

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
COMPLIANCE EXAMINATION**

**(In Accordance with the Single Audit Act
and OMB Circular A-133)**

FOR THE YEAR ENDED JUNE 30, 2006

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

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
COMPLIANCE EXAMINATION**

(In Accordance With the Single Audit Act and OMB Circular A-133)

For the Year Ended June 30, 2006

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**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
COMPLIANCE EXAMINATION**

(In Accordance With the Single Audit Act and OMB Circular A-133)

For the Year Ended June 30, 2006

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**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

AGENCY OFFICIALS

GOVERNORS STATE UNIVERSITY

President	Dr. Stuart Fagan
Vice President of Administration & Planning	Mr. John Tuohy
Director of Financial Services (7/1/05 to 4/7/06)	Ms. Tammy Rust
Interim Executive Director of Financial Services (4/10/06 to Present)	Ms. Karen Kissel
Internal Auditor	Mr. David Dixon

Agency offices are located at:

1 University Parkway
University Park, IL 60466

December 14, 2006

Nykiel, Carlin & Co., Ltd.
Certified Public Accountants
200 E. Court St., Suite 608
Kankakee, IL 60901

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of Governors State 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 Governors State University's compliance with the following assertions during the year ended June 30, 2006. Based on this evaluation, we assert that during the year ended June 30, 2006, Governors State University has materially complied with the assertions below.

A. Governors State 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. Governors State 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.

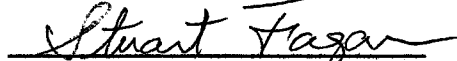
C. Governors State University has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

D. The State revenues and receipts collected by Governors State 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. The money or negotiable securities or similar assets handled by Governors State University on behalf of the State or held in trust by the agency have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

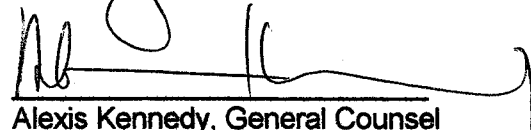
Governors State University



Dr. Stuart Fagan, President



Karen Kissel, Executive Director of Financial Services



Alexis Kennedy, General Counsel

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

COMPLIANCE REPORT

SUMMARY

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

ACCOUNTANTS' REPORTS

The Independent Accountants' Report on State Compliance, on Internal Control Over Compliance and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers or other significant non-standard language.

SUMMARY OF FINDINGS

<u>Number of</u>	<u>This Report</u>	<u>Prior Report</u>
Findings	9	11
Repeated findings	7	3
Prior recommendations implemented or not repeated	4	3

Details of findings are presented in a separately tabbed report section.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
<u>FINDINGS (GOVERNMENT AUDITING STANDARDS)</u>		
06-1	16	Failure to Reconcile Certain Accounts when Preparing Financial Statements
<u>FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE)</u>		
06-2	17	Over-award of Federal Pell Grants
06-3	18	Exit Counseling Not Performed
<u>FINDINGS (STATE COMPLIANCE)</u>		
06-4	19	Time Sheets Not Maintained in Compliance with the State Officials and Employees Ethics Act
06-5	20	Noncompliance with State Publication Laws
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06-9	24	Inadequate Controls Over University Property and Equipment
<u>PRIOR FINDINGS NOT REPEATED (FEDERAL COMPLIANCE)</u>		
06-10	25	Student Financial Aid Awarded to Students at Unapproved Locations
06-11	25	Excess Federal Cash
06-12	25	Inappropriate Charges to the Substance Abuse and Mental Health Services Grant
<u>PRIOR FINDINGS NOT REPEATED (STATE COMPLIANCE)</u>		
06-13	26	Failure to Update Comprehensive Waste Reduction Plan

STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY

COMPLIANCE REPORT

SUMMARY

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with University personnel at an exit conference on February 2, 2007. Attending were:

Representing Governors State University

President
Vice President for Administration & Planning
Executive Director of Financial Services
Director of Procurement and
Auxiliary Services
Ass't. Director Business Operations
Internal Auditor

Dr. Stuart Fagan
Mr. John Tuohy
Ms. Karen Kissel

Ms. Tracy Sullivan
Mr. Barry Ryan
Mr. David Dixon

Representing Nykiel, Carlin & Co., Ltd.

Principal
Senior Associate

Mr. Paul A. Pelletier, CPA
Mr. Robert J. Knisley

Representing the Office of the Auditor General

Audit Manager

Mr. Thomas L. Kizziah, CPA

Responses to the recommendations were provided by Mr. John Tuohy in an e-mail dated February 14, 2007.

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

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have examined Governors State University's compliance with the 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, 2006. The management of Governors State University is responsible for compliance with these requirements. Our responsibility is to express an opinion on Governors State University's compliance based on our examination.

- A. Governors State 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. Governors State 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. Governors State 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. The State revenues and receipts collected by Governors State 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 Governors State University on behalf of the State or held in trust by Governors State 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 as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about Governors State University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Governors State University's compliance with specified requirements.

In our opinion, Governors State University complied, in all material respects, with the aforementioned requirements during the year ended June 30, 2006. However, the results of our procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings and questioned costs as findings 06-1 through 06-9. As required by the Audit Guide, immaterial findings relating to instances of noncompliance excluded from this report have been reported in a separate letter to your office.

Internal Control

The management of Governors State University is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations. In planning and performing our examination, we considered Governors State University's internal control over compliance with the aforementioned requirements in order to determine our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General.

We noted certain matters involving internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Governors State University's ability to comply with one or more of the aforementioned requirements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as finding 06-1.

A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws and regulations that would be material in relation to one or more of the aforementioned requirements being examined may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over compliance would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness. Additionally, the results of our procedures disclosed other deficiencies in internal control, which are required to be reported in accordance with criteria established by the Audit Guide issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings and questioned costs as findings 06-5, 06-7, 06-8, and 06-9. As required by the Audit Guide, immaterial findings relating to internal control deficiencies excluded from this report have been reported in a separate letter to your office.

Supplementary Information for State Compliance Purposes

As Special Assistant Auditors for the Auditor General, we have audited the basic financial statements of Governors State University and its aggregate discretely presented component units, collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2006, and have issued our report thereon dated December 14, 2006. The accompanying supplementary information, as listed in the table of contents as Supplementary Information for State Compliance Purposes, is presented for purposes of additional analysis and is not a required part of the basic financial statements of Governors State University. The 2006 Supplementary Information for State Compliance Purposes, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2006 taken as a whole. We have also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of Governors State University and its aggregate discretely presented component units,

for the year ended June 30, 2005. In our report dated December 7, 2005, we expressed unqualified opinions on the basic financial statements. In our opinion, the 2005 Supplementary Information for State Compliance Purposes, is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2005, taken as a whole. We have also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of Governors State University and its aggregate discretely presented component units, for the year ended June 30, 2004. In our report dated November 22, 2004, we expressed unqualified opinions on the basic financial statements. In our opinion, the 2004 Supplementary Information for State Compliance Purposes, is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2004, taken as a whole.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, and agency management, and is not intended to be and should not be used by anyone other than these specified parties.

Nykiel, Carlin & Co., Ltd.

NYKIEL, CARLIN & CO., LTD.
Kankakee, Illinois

December 14, 2006

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 William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the basic financial statements of Governors State University and its aggregate discretely presented component units, collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2006, and have issued our report thereon dated December 14, 2006. We conducted our audit in accordance with 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Governors State University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal controls over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Governors State University's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as item 06-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness. We also noted certain immaterial instances of internal control deficiencies, which we have reported to management of the State of Illinois, Governors State University in a separate letter dated December 14, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Governors State University's financial statements are free of 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain matters which are reported as State compliance findings in the schedule of findings. We also noted certain other matters which we have reported to management of the State of Illinois, Governors State University in a separate letter dated December 14, 2006.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, Agency management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



NYKIEL, CARLIN & CO., LTD.

Kankakee, Illinois

December 14, 2006

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

We have audited the compliance of Governors State University with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. Governors State University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Governors State University's management. Our responsibility is to express an opinion on Governors State University's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Governors State 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. Our audit does not provide a legal determination of Governors State University's compliance with those requirements.

In our opinion, Governors State University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 06-2 and 06-3.

Internal Control Over Compliance

The management of Governors State University is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Governors State University's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that could be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of Governors State University and its aggregate discretely presented component units, collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2006, and have issued our report thereon dated December 14, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Governors State University's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, Agency management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Nykiel, Carlin & Co., Ltd.

NYKIEL, CARLIN & CO., LTD.
Kankakee, Illinois

December 14, 2006

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes x no
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ x yes _____ 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
- Reportable condition(s) identified that are not considered to be material weakness(es)? _____ yes x none reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____ x yes _____ no

Identification of major programs:

	<u>CFDA No.</u>
Student Financial Aid Cluster	
U.S. Department of Education	
Federal Work Study Program	84.033
Federal Pell Grant Program	84.063
Federal Supplemental Educational Opportunity Grant Program	84.007
Federal Perkins Loan Program	84.038
Federal Direct Student Loan Program	84.268
U.S. Department of Health & Human Services	
Scholarships for Disadvantaged Students	93.925
TRIO Cluster	
U.S. Department of Education	
Student Support Services	84.042A
McNair Post-Baccalaureate Achievement	84.217A
Upward Bound	84.047A
Research and Development Cluster	
U.S. Department of Health & Human Services	
Substance Abuse and Mental Health Services-Projects of Regional and National Significance	93.243
Minority Health and Health Disparities Research	93.307
National Science Foundation	
Education and Human Resources	47.076
Computer and Information Science and Engineering	47.070
U.S. Department of Education	
Learning Anywhere Anytime Partnerships	84.339B

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? _____ yes x no

II. FINANCIAL STATEMENTS FINDINGS

See Finding 06-1

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

see Findings 06-2 thru 06-3

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2006**

CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS

06-1 FINDING: FAILURE TO RECONCILE CERTAIN ACCOUNTS WHEN PREPARING FINANCIAL STATEMENTS

Governors State University (University) prepared its initial financial statements without reconciling certain accounts to its detailed records.

During our audit of the University's financial statements, we noted certain accounts that did not agree to the supporting documentation we obtained. As a result, this led to inefficiencies in completing the audit. We noted the following specific instances where significant unreconciled differences occurred:

- An adjustment to Due to Grantor of approximately \$150,000 was identified by auditors.
- An adjustment to Building in the amount of approximately \$204,000 due to the error in posting amounts from the Capital Development Board.
- During our review of third party accounts receivable, it was noted that the amount was overstated by approximately \$511,000, due to uncollectible amounts from the Illinois Veterans Assistance Grant.
- During our review of allowance for uncollectible accounts, it was noted that approximately \$108,000 was posted in error.

We recommended adjusting entries so that the University's financial statements would not be materially misstated. The University agreed with and posted these adjustments.

The University is required to prepare its financial statements in accordance with generally accepted accounting principles (GAAP). In fulfilling this responsibility, management must design control procedures over financial reporting to ensure that it can record, process, summarize and report financial data consistent with management's assertions.

University management indicated that employee transitions severely limited the amount of time available to complete the financial statements and meet the State of Illinois Comptroller's deadlines.

Failure to properly reconcile account detail to the records used to prepare the financial statements may result in financial statements that are materially misstated. (Finding Code No. 06-1)

RECOMMENDATION

We recommend the University ensure that all accounts are reconciled to the financial statements in a timely manner.

UNIVERSITY RESPONSE

The University agrees with this finding and will implement processes to ensure more timely reconciliation procedures.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2006**

CURRENT FINDINGS – FEDERAL AND QUESTIONED COSTS

06-2 FINDING: OVER-AWARD OF FEDERAL PELL GRANTS

**Federal Department: U.S. Department of Education
CFDA Number: 84.063
Program Name: Federal Pell Grant Program
Questioned Cost: \$1,263 (projected error of \$44,169)**

Governors State University (University) paid Federal Pell Grants in excess of the limit allowed by the Department of Education.

We selected 60 students for testing student financial aid and noted that 32 students were awarded a Federal Pell Grant. Two students that received Federal Pell Grants were over-awarded. One student was awarded \$1900 in Federal Pell Grant awards based upon a full-time / full year schedule. The student only enrolled for one semester and should have only been entitled to a Federal Pell Grant award of \$950 (resulting in an over-award of \$950). Another student was awarded and entitled to receive \$1,875 in Federal Pell funds. However, the student received \$2,188 in Federal Pell funding (resulting in an over-award of \$313).

The Code of Federal Regulations (34 CFR 690.63(g)) states that the "amount of a student's award for an award year may not exceed his or her Scheduled Federal Pell Grant award for that award year."

University officials stated that this situation was caused by human error. All spring and summer Pell awards are updated on the system manually, because students are only eligible for Pell in the spring and summer if they did not enroll as a full-time student for fall and/or winter. The two awards in question were students that were billed for a previous term because of a return of Title IV funds calculation. When the staff updated the spring and summer Pell awards, they did not realize the students were billed and thought the students had unused eligibility.

Failure to properly monitor the Federal Pell Grant award limit may jeopardize future federal funding. (Finding Code Nos. 06-2, 05-4)

RECOMMENDATION

We recommend the University properly monitor the Federal Pell Grant award limits, in order to prevent over-awarding of Federal financial aid.

UNIVERSITY RESPONSE

The University agrees with this finding and will continue to monitor the Federal Pell Grant award limits.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2006**

CURRENT FINDINGS – FEDERAL AND QUESTIONED COSTS

06-3 FINDING: EXIT COUNSELING NOT PERFORMED

**Federal Department: U.S. Department of Education
CFDA Number: 84.268
Program Name: Federal Direct Student Loan Program
Questioned Cost: None**

Governors State University (University) did not have adequate procedures to ensure that students who received Federal Direct Student Loans and dropped below half-time received exit counseling.

We selected 60 students for testing student financial aid and noted 14 students (23%) that ceased being enrolled for at least half-time did not receive exit counseling.

The Code of Federal Regulations (34 CFR 685.304(b)(1)) requires "a school must ensure that exit counseling is conducted with each Direct Subsidized Loan or Direct Unsubsidized Loan borrower shortly before the student borrower ceases at least half-time study at the school."

University officials stated they provide counseling to all students as they apply for graduation. Due to the large non-traditional, part-time student population, it is difficult to track when a student ceases half time study.

By failing to perform exit counseling, students are not informed of their rights and responsibilities under the loan agreements. (Finding Code Nos. 06-3, 05-5)

RECOMMENDATION

We recommend the University implement procedures to ensure that all students receiving Federal Direct Student Loans receive exit counseling when the student ceases at least half-time study.

UNIVERSITY RESPONSE

The University agrees with this finding, accepts the recommendation, and will continue to track and communicate rights and responsibilities with students should they fall below half-time study.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2006**

CURRENT FINDINGS – STATE

06-4 FINDING: TIME SHEETS NOT MAINTAINED IN COMPLIANCE WITH THE STATE OFFICIALS AND EMPLOYEES ETHICS ACT

Governors State University (University) is not maintaining time sheets for its faculty and graduate assistants 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 time sheets 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 incorporated these policies into the University's policies.

Of the 25 employees' time sheets that were tested, 5 faculty members used the "negative" timekeeping system whereby the employee is assumed to be working unless noted otherwise. In addition, we noted one graduate assistant in our sample that did use positive time reporting, but it was not in accordance with the Act. The other 19 employees were using time reporting in accordance with the Act.

University officials stated that all State Universities have mandated faculty to report time consistently. The President's council and the individual Universities will continue to discuss and explore faculty time reporting.

By not requiring positive time sheets from its faculty, the University is not in compliance with the Act. (Finding Code Nos. 06-4, 05-7)

RECOMMENDATION

We recommend that the University amend its policies to require all employees to maintain time sheets in compliance with the Act.

UNIVERSITY RESPONSE

Under Study. The University acknowledges the requirements of the State Officials and Employees Ethics Act for employees to periodically report time spent each day on official State business to the nearest quarter hour. We currently collect and monitor reported time spent on official business from all nonacademic, civil service, professional and administrative staff. We are reviewing existing time reporting requirements for faculty employees established by federal granting agencies and others to determine whether the requirements of the Ethics Act can be met by existing requirements rather than requiring dual reporting. In addition, we are reviewing, along with other State Universities, time reporting for faculty, as it relates to existing collectively bargained contractual obligations.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2006**

CURRENT FINDINGS – STATE

06-5 FINDING: NONCOMPLIANCE WITH STATE PUBLICATION LAWS

Governors State University (University) did not comply with the Illinois Procurement Code (Code) regarding University publications.

We examined certain University publications (course catalogue and spring 2006 class schedule bulletin), and noted that one or more of certain disclosures (“Printed by authority of the State of Illinois”, date of publication, the number of copies printed, and the printing order number) as required by the Code, were not included on each of the items.

The Illinois Procurement Code (30 ILCS 500/20-105) states “All books, pamphlets, documents, and reports published through or by the State of Illinois or any State agency, board, or commission shall have printed thereon “Printed by authority of the State of Illinois,” the date of each publication, the number of copies printed, and the printing order number.”

University officials stated that they follow the Procurement Rules of the Chief Procurement Officer for Public Institutions of Higher Education (44 Ill. Admin Code Subtitle B, Chapter II, Part 526) which varies slightly from the Illinois Procurement Code. The rules adopted for Public Institutions of Higher Education do not require this disclosure.

Failure to include the information required by the Code is a violation of State statutes. (Finding Code Nos. 06-5, 05-8)

RECOMMENDATION

We recommend the University follow the requirements of the Illinois Procurement Code regarding University publications.

UNIVERSITY RESPONSE

The University agrees with this finding and is implementing the disclosures required in the Illinois Procurement Code.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2006**

CURRENT FINDINGS – STATE

06-6 FINDING: UNIVERSITY FACULTY RESEARCH & CONSULTING

The University did not comply with the University Faculty Research and Consulting Act.

Each year, the University's Office of the President requests all faculty, who intend to perform outside research and/or consulting services to submit a Request for Approval form. Faculty members who intend to perform outside research and/or consulting are required to obtain approval from the University President or the President's designee before performing outside services. We examined all requests that were submitted (18) and noted that 9 faculty members performed outside research and/or consulting activities prior to receiving approval from the President. The President's approvals were noted to be from 4 to 69 days subsequent to the date that services were to begin.

The University Faculty Research and Consulting Act (110 ILCS 100/1) states that no full time member of faculty of any State-supported institution of higher learning may accept anything of value for research and/or consulting services unless: 1) he/she has prior written approval of the President of the institution based on a request that estimates time to be spent and 2) he/she submits to the President an annual statement of actual time spent on such outside services.

University officials stated that the law requires that the faculty member take action. These instances reflect cases in which the faculty members did not comply with the University's more stringent policy.

Failure to comply with this mandate may result in faculty providing services for others instead of dedicating their time to their University duties for which they are employed. (Finding Code Nos. 06-6, 05-10, 04-05, 03-03)

RECOMMENDATION

We recommend that the University ensure that faculty members comply with the University Faculty Research and Consulting Act as required by statute.

UNIVERSITY RESPONSE

The University takes exception with this finding. The University has a strong monitoring process and will continue to require faculty to comply. Occasional delays should not be considered a failure to comply.

AUDITORS' COMMENT

The University Faculty Research and Consulting Act requires faculty of the University to obtain prior written approval of the President before performing the research and/or consulting services. The University should hold accountable any faculty that does not comply with the Act.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2006**

CURRENT FINDINGS – STATE

06-7 FINDING: LATE PAYMENTS TO THE STATE UNIVERSITY RETIREMENT FUND

Governors State University (University) did not timely submit pension contributions for employees paid from trust or Federal funds to the Board of Trustees of the State University Retirement System (SURS).

We examined payments made by the University to SURS for contributions for employees paid from trust or Federal funds and noted that the University was submitting payments on a quarterly basis.

The Illinois Pension Code (Code) (40 ILCS 5/15-181) requires the warrant or check drawn to SURS, together with the additional copy of the payroll supplied by the employer, shall be transmitted immediately to the Board of SURS.

University officials stated that there was a change in the payroll management and the timing of the SURS transmittal was misunderstood.

Failure to timely remit the funds may result in decreased earnings potential of the State University Retirement System and results in noncompliance with the Code. (Finding Code No. 06-7)

RECOMMENDATION

We recommend that the University comply with the requirements of the Illinois Pension Code and promptly remit payments to the Board of Trustees of SURS.

UNIVERSITY RESPONSE

The University agrees with this finding and has changed the process to remit payments in accordance with the Illinois Pension Code.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2006**

CURRENT FINDINGS – STATE

06-8 FINDING: FAILURE TO FILE CONTRACTS AND LEASES WITH THE STATE COMPTROLLER

Governors State University did not file contracts or leases with the State of Illinois, Office of the Comptroller.

Our testing of 25 contractual service expenditures included 6 expenditures having written contracts, none of which were filed with the State of Illinois, Office of the Comptroller. In addition, our testing also included 2 real property leases that also had not been filed with the State of Illinois, Office of the Comptroller.

The Illinois Procurement Code (30 ILCS 500/20-80(b)), SAMS Procedure 15.10.40, and SAMS Procedure 15.20.40 require all State agencies to file contracts exceeding \$10,000 and real property leases exceeding \$10,000 with the State Comptroller within 15 days after execution. SAMS Procedure 15.20.10 states, "File Only contracts, including contracts paid entirely from locally held funds, do not require obligation and are not entered into the SAMS system. They must, however, be filed with the Illinois Office of the Comptroller (IOC) and must meet all IOC documentation and certification requirements."

University officials stated that the University did not file the contracts due to staff shortages and costs to the University.

Failure to file contracts and leases with the State of Illinois, Office of the Comptroller on a timely basis is not in compliance with State statutes and regulations. (Finding Code Nos. 06-8, 05-6)

RECOMMENDATION

We recommend that the University implement procedures to ensure all contracts and leases over \$10,000 are filed with the State of Illinois, Office the Comptroller in accordance with State statutes and guidelines.

UNIVERSITY RESPONSE

The University agrees with this finding and has implemented procedures to ensure all contracts and leases over \$10,000 are filed with the State of Illinois.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2006**

CURRENT FINDINGS – STATE

06-9 FINDING: INADEQUATE CONTROLS OVER UNIVERSITY PROPERTY AND EQUIPMENT

Governors State University (University) property control records did not accurately reflect property and equipment at the University.

In performing our tests of University equipment, we found exceptions with 45 of the 130 (35%) items that were sampled. The following exceptions were noted:

- Nine items, with a cost of \$9,046 were assigned tag numbers and were included on the property listing, but they had no tag affixed.
- Sixteen items with a cost of \$17,521 could not be located by the University. These items included 5 computer equipment items, 4 furniture items, 2 printers, a tent, and 4 items including television equipment.
- One item contained an inaccurate property description. The description was changed by the University once this was brought to their attention.
- One item (mobile pedestal) with a cost of \$200 is obsolete and no longer being used by the University.
- A filing cabinet and chalkboard, each of which had a University tag number, could not be traced back to the property records.
- The fourth quarter C-15 Report was filed on August 8, 2006 (8 days past the due date of July 31, 2006).

The State Property Control Act (30 ILCS 605/4) requires responsible officers at each State agency to be accountable for the supervision, control and inventory of all property under their jurisdiction to ensure the proper accounting and safeguarding of State assets. The Statewide Accounting Management System (SAMS) Procedure 29.20.10 state that the Form C-15 is required to be filed on a quarterly basis and should be submitted to the Office of the Comptroller no later than the last day of the month following the end of the quarter.

University officials stated that the University changed their equipment tagging procedures during FY 06 to reflect an interpretation of the CMS property control act. The late C-15 Report was due to staffing turnover.

Inaccurate property control records result in incorrect accounting information and could cause unnecessary equipment expenditures and inaccurate financial reporting. Equipment not properly tagged could lead to misappropriation of University assets. Failure to timely and accurately file the C-15 report is a violation of State regulations. (Finding Code Nos. 06-9, 05-9, 04-02, 03-02)

RECOMMENDATION

We recommend that the University adhere to its procedures to ensure that the property and equipment records are properly maintained and that the University adhere to the requirements of SAMS and submit their C-15 reports to the Office of the Comptroller on a timely basis.

UNIVERSITY RESPONSE

The University agrees with this finding and will continue to improve its property control system and reporting procedures.

STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS - PRIOR FINDINGS NOT REPEATED
FOR THE YEAR ENDED JUNE 30, 2006

PRIOR FINDINGS NOT REPEATED – FEDERAL

06-10 FINDING: STUDENT FINANCIAL AID AWARDED TO STUDENTS AT UNAPPROVED LOCATIONS

The University awarded student financial aid to students at unapproved locations. (Finding Code Nos. 05-1, 04-1)

Status – Not repeated

The University received approval for all locations prior to issuing any financial aid at those locations to students.

06-11 FINDING: EXCESS FEDERAL CASH

The University made drawdowns in excess of its expenditures from the Department of Education for the Federal Work Study (FWS) program and the Federal Direct Student Loan (FDSL) program. (Finding Code No. 05-2)

Status – Not repeated

The University did not make any drawdowns in excess of its expenditures during FY 06.

06-12 FINDING: INAPPROPRIATE CHARGES TO THE SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES GRANT

The University charged expenses to its Substance Abuse and Mental Health Services grant that did not meet the documentation requirements of OMB Circular A-21. It also filed its Financial Status Report 7 days late. (Finding Code No. 05-3)

Status – Not repeated

During our testing of charges to the Substance Abuse and Mental Health Services Grant, we noted no expenditures that were inappropriate. Also, the Financial Status report was timely filed.

STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FINDINGS AND RECOMMENDATIONS - PRIOR FINDINGS NOT REPEATED
FOR THE YEAR ENDED JUNE 30, 2006

PRIOR FINDINGS NOT REPEATED – STATE

06-13 **FINDING:** FAILURE TO UPDATE COMPREHENSIVE WASTE REDUCTION PLAN

The University did not comply with the Illinois Solid Waste Management Act (Act).
(Finding Code No. 05-11)

Status – Not repeated

During our testing of the Comprehensive Waste Reduction Plan, we noted that the University complied with the requirements of the Solid Waste Management Act.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

Supplementary Information for State Compliance Purposes presented in this section of the report include the following:

- Fiscal Schedules and Analysis:
 - Schedule of Expenditures of Federal Awards
 - Notes to the Schedule of Expenditures of Federal Awards
 - Schedule of Appropriations, Expenditures and Lapsed Balances
 - Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
 - Comparative Schedule of Income Fund Revenues and Expenditures
 - Schedule of Changes in State Property
 - Analysis of Significant Variations in Revenues and Expenses
 - Analysis of Significant Account Balances
 - Analysis of Accounts Receivable
 - Summary of Indirect Cost Reimbursement Funds

- Analysis of Operations
 - Agency Functions and Planning Program
 - Average Number of Employees (Unaudited)
 - Student Statistics (Unaudited)
 - Emergency Purchases
 - Bookstore Information (Unaudited)
 - Service Efforts and Accomplishments (Unaudited)
 - Calculation of Federal vs Nonfederal Expenditures
 - Schedule of Degrees Awarded (Unaudited)
 - Schedule of Tuition and Fee Waivers (Unaudited)

- Special Data Requirements
 - University Reporting in Accordance With University Guidelines
 - Schedule of Indirect Cost Funds to be Deposited into the University
 - Income Fund as Required by 1982 University Guidelines (1997 Amended)
 - Schedule of Excess Funds Calculation by Entity as required by the 1982 University Guidelines (1997 Amended)
 - Balance Sheets - Auxiliary Enterprises and Activities Entities
 - Schedule of Revenues, Expenditures and Changes in Fund Balances
 - Other Unrestricted Funds
 - Summary of Alumni Association Cash Support to the University
 - Summary of Foundation Cash Support to the University

The auditors' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states that it has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the auditors' opinion, except for the portion marked "unaudited," on which they express no opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

Federal Grantor/ Pass-Through Grantor/Program Title or Cluster Title	Federal CFDA Number	Pass-Through Entity ID Number	Federal Disbursements
Student Financial Aid Cluster			
U.S. Department of Education:			
Federal Work-Study Program	84.033		\$ 191,576
Federal Pell Grant Program	84.063		2,472,899
Federal Supplemental Educational Opportunity Grants	84.007		115,760
Federal Direct Student Loans	84.268		16,613,189
Total U.S. Department of Education			<u>19,393,424</u>
U.S. Department of Health and Human Services			
Scholarships for Health Professions Students from Disadvantaged Backgrounds/Speech	93.925		26,893
Scholarships for Health Professions Students from Disadvantaged Backgrounds/PT	93.925		90,626
Scholarships for Health Professions Students from Disadvantaged Backgrounds/OT	93.925		19,421
Scholarships for Health Professions Students from Disadvantaged Backgrounds/CSW	93.925		38,797
Scholarships for Health Professions Students from Disadvantaged Backgrounds/M & F Thy	93.925		19,421
Scholarships for Health Professions Students from Disadvantaged Backgrounds/Ment Heal	93.925		38,842
Total U.S. Department of Health and Human Services			<u>234,000</u>
Total Student Financial Aid Cluster			<u>19,627,424</u>
Research and Development Cluster			
U.S. Department of Health and Human Services			
Minority Health and Health Disparities Research	93.307		376,749
Substance Abuse and Mental Health Services_Projects of Regl & Natl Sign./SKIPP	93.243		298,353
Total U.S. Department of Health and Human Services			<u>675,102</u>
National Science Foundation			
Education & Human Resources/Undergraduate Coursework & Research Enhancement Using Molecular Techniques & Instrumentation	47.076		51,797
Computer & Information Science & Engineering/BPC-DP: Collaborative & Integrative Environment for Computer Science Programs	47.070		1,460
Subtotal Direct Programs			<u>53,257</u>
Passed through The Research Foundation-State University of New York:			
Education & Human Resources/Dissemination Successful Strategies for Implementing Field Work in Undergraduate Science Curricula	47.076	1000662-1-011770	14,161
Passed through Chicago State University Chicago Alliance for Minority Programs:			
Education and Human Resources/ Science, Engineering, and Mathematics	47.076	HRD-0413000	18,002
Subtotal Pass-Through Programs			<u>32,163</u>
Total National Science Foundation			<u>85,420</u>
U.S. Department of Education			
Learning Anywhere Anytime Partnerships (LAAP) Finals	84.339B		28,513
Total U.S. Department of Education			<u>28,513</u>
Total Research and Development Cluster			<u>789,035</u>
Other Programs			
U.S. Department of Education:			
TRIO Cluster			
TRIO: Student Support Services	84.042A		251,492
TRIO:McNair Post-Baccalaureate Achievement	84.217A		232,031
TRIO: Upward Bound	84.047A		349,596
Total TRIO Cluster			<u>833,119</u>
Child Care Access Means Parents in School	84.335A		17,671
Transition to Teaching	84.350A		248,417
Teacher Quality Enhancement Grants	84.336B		125,035
Fund for the Improvement of Postsecondary Education/Directed Grants-Jackson Earmark	84.116Z		144,598
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities/Minority Institutions CDIS	84.325E		180,014
Subtotal Direct Programs			<u>1,548,854</u>
Passed through Morton College:			
Higher Education-Institutional Aid/Title V Cooperative Grant	84.031S	N.A.	16,963
Total U.S. Department of Education			<u>1,565,817</u>

STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor/ Pass-Through Grantor/Program Title or Cluster Title	Federal CFDA Number	Pass-Through Entity ID Number	Federal Disbursements
U.S. Department of Health and Human Services			
Nurse Education, Practice and Retention Grants	93.359		75,996
Advanced Education Nursing Traineeships	93.358		<u>29,369</u>
Subtotal Direct Programs			<u>105,365</u>
Passed through the Illinois Department of Human Services:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	40C6001291	<u>85,612</u>
Total U.S. Department of Health and Human Services			<u>190,977</u>
U.S. Department of Justice			
Passed through the County of DuPage:			
Drug Court Discretionary Grant Program/DuPage Drug Court	16.585	U12736	19,733
U.S. Department of Labor			
Passed through Southland Health Careers:			
WIA Pilots, Demonstrations, and Research Projects/Southland Health Careers Project	17.261	N.A.	26,105
U.S. Department of Agriculture			
Passed through the Illinois Board of Education:			
Child and Adult Food Care Program	10.558	N.A.	10,923
Library of Congress			
Passed through the Education and Research Consortium of the Western Carolinas			
An Adventure of the American Mind	42	00G-LIB-ND001	205,951
Small Business Administration			
Passed through the Illinois Department of Commerce and Economic Opportunity:			
Small Business Development Center	59.037	70006561122	<u>151,334</u>
Total Other Programs			<u>2,170,840</u>
Total Expenditures of Federal Awards			<u>\$ 22,587,299</u>

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
NOTES TO THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the State of Illinois, Governors State University and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

Note 2. Student Loan Program Administered by the University

The University administered the following loan program during the year ended June 30, 2006.

Perkins Loan Program CFDA #84.038

Outstanding Balance - July 1, 2005	\$ 3,182,475
Additions:	
Interest income	66,669
Other Income	96,992
Reduction in allowance for doubtful loans	128,000
Reimbursable Cancellations	46,720
Total Additions	<u>338,381</u>
Deductions:	
Loans cancelled or written off	129,934
Administrative expenses	42,224
Collection costs	39,631
Total Deductions	<u>211,789</u>
Outstanding Balance - June 30, 2006	<u><u>\$ 3,309,067</u></u>

New student loans made during FY06 totaled \$844,483.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
APPROPRIATIONS FOR FISCAL YEAR 2006
FOURTEEN MONTHS ENDED AUGUST 31, 2006**

	Appropriations (net after transfers)	Expenditures through June 30, 2006	Lapse Period Expenditures 7/1 - 8/31/06	Total Expenditures	Balances Lapsed
General Revenue Fund-001: (P.A. 94-0015)					
Personal services	\$ 20,685,200	\$ 20,669,967	\$ 15,233	\$ 20,685,200	\$ -
Medicare	94,900	94,900	-	94,900	-
Contractual services	3,050,000	3,050,000	-	3,050,000	-
Travel	-	-	-	-	-
Commodities	150,000	150,000	-	150,000	-
Equipment	400,000	400,000	-	400,000	-
Telecommunications services	100,000	100,000	-	100,000	-
Operation of automotive equipment	-	-	-	-	-
Awards and grants	100,000	100,000	-	100,000	-
Permanent improvements	100,000	100,000	-	100,000	-
Total	<u>24,680,100</u>	<u>24,664,867</u>	<u>15,233</u>	<u>24,680,100</u>	<u>-</u>
Special Lump Sum Appropriations					
International Trade Center	331,000	331,000	-	331,000	-
Institute for Urban Education	650,000	650,000	-	650,000	-
Center for Excellence in Health Education	325,000	325,000	-	325,000	-
Total	<u>1,306,000</u>	<u>1,306,000</u>	<u>-</u>	<u>1,306,000</u>	<u>-</u>
TOTAL APPROPRIATED FUNDS	<u><u>\$ 25,986,100</u></u>	<u><u>\$ 25,970,867</u></u>	<u><u>\$ 15,233</u></u>	<u><u>\$ 25,986,100</u></u>	<u><u>\$ -</u></u>

Note 1: Data is taken from University records and has been reconciled to the records of the State Comptroller.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES**

	FISCAL YEAR		
	2006	2005	2004
General Revenue Fund - 001:	P.A. 94-0015	P.A. 93-0842	P.A. 93-0090
Appropriations (Net after transfers)	\$ 24,680,100	\$ 24,280,100	\$ 24,180,100
Expenditures:			
Personal services	20,685,200	20,205,100	23,493,846
Medicare	94,900	100,000	215,776
Contractual services	3,050,000	3,000,000	-
Travel	-	50,000	-
Commodities	150,000	150,000	-
Equipment	400,000	400,000	-
Telecommunications services	100,000	145,000	-
Operation of automotive equipment	-	25,000	-
Awards and grants	100,000	105,000	-
Permanent improvements	100,000	100,000	-
TOTAL EXPENDITURES	<u>24,680,100</u>	<u>24,280,100</u>	<u>23,709,622</u>
Lapsed Balances	<u>-</u>	<u>-</u>	<u>470,478</u>
Special Lump Sum Appropriations			
Appropriations (Net after transfers)	<u>1,306,000</u>	<u>-</u>	<u>-</u>
Expenditures:			
International Trade Center	331,000	-	-
Institute for Urban Education	650,000	-	-
Center for Excellence in Health Education	325,000	-	-
TOTAL EXPENDITURES	<u>1,306,000</u>	<u>-</u>	<u>-</u>
Lapsed Balances	<u>-</u>	<u>-</u>	<u>-</u>
GRAND TOTAL GENERAL REVENUE FUNDS			
Appropriations (Net after transfers)	25,986,100	24,280,100	24,180,100
Expenditures	25,986,100	24,280,100	23,709,622
Lapsed Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 470,478</u>

Note: The University did not make any Efficiency Initiative payments in FY 06, FY 05, or FY 04.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
COMPARATIVE SCHEDULE OF INCOME FUND REVENUES AND EXPENDITURES
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
FUND BALANCE - BEGINNING OF YEAR	\$ 1,617,609	\$ (868,319)
INCOME FUND REVENUES		
Student fees	14,906,669	14,861,181
Excess funds	599,097	184,385
Investment income	478,435	142,693
Miscellaneous	63,817	89,130
Total Income Fund Revenues	<u>16,048,018</u>	<u>15,277,389</u>
INCOME FUND EXPENDITURES		
Personal services (including change in accrued compensated absences)	6,616,023	7,765,116
Medicare	939,757	863,804
Contractual services	2,569,759	1,501,798
Travel	232,698	133,389
Commodities	639,577	343,951
Equipment and books	1,111,923	539,534
Telecommunications	160,197	123,675
Operation of vehicles	51,729	28,812
Awards, grants, matching funds	106,748	119,587
Permanent improvements	1,101,651	530,659
Tuition and fee waivers	944,640	841,136
Total Income Fund Expenditures	<u>14,474,702</u>	<u>12,791,461</u>
FUND BALANCE - END OF YEAR	<u>\$ 3,190,925</u>	<u>\$ 1,617,609</u>

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SCHEDULE OF CHANGES IN STATE PROPERTY
FOR THE YEAR ENDED JUNE 30, 2006**

	Total	Land	Equipment	Sculptures	Library Collection	Buildings	
						Construction in progress	Completed
Beginning balances July 1, 2005	\$101,233,007	\$1,389,086	\$14,408,692	\$268,323	\$10,832,911	\$ 187,079	\$74,146,916
Additions:							
Purchases	4,179,599	-	3,664,024	-	515,575	-	-
Funded by Capital Development Board	477,394	-	-	-	-	-	477,394
Other additions	1,643,872	-	1,643,872	-	-	-	-
Transfers	-	-	13,201	-	-	(187,079)	173,878
Total additions	6,300,865	-	5,321,097	-	515,575	(187,079)	651,272
Deletions	(2,442,442)	-	(2,383,580)	-	(58,862)	-	-
Ending balances June 30, 2006	\$ 105,091,430	\$ 1,389,086	\$ 17,346,209	\$ 268,323	\$ 11,289,624	\$ -	\$ 74,798,188

Note1: This schedule was prepared from University records. Such records have been reconciled to the quarterly Reports of State Property submitted to the Office of the Comptroller.

Note2: This summary schedule was prepared using State property records required by the Illinois Administrative Code. The capitalization policy in the Code is different than the capitalization policy established by the Office of the Comptroller for financial reporting in accordance with generally accepted accounting principles.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FISCAL SCHEDULES AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006**

ANALYSIS OF SIGNIFICANT VARIATIONS IN REVENUES AND EXPENSES

Operations:	<u>2006</u>	<u>2005</u>
Revenues		
Net tuition and fees	\$ 17,210,033	\$ 15,658,923
Grants and contracts	7,578,864	6,754,211
Sales of educational departments	6,644,924	6,520,128
Auxiliaries	1,754,631	1,908,766
Other	486,502	1,234,707
	<u>33,674,954</u>	<u>32,076,735</u>
Expenses		
Depreciation	2,578,296	2,445,624
Other operating expenses	64,937,714	60,867,658
	<u>67,516,010</u>	<u>63,313,282</u>
Net operating loss	<u>(33,841,056)</u>	<u>(31,236,547)</u>
Non-operating activity		
State appropriations	25,986,100	24,280,100
Investment income	496,022	154,083
Payments made on behalf of GSU	9,056,892	8,350,099
Interest expense on capital asset financing	(164,223)	(122,225)
Other non-operating activity	(77,063)	(71,871)
	<u>35,297,728</u>	<u>32,590,186</u>
Transfers from the Capital Development Board	477,394	628,978
Increase in net assets	<u>\$ 1,934,066</u>	<u>\$ 1,982,617</u>

Analysis (significant variances were deemed to be those variances exceeding 10% and \$100,000):

Grant and contract revenues increased as additional new grants were generated through the College of Health Professions and as increased financial aid was received and awarded.

The decrease in other revenues came about as marginal activities were reduced in scope.

Investment income increased due to a substantial increase in student payments, increased cash flow, and rising interest rates.

The transfer from Capital Development Board continued to decline as the State continued to put many capital improvement projects "on hold".

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FISCAL SCHEDULES AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006**

ANALYSIS OF SIGNIFICANT ACCOUNT BALANCES

Cash

Cash and cash equivalents are analyzed on the Statement of Net Assets as follows:

	<u>2006</u>	<u>2005</u>
Deposit type:		
Cash	\$ 4,007,686	\$ 2,158,569
Illinois Funds	9,862,713	6,661,795
	<u>\$ 13,870,399</u>	<u>\$ 8,820,364</u>
Depositories used:		
Heritage Bank	\$ 3,988,481	\$ 2,143,781
Illinois Funds	9,862,713	6,661,795
Cash on hand	19,205	14,788
	<u>\$ 13,870,399</u>	<u>\$ 8,820,364</u>

Cash increases came from two primary sources:

1. New, more aggressive tuition and fee payment policies instituted during FY 06.
2. Truth-in-tuition legislation which mandated a guaranteed flat tuition rate for four years and forced larger than normal up-front tuition increases in order to meet expected future increased costs of instruction.

Capital Assets

Capital assets consisted of:

	<u>2006</u>	<u>2005</u>
Land	\$ 1,389,086	\$ 1,389,086
Buildings	73,787,013	73,135,741
Site-improvements	1,011,175	1,011,175
Construction -in-progress	-	187,079
Artwork	268,323	268,323
Equipment	9,702,816	8,282,007
Library Collection	11,289,624	10,832,911
Gross capital assets	<u>97,448,037</u>	<u>95,106,322</u>
Less accumulated depreciation	<u>(42,164,566)</u>	<u>(41,146,189)</u>
Net capital assets	<u>\$ 55,283,471</u>	<u>\$ 53,960,133</u>

Fixed assets as a whole remained relatively constant. The equipment category increased as the work was completed on the new telephone system.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FISCAL SCHEDULES AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006**

ANALYSIS OF ACCOUNTS RECEIVABLE

Loans, grants and accounts receivable are shown on the University's statement of net assets at June 30, 2006 and 2005 as follows:

	<u>2006</u>	<u>2005</u>
Accounts receivable:		
Students (less allowance for uncollectible accounts, \$3,782,000 for 2006 and \$3,139,000 for 2005)	\$ 406,429	\$ 1,191,116
Student related 3rd-party receivables	152,983	580,093
Grants receivable	2,244,757	1,964,237
Due from federal government	291,259	301,457
Other receivables	565,795	1,223,474
Net accounts receivable	<u>\$ 3,661,223</u>	<u>\$ 5,260,377</u>
Loans receivable:		
Perkins loans receivable	\$ 4,224,067	\$ 4,225,475
University loans receivable	16,629	16,629
Allowance for doubtful loans	(915,000)	(1,043,000)
Net loans receivable	<u>\$ 3,325,696</u>	<u>\$ 3,199,104</u>

The significant decrease in net student receivables was primarily by rigid enforcement of the new tuition and fee payment policies implemented during FY 06. Student related 3rd-party receivables decreased as the University wrote off large uncollectible receivables.

RECEIVABLE AGING

An aging of accounts receivable is as follows:

Current	\$ 3,246,686	\$ 4,729,524
Up to 120 days past due	87,776	197,640
From 121 to 240 days past due	92,637	197,364
From 241 to 365 days past due	67,148	154,987
More than 365 days past due	3,948,976	3,119,862
Allowance for doubtful accounts	(3,782,000)	(3,139,000)
Net accounts receivable	<u>\$ 3,661,223</u>	<u>\$ 5,260,377</u>

An aging of loans receivable is as follows

In school or in grace period - not in repayment	\$ 2,762,538	\$ 2,725,571
In repayment:		
On schedule	505,307	495,404
Past due - not in default	195,596	152,237
Past due - in default	777,255	868,892
Allowance for doubtful accounts	(915,000)	(1,043,000)
Net loans receivable	<u>\$ 3,325,696</u>	<u>\$ 3,199,104</u>

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FISCAL SCHEDULES AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006**

SUMMARY OF INDIRECT COST REIMBURSEMENT FUNDS

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

The administrative personal services expenditures are for selected University employees working in the functions generating the related revenues. The contractual payment expenditures include federally assisted financial aid audit charges and a reversal of a prior year accrual. The remaining charges are for other items related to the respective programs.

Balances remaining at June 30, 2006, are used to meet budgeted operational costs in 2007. 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, 2006:

	<u>Indirect Costs</u>	<u>Administrative Overhead</u>	<u>Total</u>
Balance at June 30, 2005	<u>\$ 969,313</u>	<u>\$ 30,396</u>	<u>\$ 999,709</u>
Sources:			
Recovered from grants and contracts	390,020	-	390,020
Financial aid program reimbursements	-	68,052	68,052
VA reporting fees	-	931	931
	<u>390,020</u>	<u>68,983</u>	<u>459,003</u>
Total revenues			
Applications:			
Personal services	208,190	48,838	257,028
Contractual services	(64,932)	4,959	(59,973)
Commodities	4,977	5,417	10,394
Equipment	1,178	8,518	9,696
Other	835,040	584	835,624
	<u>984,453</u>	<u>68,316</u>	<u>1,052,769</u>
Total deductions			
Balance at June 30, 2006	<u>\$ 374,880</u>	<u>\$ 31,063</u>	<u>\$ 405,943</u>

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2006**

AGENCY FUNCTIONS AND PLANNING PROGRAM

Governors State University (GSU) is located in University Park, Illinois 60466, a southern suburb of Chicago. The current president of the University is Dr. Stuart I. Fagan.

Functions

The University was created in July 1969 by the Governors State University Act (110 ILCS 650/1 through 650/3) to serve as a senior institution of higher education and offer such courses of instruction, conduct such research and offer public services as are prescribed by the Board of Trustees of Governors State University (Created January 1, 1996).

Planning

The Strategic Plan for Governors State University (GSU) was adopted on June 15, 2001 and has outlined a three-part mission statement:

- 1) To offer a demonstrably excellent education that meets the demands of our region and State for engaged, knowledgeable citizens and highly skilled professionals, and that is accessible to all including those traditionally underserved by higher education.
- 2) To cultivate and enlarge a diverse and intellectually stimulating community of learners guided by a culture that embodies:
 - a. Openness of communication
 - b. Diversity of backgrounds, experiences and perspectives
 - c. Mutual respect and cooperation
 - d. Critical inquiry, constant questioning and continuing assessment and
 - e. On-going research and scholarship.
- 3) To strengthen and enhance the educational, cultural, social and economic development of the region through partnerships with governmental, business, educational, civic and other organizations.

Unit level plans are developed by all units of the University to be consistent with missions and to achieve the goals.

The three-part mission statement is further refined within the context of the sixteen goals and 57 objectives. The objectives are used to meet the goals with the goals fulfilling the three-part mission statement. The goals are summarized as follows:

- 1) Offering degree programs that meet or exceed high standards, while attracting and retaining faculty in an environment that fosters learning and development by sustaining partnerships with the community in an infrastructure designed for optimal teaching and learning with accountable decision-making.
- 2) Developing a culture that attracts and values diversity through comprehensive and systematic promotion and marketing while supporting research and scholarship with continual assessment and improvement to develop a community of learners, all within a user-focused technological and virtual infrastructure to build and enhance a sense of community.
- 3) Increase the impact of the University on the surrounding region by identifying and analyzing the needs of the region and developing key partnerships to help meet critical needs in surrounding communities.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2006**

AGENCY FUNCTIONS AND PLANNING PROGRAM

The strategic plan is the end result of an integrated budgeting and strategic planning process. The overall progress of meeting the goals and objectives in the strategic plan are reviewed and tracked annually. The University's Budget Committee drafts the University wide budget priorities. The priorities are then presented to the Cabinet and the Board of Trustees for approval. After review and final approval by the Budget Committee, the Cabinet, the University's President and the Board of Trustees, the budget request is submitted to the Illinois Board of Higher Education.

Auditor's Assessment of Planning Program

In the University's Strategic Plan, the mission, goals and objectives are outlined to allow the University to achieve their goals and ultimately their mission. Each strategy is assessed and re-evaluated on its progress twice a year. These evaluations provide information regarding new resources, feasibility and recommendations for completion. We conclude that the University has a well-developed planning process in place that is integrated into the budgeting process.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2006**

AVERAGE NUMBER OF EMPLOYEES (Unaudited)

Full-Time Equivalent Number of Employees

	2006	2005
Funded by state appropriated funds:		
Faculty	233.5	243.5
Administrative	12.1	10.0
Other professional	71.1	67.1
Graduate assistants	20.6	20.4
Students	8.6	7.1
Civil service	182.4	175.1
	528.3	523.2
 Funded by nonappropriated funds:		
Faculty and administrative	115.8	111.7
Civil service	70.8	62.9
Students	34.2	35.0
	220.8	209.6

Staff years are calculated in accordance with the guidelines established by the Illinois Board of Higher Education. A staff-year employee represents one person working full-time for a year.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2006**

STUDENT STATISTICS (Unaudited)

Enrollment Statistics

	ACADEMIC YEAR 05-06		
	FALL	WINTER	SPRING/ SUMMER
Headcount:			
Undergraduate	2,632	2,600	1,907
Graduate	2,773	2,688	2,416
Total	5,405	5,288	4,323
	FALL	WINTER	SPRING/ SUMMER
Full-time equivalent:			
Undergraduate	1,471	1,447	848
Graduate	1,378	1,319	1,134
	2,849	2,766	1,982

Annual full-time equivalent students are calculated in accordance with the guidelines established by the Illinois Board Of Higher Education. The equivalency is determined by dividing the total credit hours generated in the fiscal year by 30 hours for undergraduates and 24 hours for graduate students.

Student Cost Statistics

	2006	2005
Annual full-time equivalent students		
Undergraduate	1,883	1,896
Graduate	1,916	1,924
Total	3,799	3,820
	2006	2005
Total Instructional Costs per IBHE Cost Study Report*	\$ 18,704,654	\$ 16,937,210
Annual full-time equivalent students	3,799	3,820
Cost Per Full Time Equivalent Student	\$ 4,924	\$ 4,434

* FY 2006 amount reflects preliminary University calculations based on IBHE reporting standards.

The IBHE prepares an annual cost study of all the Illinois public universities which is posted on the IBHE website.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2006**

EMERGENCY PURCHASES

During this audit period, the University had one emergency purchase for building renovations (toilet room plumbing work) in the amount of \$99,500. The request for proposals for this project yielded no acceptable bids and due to timing of related contracts, there was not time to re-bid this project.

BOOKSTORE INFORMATION (Unaudited)

The University has a contractual arrangement for bookstore operations on campus. The University's current contract is for the period January 1, 2006 through November 30, 2008. The contract with the bookstore requires commissions to be paid to the University based on the following terms:

1. 9.6% of all gross revenue up to \$1,000,000; plus
2. 10.1% of any part of gross revenue over \$1,000,000

During FY 05, the bookstore had gross sales of \$1,865,450, the University received commissions of \$166,545, and the University spent a total of \$43,295 at the bookstore during FY 05. The contract with the bookstore gives the contractor exclusive rights to sell books on campus, and there are no other "on-campus" or nearby bookstores.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2006**

SELECTED SERVICE EFFORTS AND ACCOMPLISHMENTS (Unaudited)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
1. Student Headcount (a) - Fall trimester	<u>5,860</u>	<u>5,897</u>	<u>5,627</u>	<u>5,652</u>	<u>5,405</u>
2. Minority enrollment (a) - Fall trimester	<u>2,115</u>	<u>2,137</u>	<u>2,130</u>	<u>2,364</u>	<u>2,270</u>
3. Degrees awarded (b) - Fiscal year	<u>1,401</u>	<u>1,554</u>	<u>1,689</u>	<u>1,468</u>	<u>1,549</u>
4. Credit hours (c) - Academic year	<u>101,809</u>	<u>102,180</u>	<u>101,720</u>	<u>103,045</u>	<u>102,446</u>
5. Unduplicated headcount (d) - Academic year (This represents cumulative students for the academic year without double counting students enrolled more than one trimester.)	<u>8,998</u>	<u>8,745</u>	<u>8,156</u>	<u>7,843</u>	<u>7,641</u>
6. Annualized tuition and fees (c):					
Undergrad					
Resident (e)	\$2,526	\$2,823	\$3,272	\$3,716	\$4,040
Nonresident	\$7,230	\$7,863	\$8,936	\$10,244	\$11,212
Graduate					
Resident	\$2,694	\$3,051	\$2,780	\$2,966	\$3,244
Nonresident	\$7,734	\$8,547	\$7,460	\$8,114	\$8,896

(a) Per Illinois Board of Higher Education (IBHE) fall enrollment survey, part II, table II.

(b) Per IBHE fall enrollment survey, part II, table Z.

(c) Per Integrated Postsecondary Education Data System (IPEDS) Institutional characteristics survey.

(d) Per IPEDS Institutional characteristics survey.

(e) First year implementation of the Joyce bill. Tuition rate used is the rate for new full-time undergraduates.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2006**

CALCULATION OF FEDERAL VS. NONFEDERAL EXPENDITURES

Expenditures:	2006	
	Amount	Percent
Federal Funds (Notes 1 & 2)	\$ 4,437,728	6.55%
Non-Federal Funds	63,319,568	93.45%
Total	\$ 67,757,296	100.00%

Note 1: The preceding information is taken from the Schedule of Expenditures of Federal Awards on pages 28 - 29 and the Statement of Revenues, Expenses, and Changes in Net Assets (SRECNA) included in a separate financial report.

Note 2: Federal Direct Student Loans are reported as expenditures of federal funds on the Schedule of Expenditures of Federal Awards. However, since such amounts are loans to students, they are not reported as revenue or expenditures on the SRECNA, and have therefore been subtracted from the Federal Funds expended reported above. In addition, certain Federal PELL and SEOG awards are considered scholarship allowances under GASB 34 and are reported as a reduction of revenue on the SRECNA.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2006**

SCHEDULE OF DEGREES AWARDED (Unaudited)

The following schedule presents the number of degrees awarded by the University for the fiscal year indicated. Some prior year amounts have been adjusted.

<u>FISCAL YEAR</u>	<u>GRADUATE</u>	<u>UNDER GRADUATE</u>	<u>TOTAL</u>
2006	809	740	1,549
2005	714	754	1,468
2004	860	829	1,689
2003	759	795	1,554
2002	592	809	1,401
2001	713	848	1,561
2000	587	850	1,437
1999	623	769	1,392
1998	574	770	1,344
1997	560	780	1,340
1996	488	668	1,156

STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
ANALYSIS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2006

SCHEDULE OF TUITION AND FEE WAIVERS (Unaudited)
(in thousands of dollars)

<u>Type of Waiver</u>	<u>Undergraduate</u>				<u>Graduate</u>			
	<u>Tuition Waivers</u>	<u>Fee Waivers</u>	<u>Tuition Waivers</u>	<u>Fee Waivers</u>	<u>Tuition Waivers</u>	<u>Fee Waivers</u>	<u>Tuition Waivers</u>	<u>Fee Waivers</u>
	<u>Number of</u>	<u>Value of</u>	<u>Number of</u>	<u>Value of</u>	<u>Number of</u>	<u>Value of</u>	<u>Number of</u>	<u>Value of</u>
<u>Mandatory Waivers</u>	<u>Recipients</u>	<u>Waivers</u>	<u>Recipients</u>	<u>Waivers</u>	<u>Recipients</u>	<u>Waivers</u>	<u>Recipients</u>	<u>Waivers</u>
Teacher Education	-	\$ -	-	\$ -	14	\$ 22.6	14	\$ 4.4
General Assembly	7	15.0	7	2.7	10	16.0	10	2.9
Children of Employees	5	5.6	-	-	-	-	-	-
Senior Citizens	1	2.2	1	0.4	1	2.0	1	0.4
<u>Discretionary Waivers</u>								
Faculty/Administrators	9	15.1	9	4.0	25	28.1	25	6.5
Civil Service	19	23.6	19	6.3	17	22.1	17	5.3
Academic/Other Talent	62	141.2	21	10.2	51	90.3	-	-
Cooperating Professionals	6	2.5	6	1.1	24	13.4	24	3.6
Other Assistants	-	-	-	-	106	494.4	106	38.1
Interinstitutional	22	26.9	22	7.7	14	23.6	14	3.8
Total	131	\$ 232.1	85	\$ 32.4	262	\$ 712.5	211	\$ 65.0

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES
UNIVERSITY REPORTING IN ACCORDANCE WITH UNIVERSITY GUIDELINES
FOR THE YEAR ENDED JUNE 30, 2006**

The Auditor General requires that certain special data for audits of universities, specified in a memorandum dated July 25, 1983, be presented. The following information lettered (a) through (u), is provided in response to that requirement of the "University Guidelines - 1982 Amended 1997." Our audit was made for the purposes described on page 3 of our financial audit report and on pages 8-14 of our compliance examination, and would not necessarily disclose all situations which might be at variance with the following statements.

COMPLIANCE FINDINGS

- (a) There were no violations with University Guidelines for the year ended June 30, 2006.

INDIRECT COST REIMBURSEMENTS

- (b) Refer to page 38 of this report for an analysis of the sources and applications of indirect cost reimbursements for the year ended June 30, 2006.
- (c) Refer to page 51 of this report for calculation of allowable indirect cost carryforward and required remittances to the Income Fund.

TUITION CHARGES AND FEES

- (d) Governors State University did not divert tuition to auxiliary enterprise operations.

AUXILIARY ENTERPRISES, ACTIVITIES AND ACCOUNTING ENTITIES

- (e) Accounting entities as defined by the 1982 Legislative Audit Commission Guidelines and their primary revenue sources are as follows:
- Bookstore operations provide texts 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.
 - Food service and vending provide meals and catering services under contract to the University community. Commission revenue is received by the University.
 - Theatre provides cultural entertainment to the University community. Revenues are generated from ticket sales.
 - Education 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. Revenue is produced through chargebacks to users.
 - Indirect and Administrative Cost accounts receive the "overhead" portion of grant and contract expense incurred. Revenues are generated from charges to sponsors.
- (f) Refer to pages 53-57 of this report for financial statements of each accounting entity.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES
UNIVERSITY REPORTING IN ACCORDANCE WITH UNIVERSITY GUIDELINES
FOR THE YEAR ENDED JUNE 30, 2006**

- (g) Calculations of current excess funds for each entity are presented on page 52. There was not any excess funds that were required to be deposited to the Income Fund within 45 days after the end of the lapse period.
- (h) The following is a schedule of direct and indirect subsidies to auxiliary enterprises and service departments for the year ended June 30, 2006:

	<u>Direct</u>	<u>Indirect</u>	<u>Total</u>
Bookstore	\$ -	\$ 34,641	\$ 34,641
Cafeteria	-	-	-
Theatre	-	142,742	142,742
Parking	-	55,300	55,300
	<u>\$ -</u>	<u>\$ 232,683</u>	<u>\$ 232,683</u>
Service Departments	<u>\$ -</u>	<u>\$ 80,442</u>	<u>\$ 80,442</u>

Direct subsidies represent heat, light, and power. Indirect subsidies represent retirement and health benefits.

- (i) None
- (j) None
- (k) None

UNIVERSITY RELATED ORGANIZATIONS

- (l) The University recognizes the Governors State University Foundation (Foundation) and the Governors State University Alumni Association (Alumni Association) as University Related Organizations. There are no organizations considered by the University to be "Independent Organizations" as defined in Section VII of "University Guidelines – 1982 as Amended in 1997."
- (m) The Foundation and Alumni Association do not pay the University for services provided. Compensation is in the form of University support. See pages 58 and 59 for details related to services and support provided.
- (n) The University does not pay the Foundation and Alumni Association for services provided. Compensation is in the form of services and facilities provided. The University provided \$83,861 to the Foundation and \$4,214 to the Alumni Association for the year ended June 30, 2006.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES
UNIVERSITY REPORTING IN ACCORDANCE WITH UNIVERSITY GUIDELINES
FOR THE YEAR ENDED JUNE 30, 2006**

- (o) Since July 1, 1983, the University has provided services of approximately \$1,390,157 to the Foundation. The Foundation has provided approximately \$4,538,056 in generally unrestricted funds to the University. Since its incorporation on January 1, 1988, the University has provided services of approximately \$301,994 to the Alumni Association. The Alumni Association has provided approximately \$927,960 in generally unrestricted funds to the University. Therefore, there is no cumulative unreimbursed subsidy made to either the Foundation or Alumni Association.
- (p) There is no debt financing provided by the Foundation or Alumni Association.

OTHER TOPICS

- (q) Refer to page 36 for the Schedule of Cash and Short-Term Investments for the year ended June 30, 2006.
- (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.
- (s) Refer to page 42 for student cost statistics.
- (t) Neither the University nor the Foundation or Alumni Association has purchased any real estate during the year ended June 30, 2006.
- (u) The University issued certificates of participation during 1992, which were refunded in 1998 by the issuance of new certificates of participation, to finance the cost of the University's computing building. See footnote 7 in the Governors State University Financial Audit Report.

STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES
FOR THE YEAR ENDED JUNE 30, 2006

SCHEDULE OF INDIRECT COST FUNDS TO BE DEPOSITED INTO THE UNIVERSITY
INCOME FUND AS REQUIRED BY 1982 UNIVERSITY GUIDELINES, (AS AMENDED 1997)

CALCULATION SHEET FOR INDIRECT COST CARRYFORWARD

CASH AND CASH EQUIVALENTS:

Add:

Cash	\$ 532,489
Cash equivalents	-
	-

ACTUAL CASH CARRIED FORWARD

532,489

LESS: ALLOWABLE CARRY-FORWARD PER FORMULA:

Allocated reimbursements - 30% indirect cost reimbursements allocated for expenditure in 2006. ($\$1,498,154 \times 30\%$)	449,446
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Unallocated reimbursements - actual unallocated indirect cost reimbursements or 10% indirect cost allocations.	149,815
----------------------------------------------------------------------------------------------------------------	---------

Current liabilities paid in lapse period.	126,546
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MAXIMUM ALLOWABLE CARRY-FORWARD

725,807

EXCESS CASH AND CASH EQUIVALENTS TO BE DEPOSITED INTO THE UNIVERSITY INCOME FUND

\$ -

STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES
FOR THE YEAR ENDED JUNE 30, 2006

SCHEDULE OF EXCESS FUNDS CALCULATION BY ENTITY AS REQUIRED BY 1982 UNIVERSITY GUIDELINES, (AS AMENDED 1997)

CALCULATION SHEET FOR CURRENT EXCESS FUNDS

	Auxiliary Enterprises				Educational and Student Life Activities	University Service Departments
	Bookstore	Parking Services	Cafeteria and Vending	Theatre		
\$	90,695	\$ 237,439	\$ (1,976)	\$ (112,866)	\$ 4,808,554	\$ 190,487
	<u>90,695</u>	<u>237,439</u>	<u>(1,976)</u>	<u>(112,866)</u>	<u>4,808,554</u>	<u>190,487</u>
TOTAL CURRENT AVAILABLE FUNDS						

Current available funds:

Add: Cash and cash equivalents
Interfund receivable

TOTAL CURRENT AVAILABLE FUNDS

Working Capital Allowance:

Add:

Highest month's expenditures
Current liabilities paid during lapse period
Deferred income

WORKING CAPITAL ALLOWANCE

CURRENT EXCESS FUNDS (Margin of compliance)

CALCULATION OF NET EXCESS FUNDS FOR REMITTANCE

Nonindentured Capital Reserves:

Additional LAC approved capital reserves
5% of the replacement cost of buildings and
improvements

Estimated cost of resurfacing one parking lot
20% of the historical cost of equipment

TOTAL ALLOWABLE CAPITAL RESERVES

NET EXCESS FUNDS

\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES
FOR THE YEAR ENDED JUNE 30, 2006

**BALANCE SHEET--AUXILIARY ENTERPRISES AND ACTIVITIES ENTITIES
AS OF JUNE 30, 2006**

	Auxiliary Enterprises			Activities			Total-- Auxiliary Enterprises and Activities
	Parking Services	Cafeteria and Vending	Theatre	Educational and Student Life Activities	University Service Departments	Administrative Overhead/ Indirect Costs	
ASSETS							
Cash	\$ 90,695	\$ 237,439	\$ (1,976)	\$ 4,808,554	\$ 190,487	\$ 532,489	\$ 5,744,822
Accounts receivable (less allowance for uncollectibles of \$614,415)	17,324	12,988	-	221,682	-	-	251,994
Inventory	-	-	-	-	34,348	-	34,348
Building	-	-	6,187,186	-	274,600	-	6,461,786
Parking lots	-	1,011,175	-	-	-	-	1,011,175
Equipment	7,429	-	191,269	-	922,693	-	1,374,050
TOTAL ASSETS	\$ 115,448	\$ 1,261,602	\$ 189,293	\$ 5,030,236	\$ 1,422,128	\$ 532,489	\$ 14,878,175
LIABILITIES AND FUND BALANCES							
Accounts payable	\$ -	\$ 183	\$ 832	\$ 800,706	\$ 97,506	\$ 126,546	\$ 1,058,438
Deferred income	-	-	-	365,918	-	-	365,918
TOTAL LIABILITIES	-	183	832	1,166,624	97,506	126,546	1,424,356
Fund balances:							
Other unrestricted funds	108,019	250,244	(2,808)	3,863,612	127,329	405,943	4,606,808
Invested in plant funds	7,429	1,011,175	191,269	-	1,197,293	-	8,847,011
TOTAL LIABILITIES AND FUND BALANCES	\$ 115,448	\$ 1,261,602	\$ 189,293	\$ 5,030,236	\$ 1,422,128	\$ 532,489	\$ 14,878,175

STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SPECIAL DATA REQUIREMENTS FOR AUDITS OF STATE UNIVERSITIES
FOR THE YEAR ENDED JUNE 30, 2006

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--
OTHER UNRESTRICTED FUNDS--AUXILIARY ENTERPRISE ENTITIES
FOR THE YEAR ENDED JUNE 30, 2006

	TOTAL	BOOKSTORE	PARKING SERVICES	CAFETERIA AND VENDING	THEATRE
REVENUES	\$ 1,754,631	\$ 157,091	\$ 228,519	\$ 22,214	\$ 1,346,807
EXPENDITURES AND OTHER DEDUCTIONS:					
Personal services	743,467	110,686	176,693	-	456,088
Contractual services	766,725	4,447	10,171	25,173	726,934
Commodities	66,439	10,792	-	1,655	53,992
Equipment	35,415	2,648	-	10,872	21,895
Other	92,745	547	57,283	-	34,915
Total Expenditures	1,704,791	129,120	244,147	37,700	1,293,824
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	49,840	27,971	(15,628)	(15,486)	52,983
FUND BALANCES AT BEGINNING OF YEAR	160,084	80,048	265,872	12,678	(198,514)
FUND BALANCES AT END OF YEAR	\$ 209,924	\$ 108,019	\$ 250,244	\$ (2,808)	\$ (145,531)

STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES
FOR THE YEAR ENDED JUNE 30, 2006

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--
OTHER UNRESTRICTED FUNDS--EDUCATIONAL AND STUDENT LIFE ACTIVITIES

	TOTAL	EDUCATIONAL PROGRAMS	STUDENT ACTIVITIES	ACADEMIC ENHANCEMENT	MEDIA	FARM	TELECOMM	OTHER
REVENUES:	\$ 10,191,909	\$ 6,644,924	\$ 1,537,257	\$ 1,114,153	\$ 683,859	\$ 81,168	\$ 1,331	\$ 129,217
EXPENDITURES AND OTHER DEDUCTIONS:								
Personal services	4,941,205	4,008,539	733,309	122,884	70,197	-	-	6,276
Contractual services	1,818,872	1,006,743	427,932	218,955	139,024	8,105	-	18,113
Commodities	281,210	31,180	65,866	96,247	57,268	19,818	-	10,831
Equipment	704,799	16,869	116,680	478,434	87,331	-	-	5,485
Other	1,684,945	1,097,108	210,865	207,433	143,288	-	-	26,251
Total Expenditures	9,431,031	6,160,439	1,554,652	1,123,953	497,108	27,923	-	66,956
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	760,878	484,485	(17,395)	(9,800)	186,751	53,245	1,331	62,261
FUND BALANCES AT BEGINNING OF YEAR	3,102,734	812,502	1,521,644	347,108	49,350	198,478	12,147	161,505
FUND BALANCES AT END OF YEAR	\$ 3,863,612	\$ 1,296,987	\$ 1,504,249	\$ 337,308	\$ 236,101	\$ 251,723	\$ 13,478	\$ 223,766

STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES
FOR THE YEAR ENDED JUNE 30, 2006

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--
OTHER UNRESTRICTED FUNDS--UNIVERSITY SERVICE DEPARTMENT ACTIVITIES

	TOTAL	UNIVERSITY PRINT SHOP	CENTRAL STORES	MOTOR POOL	MAIL SERVICE
REVENUES:	\$ 1,054,872	\$ 784,171	\$ -	\$ 54,157	\$ 216,544
EXPENDITURES AND OTHER DEDUCTIONS:					
Personal services	231,682	224,049	-	7,633	-
Contractual	343,454	109,216	31	240	233,967
Commodities	464,644	465,517	(1,266)	-	393
Equipment	35,478	35,478	-	-	-
Other	62,704	(3,887)	-	66,909	(318)
Total Expenditures	1,137,962	830,373	(1,235)	74,782	234,042
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(83,090)	(46,202)	1,235	(20,625)	(17,498)
FUND BALANCES AT BEGINNING OF YEAR	210,419	116,388	43,564	28,412	22,055
FUND BALANCES AT END OF YEAR	\$ 127,329	\$ 70,186	\$ 44,799	\$ 7,787	\$ 4,557

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FOR THE YEAR ENDED JUNE 30, 2006

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--
OTHER UNRESTRICTED FUNDS--ADMINISTRATIVE OVERHEAD/INDIRECT COST ACTIVITIES

	TOTAL	GRANTS AND CONTRACTS	OTHER ACTIVITIES	BUSINESS OFFICE	OFFICE OF FINANCIAL AID	VETERANS AFFAIRS OFFICE
REVENUES:	\$ 459,003	\$ 295,318	\$ 94,702	\$ 35,199	\$ 32,853	\$ 931
EXPENDITURES AND OTHER DEDUCTIONS:						
Personal services	257,028	202,283	5,907	25,490	23,348	-
Contractual services	(59,973)	(52,918)	(12,014)	-	1,464	3,495
Commodities	10,394	3,434	1,543	314	4,611	492
Equipment	9,696	-	1,178	-	8,518	-
Other	835,624	833,769	1,271	-	287	297
Total Expenditures	1,052,769	986,568	(2,115)	25,804	38,228	4,284
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(593,766)	(691,250)	96,817	9,395	(5,375)	(3,353)
FUND BALANCES AT BEGINNING OF YEAR	999,709	897,427	71,886	5,708	23,914	774
FUND BALANCES AT END OF YEAR	\$ 405,943	\$ 206,177	\$ 168,703	\$ 15,103	\$ 18,539	\$ (2,579)

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES
FOR THE YEAR ENDED JUNE 30, 2006**

SUMMARY OF ALUMNI ASSOCIATION CASH SUPPORT TO THE UNIVERSITY

During fiscal year 2006, the University engaged the Alumni Association, under contract, to provide fundraising services. As provided in the contract agreement, the University provided \$4,214 of services to the Alumni Association for the fiscal year ended June 30, 2006. As required by contract, the Alumni Association fully repaid the University with funds considered by the Illinois Auditor General to be unrestricted for the purposes of the University Guidelines computations. In addition, the University Alumni Association supported the University with non-qualifying restricted funds.

Presented below is a summary of cash support provided to the University by the Alumni Association for the fiscal year ended June 30, 2006.

Funds Considered unrestricted for purposes
of the Guidelines computations:

- Totally unrestricted	\$ -
- Restricted only as to campus, college or department and generally available for on-going University operations:	
- Given to a particular college	4,369
- Given to a particular department	<u>-</u>
Total Funds Considered Unrestricted	<u>4,369</u>

Funds considered restricted for purposes
of the Guidelines computations:

- Given for scholarships	3,833
- Other restricted funds	<u>-</u>
Total Funds Considered Restricted	<u>3,833</u>
Total Funds Provided to the University	<u>\$ 8,202</u>

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES
FOR THE YEAR ENDED JUNE 30, 2006**

SUMMARY OF FOUNDATION CASH SUPPORT TO THE UNIVERSITY

During fiscal year 2006, the University engaged the Foundation, under contract, to provide fundraising services. As provided in the contract agreement, the University provided \$83,861 of services to the Foundation for the fiscal year ended June 30, 2006. As required by contract, the Foundation fully repaid the University with funds considered by the Illinois Auditor General to be unrestricted for the purposes of the University Guidelines computations. In addition, the University Foundation supported the University with 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, 2006.

Funds considered unrestricted for purposes of the Guidelines computations:

- Totally unrestricted	\$ 14,062
- Restricted only as to campus, college or department and generally available for on-going University operations:	
- Given to a particular college	3,374
- Given to a particular department	<u>160,826</u>
Total Funds Considered Unrestricted	<u>178,262</u>

Funds considered restricted for purposes of the Guidelines computations:

- Given for Center of Performing Arts	23,867
- Other restricted funds	<u>18,970</u>

Total Funds Considered Restricted 42,837

Total Funds Provided to the University \$ 221,099