LEGISLATIVE AUDIT COMMISSION

Review of
Governors State University
Year Ended June 30, 2018

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REVIEW: 4493
GOVERNORS STATE UNIVERSITY
YEAR ENDED JUNE 30, 2018

FINDINGS/RECOMMENDATIONS - 19

ACCEPTED - 3
PARTIALLY IMPLEMENTED - 3
IMPLEMENTED - 12
UNDER STUDY - 1

REPEATED RECOMMENDATIONS - 12

PRIOR AUDIT FINDINGS/RECOMMENDATIONS - 19

This review summarizes the reports on Governors State University for the year ended June 30, 2018. The auditors performed a financial audit in accordance with *Government Auditing* Standards, which was filed on January 29, 2019. The compliance examination performed in accordance with State law and the requirements of the Single Audit Act and OMB Circular A-133 was filed on March 19, 2019. The auditors stated that the financial statements were fairly presented.

Governors State, located in University Park, a southern suburb of Chicago, was chartered in July 1969 to provide affordable and accessible undergraduate and graduate education to its culturally and economically diverse life-long learners in the Chicago metropolitan area. GSU pursues the following primary goals: 1) academic excellence; 2) student success; 3) high quality faculty and staff; 4) enrollment management; 5) financial growth and resiliency; 6) visibility, outreach and economic catalyst; 7) social, ethical and environmental responsibility; and 8) continuous process improvement. GSU opened as a senior university admitting only transfer students with more than 60 hours. In 2014, the Board of Higher Ed granted GSU permission to begin accepting freshman and sophomore students. Dr. Elaine Maimon was President of GSU presently and during the audit period. She has served in that capacity since November 2007.

General Information

Following is a comparative summary of assets of the University at the dates indicated:

	2018	2017
Total Current Assets	**$ 58,262,042**	**$ 35,553,676**
Total Noncurrent Assets	**$ 113,656,434**	**$ 117,658,549**
Total Assets	**$ 171,918,476**	**$ 153,212,225**

The student headcount was 5,185 in the 2017 fall semester, 4,884 in the 2018 spring semester, and 2,432 in the 2018 summer semester. Student enrollment as measured in full-time equivalent was as follows:

Annual full-time equivalent	2018	2017
Undergraduate	2,604	2,634
Graduate	1,385	1,705
Total FTE	**3,989**	**4,339**

According to the audit report, the cost per FTE student in FY18 was $6,887 compared to $6,340 in FY17.

Information on the number of full-time equivalent employees by function and source of funding is as follows:

	2018	2017
Funded by State appropriated funds:		
Faculty	305.2	307.0
Administrative	79.0	71.5
Civil Service	167.2	152.2
Other Professionals	78.7	68.7
Graduate Assistants	26.0	20.4
Students	28.6	9.8
TOTAL	**684.7**	**629.6**
Funded by nonappropriated funds:		
Faculty	5.8	8.3
Administrative	17.8	27.6
Civil Service	74.5	112.3
Other Professionals	79.3	76.9
Graduate Assistants	1.6	3.2
Students	92.5	69.1
TOTAL	**271.5**	**297.4**
GRAND TOTAL	**956.2**	**927.0**

Expenditures from Appropriations and the Income Fund

Appendix A summarizes appropriations and expenditures by fund for FY18 and FY17. The General Assembly appropriated a total of $21,656,000 to the University in FY18 compared to $24,062,100, or approximately 10% more, in FY17. Total expenditures from appropriations in FY18 were $21,656,000 compared to $24,071,665 in FY17. The University received appropriations from the Education Assistance Fund in FY18; whereas, the University received appropriations from both the General Revenue Fund and the Education Assistance Fund in FY17. The University spent an additional $21,930,010 from the Income

Fund in FY18 and $39,133,392 in FY17. The total expenditure of federal awards was $56.1 million, including $53.7 million in student financial assistance.

During FY17, the University operated without enacted appropriations until Public Act 100-0021 was approved on July 6, 2017. During the Impasse, the University incurred reimbursable payroll and non-payroll obligations within the General Revenue Fund and the Educational Assistance Fund; however, the University was unable to process any reimbursements for these expenditures incurred by the University's Income Fund until the passage of the aforementioned Public Act. The University reimbursed the State in full for this involuntary withholding from the University's Income Fund in August of 2017. Public Act 99-0524 authorized the University to pay FY16 costs using its FY17 appropriations for non-payroll expenditures.

- The University paid eight unpaid vouchers totaling $12,655,443 from FY16 costs using FY17 appropriations.
- The University spent an additional $9,565 in court ordered payroll offsets as a result of the budget Impasse in FY17.

During FY18 the University was authorized by Public Act 100-0021 to pay for all costs incurred prior to July 1, 2018, using either its FY17 or FY18 appropriations for non-payroll expenditures.

- The University did not use its FY18 appropriation to pay any of its FY17 or FY16 costs.

Revenues and Expenses

Appendix B presents a statement of revenues, expenses, and changes in net position for the years ended June 30, 2018 and 2017. As of June 30, 2018, the University's net position was $81,181,996 as compared to $100,779,097 as of June 30, 2017, which is a decrease of 19%. During FY18, the University adopted GASB Statement No. 75 which improves accounting and financial reporting for postemployment benefits other than pensions. At June 30, 2018, the University recorded a liability of $32,439,229 for its proportionate share of the State's total Other Postemployment Benefits (OPEB) liability. The University reported an effect of change in accounting principle which adjusted the beginning net position as of July 1, 2017 to reflect the OPEB liability and deferred outflows of resources in accordance with GASB Statement No. 75. The prior period adjustment for the beginning of FY18 is reflected as follows:

Net position – beginning of year, as previously reported	$100,779,097
Prior period adjustment	(39,255,014)
Net position – beginning of year, as restated	$ 61,524,083

The restated net position at the beginning of FY18 was $61,524,083. The increase in net position at the end of FY18 was $19.6 million mostly due to increases of about $20 million in State appropriations and $7.7 million in Federal and State non-operating grants. State grants and contracts decreased $5,244,360, or 72%, in FY18 compared to FY17 due to a large grant from DCFS that ended during FY17. Despite a 15% increase in tuition in 17-18, overall tuition and fees decreased $4.1 million due to a decrease in credit hours.

Revenues	FY18
Student Tuition & Fees	26.6%
Grants & Contracts	17.2%
State Appropriations	24.6%
Payments on Behalf of the University	28.9%
Other	2.7%

Operating expenses decreased from $119.7 million in FY17 to $114.8 million in FY18. The decreases in expenses were mostly due to the $7.9 million decrease in public service because a DCFS grant ended in FY17.

Operating Expenses	FY18
Instruction	48.5%
Research	0.6%
Public Service	6.7%
Academic Support	3.2%
Student Services	10.0%
Institutional Support	16.9%
Plant	8.0%
Auxiliary Enterprises	1.9%
Depreciation	4.2%

Student services includes counseling and career services, student health services, student financial assistance, and other activities carried out with the objective of contributing to the emotional and physical well-being of students. Institutional support includes activities carried out to provide for both the day-to-day functioning, as well as the long-range viability, of the University as an operating organization and includes executive and financial management, general administration and logistical services, and public relations. “Other” includes research, academic support, depreciation, and auxiliary enterprise expenditures.

Accounts Receivable

Appendix C provides a summary of the University’s accounts receivable for FY18 and FY17. Net accounts receivable decreased from $11,218,946 in FY17 to $9,147,526 in FY18. The decrease in receivables was due to a $1.9 million decrease in grants receivable from DCFS as a significant portion of a DCFS grant ended at the end of FY17. The allowance for doubtful accounts was $6.7 million in FY18 and $6.1 million in FY17.

Property and Equipment

Appendix D summarizes the changes in property and equipment for the period under review. The ending balance in FY18 was $199,370,598, which was about $2.1 million more than the balance at the beginning of the fiscal year. The total is comprised of about $1.3 million in land, $20.7 million in equipment, $1.9 million in intangible assets, $0.4 million in artwork and artifacts, $12.4 million in library collection, $153 million in buildings, and $9.3 million in site improvements.

Foundation Payments to the University

Appendix E provides a summary of foundation payments to the University during FY18 and FY17, the University engaged Governors State University Foundation under contract to provide fund-raising services. As provided in the contract agreement, the University provided $337,000 of services to the Foundation equal to the cost of the services the Foundation provided to the University for FY18. In addition the Foundation supported the University with $226,181 in unrestricted funds and $296,722 in restricted funds, for a total of $522,903. The amount made available to the University in FY17 was $339,852.

Tuition and Fee Waivers

During FY18, the University granted $2,878,200 in tuition and fee waivers consisting of $1,134,700 in mandated waivers and $1,743,500 in discretionary waivers. Approximately 187 veterans received tuition and fee waivers valued at $923,000 in FY18. Tuition and fee waivers in FY17 totaled $2.77 million. Appendix F provides a summary of tuition and waivers for the period under review.

Accountants' Findings and Recommendations

Condensed below are the 19 findings and recommendations, 12 repeated, presented in the audit reports. The following recommendations are classified on the basis of updated information provided by the Governors State University via email on August 1, 2019.

Under Study

16. Amend policies and revise procedures to ensure all employees submit time sheets documenting the time spent each day on official State business to the nearest quarter hour. (Repeated-2005)

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

Under Study - continued

Act, which required the Board of Higher Education to adopt and implement personnel policies that require State employees to periodically submit timesheets documenting the time spent each day on official State business to the nearest quarter hour.

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.

Auditors tested the time sheets for 30 employees during the fiscal year and noted six (20%) faculty members/advisors used "negative" timekeeping whereby the employee is assumed to be working unless noted otherwise.

University officials stated the University is reviewing, 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.

Response: Under Study. The University acknowledges the requirements of the Act for employees to periodically report time spent each day on official State business to the nearest quarter hour. 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 reviewing existing time reporting requirements for faculty employees established by federal granting agencies and others to determine whether the requirements of the Act can be met.

Accepted or Implemented

1. **Improve controls to ensure undergraduate student type classifications are properly entered (and maintained) in student profiles so tuition rates comply with the statutory requirements. Further, verify the accuracy of the student type classification of each undergraduate student (correcting when necessary) and refund any tuition overcharges identified.**

Finding: Governors State University (University) has not established adequate internal controls over undergraduate student type classifications which are used to identify the appropriate tuition rates charged to students as required by the Governors State University Law. The Law allows a continuously enrolled student to be charged the same rate of tuition for four continuous academic years following initial enrollment. In certain instances, a student may qualify for a level rate beyond four years.

Auditors tested 100 students who registered for classes for the Spring of 2018 and identified 12 undergraduate students (12%) whose tuition rates charged were inaccurate due to inaccurate student type classifications entered in the student profile of the University's ERP system. Auditors also noted six additional undergraduate students whose student type classifications were inaccurate, but it did not impact the tuition rate assessed due to timing and/or unchanged rates from the year prior. The financial error noted in the sample netted to $1,584 and resulted in a projected error of $211,905.

University officials stated some student type classifications were incorrectly entered in student profiles of the University's ERP system and some were improperly changed without appropriate review.

Response: Accepted. The University performed a review of student type classifications for all undergraduate students enrolled during the Academic Year 2017-2018 and determined a net overbilling of $10,891. The University will make the necessary corrections in the ERP system and will refund overcharges identified as necessary. In addition, the University had implemented a process to periodically review student type classifications in the ERP system to ensure undergraduate student type classifications are properly entered and maintained.

Updated Response: Implemented. The University's Admissions Office determines and assigns the cohort classification of each student at the time the student enters the University. The University's Admissions Office has re-trained its staff personnel to ensure proper classification of these students. In addition, the University has come-up with a report per term listing enrolled students with information as to the term the students first enrolled at the University as compared to the students' current cohort classification. This report is reviewed several times each term to ensure that any incorrect cohort classifications are properly corrected.

2. Improve procedures to ensure required refunds are returned to the U.S. Department of Education (ED) in a timely manner.

Finding: The University did not timely return funds to the Department of Education (ED).

Auditors tested the Title IV calculations for 40 students who withdrew from the University and identified a $3,297 refund of an Unsubsidized Direct Loan which was not returned to the ED within 45 days. After the auditors informed the University of the oversight, the refund was subsequently returned to the ED on January 29, 2019 (449 days late for the student who had withdrawn from the University on September 22, 2017).

University officials stated the appropriate funds were not returned to the ED due to human error/oversight. The R2T4 calculation was performed timely; however, the associated return of Title IV funds due to the ED was not carried out.

Updated Response: Implemented. As mentioned in the finding, there was one student affected so there is not a systemic issue. A communication plan was developed with the Registrar's Office, Dean of Students, and Financial Services to prevent future issues. Further, the Associate Director and Director of Financial Aid are both reviewing all R2T4

Accepted or Implemented - continued

calculations to ensure compliance. The Office of Financial Aid has also developed a more robust spreadsheet that included columns for transmittal of funds and communication to ED.

3. Improve controls to ensure each student meets the eligibility requirements prior to receiving aid.

Finding: The University awarded and disbursed Federal Supplemental Educational Opportunity Grant (FSEOG) funds to a student who was not eligible for the award.

During testing of returns of Title IV funds, auditors noted one student was awarded and disbursed $350 from FSEOG on May 23, 2018. This student became ineligible to receive Title IV funds on October 16, 2017 (the date of their withdrawal).

Response: Accepted. The Return of Title IV funds for the one student noted was calculated based upon an approval by the Office of the Dean of Students to grant the student an emergency leave request. The student's grades were administratively deleted in the system. The Associate Director of Financial Aid inadvertently forgot to add this student to the list of withdrawn students. This list is used to prevent changes to the student's financial aid such as awarding. This appears to be an isolated incident involving $350. We have begun the discussion and implementation of an inter-departmental systematic workflow for emergency leave requests to prevent these isolated events in the future.

Updated Response: Implemented. As mentioned in the finding, there was one student affected so there is not a systemic issue. However, to prevent future issues, the Director and Associate Director of Financial Aid have begun reviewing all manual disbursements of FSEOG along with all R2T4 calculations together. The Office of Financial Aid is confident that this redundancy of process will prevent this finding in the future.

4. Comply with the regulations applicable to Student Financial Assistance Programs.

Finding: The University did not comply with the disbursement regulations established by the Federal Perkins Loan Program Extension Act of 2015.

Auditors scanned a listing of student financial assistance disbursed to students during the fiscal year and noted the University disbursed a Federal Perkins Loan in the amount of $741 to an undergraduate student on November 17, 2017. Auditors examined the student's account and noted the student had not previously received any prior disbursements of a Federal Perkins Loan.

Schools may not make Perkins Loans to any students on or after October 1, 2017; however, a subsequent disbursement of a loan for the 2017-2018 award year to an eligible undergraduate is allowed if the initial disbursement is after June 30, 2017 and before October 1, 2017.

University officials stated the student noted above was awarded the loan on June 15, 2017 for the 2016-2017 academic year; however, the student did not sign the related promissory note until several months later.

Response: Not applicable/Implemented. As stated above, the 2016-2017 Perkins Loan was awarded prior to October 1, 2017. However, the student was unable to complete and sign the master promissory note until after said date. No corrective action plan is necessary since Federal Perkins Loans are no longer being awarded to students in accordance with federal regulations.

5. Improve controls to ensure compliance with the requirements of a federally funded program and ensure all calculations and documents are appropriately reviewed prior to execution.

Finding: The University's internal controls over the compliance requirements of allowable costs/cost principles and cash management applicable to its Mental and Behavioral Health Education and Training Grants were ineffective.

Auditors tested internal controls and compliance relative to 39 expenditures totaling $66,138 (which included 13 journal entries) and noted the following:

- One expenditure ($20) was for the purchase of food from the University cafeteria. Food is not specified as being an allowable expenditure according to the terms of the award's budget narrative.
- 12 of the expenditures ($1,902) were journal entries which did not include any documentation of the review and approval by an appropriate supervisor or of the supporting calculation of the journal entries. Three of these expenditures ($925) were chargebacks for health, dental, and life insurance benefits for employees paid from the award. Auditors noted certain charges were duplicated on the insurance calculation spreadsheet which resulted in the award being over charged by $207.

For cash management, auditors tested 2 of 3 cash draw requests for the program and noted one request did not include any documentation of supervisory approval.

University officials stated the conditions noted above were due to controls not being consistently followed because of staffing constraints.

Updated Response: Implemented.

Expenditure Finding Item #1 - The University has an existing policies and procedures in place to educate and inform principal investigators of allowable costs on grants and to review their budgets with them and the costs charged to the grant. The $20 expenditure in question

Accepted or Implemented - continued

was a direct charge to the grant account at the University's cafeteria. Effective immediately, the University no longer allow direct charging of expenditures from the University's cafeteria to any of the grant accounts without prior approval from the related principal investigator. In addition, the University's Office of Financial Services & Comptroller will confirm allowability of food purchases from the principal investigator prior to recording the related expenditure under the grant account.

Expenditure Finding Item #2 - The University's existing procedures require all journal entries to be reviewed and approved by supervisors. The issue noted was due to some journal entries not provided to the supervisors for review and approval in a timely manner. To ensure timely review and approval of journal entries, the Office of Financial Services & Comptroller now requires all accountants to provide journal entries to supervisors for review and approval on a real time basis. Supervisors will check with the accountants at the end of each week for any journal entries that were not provided to them for review and approval. In addition, the Office of Financial Services & Comptroller, in coordination with the Office of Information Technology Services, had revised the automated report of benefit amounts (health, dental and life insurance) for employees paid from grants to ensure that chargebacks are not duplicated.

Cash Management Finding - The University's existing procedures require supervisory approval of cash draw requests; approval is usually done through an email correspondence from the University's Director of Sponsored Programs and Research or from the grant's principal investigator. The one cash draw request noted had all the supporting documents retained to substantiate the cash request; however, the University cannot locate the related email approval. Although the University considers this issue as an isolated case; the University's Assistant Controller will perform further monitoring of all cash drawdowns to ensure that the related approvals are printed and included in the cash drawdown folders.

6. Improve procedures to ensure timely and accurate reporting of students to the National Student Loan Data System (NSLDS).

Finding: The University did not accurately and timely report student enrollment information to the U.S. Department of Education's National Student Loan Data System (NSLDS).

Auditors tested 25 students who experienced a change in enrollment status during the fiscal year and identified the following:

- Four students tested had a change in enrollment status (graduated) which was not reported to the NSLDS within 60 days (submissions ranged from 4 to 10 days late).
- One student tested had a change in enrollment status (graduated) which was not reported accurately to the NSLDS (student was erringly reported as withdrawn).

University officials stated the Registrar's office experienced short-staffing issues during the fiscal year, which prevented certain enrollment roster files from being submitted on a timely basis. For the student whose enrollment status was erringly reflecting a withdrawn status, the student's electronic record lacked a pertinent field which disallowed the University from updating the record accurately.

<u>Response:</u> Accepted. The Registrar's Office has started to cross-train staff in the processing of students for graduation. In addition, the Registrar's Office has begun to submit the graduates file to the National Student Clearinghouse more regularly during processing to ensure timely reporting to NSLDS.

<u>Updated Response:</u> Implemented. Additional staff in the office have been cross-trained to assist in graduation processing to complete processing in a shorter, more efficient timeframe. The Office of the Registrar has also adjusted processes to submit degree verification files to the National Student Clearinghouse on a bi-weekly basis from the time graduation processing begins until graduation processing has concluded for the term. This will ensure that all graduates are reported to NSLDS within the 60-day deadline.

7. Improve procedures to ensure unnegotiated Title IV Funds are returned to the Department of Education within the required time period.

<u>Finding:</u> The University did not return unnegotiated Title IV Funds to the Department of Education (ED) in a timely manner.

Auditors selected two months during the University's fiscal year and tested the University's internal controls and compliance over the return of unnegotiated Title IV awards to students that resulted in refunds issued to the students. Auditors noted six unnegotiated checks for Title IV refunds, totaling $2,558, which had been issued by the University and remained uncashed and unreturned to the ED for more than 240 days after the checks were initially issued. The institution must return the funds no later than 240 days after the date it issued the check. The Title IV funds related to the checks issued were returned to the ED between 91 and 202 days late.

University officials stated the University has existing procedures in place to ensure timely reporting of unnegotiated Title IV funds; however, vacancy in the position performing this task presented challenges for the University to report timely.

<u>Updated Response:</u> Implemented. As already indicated under the corrective action plan above, the University has already filled the vacancy and the monitoring and reporting of unnegotiated Title IV funds is now being performed timely.

8. Ensure the cohort default rate is not in excess of the threshold for administrative capabilities stipulated by the U.S. Department of Education. (Repeated-2016)

Accepted or Implemented - continued

<u>Finding:</u> The University's 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, 2018 (for borrowers who entered repayment during FY16) was 28.44%, which exceeded the 15% threshold.

University officials stated economic conditions continue to present challenges for University students in loan repayment status.

<u>Updated Response:</u> Accepted and in-progress. The University continues to increase collection efforts internally and through an external collection agency. In addition, the University will start the process of sending these students to the Illinois State Comptroller's Offset system by Fall 2019.

9. Improve the documentation of controls to ensure each vendor engaged in a covered transaction is not excluded or disqualified from federal award programs. (Repeated-2017)

<u>Finding:</u> The University did not adhere to their internal control procedures to ensure vendors had not been excluded or disqualified from participating in contracts funded by federal awards.

University officials stated when confirming exclusion or disqualification of the vendor in the SAM, the procurement staff failed to either stamp the requisition with "not found on disbarred vendors list" or print out documentation from the SAM to document the verification was performed.

<u>Updated Response:</u> Implemented. Effective FY19, the responsibility of reviewing all grant funded requisitions, which includes verification of vendor exclusion or disqualification in SAM, is now assigned to the University's Assistant Director of Procurement (it was assigned to a Purchasing Officer in the past). When performing the vendor verification, the University now requires the Assistant Director of Procurement to print out the "proof" that a vendor is not debarred, in addition to stamping the requisition with "not found on disbarred vendor list". The printed proof of verification now needs to be attached to the related requisition/purchase order/contract packet. Monitoring to ensure that this process is performed remains with the University's Assistant Vice President for Procurement.

10. Improve recruitment procedures to ensure compliance with the funded enrollment requirement of the Head Start program. (Repeated-2014)

<u>Finding:</u> The University did not meet the funded enrollment requirement for its Head Start 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. Auditors noted the University did not meet the funded enrollment requirement for 7 months (1 to 4 individuals under-enrolled).

University officials stated failure to meet the enrollment requirement for the program is due to unanticipated losses of enrolled families in the program and the difficulty to quickly enroll another eligible family.

Response: Accepted. The University's Early Head Start program has struggled to maintain enrollment despite increased efforts and this has been noted by the Regional Office of Head Start (Regional Office). In January 2019, the University was notified by the Regional Office that it is required to complete a plan within the next 30 days to address under-enrollment. The University will develop the plan which will include increased recruitment strategies and a possible change in program options to be offered. The University has also requested technical assistance from the Regional Office to develop and implement the plan. The Regional Office has granted the University 12 months, from February 1, 2019, to eliminate or reduce under-enrollment.

Updated Response: Accepted and in-progress. The University has developed a plan that will address under-enrollment with the help of the Technical Assistant from the Regional Office (the "Technical Assistant"). The University and the Technical Assistant are currently in the process of exploring multiple options that would allow reduction of enrollment numbers, keep current funding level, and increase the quality of service to families.

11. Comply with the requirements of the Abused and Neglected Child Reporting Act and ensure all employees receive the proper training on child abuse and neglect reporting within the required timeframe. (Repeated-2016)

Finding: The University did not comply with the Abused and Neglected Child Reporting Act requiring training of those personnel required to report child abuse.

Testing of 35 employees identified nine (26%) employees did not receive the required reporter training within one year of initial employment.

University officials stated the noncompliance was primarily due to a lack of staffing in the University's Human Resource Department.

Updated Response: Implemented. A campus wide training has been completed in Spring 2019 in compliance with the mandate.

12. Comply with the requirements of the Campus Security Enhancement Act by obtaining criminal background investigations prior to hiring employees for security-sensitive positions and obtaining criminal background investigations

Accepted or Implemented - continued

for all employees in security-sensitive positions for which a prior background investigation was not obtained. (Repeated-2016)

Finding: The University did not comply with the Campus Security Enhancement Act of 2008. The University did not obtain criminal background investigations prior to employing individuals for security-sensitive positions.

Auditors obtained a listing of positions the University identified as security-sensitive positions and selected 25 employees from such positions for testing. The testing identified 20 employees (80%) (including 2 employees hired in FY16 or FY17) were hired for security sensitive positions without any evidence the criminal background investigations were ever obtained.

University officials stated 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.

Updated Response: Accepted and in-progress. The University continues to explore viable options to be in compliance with this mandate. In addition, the University will start the process of establishing a policy that will help address this issue moving forward.

13. Improve procedures to ensure all debts owed to the University are placed in the Comptroller's Offset System once they exceed $1,000 and are 90 days past due. Further, work with the Comptroller to develop a solution to reporting foreign students who do not have a social security number. (Repeated-2014)

Finding: The University did not comply with the requirements of the Illinois State Collection Act of 1986.

As of December 31, 2017, the University's accounts receivable aging report included 2,119 accounts totaling $6,920,642 with receivable balances greater than $1,000 and in excess of 90 days past due. Auditors tested a sample of 30 such accounts (totaling $113,125) and determined five (17%) of those accounts (totaling $12,890) had not been submitted by the University for placement with the Comptroller's Offset System. Also, two accounts (totaling $12,227) of foreign students had not been placed with the Comptroller's Offset System.

University officials stated staffing constraints have presented challenges for the University to catch up with the reporting of previous backlogs and have hindered keeping current with new past due accounts. Officials further stated the Comptroller's Offset System will not accept accounts of foreign students who lack a social security number.

Response: Accepted. As of the date of this report, the University is current in its placement of past due accounts with the State Comptroller's Offset System.

Updated Response: Accepted and partially implemented. The University has established monitoring procedures to help ensure compliance with the Act. The University is still in the process of exploring viable options that will allow reporting of past due accounts for foreign students who do not have a social security number.

14. Review the activities of the accounting entities and ensure fees charged for services are sufficient to cover expenditures and ensure subsidies between accounting entities do not occur. (Repeated-2017)

Finding: The University subsidized the operation of University activities between accounting entities during the fiscal year. Activities are functions which are self-supporting in whole or in part, which are directly related to instructional, research, or service units.

During testing of the University Guidelines, auditors noted the "University Service Departments" (an accounting entity) had a negative cash balance at the beginning of the fiscal year of $201,915 and the end of the fiscal year of $38,591. A negative cash balance is in effect an unbooked interfund payable/receivable, thereby causing a subsidy between entities to occur.

The University Guidelines states "there shall be no subsidies between accounting entities. Subsidies include cash advances and interfund payables/receivables outstanding for more than one year."

University officials stated that due to tough economic conditions, the University needed to subsidize this entity in order to continue to provide the services to the community and University departments.

Response: Accepted. Review of the entity's activities, charge back processes and pricing levels on the University Service Departments are underway and the necessary action to address this issue should be in place before the end of Fiscal Year 2019.

Updated Response: Implemented.

15. Improve controls to ensure required written waiver agreements are obtained and retained. (Repeated-2016)

Finding: The University did not comply with the requirements related to tuition and fee waivers.

Auditors noted the University did not have on file signed agreements from students that received the Athletics waiver. Each student who receives a waiver in which the student is required to perform services must sign an agreement at the time of appointment which delineates the conditions of that service. The University was unable to provide written waiver

Accepted or Implemented - continued

agreements for 3 of the 10 students.

University officials stated the condition noted above was due to inadequate controls over record-keeping procedures within the Athletics office.

Response: Accepted. To ensure the proper filing of such agreement letters, a process has been implemented to monitor athlete documentation. This entails a checklist and a centralized filing system within the Athletics office. This process will be monitored by the Director of Athletics and the Athletic Compliance Coordinator to ensure compliance.

Updated Response: Implemented.

17. Improve procedures to ensure compliance with the reporting requirements of the Post-9/11 Veterans Education Assistance benefit program. (Repeated-2015)

Finding: The University did not comply with federal reporting requirements involving students who are recipients of benefits from the Veterans Benefits Administration of the U.S. Department of Veterans Affairs (VA). The University receives a reporting fee for submitting reports required by the VA.

In testing of 40 students with a Post-9/11 Veterans Educational Assistance benefit during the year, 15 students had enrollment status changes or corrections. Two of those changes were not reported to the VA within 30 days from the date the change occurred (40 to 67 days late) and three of those changes were never reported to the VA.

University officials stated the condition noted above was due to staffing constraints in the Veterans Resource Center.

Response: Accepted. Effective immediately, the Veterans Resource Center (VRC) is placing a Colleague system hold for all VA Chapter 33 students. This group of veteran students will be required to contact the VRC prior to making any changes in their enrollment for the semester. This will allow the VRC to ensure that any changes in enrollment is reported timely to the VA in compliance with federal regulations.

Updated Response: Implemented.

18. Improve the operation of internal controls over the accountability of University equipment and comply with procedures for documenting wiping of computer equipment prior to disposal. Further, perform 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. (Repeated-2016)

Finding: The University did not comply with the requirements applicable to its property and equipment.

Auditors examined the University's request for deletions form submitted to the Department of Central Management Services. The form requested 63 items totaling $85,503, including 53 computers, servers, CPU's and other storage devices totaling $71,391, be approved for deletion from the University's inventory. The University did not immediately perform a complete assessment of missing computers and storage devices to determine whether they contained confidential information and whether notifications were required as outlined in the Personal Information Protection Act.

Auditors 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 procedures and maintained evidence the computers had been "wiped" prior to transfer. The University could not provide any evidence 11 (44%) of these computers were cleared of data and software before they were transferred to surplus.

University management indicated that procedures are in place for the wiping of computers, however, documentation of the process has been inconsistent. The University further stated the local storage of sensitive data is discouraged by University policy, however the University has no resources to determine if sensitive data may have existed on the lost computer equipment after discovering it missing.

Response: Accepted. The University is in the process of establishing procedures that will require property control officers to perform an assessment of missing computers in compliance with the Personal Information Protection Act. Said procedures will be communicated to departmental property control officers during the Spring 2019 property control training. In addition, a new standard operating procedure has been implemented whereupon disk drives in surplus computers will be wiped per regulations, documented, and the hard drives will remain with the computer being sent to surplus.

Updated Response: Accepted and partially implemented. The University has revised its asset possession form to inform and remind users not to save any sensitive or confidential information on assets off-campus. Because of the recent changes in the State property control rules, the related property control training scheduled in Spring 2019 has been moved to end of Summer 2019.

The action plan to change the procedure to keep hard drives with computers being sent down state for surplus is now a standard operating procedure for ITS. In the past, hard drives were pulled from computer and placed in inventory as spares. The University's new practice is to purchase new hard drives as spares in the event a computer's hard drive fails and needs to be replaced.

19. Ensure all servers and workstations are updated with the latest upgrades and patches, reduce the account lockout threshold to limit the number of unsuccessful log-in attempts, ensure access rights of terminated or transferred

Accepted or Implemented - concluded

> **employees are removed on a timely basis, and fill the vacant Director of Information Security and Compliance position. (Repeated-2016)**

Finding: The University had not established adequate controls for its computing environment. During the review of the University, the following weaknesses were noted:

- Operating system updates and patches were not up-to-date on University servers and computers.
- Users were allowed a high number of attempts to successfully log-in before being locked out of the network.
- User access rights were not always removed for terminated employees in a timely manner.
- The primary Information Technology Services (ITS) security position has been vacant since November 2017.

University officials indicated the conditions above were primarily due to budget constraints and employee turnover. The former employees with access rights were overlooked.

Response: Accepted. In Fiscal Year 2019, ITS has established a Change Control Board and change control process which documents changes to servers and workstations. On a monthly basis, servers and workstation computers patches are reviewed, tested and updated across campus based on change control procedures.

On March 28, 2018, University's Policy 64 was updated whereupon the number of unsuccessful log-in attempts were approved. ITS is in the process of rolling out changes in accordance with the updated policy.

An automated script has been developed where once an employee is terminated in Colleague 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.

The Director of Information Security and Compliance search in Fall 2018 was unsuccessful in finding a qualified candidate. Another recruitment cycle is planned for Spring 2019.

Updated Response: Accepted and partially implemented. All the action plan items are now standard operating procedure. The only outstanding item is hiring the Director of Information Security and Compliance. On-campus interviews for this position are currently in progress.

Emergency Purchases

The Illinois Procurement Code (30 ILCS 500/) states, "It is declared to be the policy of the State that the principles of competitive bidding and economical procurement practices shall be applicable to all purchases and contracts...." The law also recognizes that there will be emergency situations when it will be impossible to conduct bidding. It provides a general exemption when there exists a threat to public health or public safety, or when immediate expenditure is necessary for repairs to State property in order to protect against further loss of or damage to State Property, to prevent or minimize serious disruption in critical State services that affect health, safety, or collection of substantial State revenues, or to ensure the integrity of State records; provided, however that the term of the emergency purchase shall not exceed 90 days. A contract may be extended beyond 90 days if the chief procurement officer determines additional time is necessary and that the contract scope and duration are limited to the emergency. Prior to the execution of the extension, the chief procurement officer must hold a public hearing and provide written justification for all emergency contracts. Members of the public may present testimony.

Notice of all emergency procurement shall be provided to the Procurement Policy Board and published in the online electronic Bulletin no later than 5 calendar days after the contract is awarded. Notice of intent to extend an emergency contract shall be provided to the Procurement Policy Board and published in the online electronic Bulletin at least 14 calendar days before the public hearing.

A chief procurement officer making such emergency purchases is required to file statements with the Procurement Policy Board and the Auditor General setting forth the amount expended (or an estimate of the total cost), the name of the contractor involved, and the conditions and circumstances requiring the emergency purchase. The Legislative Audit Commission receives quarterly reports of all emergency purchases from the Office of the Auditor General. The Legislative Audit Commission is directed to review the purchases and to comment on abuses of the exemption.

During FY18, the University filed one emergency purchase statement for $49,129 for repairs.

Headquarters Designations

The State Finance Act requires all State agencies to make semiannual headquarters reports to the Legislative Audit Commission. Each State agency is required to file reports of all of its officers and employees whose official duties require them to spend more than 50% of their time at locations other than their official headquarters.

Governors State University indicated as of July 5, 2018, no employees were assigned to locations other than that at which their official duties require them to spend the largest part of their working time.

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GOVERNORS STATE UNIVERSITY
YEAR ENDED JUNE 30, 2018

APPENDIX A

Expenditures from Appropriations and Income Fund

	FY18	FY17
TOTAL APPROPRIATIONS	**$ 21,656,000**	**$ 24,062,100**
EXPENDITURES		
General Revenue Fund		
Operational expenses	$ -	$ 8,127,400
Educational Assistance Fund		
Personal services	$ 19,195,900	-
Group insurance	577,300	-
Contractual services	1,517,600	-
Commodities	66,000	-
Equipment	220,000	-
Awards and grants	79,200	-
Payroll offsets - (Court Ordered)	-	9,565
Operational expenses	-	15,934,700
Expenditures from appropriations	**$ 21,656,000**	**$ 24,071,665**

INCOME FUND	**FY18**	**FY17**
Income Fund Revenues:		
Student tuition and fees	$ 36,600,103	$ 38,034,090
Investment income	452,910	129,040
Miscellaneous	2,454,036	55,657
Total Income Fund revenues	**$ 39,507,049**	**$ 38,218,787**
Income Fund Expenditures:		
Personal services (includes change in accrued compensated absences)	$ 10,030,606	$ 27,547,250
Medicare and benefits	872,329	1,369,157
Contractual services	6,409,955	5,467,980
Travel	284,848	201,433
Commodities	594,838	527,431
Equipment and permanent improvements	473,738	946,396
Telecommunications services	147,889	173,856
Operations of automotive equipment	47,139	46,905
Miscellaneous expenditures	50,648	-
Awards, grants, and matching funds	864,960	834,319
Tuition and fee waivers	1,197,264	1,435,132
Debt services transfer	579,073	583,533
Other transfers	376,723	-
Total Income Fund expenditures	**$ 21,930,010**	**$ 39,133,392**

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GOVERNORS STATE UNIVERSITY

YEAR ENDED JUNE 30, 2018

APPENDIX B

Statement of Revenues, Expenses, and Changes in Net Position

	FY18	FY17
Operating Revenues		
Student tuition and fees, net of scholarship allowances of $10,287,149	$ 35,743,173	$ 39,823,090
Federal grants and contracts	3,818,130	3,235,089
State grants and contracts	2,074,356	7,318,716
Other grants and contracts	267,299	284,026
Sales and services of educational departments	64,952	71,376
Auxillary enterprises	3,205,589	3,343,714
Other operating revenues	1,677,979	2,030,290
Total operating revenues	46,851,478	56,106,301
Operating Expenses		
Instruction	55,691,815	56,381,735
Research	721,030	791,635
Public service	7,705,767	15,654,038
Academic support	3,626,213	2,823,046
Student services	11,507,602	10,324,292
Institutional support	19,431,689	17,230,397
Operation and maintenance of plant	9,263,944	9,397,855
Auxiliary enterprises	2,140,477	2,251,887
Depreciation	4,802,242	4,906,310
Total operating expenses	114,890,779	119,761,195
Net operating loss	(68,039,301)	(63,654,894)
Nonoperating Revenues (Expenses)		
State appropriation	32,961,100	12,757,000
Payments made on behalf of the University	38,812,302	42,550,485
Federal and State nonoperating grants	16,967,034	9,268,085
Investment income	452,910	129,062
Interest expense	(1,802,211)	(1,614,290)
Other nonoperating income (expense)	4,381	(29,566)
Net nonoperating revenues	87,395,516	63,060,776
Income (loss) before other revenues, expenses, gains, and losses	19,356,215	(594,118)
Capital appropriations provided by State of Illinois	301,698	7,678
Increase (decrease) in net position	19,657,913	(586,440)
Net Position		
Net Position - beginning of year, as previously reported	100,779,097	102,701,269
Prior period adjustment	(39,255,014)	(1,335,732)
Net position - beginning of year, as restated	61,524,083	101,365,537
Net position - end of year	**$ 81,181,996**	**$ 100,779,097**

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APPENDIX C

Summary of Accounts Receivable

	FY18	FY17
Accounts receivable, net of allowance for uncollectible accounts of $6,060,000 in 2018 and $5,350,000 in 2017	$ 3,952,134	$ 3,928,747
Grants receivable	2,341,217	4,209,609
State appropriation receivable	179,841	-
Student loans, net of allowance for uncollectible loans of $700,000 in 2018 and $750,000 in 2017	2,674,334	3,080,590
Total receivables	**$ 9,147,526**	**$ 11,218,946**

Aging Schedule

	FY18	FY17
Receivable Aging		
Not in repayment	$ 1,237,471	$ 1,693,469
Current	6,185,416	7,476,844
Up to 120 days past due	2,039,464	1,495,115
From 121 to 365 days past due	1,487,998	2,357,122
More than 365 days past due	4,957,177	4,296,396
Allowance for doubtful accounts	(6,760,000)	(6,100,000)
Net accounts, grants, and student loans receivable	**$ 9,147,526**	**$ 11,218,946**

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APPENDIX D

Changes in Property and Equipment

	Ending Balance at June 30, 2017	Additions	Deletions	Transfers	Ending Balance at June 30, 2018
Land	$ 1,389,086	$ -	$ -	$ -	$ 1,389,086
Equipment *	20,184,170	1,130,782	740,929	211,617	20,785,640
Equipment under capital lease	236,662	-	-	(236,662)	-
Intangible assets	1,904,919	38,039	-	25,045	1,968,003
Artwork/Artifacts	431,323	-	-	-	431,323
Library collection	12,580,105	14,189	169,736	-	12,424,558
Buildings *	151,148,621	1,408,431	-	505,195	153,062,247
Site Improvements	9,309,741	-	-	-	9,309,741
Construction in Progress	3,000	502,195	-	(505,195)	-
TOTAL	**$ 197,187,627**	**$ 3,093,636**	**$ 910,665**	**$ -**	**$ 199,370,598**

*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.

APPENDIX E

Summary of Funds Provided by and to the Foundation

	FY18	FY17
Funds provided by the University	**$ 337,000**	**$ 300,115**
Funds provided to the University		
Considered unrestricted for guidelines purposes:		
Given to a particular college	2,229	3,850
Given to a particular department	223,952	161,777
Total funds considered unrestricted	**$ 226,181**	**$ 165,627**
Considered restricted for guidelines purposes:		
Given for Center for Performing Arts	483	64,528
Given for scholarships	296,239	109,697
Total funds considered restricted	**$ 296,722**	**$ 174,225**
Total funds provided to the University	**$ 522,903**	**$ 339,852**

APPENDIX F

Tuition and Fee Waivers

	FY18	FY17
Mandatory Waivers		
Teacher education (special education)	$ 79,700	$ 53,600
DCFS	16,900	4,400
Children of employees	59,700	62,800
Senior citizens	55,400	48,900
Veterans' Grants & Scholarships	923,000	756,800
Total Mandated Waivers	**$ 1,134,700**	**$ 926,500**
Discretionary Waivers		
Faculty/Administrators	$ 107,200	$ 154,500
Civil Service	86,100	97,400
Academic/Other Talent	495,000	514,700
Athletics	212,300	202,400
Gender Equity in Intercollegiate Athletics	68,900	41,400
Foreign Exchange Students	98,000	122,700
Cooperating Professionals	1,500	2,000
Research Assistants	18,200	30,200
Teaching Assistants	82,000	104,100
Other Assistants	336,600	360,800
Interinstitutional/Related Agencies	237,700	212,300
Total Discretionary Waivers	**$ 1,743,500**	**$ 1,842,500**
GRAND TOTAL	**$ 2,878,200**	**$ 2,769,000**