The Early Head Start program is a calendar year grant that runs from January through December. The necessary adjustments to correct the differences noted for 2023 were made by the University after fiscal year end, but within the grant's budget period. University officials stated 100% of work is captured on Human Resources and workflow records but not on the certification forms.

Failure to accurately charge sponsored agreements for the equitable distribution of employee compensation may result in federal expenditures being disallowed and could jeopardize future federal funding. (Finding Code No. 2023-004)

**GOVERNORS STATE UNIVERSITY**  
A Component Unit of the State of Illinois  
**SCHEDULE OF FINDINGS – CURRENT FINDINGS**  
**For the Year Ended June 30, 2023**

2023-004. **FINDING** (Inadequate Controls over Payroll Expenditures and Noncompliance with Allowable Cost & Cost Principles Requirements Applicable to the Head Start Cluster) (Continued)

**RECOMMENDATION**

We recommend the University timely reconcile payroll and ensure employees certify 100% of time worked to allow for adequate application of allowable cost and cost principles requirements for the Head Start Cluster.

**UNIVERSITY RESPONSE**

The University agrees with this finding and accepts the recommendation. The University has updated its process to collect time and effort information on a semi-annual basis rather than quarterly, which relieves some burden from staff, but still complies with federal regulations. By collecting time and effort information on a semi-annual basis, staff will have more time to reconcile time and effort against actual payroll expenditures. The University has also redesigned the time and effort collection form to show the 100% distribution of work. Further, the University now has a full-time financial research administrator who will help ensure that payroll-related adjustments are done timely. The financial research administrator will work with the Early Head Start program management to ensure that the related payroll reports are reviewed and reconciled timely, in accordance with existing University procedures.

**GOVERNORS STATE UNIVERSITY**  
A Component Unit of the State of Illinois  
**SCHEDULE OF FINDINGS – CURRENT FINDINGS**  
**For the Year Ended June 30, 2023**

2023-005. **FINDING** (Failure to File Real Property Status Report)

<b>Federal Department:</b>	<b>U.S. Department of Health and Human Services</b>
<b>Assistance Listing Number:</b>	<b>93.600</b>
<b>Cluster Name:</b>	<b>Head Start Cluster</b>
<b>Program Name:</b>	<b>Early Head Start</b>
<b>Award Numbers:</b>	<b>05CH011351-03-02, 05CH011351-04-03</b>
<b>Questioned Cost:</b>	<b>None</b>
<b>Program Expenditures:</b>	<b>\$985,732</b>
<b>Cluster Expenditures:</b>	<b>\$1,026,985</b>

Governors State University (University) failed to submit the required annual real property status report (SF-429).

During our audit, we identified the University did not submit the calendar year 2022 SF-429 report. The SF-429 report must be submitted by all grantees on the same date the grantee's SF-425 Final Federal Financial Report for the budget period is due.

Grantees must act in compliance with the requirements of this grant and applicable federal statutes, regulations, and policies as included in the Compendium of Program Instructions and Information Memoranda. The Office of Head Start has issued Program Instruction Log Number ACF-PI-HS-17-03 which requires all grantees, including those with no covered real property, to prepare and submit SF-429 with Attachment A on an annual basis at the same time as their annual SF-425 Federal Financial Report. The Program Instruction Log Number ACF-PI-HS-17-03 is required in accordance with the Code of Federal Regulations (Code) (45 CFR 75.343).

The Code (45 CFR 75.343) requires nonfederal entities to submit reports periodically dependent on time frame on the status of real property in which the federal government retains an interest.

Additionally, the Code (2 CFR 200.303) requires nonfederal entities receiving federal awards to establish and maintain internal controls designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure reports are submitted timely.

University officials stated the SF-429 report was inadvertently not submitted as there was no real property acquired from the grant funds.

Failure to meet grant reporting requirements is a noncompliance with the related grant request for proposal and application agreement and could result in loss of grant funding in future years. (Finding Code No. 2023-005)

**GOVERNORS STATE UNIVERSITY**  
A Component Unit of the State of Illinois  
**SCHEDULE OF FINDINGS – CURRENT FINDINGS**  
**For the Year Ended June 30, 2023**

2023-005. **FINDING** (Failure to File Real Property Status Report) (Continued)

**RECOMMENDATION**

We recommend the University improve its procedures to ensure timely submission of required reports.

**UNIVERSITY RESPONSE**

The University agrees with this finding and accepts the recommendation. Existing procedures are already in place to ensure that required reports are submitted. As indicated in the finding above, this was just a misunderstanding on the part of the employee submitting the report as there was no real property acquired from the Early Head Start grant funds. The University believes that this matter did not have a direct and material effect on the University's compliance with federal requirements.

**GOVERNORS STATE UNIVERSITY**  
A Component Unit of the State of Illinois  
**SCHEDULE OF FINDINGS – CURRENT FINDINGS**  
**For the Year Ended June 30, 2023**

2023-006. **FINDING** (Inadequate Internal Controls over Census Data)

Governors State University (University) did not have adequate internal control over reporting its census data 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 pension 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 2021 to project pension and OPEB-related balances and activity at the plans during Fiscal Year 2022, which is incorporated into the University's Fiscal Year 2023 Financial Statements.

During our cut-off testing of data transmitted by the University to SURS, we noted 6 instances of an inactive employee becoming active and 1 instance of an active employee becoming inactive were reported to SURS after the close of the fiscal year in which the event occurred. Two of these instances have been previously reported, however still impacted the June 30, 2021 census data. SURS determined the total potential impact of these errors was the instructors' service credit was off by a combined 1 year.

We provided SURS' actuary and CMS' actuary with the exception 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 2022.

**GOVERNORS STATE UNIVERSITY**  
A Component Unit of the State of Illinois  
**SCHEDULE OF FINDINGS – CURRENT FINDINGS**  
**For the Year Ended June 30, 2023**

2023-006. **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 University has established procedures to ensure census data events are reported to SURS timely and accurately, except for the adjunct faculty members. The late reported events were due to the difficulty in timely reporting events which occur near the end of the fiscal year to SURS as it relates to the University's adjunct faculty members.

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. 2023-006, 2022-001, 2021-001, 2020-001)

**RECOMMENDATION**

We recommend the University continue 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. The University is working on overhauling the adjunct process that will address timely and accurate reporting of census data events to SURS.

**GOVERNORS STATE UNIVERSITY**  
A Component Unit of the State of Illinois  
**SCHEDULE OF FINDINGS – CURRENT FINDINGS**  
**For the Year Ended June 30, 2023**

2023-007. **FINDING** (Time Sheets not Properly Maintained)

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 4 (16%) 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. 2023-007, 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, 2023**

2023-007. **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, 2023**

2023-008. **FINDING** (Weaknesses in Cybersecurity Programs and Practices)

Governors State University (University) had 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 and practices, we noted the University had not:

- Documented its risk management methodology to manage security risks to University resources.
- Implemented appropriate controls to reduce the risk of unauthorized disclosure in response to risk assessments and vulnerability monitoring.
- Developed a formal, comprehensive, and adequate security program (policies, procedures, and processes) to manage and monitor the regulatory, legal, environmental and operational requirements.
- Developed detailed guidance on controls for storage media, access permissions, data retention, and data destruction policies in alignment with the University's classification of data.
- 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 and adopted policies and procedures for monitoring security events and had not maintained a log of security events.

The finding was first reported in 2019. In subsequent years, the University has failed to take substantive corrective actions to resolve the conditions noted.

*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 require 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.

**GOVERNORS STATE UNIVERSITY**  
A Component Unit of the State of Illinois  
**SCHEDULE OF FINDINGS – CURRENT FINDINGS**  
**For the Year Ended June 30, 2023**

2023-008. **FINDING** (Weaknesses in Cybersecurity Programs and Practices) (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 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 resource constraints and competing priorities have prevented the development and adoption of formal cybersecurity plan and programs.

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. 2023-008, 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 the risk management methodology to manage security risks to University resources.
- Implement appropriate controls to reduce the risk of unauthorized disclosure in response to risk assessments and vulnerability monitoring.
- Develop the University's security program (formal and comprehensive policies, procedures and processes) to manage and monitor the regulatory, legal, environmental and operational requirements.
- Develop detailed guidance on controls for storage media, access permissions, data retention, and data destruction policies in alignment with the University's classification of data.
- Establish a formal cybersecurity plan.
- 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.

**GOVERNORS STATE UNIVERSITY**  
A Component Unit of the State of Illinois  
**SCHEDULE OF FINDINGS – CURRENT FINDINGS**  
**For the Year Ended June 30, 2023**

2023-008. **FINDING** (Weaknesses in Cybersecurity Programs and Practices) (Continued)

**UNIVERSITY RESPONSE**

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

- While the University agrees that substantial ongoing efforts are required to build the myriad requisite policies and procedures for each facet of the information security plan, the plan itself does exist in the form of University Policy 92 (Information Security), and several of the aforementioned policies and procedures have been adopted.
- Security policies are planned for communications to the University community via the quarterly ITS newsletter.
- During Fiscal Year 2023, the University began the transition to the use of the Center for Internet Security Risk Assessment Methodology (CIS RAM) as a vehicle for more quickly identifying risks mapped to actionable, effective information security controls. Despite limited resources, the first risk assessment using the CIS RAM is now completed and action items are being prioritized as resources allow.
- Work has begun on finalizing the development of a project management framework where progress continues as resource capacity allows.
- A Request for Proposal for a managed security services firm has been slotted by the University administration to begin in Fiscal Year 2025, and will be completed in parallel with the requisite policies and procedures.

**GOVERNORS STATE UNIVERSITY**  
A Component Unit of the State of Illinois  
**SCHEDULE OF FINDINGS – CURRENT FINDINGS**  
**For the Year Ended June 30, 2023**

2023-009. **FINDING** (Computer Security Weaknesses)

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

During review of the University’s controls around system security, we noted the University had not established formal policies and procedures for:

- Restricting physical access to computer resources.
- Configuration of virus detection software.
- Monitoring, testing, and installing vendor released patches.

Further, we noted the University did not maintain physical access logs to server rooms.

The 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 and patch 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 resource constraints and competing priorities have prevented the development and adoption of formal guidelines and controls around system security.

Inadequate security controls may result in unauthorized access to, damage to, or theft of University data and computing equipment. (Finding Code No. 2023-009, 2022-006, 2021-011, 2020-011, 2019-011, 2018-019, 2017-019, 2016-020)

**RECOMMENDATION**

We recommend the University establish and adopt formal policies and procedures for physical access security, configuration of virus detection software, and monitoring, testing, and installing vendor released patches.

**GOVERNORS STATE UNIVERSITY**  
A Component Unit of the State of Illinois  
**SCHEDULE OF FINDINGS – CURRENT FINDINGS**  
**For the Year Ended June 30, 2023**

2023-009. **FINDING** (Computer Security Weaknesses) (Continued)

**UNIVERSITY RESPONSE**

The University agrees with this finding and accepts the recommendation. Although the areas noted in the finding are addressed informally, the University will continue its efforts to formalize ad-hoc and unwritten policies and processes. Access to the University data center is restricted to only specific individuals via the University's badge entry system and has security camera recordings for everyone who enters the data center. The University will evaluate the current electronic badge system for physical access log improvements.

**GOVERNORS STATE UNIVERSITY**  
A Component Unit of the State of Illinois  
**SCHEDULE OF FINDINGS – CURRENT FINDINGS**  
**For the Year Ended June 30, 2023**

2023-010. **FINDING** (Inadequate Controls around Service Providers)

Governors State University (University) did not have adequate controls over its service providers.

In Fiscal Year 2023, the University identified 72 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 requested the University provide a population of service providers utilized during the examination period to determine if the University had reviewed the internal controls over its service providers. In response to our request, the University provided a population; however, the population contained inaccuracies related to identifying which vendors qualify as service providers. Due to these conditions, we were unable to conclude the University's population records were sufficiently precise and detailed under the Professional Standards promulgated by the American Institute of Certified Public Accounts (AT-C 205.36). Despite this limitation, we proceeded to conduct a detailed testing over seven service providers and noted the University had not:

- Developed formal, documented policies and procedures to ensure performance measures are monitored to comply with contractual terms for seven (100%) service providers.
- Timely reviewed System and Organization Control (SOC) reports for seven (100%) service providers.
- Monitored and documented the operation of the Complementary User Entity Controls (CUECs) relevant to the University's operations for five (71%) service providers.
- Obtained and reviewed SOC reports for the subservice providers or performed alternative procedures to determine the impact on the University's internal control environment for six (86%) service providers.
- Conducted an analysis to determine the impact of noted deviations within SOC reports for one (14%) service provider.

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 Service Acquisition sections, requires entities outsourcing their information technology environment or operations to obtain assurance over the entities' internal controls related to the services provided. Such assurance may

**GOVERNORS STATE UNIVERSITY**  
A Component Unit of the State of Illinois  
**SCHEDULE OF FINDINGS – CURRENT FINDINGS**  
**For the Year Ended June 30, 2023**

2023-010. **FINDING** (Inadequate Controls around Service Providers) (Continued)

be obtained via timely review of the System and Organization Control reports or independent reviews.

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 resource constraints and competing priorities have prevented full implementation of the review process including development of formal policies and procedures on ensuring due diligence on service providers and ensuring performance measures are monitored to comply with contractual terms.

Without having adequate monitoring controls over service providers, including proper and timely reviews of SOC reports or another form of independent internal control review, the University does not have assurance the service provider's internal controls are adequate to support the University's processes and ensure its data are secured. (Finding Code No. 2023-010, 2022-007, 2021-012)

**RECOMMENDATION**

We recommend the University:

- Establish policies and procedures to ensure performance measures are monitored to comply with contractual terms and service level agreements.
- Timely review SOC reports of the service providers.
- Monitor and document the operation of the CUECs noted in the SOC reports that are relevant to the University's operations.
- Obtain and review the SOC reports of subservice providers or perform alternative procedures to determine the impact on the internal control environment of the University.
- Conduct an analysis to determine the impact of noted deviations on the SOC reports to the University's internal control environment.

**UNIVERSITY RESPONSE**

The University agrees with this finding and accepts the recommendation. A full-time risk and compliance analyst was hired in 2023 and is assigned to collect, monitor, and analyze annual SOC reports from service providers, in coordination with application owners. The University had allocated substantial resources to meet the requirements; however, compliance is becoming more challenging as the requirements imposed upon state agencies in the pursuit of adequate third-party risk management continue to tighten. The University will discuss the newly expanded requirements for additional resources.

**GOVERNORS STATE UNIVERSITY**  
A Component Unit of the State of Illinois  
**SCHEDULE OF FINDINGS – CURRENT FINDINGS**  
**For the Year Ended June 30, 2023**

2023-011. **FINDING** (Weaknesses in System Access Controls)

Governors State University (University) had not established adequate controls for system access.

Upon review of the University's controls around system access, we noted the University had not established and adopted formal policies and procedures for periodic review of access rights to applications to ensure appropriateness of access granted.

Additionally, we noted the University did not have formal policies for provisioning, deprovisioning, and monitoring of remote user access.

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 the University 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 resource constraints and competing priorities have prevented the development and adoption of formal system access controls and procedures.

Inadequate system access controls may result in exposing information assets and resources to unauthorized disclosure, modification, or destruction. (Finding Code No. 2023-011, 2022-008, 2021-013)

**RECOMMENDATION**

We recommend the University establish and adopt formal policies and procedures to perform and document a periodic user access review for applications.

Further, we recommend the University adopt formal policies on provisioning, deprovisioning, and monitoring of remote user access.

**GOVERNORS STATE UNIVERSITY**  
A Component Unit of the State of Illinois  
**SCHEDULE OF FINDINGS – CURRENT FINDINGS**  
**For the Year Ended June 30, 2023**

2023-011. **FINDING** (Weaknesses in System Access Controls) (Continued)

**UNIVERSITY RESPONSE**

The University agrees with this finding and accepts the recommendation. An application and data inventory process is currently underway, which will provide a comprehensive path for the University's efforts to address this finding. The University is currently addressing user access controls and review thereof with individual application owners for cloud-based systems and plans to expand these efforts to on-premises systems upon the completion of the application and data inventory. These efforts will be formalized as recommended with the appropriate policies and procedures.

**GOVERNORS STATE UNIVERSITY**  
A Component Unit of the State of Illinois  
**SCHEDULE OF FINDINGS – CURRENT FINDINGS**  
**For the Year Ended June 30, 2023**

2023-012. **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 2023, the University accepted approximately 19,654 credit card transactions estimated at \$15.5 million.

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

- Established formal policies over processing of PCI transactions;
- Completed formal assessments of each location (14 of 19 merchants) accepting credit card payments, including the appropriate Self-Assessment Questionnaire (SAQ) and certifying compliance;
- Validated merchants for all elements of its cardholder data environment verifying PCI-DSS 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 resource constraints and competing priorities hindered efforts to bring University merchants into compliance with PCI DSS during Fiscal Year 2023.

Failure to establish formal policies, conduct annual PCI security training, complete SAQs on all merchants, and validate merchants for PCI compliance, could result in noncompliance with PCI DSS requirements 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. 2023-012, 2022-009, 2021-015)

**GOVERNORS STATE UNIVERSITY**  
A Component Unit of the State of Illinois  
**SCHEDULE OF FINDINGS – CURRENT FINDINGS**  
**For the Year Ended June 30, 2023**

2023-012. **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.
- Validate merchants for all elements of its cardholder data environment verifying PCI DSS compliance.
- 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. The University is currently addressing the PCI-DSS requirements on a merchant-by-merchant basis. A comprehensive policy has been adopted, 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. In addition, the University is in the process of consolidating payment processors and transitioning to a Point-to-Point Encryption (P2PE) solution allowing for significantly reduced rollout and compliance efforts.

**GOVERNORS STATE UNIVERSITY**

A Component Unit of the State of Illinois

**SCHEDULE OF FINDINGS – PRIOR FINDING NOT REPEATED**

**For the Year Ended June 30, 2023**

A. **FINDING** (Federal Perkins Loan Cohort Default Rate Too High)

During the prior audit, Governors State University (University) Federal Perkins loan cohort default rate was in excess of the threshold for administrative capability stipulated by the U.S. Department of Education.

During the current audit, our testing noted the University Federal Perkins loan cohort default rate was within the threshold for administrative capability stipulated by the U.S. Department of Education. (Finding Code No. 2022-003, 2021-005, 2020-002, 2019-005, 2018-008, 2017-003, 2016-006)