

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois

COMPLIANCE EXAMINATION
(In Accordance with the Single Audit Act
And Applicable Federal Regulations)
For the Year Ended June 30, 2020

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

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SINGLE AUDIT AND STATE COMPLIANCE EXAMINATION
FOR THE YEAR ENDED JUNE 30, 2020

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Other Reports Issued Under a Separate Cover:

The University's financial statements as of and for the year ended June 30, 2020, have been issued under a separate cover. Additionally, in accordance with *Government Auditing Standards*, we have issued the report required under *Government Auditing Standards*, for the year ended June 30, 2020, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters, under a separate cover. The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of the audit.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SINGLE AUDIT AND STATE COMPLIANCE EXAMINATION

FOR THE YEAR ENDED JUNE 30, 2020

UNIVERSITY OFFICIALS

President (July 1, 2020 to Present)	Dr. Cheryl F. Green
President (July 1, 2019 to June 30, 2020)	Dr. Elaine P. Maimon
Vice President for Administration and Finance	Dr. W. Paul Bylaska
General Counsel and Vice President (November 16, 2020 to Present)	Ms. Therese Nohos
General Counsel and Vice President (May 30, 2020 to November 15, 2020)	Vacant
General Counsel and Vice President (March 2, 2020 to May 29, 2020)	Mr. Sanat Ranganathan
General Counsel and Vice President (July 1, 2019 to March 1, 2020)	Vacant
Chief Internal Auditor	Mr. Kristoffer Evangelista, CPA
Associate Vice President for Finance	Ms. Villalyn Baluga, CPA

OFFICERS OF THE UNIVERSITY BOARD OF TRUSTEES

Chairman (July 26, 2019 to Present)	Ms. Lisa Harrell
Chairman (July 1, 2019 to July 25, 2019)	Vacant
Vice Chairman (July 26, 2019 to Present)	Mr. Kevin Brookins
Vice Chairman (July 1, 2019 to July 25, 2019)	Ms. Lorraine Tyson
Secretary (July 26, 2019 to Present)	Mr. James Kvedaras
Secretary (July 1, 2019 to July 25, 2019)	Mr. Bruce Friefeld

UNIVERSITY BOARD OF TRUSTEES

Trustee (July 1, 2020 to present)	Ms. Jeanine Latrice Koger, Student
Trustee (August 2, 2019 to Present)	Mr. Pedro Cevallos-Candau
Trustee (July 26, 2019 to Present)	Mr. Kevin Brookins
Trustee (July 26, 2019 to Present)	Mr. John Brudnak
Trustee (July 26, 2019 to Present)	Ms. Lisa Harrell
Trustee (July 26, 2019 to Present)	Ms. Angela Sebastian
Trustee (July 26, 2019 to Present)	Mr. James Kvedaras
Trustee	Mr. Anibal Taboas
Trustee (July 1, 2019 to June 30, 2020)	Mr. Lester Van Moody, Student
Trustee (July 1, 2019 to July 25, 2019)	Mr. Bruce Friefeld
Trustee (July 1, 2019 to July 25, 2019)	Ms. Lorraine Tyson
Trustee (July 1, 2019 to July 25, 2019)	4 vacancies

UNIVERSITY OFFICES

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

June 3, 2021

Borschneck, Pelletier & Co.
Certified Public Accountants
200 E. Court St., Suite 608
Kankakee, IL 60901

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of Governors State University (University). We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the University's compliance with the following specified requirements during the year ended June 30, 2020. Based on this evaluation, we assert that during the year ended June 30, 2020, the University has materially complied with the specified requirements listed below.

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

Yours truly,

Governors State University

SIGNED ORIGINAL ON FILE

Dr. Cheryl F. Green, President

SIGNED ORIGINAL ON FILE

Dr. W. Paul Bylaska, 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
SINGLE AUDIT AND STATE COMPLIANCE EXAMINATION
FOR THE YEAR ENDED JUNE 30, 2020

COMPLIANCE REPORT

SUMMARY

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

ACCOUNTANT’S REPORT

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

SUMMARY OF FINDINGS

<u>Number of</u>	<u>Current Report</u>	<u>Prior Report</u>
Findings	11	12
Repeated findings	8	8
Prior recommendations implemented or not repeated	4	11

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (GOVERNMENT AUDITING STANDARDS)				
2020-001	17	New	Inadequate Internal Controls Over Census Data	Material Weakness / Noncompliance
FINDINGS (FEDERAL COMPLIANCE)				
2020-002	22	2019/2016	Federal Perkins Loan Cohort Default Rate Too High	Significant Deficiency / Noncompliance
2020-003	24	2019/2014	Failure to Meet Earmarking Requirements for Head Start Program	Significant Deficiency / Noncompliance
FINDINGS (STATE COMPLIANCE)				
2020-004	26	2019/2016	Child Abuse Reporter Training	Significant Deficiency / Noncompliance
2020-005	28	2019/2016	Noncompliance with the Campus Security Enhancement Act of 2008	Significant Deficiency / Noncompliance

GOVERNORS STATE UNIVERSITY
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (STATE COMPLIANCE)				
2020-006	30	New	Failure to Review Major Systems within a Two Year Period	Significant Deficiency / Noncompliance
2020-007	32	2019/2016	Inadequate Controls over Computers and Equipment	Significant Deficiency / Noncompliance
2020-008	35	New	Illinois Articulation Initiative	Significant Deficiency / Noncompliance
2020-009	36	2019/2005	Time Sheets Not Properly Maintained	Significant Deficiency / Noncompliance
2020-010	37	2019/2019	Weaknesses in Cybersecurity Programs and Practices	Significant Deficiency / Noncompliance
2020-011	39	2019/2016	Computer Security Weaknesses	Significant Deficiency / Noncompliance

In addition, the following finding which is reported as a current finding relating to *Government Auditing Standards* also meets the reporting requirements for State Compliance.

2020-001	17	New	Inadequate Internal Controls Over Census Data	Material Weakness / Material Noncompliance
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PRIOR FINDINGS NOT REPEATED

A	42	2019/2018	Ineffective Controls Over Mental and Behavioral Health Education and Training Grants Expenditures
B	42	2019/2019	Inaccurate Return of Title IV Funds
C	42	2019/2019	Exit Counseling
D	42	2019/2019	Noncompliance with Governors State University Law

GOVERNORS STATE UNIVERSITY
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FOR THE YEAR ENDED JUNE 30, 2020

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with University personnel at an exit conference on May 13, 2021.

Attending were:

Governors State University

Dr. Cheryl F. Green , President

Dr. W. Paul Bylaska, Vice President for Administration and Finance

Ms. Therese Nohos, General Counsel and Vice President

Ms. Villalyn Baluga, Associate Vice President for Finance

Ms. Tracy Sullivan, Assistant Vice President for Procurement and Business Services

Mr. Charles Pustz, Associate Vice President for Information Technology and Chief Information Officer

Mr. John Perry, Executive Director of Financial Aid and Scholarships

Ms. Andrea Middleton, Assistant Controller

Ms. Linda Theres-Jones, Assistant Director/Chief Accountant

Ms. Sandra Marak, Director of Human Resources

Mr. Kristoffer Evangelista, Chief Internal Auditor

Ms. Kaitlyn Wild, Director of Compliance

Ms. Erin Soto, Executive Director of Family Development Center

Office of the Auditor General

Mr. Jose Roa, Audit Manager

Borschneck, Pelletier & Co.

Mr. Paul Pelletier, Partner

Mr. Bob Sikma, Manager

The responses to the recommendations were provided by Ms. Villalyn Baluga, Associate Vice President for Finance, in a correspondence dated May 12, 2021.

INDEPENDENT ACCOUNTANT'S REPORT ON STATE COMPLIANCE,
ON INTERNAL CONTROL OVER COMPLIANCE, AND ON
SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

The Board of Trustees
Governors State University

Compliance

As Special Assistant Auditors for the Auditor General, we have examined compliance by Governors State University (University) with the specified requirements listed below, as more fully described in the *Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide)* as adopted by the Auditor General, during the year ended June 30, 2020. 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.

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

Our examination disclosed material noncompliance with the following specified requirement applicable to the University during the year ended June 30, 2020. As described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001, 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 deviation from the specified requirement described in the preceding paragraph, the University complied with the specified requirements during the year ended June 30, 2020. 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 and Questioned Costs as items 2020-004 through 2020-011.

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

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

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 and Questioned Costs, we did identify certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the specified requirements on a timely basis. *A material weakness in internal control* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001 to be a material weakness.

A significant deficiency in internal control is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2020-004 through 2020-011 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 and Questioned Costs. 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.

Supplementary Information for State Compliance Purposes

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the business-type activities of the University and its discretely presented component unit as of and for the year ended June 30, 2020, and have issued our report thereon dated June 3, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. Our report included reference to other auditors who audited the financial statements of the University's discretely presented component unit and whose report had been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, was based solely on the report of the other auditors. We have not performed any procedures with respect to the audited financial statements subsequent to June 3, 2021. The accompanying supplementary information for the year ended June 30, 2020 in Schedules 1 through 10 is presented for the purposes of additional analysis and is not a required part of the basic financial statements of the University. Such information is the responsibility of

University management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Except as noted on Schedule 8, the accompanying supplementary information for the year ended June 30, 2020 in Schedules 1 through 10 has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the year ended June 30, 2020 in Schedules 1 through 10 is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2020.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the University's basic financial statements as of and for the year ended June 30, 2019 and have issued our report thereon dated January 24, 2020, which contained unmodified opinions on the respective financial statements of the business-type activities of the University and its discretely presented component unit. The accompanying supplementary information for the year ended June 30, 2019 in Schedules 1 through 10 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2019 financial statements. Except as noted on Schedule 8, the accompanying supplementary information for the year ended June 30, 2019 in Schedules 1 through 10 has been subjected to auditing procedures applied in the audit of the June 30, 2019 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or to those basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the year ended June 30, 2019 in Schedules 1 through 10 is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2019.

The accompanying supplementary information in the Analysis of Operations Section is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

SIGNED ORIGINAL ON FILE

Kankakee, IL

June 3, 2021



Certified Public Accountants & Consultants

200 East Court Street • Suite 608 • Kankakee, IL 60901
815.933.1771 • fax: 815.933.1163

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

Report on the Financial Statements

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 discretely presented component unit of Governors State University, collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Governors State University's basic financial statements, and have issued our report thereon dated June 3, 2021. Our report includes a reference to another auditor who audited the financial statements of the Governors State University's discretely presented component unit, as described in our report on the University's financial statements. The financial statements of the Governors State University Foundation, a component unit of Governors State University, were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control or compliance and other matters associated with this component unit.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Governors State 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 determination of financial statement amounts. 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 and Questioned Costs as item 2020-001.

Internal Control Over Financial Reporting

Management of Governors State 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 Governors State University's internal control to determine the 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 Governors State University's internal control. Accordingly, we do not express an opinion on the effectiveness of the Governors State 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 above paragraphs of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001 that we consider to be a material weakness.

University's Response to the Finding

The University's response to the finding identified in our audit is described in the accompanying Schedule of Findings. The University's response was not subjected to the 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 Governors State University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Governors State University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Kankakee, IL
June 3, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

The Board of Trustees
Governors State University

Report on Compliance for Each Major Federal Program

As Special Assistant Auditors for the Auditor General, we have audited compliance by Governors State University (University) with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2020. The University's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

The University's basic financial statements include the operations of Governors State University Foundation, a component unit of the University, which is not included in the University's Schedule of Expenditures of Federal Awards during the year ended June 30, 2020. Our audit, as described below, did not include the operations of this component unit because the component unit engaged other auditors to perform an audit of their financial statements.

Management's Responsibility

Management is responsible for compliance with federal statues, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative*

Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

Opinion on Each Major Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2020-002 through 2020-003. Our opinion on each major federal program is not modified with respect to these matters.

The University's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The University's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Additionally, the University is responsible for preparing a corrective action plan to address each finding included in our auditor's report. The University's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the corrective action plan.

Report on Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over*

compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2020-002 through 2020-003 that we consider to be significant deficiencies.

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities of Governors State University and its discretely presented component unit as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated June 3, 2021, which contained unmodified opinions on those financial statements. Our report includes a reference to other auditors who audited the financial statements of the University's discretely presented component unit, as described in our report on the University's financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

SIGNED ORIGINAL ON FILE

Kankakee, IL

June 3, 2021

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? X Yes None reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Uniform Guidance? X Yes No

<u>Name of Federal Program or Cluster</u>	<u>CFDA Numbers</u>
<u>Student Financial Assistance Cluster:</u>	
Federal Direct Student Loans	84.268
Federal Pell Grant Program	84.063
Federal Perkins Loan Program - Federal Capital Contributions	84.038
Federal Work-Study Program	84.033
Federal Supplemental Educational Opportunity Grants	84.007
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379
Nurse Faculty Loan Program (NFLP)	93.264
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925
<u>Mental and Behavioral Health Education and Training Grant</u>	93.732
<u>COVID 19 Education Stabilization Fund</u>	84.425

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes No

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS

2020-001 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 this data to the plan's actuary. In contrast, responsibility for active members' census data during the current accumulation period is split among the plan and each member's current employer(s). Initially, employers must accurately transmit census data elements of their employees to the plan. Then, the plan must record and retain these records for active employees and then transmit this census data to the plan's actuary.

We noted the University's employees are members of both the State Universities Retirement System (SURS) for their pensions and the State Employees Group Insurance Program sponsored by the State of Illinois, Department of Central Management Services (CMS) for their OPEB. In addition, we noted these plans have characteristics of different types of pension and OPEB plans, including single employer plans and cost-sharing multiple-employer plans.

During testing, we noted the following:

- The University had not performed an initial complete reconciliation of its census data recorded by SURS and CMS to its internal records to establish a base year of complete and accurate census data.
- After establishing a base year, the University had not developed a process to annually obtain from SURS and CMS the incremental changes recorded by SURS and CMS in their census data records and reconcile these changes back to the University's internal supporting records.
- The University lacked procedures to separately identify its new employees who held F and J visas to determine whether these employees were eligible to participate in SURS. After concluding these employees were likely to be in faculty positions, University management reviewed its faculty members who are currently foreign nationals and were employed during the census data accumulation period in Fiscal Year 2018. This review identified eight employees with start dates between 2011 and 2017 who could potentially have too much service credit, which would erroneously increase the State's SURS-related pension

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CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS

2020-001 FINDING: INADEQUATE INTERNAL CONTROLS OVER CENSUS DATA (Continued)

liability. In following up on this matter with SURS officials, they indicated SURS' records indicate many individuals initially are employed at the University and then move to other public universities and community colleges within SURS. As of the end of fieldwork, SURS officials were working on developing a query into SURS' data to identify the population of potentially impacted participants across its employers where a manual review of these individuals' records will need to occur to determine if the participant has received too much service credit.

Upon due consideration and based upon the significance of these issues alone, we concluded a material weakness exists within the University's internal controls related to ensuring both SURS and CMS can provide their respective actuaries with complete and accurate census data related to the University. Even given these three exceptions, we performed detail testing and certain data analysis tests and noted the following additional exceptions:

- 1) One of 80 (1%) employees tested had one event reported to CMS 486 days after the effective date of the event.
- 2) We performed an analysis of transactions reported by the University to SURS during the census data accumulation period throughout Fiscal Year 2018, noting the following problems:
 - Nine of 151 (6%) employees reported as hired had actually been hired in other fiscal years. SURS determined the total potential impact to each employee's total service credit was it could be off by one-quarter to 1 year.
 - One of two (50%) employees reported as laid off by the University were untimely reported to SURS by the University. SURS determined the total potential impact to the former employee's total service credit was it could be off by one-quarter year.
 - Three of three (100%) employees with a departure on a leave of absence had the start date of the leave of absence untimely reported to SURS by the University. SURS determined the total potential impact to each of these employee's total service credit was it could be off by 1 to 3.5 years.
- 3) As of the end of the census data accumulation year on June 30, 2018, we identified five employees where each employee's associated termination or rehire date(s) had been untimely reported to SURS. While these employees were all associated with the University at June 30, 2018, some or all of these untimely reports may have occurred at other public universities and community colleges across the State. SURS determined

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CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS

2020-001 FINDING: INADEQUATE INTERNAL CONTROLS OVER CENSUS DATA (Continued)

these errors resulted in the employees being misclassified between the active, retired, and inactive member categories within SURS. The total potential impact to each former employee's total service credit was it could be off between 0.0 and 1.75 years.

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

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

- 1) not a student employed on a less than full-time temporary basis;
- 2) not receiving a retirement or disability annuity from SURS;
- 3) not on military leave;
- 4) not eligible to participate in the Federal Civil Service Retirement System,
- 5) not currently on a leave of absence without pay more than 60 days after the termination of SURS' disability benefits;
- 6) not paid from funds received under the Federal Comprehensive Employment and Training Act as a public service employment program participant hired on or after July 1, 1979;
- 7) not a patient in a hospital or home;
- 8) not an employee compensated solely on a fee basis where such income would net earnings from self-employment;
- 9) not providing military courses pursuant to a federally-funded contract where the University has filed a written notice with SURS electing to exclude these persons from the definition of an employee;
- 10) currently on lay-off status of not more than 120 days after the lay-off date;
- 11) not on an absence without pay of more than 30 days; and,

GOVERNORS STATE UNIVERSITY
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CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS

2020-001 FINDING: INADEQUATE INTERNAL CONTROLS OVER CENSUS DATA (Continued)

12) a nonresident alien on a visa defined under subparagraphs (F), (J), (M), or (Q) of Section 1101(a)(15) of Title 8 of the United States Code who (1) has met the Internal Revenue Service’s substantial presence test and (2) became an employee on and after July 1, 1991.

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

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

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

University officials indicated:

- The University’s procedure is to submit its additions and changes of census data to SURS and CMS as soon as possible after it occurs and was not aware of SURS tight window for reporting and approval at year end.
- The University had no established practice or procedure to verify the census data submitted by SURS and CMS to the plan actuaries are complete and accurate.
- The University had no practice or procedure to verify if new employees with F and J visas had previously met the substantive presence test before enrollment in SURS.
- A couple of the exceptions noted were due to delays in processing paperwork.

Failure to ensure complete and accurate census data was reported to SURS and CMS could have resulted in a material misstatement of the University’s financial statements and reduced the overall accuracy of pension/OPEB-related liabilities, deferred inflows and outflows of resources, and expense recorded by the State, the State’s agencies, and other public universities and community

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CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS

2020-001 FINDING: INADEQUATE INTERNAL CONTROLS OVER CENSUS DATA (Continued)

colleges across the State. In addition, failure to reconcile active members' census data reported to and held by SURS and CMS to the University's internal records could result in each plan's actuary relying on incomplete or inaccurate census data in the calculation of the University's pension and OPEB balances, which could result in a material misstatement of these amounts. (Finding Code No. 2020-001)

RECOMMENDATION

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

Further, we recommend the University work with SURS and CMS to develop an annual reconciliation process of its active members' census data from its underlying records to a report from each plan of census data submitted to the plan's actuary. 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.

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

Finally, we recommend the University work with SURS and the other public universities and community colleges to identify employees initially hired by the University with a visa defined under subparagraphs (F), (J), (M), or (Q) of Section 1101(a)(15) of Title 8 of the United States Code who had not met the Internal Revenue Service's substantial presence test and started employment on and after July 1, 1991.

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation. The University will:

- Work with SURS and CMS to develop an annual reconciliation process to verify the completeness and accuracy of its active members' census data as submitted by SURS and CMS to the plan actuaries.
- Work with SURS and CMS to identify and address any unremitted or erroneously remitted employee and employer contributions related to the exceptions noted.
- Establish procedures to ensure timely reporting of events with SURS and CMS.
- Establish procedures to verify if new employees with F and J visas had previously met the substantive presence test before enrollment in SURS.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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CURRENT FINDINGS – FEDERAL COMPLIANCE

2020-002 FINDING: FEDERAL PERKINS LOAN COHORT DEFAULT RATE TOO HIGH

Federal Department:	U.S. Department of Education
CFDA Numbers:	84.038, 84.033, 84.007, 84.063, 84.268, 84.379
Cluster Name:	Student Financial Assistance Cluster
Programs:	Federal Perkins Loan Program – Federal Capital Contributions, Federal Work-Study Program, Federal Supplemental Educational Opportunity Grants, Federal Pell Grant Program, Federal Direct Student Loans, Teacher Education Assistance for College and Higher Education Grants
Award Numbers:	P033A181156, P033A191156, P007A171156, P007A181156, P007A191156, P063P180567, P063P190567, P063Q190567, P268K190567, P268K200567, P379T190567, P379T200567
Questioned Cost:	None
Program Expenditures:	\$44,779,885

Governors State University’s (University) Federal Perkins loan cohort default rate is in excess of the threshold for administrative capability stipulated by the U.S. Department of Education.

The Federal Perkins Loan cohort default rate as of June 30, 2020 (for borrowers who entered repayment during Fiscal Year 2019) was 22.67%, which exceeded the 15% threshold. The University chose to continue servicing their Perkins Loan portfolio after Federal Perkins Loan Program loan originations were discontinued in Fiscal Year 2018.

The Code of Federal Regulations (Code) (34 CFR 668.16) states “to begin and to continue to participate in any Title IV, HEA program, an institution shall demonstrate to the Secretary that the institution is capable of adequately administering that program under each of the standards established in this section. The Secretary considers an institution to have that administrative capability if the institution – ... (m)(1) Has a cohort default rate - (iii) as defined in 34 CFR 674.5, on loans made under the Federal Perkins Loan Program to students for attendance at the institution that does not exceed 15 percent.”

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

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

GOVERNORS STATE UNIVERSITY
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CURRENT FINDINGS – FEDERAL COMPLIANCE

2020-002 FINDING: FEDERAL PERKINS LOAN COHORT DEFAULT RATE TOO HIGH (Continued)

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 contracting with a new collection agency has helped to reduce the rate; however economic conditions resulting from the pandemic continue to present challenges for University students.

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

RECOMMENDATION

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

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation. The University and its newly contracted collection agency have been closely monitoring and communicating 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 AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

CURRENT FINDINGS – FEDERAL COMPLIANCE

2020-003 FINDING: FAILURE TO MEET EARMARKING REQUIREMENTS FOR HEAD START PROGRAM

Federal Department:	U.S. Department of Health and Human Services
CFDA Numbers:	93.600
Program Name:	Head Start
Award Numbers:	05CH8457-05 & 05CH011351-01
Questioned Cost:	Undetermined
Program Expenditures:	\$982,625

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

The University is a recipient of a grant from the Administration for Children and Families of the U.S. Department of Health and Human Services (DHHS). In accordance with the grant agreement with the DHHS, the University has a funded enrollment requirement of 72 individuals. In our testing of the monthly enrollment reports for Fiscal Year 2020, we noted the University did not meet the funded enrollment requirement for any of the 12 months (2 to 12 individuals under-enrolled).

The Head Start Act (Act) (42 USC 9837(g)) requires each Head Start agency to enroll 100% of its funded enrollment and maintain an active waiting list at all times with ongoing outreach to the community and activities to identify underserved populations. The Act (42 USC 9836a(h)(2)(A)) further requires each entity carrying out a Head Start program to report on a monthly basis to the Secretary (DHHS) and the relevant Head Start agency the actual enrollment in such program. As defined by the Act (42 USC 9836a(h)(1)(A)), actual enrollment means, with respect to the program of a Head Start agency, the actual number of children enrolled in such program and reported by the agency in a given month. We noted the DHHS suspended the full enrollment determinations during the pandemic.

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 earmarking requirements are met.

University officials indicated failure to meet the enrollment requirement for the Program is due to difficulty in finding families who are interested in enrolling in the home based and pregnant women programs.

Failure to meet the funded enrollment of its Program resulted in noncompliance with the Federal program earmarking requirement. Additionally, the awarding agency may recapture, withhold, or reduce the base grant for the program. (Finding Code No. 2020-003, 2019-001, 2018-010, 2017-004, 2016-007, 2015-002, 2014-003)

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FOR THE YEAR ENDED JUNE 30, 2020

CURRENT FINDINGS – FEDERAL COMPLIANCE

2020-003 FINDING: FAILURE TO MEET EARMARKING REQUIREMENTS FOR HEAD START PROGRAM (Continued)

RECOMMENDATION

We recommend the University improve its recruitment procedures to ensure compliance with the funded enrollment of the Program.

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation. The University’s Family Development Center has been employing several different methods to improve enrollment.

During the COVID-19 lockdown period from March 16, 2020 to June 15, 2020, the University’s Family Development Center has:

- Provided remote services to children and families.
- Provided meals to children and families offering distance pick-up and delivery.
- Provided basic education materials to children and families to continue education at home.
- Created video lessons for parents and children.
- Provided parents information and support regarding housing, medical, food, mental health, and financial assistance.
- Updated its website to make it easier to navigate and more attractive to families.

After reopening, the University’s Family Development Center has:

- Increased online recruitment on social medial and google to have a continuous daily online presence.
- Placed an advertisement in “Family Time”, a local family oriented newspaper.
- Updated recruitment materials to include photos of teachers in masks.
- Sent out a mass mailer to about 5,000 families of children ages 0-3 who are income qualified.
- Added a QR code to our mailers to allow parents to easily access applications.
- Begun recruiting through “refer a friend” program.

GOVERNORS STATE UNIVERSITY
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

CURRENT FINDINGS – STATE COMPLIANCE

2020-004 FINDING: CHILD ABUSE REPORTER TRAINING

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

Our testing of 35 employees identified:

- 7 (20%) employees did not receive the required reporter training within one year of initial employment or within three months of initial employment if they were hired after 1/1/2020.
- 21 (60%) employees for which the University did not have any documentation in which the employee acknowledges the reporting requirements of the Act.
- 8 (23%) employees did not sign the documentation in which the employee acknowledges the reporting requirements of the Act prior to the commencement of employment.
- 10 (29%) employees signed documents after January 1, 2019 acknowledging the reporting requirements of the Act; however, the form was not up to date as it did not include information regarding mandated reporter training provided by the Department of Children and Family Services.
- 1 (3%) employee did not date the signed documentation in which the employee acknowledges the reporting requirements of the Act.

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

The Act (325 ILCS 5/4) requires personnel of institutions of higher education having reasonable cause to believe a child known to them in their professional or official capacity may be an abused or neglected child to immediately report or cause a report to be made to the Department of Children and Family Services (DCFS). The Act further requires University personnel to undergo reporter training within one year of initial employment (or within three months of initial employment effective January 1, 2020) and at least every 5 years thereafter (every 3 years effective January 1, 2020). This training must be completed by an authorized provider. Also, a statement must be signed, prior to commencement of employment, by the employee acknowledging they have knowledge and understanding of the reporting requirements. The Act also requires that all signed statements after January 1, 2019 include information about available mandated reporter training provided by DCFS. The training requirement became effective on July 1, 2014 with Public Act 098-0408.

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

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

CURRENT FINDINGS – STATE COMPLIANCE

2019-004 FINDING: CHILD ABUSE REPORTER TRAINING (Continued)

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

RECOMMENDATION

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

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation. The University will continue to conduct an annual training for Mandated Reporter Training every Spring. In addition, we will ask new employees to take their online training during new hire orientation and if, still participating virtually, we will instruct new hires to provide their training certification within the first week of employment after attending their new hire orientation. The University will ensure that up-to-date forms are given to all new hire employees during the onboarding process.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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CURRENT FINDINGS – STATE COMPLIANCE

2020-005 FINDING: NONCOMPLIANCE WITH THE CAMPUS SECURITY ENHANCEMENT ACT OF 2008

Governors State University (University) did not comply with the Campus Security Enhancement Act of 2008 (Act).

The University did not obtain criminal background investigations prior to employing individuals for security-sensitive positions. We obtained a listing of positions the University identified as security-sensitive positions and selected 25 employees from such positions for testing. Our testing identified 4 employees (16%) (including 2 employees hired in Fiscal Years 2016 through 2020) hired for security sensitive positions without any evidence the criminal background investigations were ever obtained.

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

The Act (110 ILCS 12/5) requires each public institution of higher education, through written policy and procedures, identify security-sensitive positions and make provision for the completion of criminal background investigations prior to employing individuals in those positions.

University officials indicated its identification of security sensitive positions has been overly broad and resulted in some being missed due to oversight. University officials also indicated the University has not yet performed criminal background checks on most employees who were hired before the current employment practices were put in place (2016) due to budget constraints.

Failure to obtain the required criminal background investigations prior to the employment of individuals in security-sensitive positions results in noncompliance with the Act and may result in the University allowing access to security-sensitive information to individuals who should not be entrusted with such access. (Finding Code No. 2020-005, 2019-007, 2018-012, 2017-011, 2016-013)

RECOMMENDATION

We recommend the University comply with the requirements of the Act by:

- obtaining criminal background investigations prior to hiring employees for security-sensitive positions; and
- obtaining criminal background investigations for all employees in security-sensitive positions for which a prior background investigation was not obtained.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

CURRENT FINDINGS – STATE COMPLIANCE

2020-005 **FINDING:** **NONCOMPLIANCE WITH THE CAMPUS SECURITY ENHANCEMENT ACT OF 2008** (Continued)

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation. The University has secured a new vendor to conduct criminal background investigations prior to hiring employees for security sensitive positions. In addition, the University is in the process of developing a comprehensive policy on criminal background checks similar to other State universities. The new policy will re-define what the University considers a security-sensitive position. The University will evaluate conducting background checks for current employees who hold security sensitive positions but have no background check on file and will perform such check if feasible.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

CURRENT FINDINGS – STATE COMPLIANCE

2020-006 FINDING: FAILURE TO REVIEW MAJOR SYSTEMS WITHIN A TWO YEAR PERIOD

Governors State University’s (University) program of internal auditing was unable to review all major systems within a two year period as required by the Fiscal Control and Internal Auditing Act (Act).

During testing, it was determined the Chief Internal Auditor did not issue internal audit reports covering reviews of all major systems of internal accounting and administrative controls over the past two year period. Although several audits were included in the University’s two year internal audit plan, the only internal audit report issued during Fiscal Years 2019 and 2020 was an audit of the Illinois Board of Higher Education tuition and fee waiver guidelines. In addition, the auditors noted the Chief Internal Auditor reported four other audits were “completed” in the annual report dated September 30, 2020 to the University’s President; however, as of January 6, 2021, none of the noted four audit reports had been issued.

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

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

University officials indicated there were difficulties in completing the internal audits due to delays in obtaining the requested information and documents from the auditees, partially related to COVID-19 issues. Further, there were many competing priorities for the Chief Internal Auditor’s time including coordination of the comprehensive and University-wide annual risk assessment, and Fiscal Control and Internal Auditing Act internal control evaluation and certification. This resulted in the Chief Internal Auditor being unable to complete all of the required internal audits and issue reports thereon. In addition, the audit procedures were substantially completed, and the audit findings were communicated to auditees and senior management, but issuance of the internal audit reports were still pending.

Failure to complete a review of all major systems within a two year period results in noncompliance with the Act, weakens the University’s assessment of its overall internal control environment and increases the risk an effective system of internal control may not be maintained. (Finding Code No. 2020-006)

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A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

CURRENT FINDINGS – STATE COMPLIANCE

2020-006 FINDING: FAILURE TO REVIEW MAJOR SYSTEMS WITHIN A TWO YEAR PERIOD (Continued)

RECOMMENDATION

We recommend the University improve its procedures to ensure all major systems of internal accounting and administrative controls are reviewed at least once every two years as required by the Act.

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation. In accordance with the State of Illinois Internal Audit Advisory Board (SIAAB) Guidance # 08, the University includes the major systems of internal accounting and administrative controls, known as the 11 major categories per Statewide Accounting Systems Manual (SAMS), as part of the annual risk assessment process for prioritization of audit coverage. As a one-person department, completion of audits of all major systems plus areas that represent the highest risk based on the documented risk assessment is not viable within a two-year period. In order to provide coverage of all the major systems, the Office of Internal Audit incorporated the elements of these major systems in the planned internal audit activities included in the risk-based internal audit plan for Fiscal Years 2020 and 2021. These internal audits are currently underway and expected to be completed before the next annual reporting to the President.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

CURRENT FINDINGS – STATE COMPLIANCE

2020-007 FINDING: INADEQUATE CONTROLS OVER COMPUTERS AND EQUIPMENT

Governors State University (University) did not comply with requirements applicable to its computers and other equipment.

All State universities and agencies are required to perform an annual physical inventory of State equipment in their possession. We examined and performed procedures on the physical inventory performed by the University within the examination period. The University certified its physical inventory as of September 1, 2019. We noted the University reported 10 items, valued at \$16,539, of unlocated equipment as of this date. Later in the fiscal year, the University deleted five of these items including three computers totaling \$3,760. The University also completed a second certification of its inventory as of June 30, 2020. The University reported ten unlocated items valued at \$14,711 as of this date. All of these items were computers or workstations. The University did not immediately perform a complete assessment of the unlocated computers to determine whether they contained confidential information and whether notifications were required as outlined in the Personal Information Protection Act (815 ILCS 530/25).

We also tested 25 computers that were sent to surplus according to the University’s property control records to determine whether the University complied with its internal procedures and maintained evidence the computers had been “wiped” prior to transfer. The University could not provide any documentation for one (4%) of these computers demonstrating it had been wiped before being transferred to surplus.

We tested ten equipment additions made during the year and noted six (60%) of the additions were not timely added (21 to 60 days late) to the property control records.

Our physical inventory testing of 60 items on the property control records on the June 30, 2020 certified physical inventory listing identified two computers (3%) with a total value of \$3,071 that could not be found.

The State Property Control Act (30 ILCS 605/4) requires responsible officers at each State agency to be accountable for supervision, control and inventory of property under their jurisdiction to ensure proper accounting and safeguarding of assets.

The Illinois Administrative Code (Code) (44 Ill. Admin. Code 5010.400) further states agencies shall adjust property records within 90 days after acquisition, change or deletion of equipment.

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 property is safeguarded against waste, loss, unauthorized use, and misappropriation.

GOVERNORS STATE UNIVERSITY
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

CURRENT FINDINGS – STATE COMPLIANCE

2020-007 FINDING: INADEQUATE CONTROLS OVER COMPUTERS AND EQUIPMENT (Continued)

University officials indicated procedures were in place for the wiping of computers, however, documentation of the process had been inconsistent. In addition, the local storage of sensitive data is discouraged by University policy, and most University laptops are encrypted, therefore, assessments are not performed until notification of a computer having been stolen or just prior to requesting deletion for not being located. University officials also indicated the untimely recording was due to staffing constraints. University officials also indicated many of the staff are working remotely due to COVID 19, so some unlocated items may be secured but still unable to be located by Business Service employees.

Inadequate controls over University property and equipment results in the possibility of sensitive data or software of the University being compromised. Incomplete property control records may result in inaccurate reporting. Also, failure to perform or document complete assessments of missing computers may result in the University being unaware of a breach of confidential data. (Finding Code No. 2020-007, 2019-012, 2018-018, 2017-009, 2016-010)

RECOMMENDATION

We recommend the University improve the operation of its internal controls over the accountability of University equipment and comply with its procedures for documenting wiping of computer equipment prior to disposal and ensuring items are timely recorded. Further, we recommend the University perform and document timely assessments of all missing computer and data storage equipment to determine whether they contained confidential information and whether notifications under the Personal Information Protection Act are required.

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation.

For the ten unlocated items not found on June 30, 2020, six of the computers have been located and four are still under investigation. The difficulty finding computers in June 2020 has to do with the COVID-19 pandemic where the vast majority of individuals worked from home. Additionally, with individuals working from home, Information Technology Services (ITS) was not able to access offices; thus, making investigating unscanned computers extremely challenging.

For the one computer which did not have a record that the hard drive was wiped before being transferred to surplus, a new procedure for wiping has been implemented by ITS in November 2019. The new procedure includes an update process for computers returned to ITS and a helpdesk ticket for each wiping to document that hard drives have been wiped before being transferred to surplus.

GOVERNORS STATE UNIVERSITY
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

CURRENT FINDINGS – STATE COMPLIANCE

2020-007 FINDING: INADEQUATE CONTROLS OVER COMPUTERS AND EQUIPMENT (Continued)

As for the immediate assessment of unlocated computers for potential confidential information, Property Control had previously assessed stolen computers for confidential information, but not for deleted computers. The process has been changed; now all computers that are stolen and not found will be assessed timely by Property Control for potential confidential information and will be appropriately documented.

Additionally, the University has recently assigned a dedicated staff personnel responsible for ensuring timely recording of additions to and deletions from the property control records.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

CURRENT FINDINGS – STATE COMPLIANCE

2020-008 FINDING: ILLINOIS ARTICULATION INITIATIVE

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

The Initiative, through its itransfer.org website, exists to ease the transfer of students among the State’s associate and baccalaureate degree granting institutions. The Initiative consists of both a General Education Core Curriculum package, where completion of the entire package at one institution is fully accepted by 111 institutions across the State, and an Initiative major, which are common courses at the lower-division level that can be used to ensure students are prepared for upper-division work at 79 institutions across the State.

During testing, we noted the University did not have a minimum of one course included within the related Initiative major for its computer science and early childhood education degree programs.

The Illinois Articulation Initiative Act (110 ILCS 152/15) requires the University participate in the Initiative by maintaining a minimum of one course in the related Initiative major, if the University has an equivalent major and courses.

University officials stated the University has an existing process in place for the submission of courses to the Initiative and has an appointed person responsible for the Initiative course submission. When a new course is created, the University appointed person is notified from the University department or faculty and a review process is performed to ensure it meets all the requirements for the course before submission to the Initiative. The submission of a minimum of one course for the computer science and early childhood educations majors was overlooked.

Failure to fully participate in the Initiative by submitting, at least, one course per Initiative major could hinder students looking to transfer to other institutions and represents noncompliance with State law. (Finding Code No. 2020-008)

RECOMMENDATION

We recommend the University comply with the Illinois Articulation Initiative Act and ensure that the University fully participates in the Initiative and submits the required courses.

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation. The University is in the process of reviewing the courses for its computer science and early childhood education majors for submission to the Initiative in Spring 2021. The University will be shoring up its existing process by including in the course approval form a check-off box for Initiative submission, and including the University Initiative Coordinator in the digital course approval workflow process.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

CURRENT FINDINGS – STATE COMPLIANCE

2020-009 FINDING: TIME SHEETS NOT PROPERLY MAINTAINED

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

The Act required the Illinois Board of Higher Education (IBHE), with respect to State employees of public universities, to adopt and implement personnel policies. The Act (5 ILCS 430/5-5(c)) states, “The policies shall require State employees to periodically submit timesheets documenting the time spent each day on official State business to the nearest quarter hour; contractual State employees may satisfy the time sheets requirement by complying with the terms of their contract, which shall provide for means of compliance with this requirement.” The IBHE adopted personnel policies for public universities on February 3, 2004 in accordance with the Act. The University has not incorporated these policies into the University’s policies.

We tested the time sheets for 30 employees during the fiscal year and noted 5 (17%) faculty members/advisors used “negative” timekeeping whereby the employee is assumed to be working unless noted otherwise.

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

University officials indicated the University continues to review, along with other State universities, time reporting for faculty members, as it relates to existing collectively bargained contractual obligations and the Illinois President and Chancellors Group and the individual universities will continue to discuss and explore time reporting.

By not requiring positive time reporting from all its employees, the University is not in compliance with the Act. (Finding Code No. 2020-009, 2019-009, 2018-016, 2017-017, 2016-017, 2015-005, 2014-004, 2013-010, 12-11, 11-11, 10-11, 09-3, 08-3, 07-3, 06-4, 05-7)

RECOMMENDATION

We recommend the University revise its procedures, policies, and/or contracts to ensure all employees submit time sheets documenting the time spent each day on official State business to the nearest quarter hour.

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation. The University currently collects and monitors reported time spent on official business from all nonacademic, civil service, and professional and administrative staff. The University is currently developing a policy, revising its procedures, and reviewing existing time reporting requirements for faculty employees in connection with its implementation of an electronic timekeeping system.

GOVERNORS STATE UNIVERSITY
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

CURRENT FINDINGS – STATE COMPLIANCE

2020-010 FINDING: WEAKNESSES IN CYBERSECURITY PROGRAMS AND PRACTICES

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

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

The Illinois State Auditing Act (30 ILCS 5/3-2.4) requires the Auditor General to review State agencies, including universities, and their cybersecurity programs and practices. During our examination of the University’s cybersecurity program, practices, and control of confidential information, we noted the University:

- Had not performed a comprehensive risk assessment to identify and ensure adequate protection of information (i.e. confidential or personal information) most susceptible to attack.
- Had not classified its data to identify and ensure adequate protection of information.
- Had not evaluated and implemented appropriate controls to reduce the risk of attack. For example, 151 users have the ability to view full social security numbers on screens within a document imaging system storing student admission applications and financial aid information. The University has not utilized a feature within the application to mask or redact the first five digits. Thus, personal information is available to anyone within view of a computer screen.
- Had not developed a formal, comprehensive, adequate, and communicated security program (policies, procedures, and processes) to manage and monitor the regulatory, legal, environmental and operational requirements. For example, the University does not have a formal identity protection policy and training programs as required in the Identity Protection Act (5 ILCS 179).

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all 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.

Furthermore, generally accepted information technology guidance, including the National Institute of Standards and Technology, endorses the development of well-designed and well-managed controls to protect computer systems and data.

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CURRENT FINDINGS – STATE COMPLIANCE

2020-010 FINDING: WEAKNESSES IN CYBERSECURITY PROGRAMS AND PRACTICES (Continued)

University management indicated a comprehensive risk assessment, changes to the document imaging system, development of a formal identity protection policy, and training programs were not completed due to competing priorities, mainly COVID-19 issues.

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

RECOMMENDATION

The University has the ultimate responsibility for ensuring confidential information is protected from accidental or unauthorized disclosure. Specifically, we recommend the University:

- Perform a comprehensive risk assessment to identify and classify data to ensure adequate protection of confidential or personal information most susceptible to attack.
- Evaluate identified risks and implement appropriate controls to reduce the risk.
- Establish 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.
- Develop and approve a formal identity protection policy as required by the Identity Protection Act.

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation. The University has performed various risk assessments every three years, annual, quarterly, monthly, and on-demand basis. However, these risks and associated remediation were not consolidated in a formal mechanism. Consequently, the three-year risk assessment is now being performed annually. The first annual completed risk assessment was in August 2020, which included risk remediation plans. Additionally, a vendor risk management program has been established to further ensure the confidentiality, integrity, and availability of University data when stored or processed by a third-party service provider. A new Information Security Program is under development based upon the National Institute of Standards and Technology (NIST). Included in the program is data classification and analysis. Personally Identifiable Information (PII) is referenced in the University’s Policy 64, Policy 80, Policy 75, Policy 61, and Policy 65. Specifically, these policies reference Illinois Identity Protection Act (5 ILCS 179/1, et seq) and the Illinois Personal Information Protection Act (815 ILCS 530/1). A policy in accordance with the Identity Protection Act (5 ILCS 179/35 a) will be drafted and submitted to the appropriate University policy committee for review.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

CURRENT FINDINGS – STATE COMPLIANCE

2020-011 FINDING: COMPUTER SECURITY WEAKNESSES

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

During the examination, we requested the University provide a list of all computer equipment in order to test if the University’s operating systems and antivirus software were up to date. In response to our request, the University provided a list of computer equipment. We compared this list to computer equipment noted on other documents obtained from the University and concluded the list was not complete and accurate.

Due to these conditions, we were unable to conclude whether the University’s population records were sufficiently precise and detailed under the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.35) to test the University’s updating of operating systems and antivirus software. **Even given the population limitations noted above which hindered the ability of the accountants to conclude whether a sample selected could be representative of the population,** the accountants selected a sample and performed testing noting the exceptions below.

We tested ten servers and ten computers, noting:

- One (10%) server was running an operating system which was no longer supported by the vendor.
- The antivirus software on one computer (10%) had not been updated to the most recent version.
- No antivirus software was found on two (20%) servers and one (10%) computer.

We also tested 13 terminated employees and determined the access rights had not been removed for three (23%) of the terminated employees tested. These three employees had terminated employment with the University 170, 288 and 291 days prior to the date of our testing.

Generally accepted information technology guidance endorses the development of well-designed and well-managed controls to protect facilities, computer systems, and data. Effective computer security controls, such as timely removal of user access rights, up-to-date patches for computers and updated antivirus software on computers and servers, provide safeguards for secure access to computing environments.

University officials indicated updates, patches, and installation of antivirus software were not completed due to competing priorities, mainly COVID-19 pandemic issues. University officials also indicated numerous items of computer equipment were removed from the University’s property control records with the increase in the threshold for inventorying, resulting in incomplete computer equipment inventory.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

CURRENT FINDINGS – STATE COMPLIANCE

2020-011 FINDING: COMPUTER SECURITY WEAKNESSES (Continued)

Inadequate and lax security practices and staffing may result in unauthorized access to the University data and computing environment. Failure to maintain a complete inventory of computer equipment may result in the University not knowing whether antivirus software and security updates are up-to-date on all computer equipment. (Finding Code No. 2020-011, 2019-011, 2018-019, 2017-019, 2016-020)

RECOMMENDATION

We recommend the University maintain a complete inventory of computer equipment, ensure all servers and computers are timely updated with the latest upgrades and patches, and ensure access rights of terminated or transferred employees are removed on a timely basis.

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation. In addition to already completed work, the University plans to engage in the following corrective actions:

- For the one server which is no longer supported by the vendor, an old application on that server requires an old operating system. The University's Information Technology Services (ITS) is exploring options of replacing or eliminating that application.
- For the one computer with antivirus not updated, it was determined that it was a laptop used by an employee that had not powered on the laptop for quite a long time; thus, the antivirus definition was old. ITS is reviewing a process that cross references University property control computer inventory with antivirus updates, and then generating a report of computers needing to be updated.
- For the two servers without antivirus, ITS has installed antivirus software on those servers on December 30, 2020. Additionally, ITS standard operating procedures for new servers include an antivirus software.
- For the one computer without antivirus, that computer was being reimaged at time of inspection. The standard operating procedure is to reimage the computer first and then install 3rd party software. The inspection occurred during the reimage process but before the antivirus software was installed. Recently, the imaging process was adjusted where antivirus will now be included in the University image (installing antivirus will no longer be a separate step after imaging).
- Pertaining to the University maintaining a listing of all computers in the official inventory system, the University was not familiar with generating such a report for the auditors at the

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CURRENT FINDINGS – STATE COMPLIANCE

2020-011 FINDING: COMPUTER SECURITY WEAKNESSES (Continued)

time of request. All data (which includes assets under \$1,000) is maintained in the financial system and tracked. Since the request, it has been confirmed that computers under \$1,000 remain in the ERP database and are being tracked.

- In Fiscal 2019, ITS established a Change Control Board and change control process which documents changes to servers and workstations. On a monthly basis, server and workstation computer patches are reviewed and tested where, based on the change control procedures, are then updated across campus. Server patching change requests processing started in April 2019 and refinements have been a continuous improvement process. The most recent improvement was in December 2019 where servers were categorized into five (5) groupings for updates. One grouping contains all test servers and the other four groupings contain production servers separated out based on application and processing operations. Production group patching cycle is determined based on week number of the month. Resulting from this improved process, all servers and workstations are updated no later than one month after the release of patches.
- Pertaining to the issue on access rights for terminated employees, an automated script has been developed where once an employee is terminated in the University's computer system by Human Resources, the script emails ITS with information so that access rights can be removed in a timely manner. In addition, on the 1st of every month an automated job emails Human Resources with a summary exception list so Human Resources can investigate and provide ITS with updates.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

PRIOR FINDINGS NOT REPEATED

A **FINDING: Ineffective Controls Over Mental and Behavioral Health Education and Training Grants Expenditures**

During the prior audit, Governors State University's (University) internal controls over the compliance requirements of allowable costs/cost principles applicable to its Mental and Behavioral Health Education and Training (BHWET) Grants were ineffective.

During the current audit, our sample testing did not identify any exceptions related to allowable costs/cost principles applicable to its BHWET Grants. (Finding Code No 2019-002, 2018-005)

B **FINDING: Inaccurate Return of Title IV Funds**

During the prior audit, the University incorrectly calculated the amount of Title IV Funds the University was required to return to the U.S. Department of Education (ED).

During the current audit, our sample testing did not identify any instances in which the University incorrectly calculated the amount of Title IV Funds the University was required to return to the ED. (Finding Code No. 2019-003)

C **FINDING: Exit Counseling**

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

During the current audit, our sample testing did not identify any instances where the University did not timely provide exit counseling to FDSL recipients who ceased half-time study at the University. (Finding Code No. 2019-004)

D **FINDING: Noncompliance with Governors State University Law**

During the prior audit, the University's Board of Trustees (Board) did not meet during the final quarter of Fiscal Year 2019 and did not have a complete Board as of June 30, 2019.

During the current audit, the University had a full Board as of June 30, 2020 and met every quarter of Fiscal Year 2020. (Finding Code No. 2019-008)

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

Schedule 1

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Federal Project or Pass-Through Number	Passed-Through To Subrecipients	FY 2020 Expenditures
MAJOR PROGRAMS				
STUDENT FINANCIAL ASSISTANCE CLUSTER:				
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Federal Direct Student Loans	84.268		\$ -	\$ 31,816,698
Federal Pell Grant Program	84.063		-	8,252,608
Federal Perkins Loan Program - Federal Capital Contributions	84.038		-	3,894,653
Federal Work-Study Program	84.033		-	489,616
Federal Supplemental Educational Opportunity Grants	84.007		-	300,491
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379		-	25,819
TOTAL U.S. DEPARTMENT OF EDUCATION			-	44,779,885
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Scholarships for Health Professions Students from Disadvantaged Backgrounds <i>Scholarships for Health Professions Students from Disadvantaged Backgrounds/Physical Therapy</i>	93.925		-	650,000
<i>Scholarships for Health Professions Students from Disadvantaged Backgrounds/Mental Health Counseling</i>	93.925		-	612,196
			-	1,262,196
Nurse Faculty Loan Program (NFLP) <i>Nurse Faculty Loan Program</i>	93.264		-	803,975
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			-	2,066,171
TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER			-	46,846,056
<u>U.S. DEPARTMENT OF EDUCATION</u>				
COVID-19 - Education Stabilization Fund				
<i>COVID-19 - Education Stabilization Fund/Governors State University Emergency Financial Aid Grants Under CARES Act - Higher Education Emergency Relief Fund (HEERF) Student Aid Portion</i>	84.425E		-	968,700
<i>COVID-19 - Education Stabilization Fund/Governors State University Higher Education Emergency Relief Fund (HEERF) - Institutional Portion</i>	84.425F		-	322,741
<i>COVID-19 - Education Stabilization Fund/Governors State University Higher Education Emergency Relief Fund (HEERF) - Strengthening Institutions Program (SIP)</i>	84.425M		-	96,632
Total COVID-19 - Education Stabilization Fund			-	1,388,073
TOTAL U.S. DEPARTMENT OF EDUCATION			-	1,388,073
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Mental and Behavioral Health Education and Training Grants <i>Behavioral Health Workforce Education and Training (BHWET)</i>	93.732		-	414,890
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			-	414,890
TOTAL MAJOR PROGRAMS			-	48,649,019
OTHER PROGRAMS				
RESEARCH AND DEVELOPMENT CLUSTER:				
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Higher Education - Institutional Aid <i>Integrating Pathways: Student Success Through Junior Year Transition</i>	84.031A		-	407,774
Centers for International Business Education Passed through Indiana University <i>Center for International Business Education Research (CIBER)</i>	84.220	IN-4236302-GSU	-	10,148
TOTAL U.S. DEPARTMENT OF EDUCATION			-	417,922

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

Schedule 1

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Federal Project or Pass-Through Number	Passed-Through To Subrecipients	FY 2020 Expenditures
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Cancer Centers Support Grants <i>The GUIDE Cancer Research Training Project</i>	93.397		-	26,274
Cancer Cause and Prevention Research Passed through Medical University of South Carolina <i>Evaluating How Tobacco Control Policies are Shaping the Nicotine Delivery Market</i>	93.393	MUSC19-046-8B807	-	14,186
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			-	40,460
<u>NATIONAL SCIENCE FOUNDATION</u>				
Education and Human Resources Passed through Chicago State University <i>Illinois Louis Stokes Alliance for Minority Participation</i>	47.076	53953	-	13,391
Biological Sciences Passed through Cornell University <i>Coastal SEES Collaborative Research</i>	47.074	84104-10936	-	23,841
TOTAL NATIONAL SCIENCE FOUNDATION			-	37,232
TOTAL RESEARCH AND DEVELOPMENT CLUSTER			-	495,614
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Office of Postsecondary Education <i>CCAMPIS at Governors State University</i>	84.335A		-	20,376
TOTAL U.S. DEPARTMENT OF EDUCATION			-	20,376
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Head Start <i>Early Head Start</i>	93.600		-	982,625
Block Grants for Prevention and Treatment of Substance Abuse Passed through the Illinois Department of Human Services <i>Block Grants for Prevention and Treatment of Substance Abuse</i>	93.959	260134400	-	194,720
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			-	1,177,345
<u>LIBRARY OF CONGRESS</u>				
Teaching With Primary Sources <i>Teaching With Primary Sources</i>	N.A.	GA06C0076	-	54,932
TOTAL LIBRARY OF CONGRESS			-	54,932
<u>NATIONAL ENDOWMENT FOR THE ARTS</u>				
Promotion of the Arts Grants to Organizations and Individuals <i>Presenting & Multidisciplinary Works</i>	45.024		-	10,200
TOTAL NATIONAL ENDOWMENT FOR THE ARTS			-	10,200
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Child and Adult Care Food Program Passed through the Illinois State Board of Education <i>Child and Adult Food Care Program</i>	10.558	56099527051	-	92,371
TOTAL U.S. DEPARTMENT OF AGRICULTURE			-	92,371
<u>NATIONAL ENDOWMENT FOR THE HUMANITIES</u>				
Promotion of the Humanities Teaching and Learning Resources and Curriculum Development <i>War, Memory and Commemoration in the Humanites</i>	45.162		-	12,920
TOTAL NATIONAL ENDOWMENT FOR THE HUMANITIES			-	12,920
TOTAL OTHER PROGRAMS			-	1,863,758
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -	\$ 50,512,777

GOVERNORS STATE UNIVERSITY **Schedule 1**
A Component Unit of the State of Illinois
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the State of Illinois, Governors State University (University) under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200 *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because this schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net position, or cash flows of the University.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The University has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 - FEDERAL STUDENT LOAN PROGRAMS

The federal student loan programs listed subsequently are administered directly by the University and balances and transactions relating to these programs are included in the University's basic financial statements. Expenditures reported on the Schedule include loans outstanding at the beginning of the year, loans made during the year, any administrative cost allowance claimed, cash balance of the fund as of the end of the year, and cancellations receivable at the end of the year. The balance of loans outstanding at June 30, 2020 consists of:

CFDA Number	Program Name	Outstanding Balance at June 30, 2020
84.038	Federal Perkins Loan Program	\$1,745,232
93.264	Nurse Faculty Loan Program	\$ 388,786

NOTE 4 - SUBRECIPIENTS

During the year ended June 30, 2020, the University did not pass through federal assistance to any subrecipients.

NOTE 5 - NON-CASH ASSISTANCE

The University did not receive any federal non-cash assistance during the year ended June 30, 2020.

NOTE 6 - INSURANCE

The University did not have federally funded insurance in effect during the year ended June 30, 2020.

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

EXPENDITURE AUTHORITY FOR FISCAL YEAR 2020
FOR THE FIFTEEN MONTHS ENDED SEPTEMBER 30, 2020

	Expenditure Authority (Net of Transfers)	Expenditures through 6/30/20	Lapse Period Expenditures 7/01 - 9/30/20	Total Expenditures 15 Months ended 9/30/2020	Balances Lapsed
Public Act 101-0007					
Education Assistance Fund - 007:					
Operational expenses	\$ 23,193,600	\$ 23,180,540	\$ 13,060	\$ 23,193,600	\$ -
Total Education Assistance Fund - 007	<u>\$ 23,193,600</u>	<u>\$ 23,180,540</u>	<u>\$ 13,060</u>	<u>\$ 23,193,600</u>	<u>\$ -</u>
Total Appropriated Funds	<u>\$ 23,193,600</u>	<u>\$ 23,180,540</u>	<u>\$ 13,060</u>	<u>\$ 23,193,600</u>	<u>\$ -</u>

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

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

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,
EXPENDITURES AND LAPSED BALANCES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	Fiscal Years	
	2020	2019
APPROPRIATED FUNDS		
Education Assistance Fund - 007:		
Expenditure Authority:	\$ 23,193,600	\$ 22,089,100
Expenditures:		
Operational expenses	23,193,600	22,089,100
Total Expenditures	23,193,600	22,089,100
Balances Lapsed	\$ -	\$ -
TOTAL APPROPRIATED FUNDS		
Expenditure Authority	\$ 23,193,600	\$ 22,089,100
Expenditures	23,193,600	22,089,100
Balances Lapsed	\$ -	\$ -
GRAND TOTAL - ALL FUNDS		
Expenditures	\$ 23,193,600	\$ 22,089,100

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the University's records and have been reconciled to the State Comptroller's records as of September 30, 2020 and October 31, 2019.

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

Note 3: The University received appropriations during Fiscal Year 2020 from Public Act 101-0007. In addition, the University received appropriations during Fiscal Year 2019 from Public Act 100-0586.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
COMPARATIVE SCHEDULE OF NET EXPENDITURES BY MAJOR ACTIVITY
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	Fiscal Years	
	2020	2019
EXPENDITURE STATISTICS		
All State Treasury Funds		
Total Operating Expenditures:	\$ 23,193,600	\$ 22,089,100
Percentage of Total Expenditures:	100%	100%
Personal services	22,537,400	22,089,100
Other payroll costs	656,200	-
GRAND TOTAL - ALL EXPENDITURES:	\$ 23,193,600	\$ 22,089,100

Note 1: Expenditures were obtained from the University’s records and have been reconciled to the State Comptroller’s records as of September 30, 2020 and October 31, 2019.

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

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
COMPARATIVE SCHEDULE OF INCOME FUND REVENUES AND EXPENDITURES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Income fund revenues:		
Student tuition and fees	\$ 36,239,523	\$ 35,237,876
Investment income	741,541	1,043,129
Miscellaneous	4,556	9,203
Total income fund revenues	<u>\$ 36,985,620</u>	<u>\$ 36,290,208</u>
Income fund expenditures:		
Personal services (including change in accrued compensated absences)	\$ 20,100,213	\$ 18,430,901
Medicare and benefits	1,445,355	1,364,847
Contractual services	7,567,652	6,964,056
Travel	187,310	356,818
Commodities	601,426	644,084
Equipment and permanent improvements	507,877	756,087
Telecommunications services	148,451	155,031
Operation of automotive equipment	48,862	46,629
Awards, grants and matching funds	900,234	774,585
Tuition and fee waivers	2,089,341	1,420,068
Debt services transfer	48,181	579,073
Other transfers	-	95,769
Total income fund expenditures	<u>\$ 33,644,902</u>	<u>\$ 31,587,948</u>

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

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
BALANCE SHEETS - AUXILIARY ENTERPRISES AND ACTIVITIES ENTITIES
AS OF JUNE 30, 2020

	Auxiliary Enterprises		Activities			Total Auxiliary Enterprises and Activities
	University Facilities System Revenue Bonds	Center for Performing Arts	Educational and Student Life Activities	University Service Departments	Administrative Overhead/ Indirect Costs	
Assets						
Cash and cash equivalents	\$ 340,934	\$ 9,734	\$ 7,444,363	\$ -	\$ 2,162,412	\$ 9,957,443
Accounts receivable, net	278,581	-	753,503	-	-	1,032,084
Inventories	-	-	-	91,493	-	91,493
Prepaid debt service insurance	7,050	-	-	-	-	7,050
Buildings and improvements, net	4,309,641	5,110,920	24,496,811	74,596	-	33,991,968
Housing, net	18,328,018	-	-	-	-	18,328,018
Parking lots, net	1,982,444	-	-	-	-	1,982,444
Equipment, net	121,009	50,605	-	238,059	-	409,673
Total assets	25,367,677	5,171,259	32,694,677	404,148	2,162,412	65,800,173
Liabilities						
Bank overdraft	-	-	-	65,493	-	65,493
Accounts payable	522,389	11,935	130,240	23,756	107,007	795,327
Revenue bonds payable	22,218,801	-	-	-	-	22,218,801
Unearned revenue	190,969	-	373,471	-	-	564,440
Total liabilities	22,932,159	11,935	503,711	89,249	107,007	23,644,061
Fund balances						
Other unrestricted funds	(86,793)	(2,201)	7,694,155	2,244	2,055,405	9,662,810
Net investment in capital assets	2,522,311	5,161,525	24,496,811	312,655	-	32,493,302
Total fund balances	2,435,518	5,159,324	32,190,966	314,899	2,055,405	42,156,112
Total liabilities and fund balances	\$ 25,367,677	\$ 5,171,259	\$ 32,694,677	\$ 404,148	\$ 2,162,412	\$ 65,800,173

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
AUXILIARY ENTERPRISES AND ACTIVITIES ENTITIES
FOR THE YEAR ENDED JUNE 30, 2020

	Auxiliary Enterprises	
	University Facilities System Revenue Bonds	Center for Performing Arts *
Revenues	\$ 5,833,750	\$ 721,021
Expenditures		
Personal services	1,979,481	345,047
Contractual services	1,716,401	366,723
Commodities	292,044	29,245
Equipment	91,852	23,753
Other	1,269,975	2,943
Total expenditures	5,349,753	767,711
Excess of revenues over expenditures	483,997	(46,690)
Fund balance (deficit), beginning of year	1,951,521	44,489
Fund balance (deficit), end of year	\$ 2,435,518	\$ (2,201)

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

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
AUXILIARY ENTERPRISES AND ACTIVITIES ENTITIES
FOR THE YEAR ENDED JUNE 30, 2020

	Educational and Student Life Activities *						Total	
	Educational Program	Student Activities	Academic Enhancement	Media	Farm	Telecomm		Others
Revenues	\$ 1,916,362	\$ 1,017,385	\$ 5,068,045	\$ 150,086	\$ 50,108	\$ 49	\$ 771,550	\$ 8,973,585
Expenditures								
Personal services	1,358,711	254,314	611	380,130	-	-	88,471	2,082,237
Contractual services	230,075	523,886	914,108	66,390	6,013	-	1,080,967	2,821,439
Commodities	58,801	17,085	26,763	3,706	-	-	10,568	116,923
Equipment	23,945	4,063	508,769	7,414	-	-	3,593	547,784
Others	76,763	78,187	798,708	-	24,410	-	8,620	986,688
Total expenditures	1,748,295	877,535	2,248,959	457,640	30,423	-	1,192,219	6,555,071
Transfers								
Transfer out	(1,090)	-	(2,809,881)	-	-	-	(2,014)	(2,812,985)
Total transfers, net	(1,090)	-	(2,809,881)	-	-	-	(2,014)	(2,812,985)
Total expenditures and transfers	1,749,385	877,535	5,058,840	457,640	30,423	-	1,194,233	9,368,056
Excess (deficiency) of revenues over (under) expenditures and transfers	166,977	139,850	9,205	(307,554)	19,685	49	(422,683)	(394,471)
Fund balance, beginning of year	222,596	714,313	3,930,876	302,492	505,675	16,579	2,396,095	8,088,626
Fund balance (deficit), end of year	\$ 389,573	\$ 854,163	\$ 3,940,081	\$ (5,062)	\$ 525,360	\$ 16,628	\$ 1,973,412	7,694,155

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

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
AUXILIARY ENTERPRISES AND ACTIVITIES ENTITIES
FOR THE YEAR ENDED JUNE 30, 2020

	University Service Departments *			Total
	Business Services	Motor Pool	Mail Service	
Revenues	\$ 410,979	\$ 43,556	\$ 114,982	\$ 569,517
Expenditures				
Personal services	110,334	-	-	110,334
Contractual services	61,895	603	108,551	171,049
Commodities	231,027	-	1,698	232,725
Equipment	19,694	-	2,392	22,086
Others	4,972	43,556	58	48,586
Total expenditures	427,922	44,159	112,699	584,780
Excess (deficiency) of revenues over (under) expenditures and transfers	(16,943)	(603)	2,283	(15,263)
Fund balance (deficit), beginning of year	17,507	-	-	17,507
Fund balance (deficit), end of year	\$ 564	\$ (603)	\$ 2,283	\$ 2,244

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

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
AUXILIARY ENTERPRISES AND ACTIVITIES ENTITIES
FOR THE YEAR ENDED JUNE 30, 2020

Administrative Overhead/Indirect Costs *

	Grants and Contracts	Financial Services **	Financial Aid and Veterans Affairs	Other Activities	Total
Revenues	\$ 237,866	\$ 18,050	\$ 20,314	\$ 17,818	\$ 294,048
Expenditures					
Personal services	5,131	-	16,053	-	21,184
Contractual services	242,748	-	-	13,373	256,121
Commodities	6,772	-	-	-	6,772
Others	15,046	-	-	10,788	25,834
Total expenditures	269,697	-	16,053	24,161	309,911
Excess (deficiency) of revenues over (under) expenditures	(31,831)	18,050	4,261	(6,343)	(15,863)
Fund balance (deficit), beginning of year	1,202,512	36,040	48,230	784,486	2,071,268
Fund balance (deficit), end of year	<u>\$ 1,170,681</u>	<u>\$ 54,090</u>	<u>\$ 52,491</u>	<u>\$ 778,143</u>	<u>\$ 2,055,405</u>

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

** Formerly called Business Office

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF CHANGES IN STATE PROPERTY
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Balance</u> <u>June 30, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2020</u>
Property					
Land and land improvements	\$ 1,389,086	\$ -	\$ -	\$ -	\$ 1,389,086
Site improvements	9,657,646	-	-	-	9,657,646
Buildings and building improvements*	153,735,386	114,078	-	1,992,015	155,841,479
Equipment *	32,806,897	1,291,053	508,046	-	33,589,904
Total	<u>\$ 197,589,015</u>	<u>\$ 1,405,131</u>	<u>\$ 508,046</u>	<u>\$ 1,992,015</u>	<u>\$ 200,478,115</u>
Construction in Progress					
Construction in progress	\$ 1,560,926	\$ 4,577,463	\$ -	\$ (1,632,631)	\$ 4,505,758
Total	<u>\$ 1,560,926</u>	<u>\$ 4,577,463</u>	<u>\$ -</u>	<u>\$ (1,632,631)</u>	<u>\$ 4,505,758</u>

Note 1: These balances were obtained from the University records and have been reconciled to the University's quarterly *Agency Report of State Property* reports submitted to the Office of the State Comptroller for the year ended June 30, 2020.

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

* Includes assets below the capitalization threshold used for financial reporting purposes. State property below the financial reporting capitalization threshold were not subjected to the audit procedures of the financial statement audit and no opinion is provided in relation to the State property below these thresholds included above.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SUMMARY OF INDIRECT COST REIMBURSEMENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

The University receives indirect and administrative cost reimbursements for administration of grants and contracts, federally assisted financial aid programs, Veterans Affairs programs and other related activities. These funds are recorded in Other Unrestricted Funds and are expended for directly identifiable charges associated with such programs.

The administrative personal services expenditures are for selected University employees working in the functions generating the related revenues. The contractual services expenditures include audit charges to federally assisted programs. The remaining charges are for other expenditures related to the respective programs.

Balances remaining at June 30, 2020 are used to meet budgeted operational costs in Fiscal Year 2021. The following is an analysis of the sources and applications of indirect and administrative cost reimbursements recorded in the current fund for the year ended June 30, 2020:

	<u>Indirect Costs</u>	<u>Administrative Overhead</u>	<u>Total</u>
Balance at June 30, 2019	\$ 1,986,998	\$ 84,270	\$ 2,071,268
Add: Sources			
Recovered from grants and contracts	255,684	-	255,684
Financial aid program reimbursements	-	38,364	38,364
Total sources	<u>255,684</u>	<u>38,364</u>	<u>294,048</u>
Less: Applications			
Personal services	5,131	16,053	21,184
Contractual services	256,121	-	256,121
Commodities	6,772	-	6,772
Others	25,834	-	25,834
Total applications	<u>293,858</u>	<u>16,053</u>	<u>309,911</u>
Balance at June 30, 2020	<u>\$ 1,948,824</u>	<u>\$ 106,581</u>	<u>\$ 2,055,405</u>

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FEDERAL AND NONFEDERAL FINANCIAL ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2020

The following schedules are used to determine the University's Single Audit costs in accordance with the Uniform Guidance (2 C.F.R. § 200.425).

Schedule A: Federal Financial Component

Total federal expenditures ¹	\$ • 50,512,777
Total, Schedule A	<u>\$ 50,512,777</u>

Schedule B: Total Financial Component

Total operating expenses ²	\$ 97,887,352
Total nonoperating expenses ²	1,831,103
Federal loan balances: ^{1, 3}	
Federal Perkins Loan Program	3,894,653
Nurse Faculty Loan Program (NFLP)	770,448
Total value of new federal loans: ^{1, 4}	
Perkins Loan Program	-
Nurse Faculty Loan Program (NFLP)	33,527
Federal Direct Student Loans	31,816,698
Other noncash federal award expenditures	-
Total, Schedule B	<u>\$ 136,233,781</u>

Schedule C: Computation of Nonfederal Expenses

Total, Schedule B	\$ 136,233,781	100.0%
Total, Schedule A	<u>50,512,777</u>	<u>37.1%</u>
Total nonfederal expenses	<u>\$ 85,721,004</u>	<u>62.9%</u>

¹ Obtained from the Schedule of Expenditures of Federal Awards.

² Obtained from the Statement of Revenues, Expenses, and Changes in Net Position.

³ Balance at the beginning of the fiscal year with continuing compliance requirements.

⁴ Balance of loans issued during the fiscal year.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2020
(UNAUDITED)

Functions

Governors State University (University or GSU) was chartered in 1969 to provide affordable and accessible undergraduate and graduate education to its culturally and economically diverse life-long learners in the Chicago metropolitan area. It is governed by the Board of Trustees of the University created in January 1996 as a result of legislation to reorganize governance of State higher education institutions. As a comprehensive public university, the University provides liberal arts, science, and professional preparation at the undergraduate, master and doctoral levels. The University's curricula (baccalaureate through doctoral) are offered through the Colleges of Arts and Sciences, Business, Education, and Health and Human Services.

The University's mission and vision statements are as follows:

Mission Statement: Governors State University is committed to offering exceptional and accessible education that prepares students with the knowledge, skills and confidence to succeed in a global society.

Vision Statement: Governors State University will create an intellectually stimulating public square, serve as an economic catalyst for the region, and lead as a model of academic excellence, innovation, diversity and responsible citizenship.

The mission and vision statements are supported by six core values, specified as follows:

- (1) Invest in Student Success through a commitment to mentoring and a deliberate University focus on student achievement of academic, professional and personal goals.
- (2) Provide Opportunity and Access to a first-class public education to residents of our surrounding communities and all those traditionally underserved by higher education.
- (3) Serve as an Economic Catalyst for the citizens of the State of Illinois and our larger Midwest region, so that our communities grow and flourish.
- (4) Prepare Stewards of our Future to thrive in the global economy, to contribute to ongoing innovative research and to serve as stewards of the environment.
- (5) Demonstrate Inclusiveness and Diversity to encourage acceptance of wide-ranging perspectives among students, staff, faculty and members of the broader community.
- (6) Promote Quality of Life which encompasses civic, personal, professional and cultural growth.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2020
(UNAUDITED)

Consistent with these values, the University actively pursues eight primary goals:

- (1) **Academic Excellence:** Provide distinctive academic programs that effectively prepare students to become leaders and productive citizens in the global community.
- (2) **Student Success:** Provide a seamless and supportive pathway from admission to graduation focused on personal and academic success to help ensure that students are career ready and positioned to be leaders and citizens in the community.
- (3) **High Quality Faculty and Staff:** Provide students access to a highly qualified, motivated, and diverse faculty and staff.
- (4) **Enrollment Management:** Develop and implement strategic initiatives with respect to recruitment, admission, retention, and graduation rates of undergraduate and graduate students at Governors State University.
- (5) **Financial Growth and Resiliency:** Diversify the University's revenue streams to ensure resources that are necessary for institutional growth and fiscal sustainability.
- (6) **Visibility, Outreach and Economic Catalyst:** Pursue initiatives that make the University a preferred destination in the region for cultural, social, economic, and continuing education pursuits; enhance collaboration between the University and its communities; position the University as a leader and partner in vibrant public dialogue; and increase the University's effectiveness as an economic catalyst in the region.
- (7) **Social, Ethical and Environmental Responsibility:** Build an institution that is socially, ethically, and environmentally responsible.
- (8) **Continuous Process Improvement:** Develop and sustain a climate of continuous improvement which is defined by evidence-based decision-making focused on enriching the student experience.

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

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

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2020
(UNAUDITED)

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

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

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

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

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

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that are primarily transfer-entry, GSU continues to focus on serving its community while becoming a national leader in this area.

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

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

	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>
Student headcount - Fall term (a)	5,938	5,819	5,185	4,857	4,789
Minority enrollment - Fall term (a)	2,948	2,937	2,845	2,731	2,794
Degrees awarded - Fiscal year (a)	1,678	1,688	1,559	1,347	1,304
Credit hours - Academic year (a)	124,235	119,937	111,351	104,952	104,643
Unduplicated headcount - Academic Year (a, c)	7,503	7,128	6,347	5,954	5,947

Annualized tuition and fees (b):

Undergraduate					
Resident (d)	\$ 8,174	\$ 8,884	\$ 9,412	\$ 9,772	\$ 10,108
Nonresident	\$ 14,918	\$ 15,412	\$ 16,924	\$ 17,284	\$ 17,620
Graduate					
Resident	\$ 6,932	\$ 7,882	\$ 8,254	\$ 8,068	\$ 8,320
Nonresident	\$ 12,458	\$ 13,408	\$ 14,608	\$ 14,422	\$ 14,674

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

After years of positive enrollment trends the University experienced enrollment declines starting with Academic Year 2016-2017 primarily driven by lack of State confidence and losses in graduate enrollment. Favorably, undergraduate enrollment has stabilized and increased moderately in Fall 2019. As a historically upper-division school, the University developed a strategic plan to facilitate baccalaureate degree completion for its nontraditional enrollment base and enrolled freshman beginning in the fall semester of 2014. The University management team has focused on increasing undergraduate enrollment by leveraging the strong demographics of high school graduates in the Chicago area through admissions and marketing activities and through active coordination with regional feeder community colleges. Recent efforts focused on undergraduate recruitment include the hiring of academic and recruitment advisers to serve at each of the local

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community colleges, the formalization of the dual-degree program with 17 surrounding community colleges, and expanded marketing efforts. To combat graduate enrollment pressures, expected to continue based on market indications, GSU has added focus with a Director of Graduate Admissions, support staff and international partnership efforts. The University's tuition and fee rates remain to be among the lowest as compared to the other Illinois public universities.

Planning

Vision 2020 is the strategic plan of the University. Vision 2020 was formally adopted by the University Board of Trustees on February 27, 2015 and is designed to provide general direction for all University initiatives through the 2019-2020 academic year. The University has developed a set of indicators to measure achievement of the goals specified in Vision 2020. The University is in the process of finalizing its revised strategic plan (Strategy 2025) and developing a new set of indicators for approval by the University Board of Trustees.

Within the larger context set by Vision 2020, the annual budget process at the University operates under the general direction of the Planning and Budget Advisory Council (PBAC), a group composed of administrators, faculty, staff and students, and co-chaired by the Provost and the Vice President for Administration and Finance. The role of PBAC is to develop recommendations on all budgetary issues of University-wide scope and, after due deliberation, to forward those recommendations to the University President.

Every spring, PBAC operates the annual budget process. The group develops guidelines consistent with the goals of the University's strategic plan, and procedures and timelines in accordance with which every budget unit of the University develops its budget requests for the fiscal year to come. Public hearings are held at which each unit presents its request and is subject to questions and discussions from the members of the PBAC. Final recommendations are developed and forwarded to the President for her adoption. The President, in turn, forwards final recommendations on tuition and fees and on budgets to the Board of Trustees.

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

As represented in GSU's financial statements, the State of Illinois adopted complete operating budgets for Fiscal Years 2017-2020 providing the University with full funding for general operations. Fiscal Year 2018 operating appropriations totaled \$21.7 million, and the University also retroactively received State appropriation funds for Fiscal Year 2017, equal to \$11.3 million.

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The total \$33.0 million of State funds were recognized as revenue in Fiscal Year 2018 in accordance with governmental accounting standards; thus, audited operating results are inflated in Fiscal Year 2018. With a modest increase in appropriations and another full accrual, a surplus was realized for Fiscals Year 2019 and 2020 increasing the University's net position by 15% and 10%, respectively. Net tuition revenue, the second largest revenue source, remains stable. With improved State funding and stabilized enrollment, GSU has slowly filled previously vacant positions, with only modest expense growth. GSU management is not currently planning for significant programmatic expansion at this time, which will further contain operating expense growth. The University has been able to continue with its various initiatives that were delayed during the budget impasse and maintain effective operations. GSU remains focused on continuing to build its liquidity through retaining cash flow, while making necessary strategic investments, to prepare for any future State funding impasses. Further information on the University's financial and enrollment highlights can be found on pages 7 through 15 of the Fiscal Year 2020 financial audit report.

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

The University's top priorities are as follows:

1. Maintain and enhance the academic program enrichment opportunities for both faculty and students at a high level of quality by achieving specialized program accreditation or reaccreditation of all programs where such processes are operative and relevant; achieving recognition, validation of the curriculum and expected program outcomes from external reviewers for programs where no specialized program accrediting agencies exist; developing a staff training program array for professional development, personal enrichment and greater staff retention; expanding the Social Justice Institute to broaden its focus to include research, performing arts, community service, training, post-doctoral fellows and a legal clinic; and assessing and examining the longer term impact of COVID-19.
2. Release of Rebuild Illinois monies for capital renewal and investment. Public Act 101-0029 appropriates \$32,725,000 in funding from the Capital Development Fund to the Capital Development Board (CDB) for the construction of an expansion of academic building E, and other capital improvements at GSU that need funding to be released so the projects can be effectively coordinated to avoid additional costs/reconstruction. It is critical that these funds be released as soon as possible in order to provide state of the art resources and learning environments and to contribute to student success inclusive of more student services as well as places for study, research and collaborative group interactions.

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Use of Rebuild Illinois funds will enable GSU to recruit and serve more first generation and Illinois students and grow enrollment according to the University's strategic planning.

3. Strategic Student Recruitment and Retention, including partnered efforts with local high schools and community colleges. With the promise of a stabilized State appropriated budget and an Enrollment, Recruitment, and Retention Task Force focused on student success, retention, and institutional growth, GSU was experiencing more predictable enrollment and retention prior to COVID-19. GSU remains a Minority-Serving Institution, one of only a few state universities in Illinois with that designation, with more than half of all students a minority race or ethnicity. GSU continues to be on the path for two national distinctions for the diversity of our student body. Designation as a Predominantly Black Institution (PBI) is a Federal designation that signifies more than 40% of our undergraduates are Black or African American. The other designation, determined by the national advocacy and education organization Excelencia in Education recognizes "emerging Hispanic-serving Institutions" (eHSI) which are institutions that serve a significant population of Latinx students and together these designations note the broad diversity of the communities that GSU serves in its region that call Governors State University their university. GSU will respond to the highly competitive marketplace by streamlining and modernizing its recruitment and admissions operations to increase the efficiency and effectiveness of student engagement at the point of entry into the University. The implementation of AIM HIGH assists with the recruiting and retention of high achieving students. Further investments will allow GSU to improve its outreach to some of the most vulnerable populations including transfer students, part-time students, and students who have dropped out / stopped out but can still complete a degree program.
4. Organize and implement new academic, degree-granting programs and other new or expanded academic program options in accordance with the University's Academic Master Plan, including partnered efforts with local high schools and community colleges, to better meet the educational and employment needs of its region by exploring the development of a 3-year BA/BS and the development of a Dual Enrollment Program; by strengthening and expanding GSU offering of High Impact Practices (HIPS) across all academic programs; and by implementing the recently approved PhD degree designation for the doctorate in Counselor Education and Supervision.
5. Pursue funding for Instructional Design and Technology supporting the implementation of a Strategic Technology Plan designed for 21st Century learning. GSU is seriously concerned about its dated technology infrastructure and security. GSU is in need of new investment funding for Instructional Design & Technology allowing for the implementation of the Strategic Technology Plan designed for 21st Century learning including: infrastructure and cloud services; development and integration of centralized ERP; individual computers with updated software; connected services for recruitment, student applications, admissions, Financial Aid and student communication. This Technology Infrastructure plan will provide state of the art resources including advanced technology-enhanced classrooms and wireless access, resulting in pedagogical support for

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a digital age, optimized for our students and faculty, supporting collaborative learning environments, interaction analysis, and computational modeling.

Significant Challenges

As discussed above, the University relies heavily on State appropriations to fund operations with about half of overall revenue coming from State appropriations, including the special funding situation and on behalf payments for pension and post-retirement benefits. There can be no assurance that appropriations will continue to be made at the current level or received in a timely manner. The University is attempting to rely more on its own resources by increasing fund-raising and attempting to increase enrollment. However, despite such measures, the University cannot continue to operate satisfactorily over time without sufficient State appropriations. The amount of State appropriations and the timely receipt thereof in future fiscal years cannot be predicted and is not controlled by the University. A drastic reduction of State appropriations would have a materially adverse impact on the University.

In March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. During Fiscal Years 2020 and 2021, the University received various funding under the Federal Government's Coronavirus Aid, Relief, and Economic Security (CARES) Act, and Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSAA). These funds were awarded to institutions of higher education to cover any institutional costs associated with significant changes to the delivery of instruction due to the coronavirus; to defray institutional expenses associated with COVID-19, including lost revenue, reimbursement for expenses already incurred, technology costs associated with a transition to distance education, faculty and staff trainings, and payroll; to provide emergency financial aid grants to students; and to support efforts to enroll and retain low-income, underrepresented and first-generation students who might not otherwise enroll or return due to the pandemic, including by closing digital equity gaps. COVID-19 may impact various parts of the University's Fiscal Year 2021 and future fiscal years' operations and financial results. Management believes the University is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

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AUXILIARY ENTERPRISES, ACTIVITIES AND ACCOUNTING ENTITIES
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Accounting entities as defined by the 1982 Legislative Audit Commission Guidelines and their primary revenue sources are as follows:

- University Facilities System Revenue Bonds includes all operations of the Student Center, University Bookstore, University Parking Facilities, University Housing, and University Food Service and Vending Facilities.
 - Student Center is the focal point of student activity programs on campus and includes student activities and recreation facilities. Student Center revenue is derived from fees charged to students.
 - Bookstore operations provide textbooks and supplies to students. The bookstore is managed under contract by a third party whereby the University receives commission revenue from operations.
 - Parking provides operation and maintenance of University parking facilities. Revenues are generated from user fees.
 - Housing provides living quarters for students on campus. Revenues are generated from residence fees.
 - Food service and vending provide meals and catering services under contract to the University community. Commission revenue is received by the University.
- Center for Performing Arts provides cultural entertainment to the University community. Revenues are generated from ticket sales.
- Educational and Student Life Activities represent credit and noncredit conferences, workshops and seminars, and organized student activities. Revenues are generated from course fees charged to participants and from student activity fees.
- Service Departments provide products or services to University departments. Revenues are generated from chargebacks to user departments.
- Indirect and Administrative Cost accounts receive the “overhead” portion of grant and contract expense incurred. Revenues are generated from charges to sponsors as well as royalties received on special projects.

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ANALYSIS OF SIGNIFICANT VARIATIONS IN ACCOUNT BALANCES
FOR THE YEAR ENDED JUNE 30, 2020
(UNAUDITED)

Fiscal Year 2020 Compared to Fiscal Year 2019

The University's Fiscal Year 2020 Statement of Net Position and Statement of Revenue, Expenses, and Changes in Net Position can be found on pages 16 and 17, respectively, within its separately released Fiscal Year 2020 financial audit report. Additionally, the University's Fiscal Year 2019 Statement of Net Position and Statement of Revenue, Expenses, and Changes in Net Position can be found on pages 17 and 18, respectively, within its previously released Fiscal Year 2019 financial audit report.

Statement of Net Position

Current Assets

Current assets consist mostly of cash and cash equivalents, investments, and receivables. The \$3.6 million increase in current assets was mostly attributable to the \$1.0 million increase in accounts receivable due to timing of payments from students, coupled with students having difficulty with timely payments due to the economic challenges caused by the COVID-19 pandemic; the \$0.5 million increase in amount due from Capital Development Board (CDB) for additional expenditures incurred during Fiscal Year 2020 related to various CDB-funded projects; and the \$4.9 million increase in State appropriation receivable mainly due to timing of receipt of appropriations from the State of Illinois. The amount due from CDB and the State appropriation receivable as of June 30, 2020 were subsequently collected in full by the University. These increases were partially offset by the \$3.0 million decrease in restricted investments as the proceeds from the Certificates of Participation issued by the University during Fiscal Year 2019 were spent for deferred maintenance projects.

Noncurrent Assets - Capital Assets

The \$1.6 million net increase in noncurrent capital assets was due to the \$6.2 million costs incurred during Fiscal Year 2020 in connection with the various deferred maintenance projects and acquisitions of equipment, computer software and library collections. This increase was partially offset by the \$4.6 million depreciation expense recognized during Fiscal Year 2020.

Noncurrent Assets - Other

Other noncurrent assets consist primarily of the long-term portion of student loans receivable and prepaid debt service insurance. The \$0.6 million decrease in noncurrent assets - other was mostly attributable to the \$0.5 million decrease in student loans receivable due to loan collections. The U.S. Department of Education curtailed the awarding of any Federal Perkins Loans after September 30, 2017; thus, are expected to decline in coming years as existing Federal Perkins Loans are repaid by students without replacement of new loans to students. In addition, prepaid debt service insurance decrease by \$0.1 million due to the amortization expense recognized during Fiscal Year 2020.

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ANALYSIS OF SIGNIFICANT VARIATIONS IN ACCOUNT BALANCES
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Deferred Outflows of Resources

The University recognizes deferred outflows of resources related to pensions and other postemployment benefits (OPEB) in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transitions for Contributions Made Subsequent to the Measurement Date*, and GASB Statement No.75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The \$0.3 million increase was mostly attributable to the increase in the deferred outflows of resources related to OPEB as the percentage of contributions after the measurement date related to retirees increased by 8%, coupled with the increase in the actuarially determined difference between expected and actual experience and changes in assumptions during Fiscal Year 2020.

Current Liabilities

Current liabilities include accounts payable, agency funds payable, accrued compensated absences, unearned revenue, intangible asset payable, and the current portion of long-term liabilities, which are payable in less than one year. The \$3.2 million increase in current liabilities was mostly attributable to the \$2.1 million increase in accounts payable primarily due to timing of vendor payments and student refunds; the \$0.2 million increase in intangible asset payable due to additional acquisitions of computer software through multi-year licensing agreements; and the \$0.9 million increase in the current portion of long-term liabilities.

Noncurrent Liabilities

Noncurrent liabilities are liabilities with due dates beyond one year, which include accrued compensated absences, refundable grants, revenue bonds payable, notes payable, certificates of participation, intangible asset payable and the OPEB liability. The \$4.2 million decrease in noncurrent liabilities was mostly attributable to the 2.1 million in principal payments made on existing debts; and the \$2.1 million decrease in the University's allocated share of the State's OPEB liability as of June 30, 2020.

Deferred Inflows of Resources

The University recognizes deferred inflows of resources related to OPEB in accordance with GASB Statement No. 75. During Fiscal Year 2020, these deferred inflows of resources resulted from differences between expected and actual experience, changes in actuarial assumptions and changes in the proportion of contributions used as the basis for allocating the State's OPEB liability and related amounts, which are then amortized to smooth the effect of these changes over several years. Deferred inflows of resources decreased by \$3.6 million mainly due to the \$0.1 million decrease in differences between expected and actual experience, the \$0.5 million decrease in changes in actuarial assumptions, and the \$3.0 million decrease in changes in the proportion of contributions.

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Statement of Revenue, Expenses, and Changes in Net Position

Operating Revenues

Net student tuition and fees increased \$0.7 million mostly due to a 15% increase in the total mandatory fees per credit hour charged to students, partially offset by the slight decrease in credit hours from 104,952 in Academic Year 2018-2019 to 104,643 in Academic Year 2019-2020. The \$1.0 million decrease in grants and contracts was primarily due to decreased funding received by the University, coupled with grants that ended during Fiscal Year 2020.

Operating Expenses

Salaries and benefits, representing the University's largest operating expense, increased by \$1.3 million mostly due to increase in personnel costs attributable to filling of vacancies and the 2% across the board salary increase during Fiscal Year 2020. Student aid increased by \$1.0 million mostly due to the increase in the Federal and State nonoperating grants attributable to new grants received by the University under the Federal CARES Act and the Illinois AIM HIGH grant, coupled with the increase in the State MAP awards to students. Capital expenditures, and services, supplies and other increased by \$0.4 million and \$0.8 million, respectively, as the University continues with its initiatives, including deferred maintenance projects that were delayed during the budget impasse.

Nonoperating Revenues (Expenses)

State appropriation revenue increased by \$1.1 million as the State of Illinois provided the University a 5% increase in appropriations from the prior fiscal year.

Payments made on behalf of the University decreased by \$1.2 million primarily due to the decrease in the University's share of State funded health, life, and dental insurance benefits for active University employees decreasing from 63.5% to 55.35% of costs incurred.

Federal and State nonoperating grant revenues increased by \$2.2 million primarily due to the new grants received by the University under the Federal CARES Act and the Illinois AIM HIGH grant, coupled with the increase in the State MAP awards to students.

Investment income decreased by \$0.4 million as the invested proceeds of Certificates of Participation, Series 2018 issued by the University during Fiscal Year 2019 were expended for deferred maintenance projects during Fiscal Year 2020; thus, lower cash balances were available for investments. In addition, market interest rates declined during Fiscal Year 2020.

Capital appropriations and grants provided by State of Illinois decreased by \$0.6 million primarily due to the completion of the CDB-funded roofing project (for Buildings C and E) during Fiscal Year 2020, partially offset by the additional project expenditures incurred for the other various CDB-funded projects (main building roofing, campus roadway and sidewalk improvements, and piping projects) that are ongoing during Fiscal Year 2020.

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ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2020
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Fiscal Year 2020 Compared to Fiscal Year 2019

Education Assistance Fund - 007

Operational Expenses

During Fiscal Year 2020, the University was provided \$23,193,600 of State appropriations for general operations; an increase of about \$1.1 million (5%) from Fiscal Year 2019 State appropriations amount of \$22,089,100. For both Fiscal Years 2020 and 2019, the University used all of its appropriations to defray expenditures for personal services and other payroll costs.

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ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING
FOR THE YEAR ENDED JUNE 30, 2020
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The University did not have any lapse period expenditures which exceeded 20% of the expenditures for the appropriation line item.

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SCHEDULE OF EXCESS FUNDS CALCULATION BY ENTITY AS REQUIRED
BY 1982 UNIVERSITY GUIDELINES (AMENDED 1997)
FOR THE YEAR ENDED JUNE 30, 2020
(UNAUDITED)

	<u>Auxiliary Enterprises</u>		<u>Activities</u>	
	<u>University Facilities System Revenue Bonds</u>	<u>Center for Performing Arts</u>	<u>Educational and Student Life Activities</u>	<u>University Service Departments</u>
Current available funds:				
Cash and cash equivalents	A \$ 340,934	\$ 9,734	\$ 7,444,363	\$ -
Working capital allowance:				
Highest month's expenditures	1,772,889	153,846	3,446,085	78,604
Current liabilities paid during lapse period	522,389	11,935	130,240	89,249
Unearned revenue	190,969	-	373,471	-
Working capital allowance	B <u>2,486,247</u>	<u>165,781</u>	<u>3,949,796</u>	<u>167,853</u>
Current excess funds (margin of compliance):				
Deduct B from A	<u>\$ (2,145,313)</u>	<u>\$ (156,047)</u>	<u>\$ 3,494,567</u>	<u>\$ (167,853)</u>
Calculation of net excess funds for remittance:				
Indentured capital reserves:				
Unspent project proceeds included in cash above			\$ -	
Funds reserved for debt retirement			-	
Nonindentured capital reserves:				
5% of the replacement cost of buildings and improvements			6,060,918	
10% of the historical cost of parking lots			-	
20% of the historical cost of equipment			-	
Total allowable capital reserves			<u>\$ 6,060,918</u>	
Net excess funds			<u>\$ (2,566,351)</u>	

GOVERNORS STATE UNIVERSITY
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SCHEDULE OF INDIRECT COST FUNDS TO BE DEPOSITED INTO THE UNIVERSITY INCOME
FUND AS REQUIRED BY 1982 UNIVERSITY GUIDELINES (AMENDED 1997)
FOR THE YEAR ENDED JUNE 30, 2020
(UNAUDITED)

Cash and cash equivalents balance:	
Cash and cash equivalents	<u>\$ 2,162,412</u>
Actual cash carried forward	<u>2,162,412</u>
Less: Allowable carry-forward per formula:	
Allocated reimbursements: 30% of total indirect cost reimbursements allocated for expenditure for the fiscal year completed (\$7,295,783 x 30%)	2,188,735
Unallocated reimbursements: Lesser of actual unallocated indirect cost reimbursements for the fiscal year completed or 10% of total indirect cost allocations for the fiscal year completed	-
Current liabilities paid in lapse period	<u>107,007</u>
Maximum allowable carry-forward	<u>2,295,742</u>
Excess cash and cash equivalents to be deposited into the University Income Fund	<u><u>\$ -</u></u>

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NUMBER OF EMPLOYEES
FOR THE YEAR ENDED JUNE 30, 2020
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<u>AVERAGE FULL-TIME EMPLOYEES</u>	<u>2020</u>	<u>2019</u>
By Function		
Instruction	324.7	332.0
Academic Support	204.7	226.3
Student Services	35.0	58.7
Institutional Support	327.7	301.3
Operation and Maintenance of Plant	49.7	60.0
Auxiliary Activities	6.0	5.0
Total Full-Time Equivalent Employees	<u>947.8</u>	<u>983.3</u>

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

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

By Type	<u>2020</u>	<u>2019</u>
Faculty	324.7	332.0
Academic Professionals	192.0	233.7
Support Staff	254.3	212.7
Other	176.8	204.9
Total Full-Time Equivalent Employees	<u>947.8</u>	<u>983.3</u>

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

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

Note 3: The other category includes graduate assistants, student workers and extra-help employees.

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COST STATISTICS
FOR THE YEAR ENDED JUNE 30, 2020
(UNAUDITED)

	2020	2019
Appropriations Method (Note 1)		
Main Campus		
Total Costs	\$ 23,193,600	\$ 22,089,100
Full-Time Equivalent Students (Note 3)	3,740	3,744
Cost Per Full-Time Equivalent Student	\$ 6,201	\$ 5,900

Instructional Expenses Method (Note 2)

Main Campus		
Total Costs	\$ 43,810,798	\$ 43,663,583
Full-Time Equivalent Students (Note 3)	3,740	3,744
Cost Per Full-Time Equivalent Student	\$ 11,714	\$ 11,662

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

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

Note 3: Full-time equivalent students are calculated in accordance with the guidelines established by the Illinois Board of Higher Education (IBHE), which is determined by dividing the total credit hours generated in the fiscal year by 30 hours for undergraduate students and 24 hours for graduate students.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
DISCLOSURE OF EMERGENCY PURCHASES
FOR THE YEAR ENDED JUNE 30, 2020
(UNAUDITED)

The University had an immediate need for legal services to prevent disruption of University services related to legal matters.

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

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
HOUSING BENEFITS
FOR THE YEAR NEDED JUNE 30, 2020
(UNAUDITED)

Lodging Provided for the Convenience of the Employer

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

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

Other Lodging

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

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
ANALYSIS OF OVERTIME AND COMPENSATORY TIME
(UNAUDITED)

For the Year Ended June 30,

FUNCTION	2020	2019
Instruction		
Overtime Hours Paid	324	327
Compensatory Hours Granted	499	631
Total	<u>823</u>	<u>958</u>
Value of Overtime Hours Paid	\$ 9,172	\$ 8,906
Value of Compensatory Hours Granted	8,893	10,938
Total Costs	<u>\$ 18,065</u>	<u>\$ 19,844</u>
Research		
Overtime Hours Paid	4	1
Compensatory Hours Granted	-	-
Total	<u>4</u>	<u>1</u>
Value of Overtime Hours Paid	\$ 143	\$ 30
Value of Compensatory Hours Granted	-	-
Total Costs	<u>\$ 143</u>	<u>\$ 30</u>
Public Service		
Overtime Hours Paid	103	162
Compensatory Hours Granted	53	106
Total	<u>156</u>	<u>268</u>
Value of Overtime Hours Paid	\$ 2,572	\$ 3,500
Value of Compensatory Hours Granted	816	1,490
Total Costs	<u>\$ 3,388</u>	<u>\$ 4,990</u>
Academic Support		
Overtime Hours Paid	84	1
Compensatory Hours Granted	-	3
Total	<u>84</u>	<u>4</u>
Value of Overtime Hours Paid	\$ 2,684	\$ 30
Value of Compensatory Hours Granted	-	55
Total Costs	<u>\$ 2,684</u>	<u>\$ 85</u>
Student Services		
Overtime Hours Paid	151	774
Compensatory Hours Granted	64	84
Total	<u>215</u>	<u>858</u>
Value of Overtime Hours Paid	\$ 5,223	\$ 15,500
Value of Compensatory Hours Granted	1,040	1,249
Total Costs	<u>\$ 6,263</u>	<u>\$ 16,749</u>

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
ANALYSIS OF OVERTIME AND COMPENSATORY TIME
(UNAUDITED)

For the Year Ended June 30,

	<u>2020</u>	<u>2019</u>
Institutional Support		
Overtime Hours Paid	298	313
Compensatory Hours Granted	147	192
Total	<u>445</u>	<u>505</u>
Value of Overtime Hours Paid	\$ 9,283	\$ 8,642
Value of Compensatory Hours Granted	2,869	3,731
Total Costs	<u>\$ 12,152</u>	<u>\$ 12,373</u>
Operation and Maintenance of Plant		
Overtime Hours Paid	6,844	6,518
Compensatory Hours Granted	391	524
Total	<u>7,235</u>	<u>7,042</u>
Value of Overtime Hours Paid	\$ 320,157	\$ 308,358
Value of Compensatory Hours Granted	11,602	18,227
Total Costs	<u>\$ 331,759</u>	<u>\$ 326,585</u>
Auxiliary Enterprises		
Overtime Hours Paid	1,478	1,526
Compensatory Hours Granted	5	7
Total	<u>1,483</u>	<u>1,533</u>
Value of Overtime Hours Paid	\$ 47,326	\$ 50,906
Value of Compensatory Hours Granted	97	130
Total Costs	<u>\$ 47,423</u>	<u>\$ 51,036</u>
GRAND TOTAL - UNIVERSITY		
Overtime Hours Paid	9,286	9,622
Compensatory Hours Granted	1,159	1,547
Total	<u>10,445</u>	<u>11,169</u>
Value of Overtime Hours Paid	\$ 396,560	\$ 395,872
Value of Compensatory Hours Granted	25,317	35,820
Total Costs	<u>\$ 421,877</u>	<u>\$ 431,692</u>

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
MAJOR CONSTRUCTION PROJECTS
FOR THE YEAR ENDED JUNE 30, 2020
(UNAUDITED)

Jaguar Dining Center (Cafeteria) - Equipment/Infrastructure Replacement

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

Pathway Lighting (Vehicular/Pedestrian Circulation Renovations)

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

Building(s) Roof Replacement/Safety Upgrading

Of the 286,000 net square footage of roofing covering the University's main campus complex, over half (163,000 square feet) is over twenty years old. The relationship between fully-functional roofing and the structural soundness of the buildings underneath is self-evident. The C-Wing and E-Wing roof replacements were completed as of June 30, 2020. Construction bids related to the roof replacements of the other buildings (A, B, and the Center for Performing Arts) are being processed through the Illinois Capital Development Board (CDB) for completion by mid-2021.

Deteriorating Piping / Domestic Water Line Replacement and Washroom Upgrade

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

Campus Roadway and Sidewalk Improvements

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

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SPECIAL DATA REQUIREMENTS FOR UNIVERSITY ENGAGEMENTS
FOR THE YEAR ENDED JUNE 30, 2020
(UNAUDITED)

Purpose

In accordance with a July 25, 2000, memorandum from the Office of the Auditor General entitled “*Matters Regarding University Audits*”, certain supplemental data is required to be reported for University engagements. The table below cross references the requirements (indicated by number and letter paragraph references) to the University financial audit and compliance examination reports for the year ended June 30, 2020, where such special data is found.

Compliance Findings

13(a) There were no violations of the compliance requirements of the *University Guidelines* identified during the financial audit and compliance examination of the University for the year ended June 30, 2020.

Indirect Cost Reimbursements

13(b) A statement of the sources and application of indirect cost recoveries is presented on Schedule 9 within this report.

13(c) The University’s calculation sheet for indirect cost carryforward and any required remittance to the University’s Income Fund is presented within this report on page 73.

Tuition Charges and Fees

13(d) There were no diversions of tuition revenues to auxiliary enterprise operations identified during the financial audit and compliance examination of the University for the year ended June 30, 2020.

Auxiliary Enterprises, Activities and Accounting Entities

13(e) An identification of each specific accounting entity and a description of each entity’s sources of revenues and purpose are presented within this report on page 66.

13(f) The present financial statements for each accounting entity are presented on Schedules 6 through 7 within this report. These financial statements should be read in conjunction with the University’s audited financial statements for the year ended June 30, 2020.

13(g) The University’s calculation sheets for current excess funds within each accounting entity and any required remittance to the University’s Income Fund are presented within this report on pages 72.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SPECIAL DATA REQUIREMENTS FOR UNIVERSITY ENGAGEMENTS
FOR THE YEAR ENDED JUNE 30, 2020
(UNAUDITED)

13(h) The following is a schedule of indirect subsidies to Auxiliary Enterprises and Activities for the year ended June 30, 2020:

Auxiliary Enterprises:	
University Facilities System Revenue Bonds	\$ 887,186
Center for Performing Arts	154,647
	<u>\$ 1,041,833</u>
Activities:	
Educational and Student Life Activities	\$ 933,241
University Service Departments	49,451
	<u>\$ 982,692</u>

Indirect subsidies represent support received by Auxiliary Enterprises and Activities from State appropriated funds for retirement and group insurance benefits. There were no direct subsidies to Auxiliary Enterprises and Activities from appropriated funds during the year ended June 30, 2020.

13(i) The present financial statements for Housing, the Student Center, Bookstore, Parking, Food Service and Vending entities which are covered by a bond indenture are presented on pages 63-65 in the financial audit report. A description of the Housing, the Student Center, Bookstore, Parking, Food Service and Vending entities' sources of revenues and purpose are presented within this report on page 66.

13(j) There were no violations of the University's bond covenants identified during the financial audit and compliance examination for the year ended June 30, 2020.

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

University Related Organizations (UROs)

13(l) The University recognizes the Governors State University Foundation (Foundation) as a University Related Organization. The University does not have any "Independent Organizations" under Section VII of the *University Guidelines*.

13(m) The Foundation does not pay the University for services provided. Compensation is in the form of University support. See page 84 of this report for details related to services and support provided.

13(n) The University does not pay the Foundation for services provided. Compensation is in the form of services and facilities provided. See footnote 10 on page 56 of the financial audit report for details related to services and support provided.

13(o) As of June 30, 2020, there are no unreimbursed subsidies to the Foundation from the University or appropriated funds.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SPECIAL DATA REQUIREMENTS FOR UNIVERSITY ENGAGEMENTS
FOR THE YEAR ENDED JUNE 30, 2020
(UNAUDITED)

13(p) There is no debt financing provided by the Foundation.

Other Topics

13(q) The University's cash and cash equivalents are disclosed within the financial audit report in Notes 3 and 4 on pages 31-35. The University's investments are disclosed within the financial audit report in Notes 3 and 4 on pages 31-35.

13(r) Income from the investment of pooled funds is credited to the University's Income Fund. Income from the investment of non-pooled funds is credited to the fund making the investment.

13(s) The cost per full-time equivalent student, prepared in accordance with the requirements of the State of Illinois, Board of Higher Education, is presented within this report on page 75.

13(t) The University and its Foundation did not purchase any real estate with an acquisition cost in excess of \$250,000 that was not funded by a separate, specific appropriation from the General Assembly.

13(u) The University's Certificate of Participation issuances are disclosed within the financial audit report in Note 8 on pages 50-55.

Other Schedules

13(1) An analysis of State appropriations to the University is presented in Schedules 2-4 within this report. In addition, the University's analysis of significant variations in expenditures and significant spending during the Lapse Period is presented within this report on page 70 and 71, respectively.

13(2) A Comparative Schedule of Revenues and Expenses for the University's Income Fund is presented in Schedule 5 within this report.

13(3) Separate schedules of tuition and fee waivers for undergraduate and graduate students, respectively, are presented within this report on page 85.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SUMMARY OF FOUNDATION TRANSACTIONS WITH THE UNIVERSITY
FOR THE YEAR ENDED JUNE 30, 2020
(UNAUDITED)

During Fiscal Year 2020, the University engaged the Foundation, under contract, to provide fundraising services. As provided in the contract agreement, the University provided \$253,481 of services to the Foundation equal to the cost of the services the Foundation provided the University for the fiscal year ended June 30, 2020. In addition, the Foundation supported the University with funds considered to be unrestricted for purposes of the University Guidelines computations and other non-qualifying restricted funds.

Presented below is a summary of cash support provided to the University by the Foundation for the fiscal year ended June 30, 2020.

Funds considered unrestricted for purposes of the University Guidelines computations:

Restricted only as to campus, college or department and generally available for on-going University operations:		
- Given to a particular college	\$	2,444
- Given to a particular department		256,411
Total funds considered unrestricted		258,855

Funds considered restricted for purposes of the University Guidelines computations:

Given for scholarships		181,844
Total funds considered restricted		181,844
Total funds provided to the University by the Foundation	\$	440,699

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF TUITION AND FEE WAIVERS
FOR THE YEAR ENDED JUNE 30, 2020
(UNAUDITED)

	Undergraduate				Graduate			
	<u>Tuition Waivers</u>		<u>Fee Waivers</u>		<u>Tuition Waivers</u>		<u>Fee Waivers</u>	
	Number of Recipients	Value of Waivers (In Thousands)	Number of Recipients	Value of Waivers (In Thousands)	Number of Recipients	Value of Waivers (In Thousands)	Number of Recipients	Value of Waivers (In Thousands)
<u>Mandatory Waivers</u>								
Teacher Special Education	-	\$ -	-	\$ -	11	\$ 46.6	11	\$ 11.7
DCFS	6	13.7	6	3.4	-	-	-	-
Children of Employees	27	71.9	-	-	-	-	-	-
Senior Citizens	11	34.0	-	-	12	38.4	-	-
Veterans Grants & Scholarships	105	399.0	105	99.7	49	296.5	49	74.1
Subtotal	<u>149</u>	<u>518.6</u>	<u>111</u>	<u>103.1</u>	<u>72</u>	<u>381.5</u>	<u>60</u>	<u>85.8</u>
<u>Discretionary Waivers</u>								
Faculty/Administrators	10	27.5	10	6.8	18	66.4	18	16.6
Civil Service	8	21.5	8	5.3	10	27.4	10	6.9
Academic/Other Talent	104	434.0	104	108.6	2	8.0	14	2.0
AIM High Match	167	295.6	167	73.9	-	-	-	-
Athletics	94	352.1	94	88.0	3	10.5	3	2.6
Cooperating Professionals	-	-	-	-	1	1.4	1	0.3
Foreign Exchange	-	-	-	-	17	59.0	17	14.8
Other Assistants	-	-	-	-	84	462.3	84	115.5
Interinstitutional	34	113.0	34	28.3	45	192.0	45	48.0
Subtotal	<u>417</u>	<u>1,243.7</u>	<u>417</u>	<u>310.9</u>	<u>180</u>	<u>827.0</u>	<u>192</u>	<u>206.7</u>
Total	<u>566</u>	<u>\$ 1,762.3</u>	<u>528</u>	<u>\$ 414.0</u>	<u>252</u>	<u>\$ 1,208.5</u>	<u>252</u>	<u>\$ 292.5</u>