

**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, 2011**

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, 2011**

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GOVERNORS STATE UNIVERSITY
COMPLIANCE EXAMINATION
(IN ACCORDANCE WITH THE SINGLE AUDIT ACT AND OMB CIRCULAR A-133)
FOR THE YEAR ENDED JUNE 30, 2011**

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**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

Agency Officials

President

Dr. Elaine Maimon

Executive Vice President, Chief of Staff, Treasurer

Dr. Gebeyehu Ejigu

Vice President, Administration and Finance

Ms. Karen Kissel

Internal Auditor

Mr. David Dixon

Interim Comptroller

Ms. Cathy Casson, CPA

Agency offices are located at:

1 University Parkway
University Park, IL 60484



Office of the President
University Park, IL 60484
708.534.4130
Fax: 708.534.4107
www.govst.edu

February 8, 2012

E. C. Ortiz & Co., LLP
333 S. Des Plaines Street, Suite 2-N
Chicago, Illinois 60661

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Governors State University (University). We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements, except as disclosed to the auditors during the engagement. We have performed an evaluation of the University's compliance with the following assertions during the year ended June 30, 2011. Based on this evaluation, we assert that during the year ended June 30, 2011, the University has materially complied with the assertions below.

- A. The University has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The University has obligated, expended, received and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The University has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the University are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.

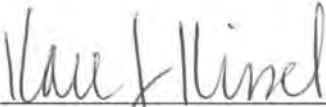
- E. Money or negotiable securities or similar assets handled by the University on behalf of the State or held in trust by the University have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

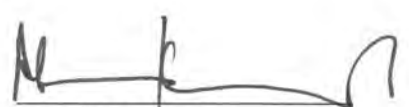
Governors State University



Dr. Elaine P. Maimon
President



Karen Kisse
Vice President, Administration
and Finance



Alexis Kennedy
General Counsel/
Vice President

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FOR THE YEAR ENDED JUNE 30, 2011**

COMPLIANCE REPORT

SUMMARY

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

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>Current Report</u>	<u>Prior Report</u>
Findings	12	12
Repeated findings	7	2
Prior recommendations implemented or not repeated	5	3

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (GOVERNMENT AUDITING STANDARDS)			
11-1	17	Inaccurate Accounting for Intangible Assets	Significant Deficiency
11-2	19	Inaccurate Accounting for Participation in Public Entity Risk Pool	Significant Deficiency
FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE)			
11-3	21	Inadequate Procedures Over Verification of Eligibility Requirements	Significant Deficiency/ Noncompliance
11-4	23	Inadequate Controls Over University Equipment Acquired from Federal Funds	Significant Deficiency/ Noncompliance
11-5	26	Required Federal Reports Were Either Not Submitted or Submitted Late	Significant Deficiency/ Noncompliance

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FOR THE YEAR ENDED JUNE 30, 2011**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
11-6	29	Student Financial Aid Disbursements Not Reported Timely	Significant Deficiency/ Noncompliance
11-7	31	Inadequate Monitoring Procedures for Subrecipients	Significant Deficiency/ Noncompliance
11-8	34	Noncompliance with Davis-Bacon Act	Significant Deficiency/ Noncompliance

FINDINGS (STATE COMPLIANCE)

11-9	36	Noncompliance with the Required Contracting Procedures	Significant Deficiency/ Noncompliance
11-10	39	Inadequate Controls Over University Property and Equipment	Significant Deficiency/ Noncompliance
11-11	43	Time Sheets Not Maintained in Compliance with the State Officials and Employees Ethics Act	Significant Deficiency/ Noncompliance
11-12	45	Noncompliance with the University's Law on Board Membership, Terms, Vacancies and Meetings	Significant Deficiency/ Noncompliance

In addition, the following findings which are reported as current findings relating to *Government Auditing Standards* also meet the reporting requirements for State Compliance.

11-1	17	Inaccurate Accounting for Intangible Assets	Significant Deficiency/ Noncompliance
11-2	19	Inaccurate Accounting for Participation in Public Entity Risk Pool	Significant Deficiency/ Noncompliance

PRIOR FINDINGS NOT REPEATED

A	47	Inadequate Controls Over Federal Matching	
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**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FOR THE YEAR ENDED JUNE 30, 2011**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
B	47	Indirect Cost Recorded in Excess of the Federally Approved Rate	
C	47	Noncompliance with University Faculty Research and Consulting Act	
D	48	Noncompliance with the University's Law on Meningitis Vaccine Information	
E	48	Computer Security Weaknesses	

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with University personnel at an exit conference on January 26, 2012. Attending were:

Representing Governors State University

Executive Vice President, Chief of Staff,
Treasurer
Vice President, Administration and Finance
Internal Auditor
Interim Comptroller

Dr. Gebeyehu Ejigu
Ms. Karen Kissel
Mr. David Dixon
Ms. Cathy Casson, CPA

Representing E.C. Ortiz & Co., LLP

Partner
Partner
Manager

Mr. Edilberto C. Ortiz, CPA
Ms. Gilda Belmonte Priebe, CPA, CIA, CFE
Ms. Villalyn S. Baluga, CPA

Representing the Office of the Auditor General

Audit Manager

Mr. Thomas L. Kizziah, CPA

Responses to the recommendations were provided by Ms. Karen Kissel in a letter dated February 7, 2012.



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

and

The Board of Trustees
Governors State University

Compliance

As Special Assistant Auditors for the Auditor General, we have examined Governors State University's (University) 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, 2011. The management of the University is responsible for compliance with these requirements. Our responsibility is to express an opinion on the University's compliance based on our examination.

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

We conducted our examination 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 the University's compliance with those requirements listed in the first paragraph of this report 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 the University's compliance with specified requirements.

In our opinion, the University complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the year ended June 30, 2011. However, the results of our procedures disclosed instances of noncompliance with the 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 items 11-1, 11-2 and 11-9 through 11-12.

Internal Control

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the University's internal control over compliance with the requirements listed in the first paragraph of this report as a basis for designing 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

A deficiency in an entity's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the requirements listed in the first paragraph of this report on a timely basis. *A material weakness over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we considered to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 11-1, 11-2 and 11-9 through 11-12. *A significant deficiency in an entity's internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

As required by the Audit Guide, immaterial findings excluded from this report have been reported in a separate letter to your office.

The University's responses to the findings identified in our examination are described in the accompanying schedule of findings and questioned costs. We did not examine the University's responses and, accordingly, we express no opinion on the responses.

Supplementary Information for State Compliance Purposes

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the business-type activities of the University and its aggregate discretely presented component unit as of and for the year ended June 30, 2011, which collectively comprise the University's basic financial statements, and have issued our report thereon dated February 8, 2012. Our report was modified to include a reference to other auditors. Other auditors audited the financial statements of the University's discretely presented component unit, as described in our report on the University's financial statements. 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 the University. The 2011 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, 2011 taken as a whole.

We have also previously audited, in accordance with auditing standards generally accepted in the United States, the University's basic financial statements for the year ended June 30, 2010. In our report dated February 25, 2011 on basic financial statements, we expressed an unqualified opinion on the respective financial statements of the business-type activities and the aggregate discretely presented component units. Our report was modified to include a reference to other auditors. Other auditors audited the financial statements of the University's discretely presented component units, as described in our report on the University's financial statements. In our opinion, the 2010 Supplementary Information for State Compliance Purposes, except for the portion marked "unaudited," is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2010, 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, University management, Board of Trustees 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.

E.C. Ortiz & Co., LLP
February 8, 2012



INDEPENDENT AUDITORS' 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

and

The Board of Trustees
Governors State University

As Special Assistant Auditors for the Auditor General, we have audited the basic financial statements of the business-type activities of the Governors State University (University) and its aggregate discretely presented component unit, collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2011, which collectively comprise the University's basic financial statements and have issued our report thereon dated February 8, 2012. Our report was modified to include a reference to other auditors. 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. Other auditors audited the financial statements of the University's discretely presented component unit, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

Management of the University is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements and not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in findings 11-1 and 11-2 in the accompanying schedule of findings that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 or other matters that are required to be reported under *Government Auditing Standards*.

The University's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the University's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, University management, Board of Trustees 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.

E. C. Ortiz & Co., LLP

February 8, 2012



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE, AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable William G. Holland
Auditor General
State of Illinois

and

The Board of Trustees
Governors State University

Compliance

We have audited the Governors State University's (University) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2011. The 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 the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

The schedule of expenditures of federal awards and our audit described below does not include expenditures of federal awards for the agency determined to be a component unit of the University for financial statement purposes.

We did not audit the University's compliance with the requirements governing the repayments special test and provision compliance requirement in accordance with the requirements of the Student Financial Assistance Cluster: Federal Perkins Loan program as described in the Compliance Supplement. Those requirements govern functions performed by University Accounting Service, LLC (UAS). Since we did not apply auditing procedures to satisfy ourselves as to compliance with those requirements, the scope of work was not sufficient to enable us to express, and we do not express, an opinion on compliance with those requirements. UAS' compliance with the requirements governing the functions that it performs for the University for the year ended June 30, 2011 was examined by the accountants for the servicer in accordance with the U.S. Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. Our report does not include the results of the accountants' for the servicer examination of UAS' compliance with such requirements.

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 the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the University's compliance with those requirements.

In our opinion, the University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. 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 11-3 through 11-8.

Internal Control Over Compliance

The management of the University is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the University's internal control over compliance with the requirements that could have a direct and material effect on a major federal program 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

Requirements governing the repayments special test and provision compliance requirement in the Student Financial Assistance Cluster: Federal Perkins Loan program as described in the Compliance Supplement are performed by UAS. Internal control over compliance related to such functions for the year ended June 30, 2011 was reported on by accountants for the servicer in accordance with the U.S. Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. Our report does not include the results of the accountants' for the servicer testing of UAS' internal control over compliance related to such functions.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of control deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 11-3 through 11-8. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the business-type activities and the aggregate discretely presented component unit of the University as of and for the year ended June 30, 2011, and have issued our report thereon dated February 8, 2012. Our report was modified to include a reference to other auditors. Other auditors audited the financial statements of the University's discretely presented component unit, as described in our report on the University's financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the 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.

The University's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the University's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, University management, Board of Trustees 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.

E.C. Ortiz & Co., LLP

February 8, 2012

**SCHEDULE OF FINDINGS
AND
QUESTIONED COSTS**

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FOR THE YEAR ENDED JUNE 30, 2011**

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant Deficiency(ies) identified that are not considered to be material weakness(es)? Yes None Reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant Deficiency(ies) identified? Yes 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?

Yes No

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FOR THE YEAR ENDED JUNE 30, 2011**

Summary of Auditors' Results, Continued

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.268, 84.063, 84.038, 84.033, 84.007, 84.379, 84.376, 93.925, 93.407, 93.264	Student Financial Assistance Cluster
93.307, 93.701, 93.226, 47.082	Research and Development Cluster
84.405, 84.336	Teacher Quality Partnership Grants Cluster
84.047, 84.042	TRIO Cluster
17.275	ARRA - Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors
93.708	ARRA - Head Start
64.028	Post-9/11 Veterans Educational Assistance

Dollar threshold used to distinguish between type A and type B Programs:

\$300,000

Auditee qualified as low-risk auditee?

_____ Yes X No

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS - *GOVERNMENT AUDITING STANDARDS*

11-1 *Inaccurate Accounting for Intangible Assets*

Governors State University (University) did not properly account for the costs capitalized to intangible assets in accordance with accounting principles generally accepted in the United States of America (GAAP).

On June 11, 2010, the University executed a contract with a vendor for the implementation of its new Enterprise Resource Planning (ERP) system. In accordance with the contract, the vendor provided the University with the ERP software and hardware, and will provide services for implementation, training, consulting, and software maintenance.

During our detailed testing of the related costs capitalized to intangible assets for the fiscal year 2011, we noted that training and other post-implementation costs totaling \$369,825 were capitalized instead of being recorded as an expense resulting in an overstatement of assets. This also resulted in an overstatement of \$52,832 in the related depreciation expense. The University subsequently made the necessary adjustments in the financial statements.

Paragraph 13 of the Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, states that outlays associated with activities in the post-implementation/operation stage should be expensed as incurred. In addition, paragraph 10(c) states that activities in the post-implementation/operation stage include application training and software maintenance.

Further, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University to establish and maintain a system of fiscal and administrative controls to ensure resources are properly recorded and accounted for to permit the preparation of accounts, reliable financial and statistical reports, and to maintain accountability over the State's resources.

University officials stated that the condition noted above was due to oversight.

Failure to properly account for intangible assets resulted in an overstatement of assets and related depreciation expense on the University's financial statements. (Finding Code No. 11-1)

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CURRENT FINDINGS - *GOVERNMENT AUDITING STANDARDS*, Continued

Recommendation

We recommend the University review its current process for the preparation and review of the annual financial statements to ensure that financial information is accurate and in accordance with GAAP.

University Response

The University agrees and accepts this finding.

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CURRENT FINDINGS - *GOVERNMENT AUDITING STANDARDS*, Continued

11-2 *Inaccurate Accounting for Participation in Public Entity Risk Pool*

Governors State University (University) did not properly account for its participation in the State Universities Risk Management Association (SURMA) in accordance with accounting principles generally accepted in the United States of America (GAAP).

The University has been a member of SURMA since its inception on February 1, 1996. SURMA was created as a successor to the Board of Governors' Self-Insurance Liability Program. SURMA was initially funded by the surplus of the Board of Governors' Self-Insurance Liability Program upon its termination (treated as capital contributions of the original participants), as well as additional contributions which were assessed to the members. The SURMA members are Chicago State University, Eastern Illinois University, Governors State University, Northeastern Illinois University, and Western Illinois University. Each university has an employee appointed as a member to the SURMA Board, which meets on a quarterly basis.

While all past payments made by the University to SURMA have been recorded to prepaid insurance and amortized over the term of the current insurance policies, the capital contributions to SURMA have not been recorded as an asset on the books of the University. The University's share of the excess capital contributions to SURMA was \$149,497 and \$135,102 as of June 30, 2011 and June 30, 2010, respectively. SURMA's bylaws state that in the event of termination, if there are surplus funds available, such surplus shall be distributed to the then-existing members in the same proportion that each existing member's contributions over the immediately previous five years were in proportion to the contributions of all members. Similar provisions also apply to members who elect to withdraw (if approved by the remaining participants) prior to the termination of SURMA. The University subsequently made the necessary adjustment in the financial statements to correct this error. During our review of the adjustment, the University recorded the entire effect of the University's share of the excess capital contributions to SURMA in the current year. A proposed entry to correct the University's adjustment was not recorded by the University.

Further, we noted that the University did not adequately monitor SURMA to ensure SURMA underwent an annual audit to provide assurance as to the accuracy of financial information required to be reported by the University as is required by Article 8, Item J of the SURMA Contract and By-Laws. An audit for fiscal year 2010 was not performed.

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CURRENT FINDINGS - *GOVERNMENT AUDITING STANDARDS*, Continued

Governmental Accounting Standards Board (GASB) Interpretation No. 4 - *Accounting and Financial Reporting for Capitalization Contributions to Public Entity Risk Pools* was issued in February 1996 with an effective date of periods beginning after June 15, 1996. It states, "A capitalization contribution to a public entity risk pool with transfer or pooling of risk should be reported as a deposit if it is probable that the contribution will be returned to the entity upon either the dissolution of or approved withdrawal from the pool. An entity's determination that a return of the contribution is probable should be based on the provisions of the pooling agreement and an evaluation of the pool's financial capacity to return the contribution."

Further, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University to establish and maintain a system of fiscal and administrative controls to ensure resources are properly recorded and accounted for to permit the preparation of accounts, reliable financial and statistical reports, and to maintain accountability over the State's resources.

The SURMA By-Laws were adopted cooperatively by the five universities formerly under the Board of Governors and SURMA. The member universities have been operating under those By-Laws since 1995, prior to the issuance of GASB Interpretation No. 4. The condition found is the result of SURMA's failure to review and revise the By-Laws and the member institutions' interpretation that the return of the funds is not probable and hence the failure to record the related accounting entries, as pointed out in the new audit finding this year.

Failure to adequately monitor SURMA's activities and properly account for the University's participation in SURMA may result in a material misstatement on the University's financial statements. (Finding Code No. 11-2)

Recommendation

We recommend the University implement controls to monitor the activities of SURMA and properly account for its participation in SURMA in accordance with GAAP.

University Response

The University accepts this finding and concurs with the recommendation.

**STATE OF ILLINOIS
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CURRENT FINDINGS - FEDERAL COMPLIANCE

Federal Agency: U.S. Department of Education

Program Name	CFDA #	Program Expenditures
TRIO Cluster - Upward Bound	84.047	(\$559,769)

Questioned Costs: None - Procedural Finding Only

11-3 *Inadequate Procedures Over Verification of Eligibility Requirements*

The University did not have adequate procedures over verification of eligibility requirements for TRIO Cluster - Upward Bound (Greater Success for U) program.

In our eligibility testing of 37 participants under the TRIO Cluster, we noted the following:

- The University’s eligibility determination for two participants was either not supported or did not agree with the supporting documents on file.
- The University did not document its eligibility determination for three participants. The related application review/eligibility determination forms were not prepared by the program evaluator.

The Code of Federal Regulations (34 CFR 645.3) states that an individual is eligible to participate in a Regular, Veterans, or a Math and Science Upward Bound project if the individual meets all of the following requirements: (a) a citizen, national, or permanent resident of the United States, or is in the United States for other than a temporary purpose; (b) a potential first-generation college student, a low-income individual or an individual who has a high risk for academic failure; (c) has a need for academic support, as determined by the grantee, in order to pursue successfully a program of education beyond high school; and (d) at the time of initial selection has completed the 8th grade but has not entered the 12th grade and is at least 13 years old but not older than 19.

The Code of Federal Regulations (34 CFR 645.43(c)(1)) requires the grantee to maintain for each participant a record of the basis for its determination that the participant is eligible to participate in the project.

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CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

In addition, OMB Circular A-110, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations requires nonfederal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations and program compliance requirements. Effective internal control procedures should include proper documentation to support verification of eligibility requirements for grant applicants.

University officials stated that the conditions noted above were the result of oversight during eligibility processing.

Failure to document and verify the required eligibility information may result in providing benefits or scholarship awards to ineligible applicants thereby resulting to noncompliance with Federal regulations, policies and procedures. (Finding Code Nos. 11-3, 10-1)

Recommendation

We recommend the University verify the eligibility requirements for grant applicants and maintain supporting documentations to ensure compliance with Federal regulations.

University Response

The University agrees with this finding and accepts the recommendation. The University is improving its processes and supervision to ensure compliance.

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CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

Federal Agencies: U.S. Department of Education, and U.S. Department of Health and Human Services

Program Name	CFDA #	Program Expenditures
TRIO Cluster - Student Support Services	84.042	(\$31,955)
R&D Cluster - Minority Health and Health Disparities Research	93.307	(706,981)
ARRA - Head Start	93.708	(1,309,378)

Questioned Costs: \$2,085

11-4 *Inadequate Controls Over University Equipment Acquired from Federal Funds*

Governors State University (University) did not have adequate controls over its equipment acquired from federal funds.

An inventory of the University's property and equipment is maintained in the Fixed Assets module (property records) of the University's Jenzabar information system (CARS). University equipment acquired from federal funds are identified separately in the property records under location 65.

During our detailed testing, we obtained a general ledger listing of equipment acquired from federal funds during the fiscal year 2011 and noted that the following items were not identified as equipment acquired from federal funds under location 65 in the property records:

- Six items with a total value of \$3,197 acquired and charged to R&D Cluster - Minority Health and Health Disparities Research grant fund. These items consisted of an iPad, two central processing units, and three monitors.
- A laptop, valued at \$792, acquired and charged to ARRA - Head Start grant fund.

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CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

In our physical identification of nine items from the property records, we also noted the following:

- Information in the property records for a laptop acquired and charged to ARRA - Head Start grant fund, valued at \$2,795, was not updated. The item was found in a different location and no Property Change Request form was prepared to support the change in location. The University subsequently updated the property records.
- A mobile workstation acquired and charged to TRIO Cluster - Student Support Services grant fund, valued at \$2,085, was not found. The University subsequently reported this item as stolen and obtained the related police report after being noted during the audit.

The Code of Federal Regulations (2 CFR 215.34 - Equipment) requires that the recipient's property management standards for equipment acquired with federal funds shall have a control system in effect to insure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft of equipment shall be investigated and fully documented. It further requires that equipment records shall be maintained accurately.

OMB Circular A-110, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations requires nonfederal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations and program compliance requirements. Effective internal control procedures should include adequate record keeping and monitoring of equipment acquired from federal funds.

Department of Central Management Services (DCMS) Property Control Rules (44 Illinois Administrative Code, Section 5010.400: Equipment Inventory Recording) require that agencies shall adjust property records within 30 days of acquisition, change or deletion of equipment items.

University procedures require the use of Property Change Request form when a department wishes to have tagged equipment transferred out of their unit inventory.

University officials stated that the conditions noted above were due to oversight.

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CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

Inadequate controls over University equipment acquired from federal funds results in inaccurate and incomplete property records and noncompliance with federal regulations. It could also result in incorrect accounting information and could cause unnecessary equipment expenditures and inaccurate financial reporting. Loss of University property and equipment may not be detected timely or remain undetected without an accurate property inventory listing and/or strict compliance with University property control procedures. (Finding Code Nos. 11-4, 10-2)

Recommendation

We recommend the University adhere to its procedures to ensure that equipment records are accurately maintained and updated and to ensure compliance with federal regulations.

University Response

The University agrees with this finding and accepts the recommendation. Since this was brought to the University's attention, the University moved all identified federal equipment into a separate property location in the inventory system. Further, with the implementation of the new Enterprise Resource Planning (ERP) system, the University will have the ability to track and identify federal equipment in the inventory system.

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CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

Federal Agencies: U.S. Department of Health and Human Services

Program Name	CFDA #	Program Expenditures
R&D Cluster - Minority Health and Health Disparities Research	93.307	(\$706,981)
R&D Cluster - Research on Healthcare Costs, Quality and Outcomes	93.226	(21,694)

Questioned Costs: None - Procedural Finding Only

11-5 *Required Federal Reports Were Either Not Submitted or Submitted Late*

Governors State University (University) is a recipient of grants from the National Institutes of Health (NIH) and Agency for Healthcare Research and Quality (AHRQ) of the U.S. Department of Health and Human Services (HHS). The required federal reports were either not submitted or submitted late by the University.

In our detailed testing of Research and Development Cluster - Minority Health and Health Disparities Research, we noted that the Annual Financial Status Report for the budget period September 1, 2009 to August 31, 2010 was submitted by the University on November 30, 2010, which was a day late from the November 29, 2010 deadline.

In our detailed testing of Research and Development Cluster - Research on Healthcare Costs, Quality and Outcomes, we also noted the following:

- The Final Progress Report for the budget period July 1, 2009 to April 30, 2011 due for submission on July 29, 2011 was not yet submitted by the University. The grant's program director is still completing the report as of this time.
- The Final Invention Statement and Certification for the budget period July 1, 2009 to April 30, 2011 was submitted by the University on November 7, 2011, which was 101 days late from the July 29, 2011 deadline.
- The Quarterly Federal Financial Reports were either not submitted or submitted late by the University as follows:

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CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

<u>Quarterly Reports Ended</u>	<u>Due Date</u>	<u>Date Submitted</u>	<u>Days Delayed</u>
September 30, 2010	October 30, 2010	Not submitted	Not submitted
December 31, 2010	January 30, 2011	February 14, 2011	15

Part II (Terms and Conditions) of the NIH Grants Policy Statement states that Financial Status Report is required on an annual basis and must be submitted for each budget period no later than 90 days after the close of the budget period. Based on this, the deadline for submission of the Annual Financial Status Report for the budget period September 1, 2009 to August 31, 2010 was on November 29, 2010.

Section IV (Special Terms and Conditions) of the Notice of Award issued by HHS states that AHRQ policy requires submission of the Final Progress Report and Final Invention Statement and Certification within 90 days after the grant's final budget period expires. The University's final budget period for this grant expired on April 30, 2011; thus, the related final reports were due for submission on July 29, 2011.

Federal Financial Report Instructions from the Office of Management and Budget (OMB) require grantees to submit a quarterly Federal Financial Report no later than 30 days after the end of each reporting period. Reporting period end dates that shall be used for the quarterly reports are March 31, June 30, September 30 and December 31.

In addition, OMB Circular A-110, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations requires nonfederal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations and program compliance requirements. Effective internal control procedures should include monitoring of compliance with the reporting requirements of its grant programs and timely submission of required federal reports.

University officials stated that the conditions noted above were the result of oversight in the monitoring of the report submission requirements.

Failure to submit the required federal reports results in noncompliance with the federal program requirements. Additionally, this may result in the withholding of funding for other eligible projects or activities involving the University. (Finding Code Nos. 11-5, 10-3)

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CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

Recommendation

We recommend the University comply with the reporting requirements of its grant programs and ensure timely submission of all reports. We also recommend that the program directors monitor their report submission requirements to ensure compliance.

University Response

The University agrees with this finding and accepts the recommendation. The University has reorganized its grant organization and has invested in additional grant staff and technology as well as improved processes and communications to ensure compliance.

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CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

Federal Agency: U.S. Department of Education

Program Name	CFDA #	Program Expenditures
Student Financial Assistance Cluster - Federal Pell Grant Program	84.063	(\$6,519,196)
Student Financial Assistance Cluster - National Science and Mathematics Access to Retain Talent Grants	84.376	(52,500)

Questioned Costs: None - Procedural Finding Only

11-6 *Student Financial Aid Disbursements Not Reported Timely*

The disbursements made by the University to students awarded with Federal Pell Grant Program (PELL) and National Science and Mathematics Access to Retain Talent Grants (SMART) were not reported timely.

In our detailed testing of 60 students who received student financial aid during the academic year 2010-2011, we noted that disbursements were not reported to the U.S. Department of Education within 30 days from disbursement dates as follows:

- PELL disbursement in Fall 2010 for a student was reported four days late.
- SMART disbursements in Fall 2010 for two students were reported three and 57 days late.

The Office of Management and Budget (OMB) A-133 Compliance Supplement, Section L-Reporting, requires that institutions must report student payment data within 30 calendar days after the school makes a payment; or becomes aware of the need to make an adjustment to previously reported student payment data or expected student payment data.

In addition, OMB Circular A-110, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations requires nonfederal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations and program compliance requirements. Effective internal control procedures should include timely reporting of federal disbursements.

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CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

University officials stated that the condition noted above was due to administrative oversight.

Failure to report PELL and SMART disbursements in a timely manner results in noncompliance with federal program guidelines. (Finding Code Nos. 11-6, 10-6)

Recommendation

We recommend the University ensure that PELL and SMART disbursements are reported to the U.S. Department of Education within 30 days of being disbursed as required.

University Response

The University agrees with this finding and accepts the recommendation. This finding was brought to our attention at the end of the last audit cycle and the University immediately made improvements to ensure compliance. The instances of noncompliance cited in this finding are prior to the issue being brought to our attention.

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CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

Federal Agency: U.S. Department of Labor

Program Name	CFDA #	Program Expenditures
ARRA - Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	17.275	(\$1,325,393)

Questioned Costs: None - Procedural Finding Only

11-7 Inadequate Monitoring Procedures for Subrecipients

Governors State University (University) is a recipient of a Recovery Act-funded grant from the Employment Training Administration of the U.S. Department of Labor. The University did not have adequate monitoring procedures for its subrecipients under the grant.

The University subawarded \$3,190,000 to seven subrecipients under the ARRA-Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors program (program). Total expenditures incurred by the University for the subrecipients amounted to \$966,395 during the current fiscal year.

In our detailed testing of University's compliance with the subrecipient monitoring requirements, we noted the following:

- The University does not have procedures in place to monitor whether subrecipients expending \$500,000 or more in Federal awards during the subrecipients' fiscal year have met the audit requirements of OMB Circular A-133. The University subsequently obtained the information as to the subrecipients' fiscal year end, Federal awards expended and related A-133 audits (as applicable) after being noted during the audit.
- At the time of subaward, the University did not identify to all its subrecipients the program's Federal award information such as Catalog of Federal Domestic Assistance (CFDA) title, CFDA number, award name and award number. In addition, the University did not advise all its subrecipients of the requirement to identify Recovery Act funds in the Schedule of Expenditures of Federal Awards (SEFA) and the SF-SAC (A-133 Data Collection Form). The University subsequently advised its subrecipients of these requirements after being noted during the audit.

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CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

- One of the subrecipients is not registered in the Central Contractor Registration (CCR) and has no Dun and Bradstreet Data Universal Numbering System (DUNS) number as required.
- The University did not document at the time of disbursement of funds to subrecipients the program's CFDA and Federal award numbers for all five expenditure vouchers reviewed totaling \$163,015. The University subsequently advised its subrecipients of this requirement after being noted during the audit.

Section M - Subrecipient Monitoring of the Office of Management and Budget (OMB) A-133 Compliance Supplement requires a pass-through entity to ensure that subrecipient expending \$500,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Circular A-133. In addition, it requires a pass-through entity at the time of the subaward to identify to the subrecipient the Federal award information (e.g., CFDA title and number, award name and number, if the award is research and development, and name of federal awarding agency) and applicable compliance requirements. For Recovery Act subawards, a pass-through entity is responsible for identifying to the subrecipient the amount of Recovery Act funds provided by the subaward and advising the subrecipient of the requirement to identify Recovery Act funds in the SEFA and the SF-SAC.

Section M - Subrecipient Monitoring of the OMB A-133 Compliance Supplement, Section 1512(h) of the American Recovery and Reinvestment Act of 2009, Training and Employment Guidance Letter No. 29-08, and the Code of Federal Regulations (2 CFR 176.50(c)) state that for Recovery Act subawards, a pass-through entity is responsible for identifying to first-tier subrecipients the requirement to register in the CCR, including obtaining a DUNS number.

Section N - Special Tests and Provisions of the OMB A-133 Compliance Supplement, and the Code of Federal Regulations (2 CFR 176.210(c) and 176.210(d)) require recipients of Recovery Act funds to separately identify to each subrecipient, and document at the time of subaward and disbursement of funds, the Federal award number, CFDA number, and amount of Recovery Act funds. It further requires recipients to advise their subrecipients to include in their SEFA information to specifically identify Recovery Act funding.

In addition, OMB Circular A-110, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations requires nonfederal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations and program compliance requirements. Effective internal control procedures should include adequate monitoring procedures for subrecipients.

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CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

University officials stated that the conditions noted above were due to oversight.

Inadequate monitoring procedures for subrecipients could result in Federal funds being expended for unallowable purposes and subrecipients not properly administering Federal programs in accordance with laws, regulations and grant agreements. In addition, failure to inform subrecipients of the Federal award information could result in subrecipients improperly omitting expenditures from their SEFA or not receiving a single audit in accordance with OMB Circular A-133. (Finding Code No. 11-7)

Recommendation

We recommend the University establish and implement procedures to ensure adequate monitoring of subrecipients in compliance with Federal regulations.

University Response

The University agrees with this finding and accepts the recommendation. The University has reorganized its grant organization and has invested in additional grant staff and technology as well as improved processes and communications to ensure compliance.

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CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

Federal Agency: U.S. Department of Health and Human Services

Program Name	CFDA #	Program Expenditures
ARRA - Head Start	93.708	(\$1,309,378)

Questioned Costs: None - Procedural Finding Only

11-8 *Noncompliance with Davis-Bacon Act*

Governors State University (University) is a recipient of a Recovery Act-funded grant from the Administration for Children and Families of the U.S. Department of Health and Human Services (HHS). The University did not obtain the required weekly certified payrolls from a construction contractor paid from this federal fund.

During the current fiscal year, the University entered into construction contracts under the ARRA-Head Start program (program) which are subject to the Davis-Bacon Act. In our detailed testing of University's compliance with the Davis-Bacon Act, we noted that the University did not obtain the required weekly certified payrolls from one (33%) of the three contractors reviewed. The construction cost incurred by the University for this contractor amounted to \$11,300 during the current fiscal year.

The Code of Federal Regulations on "Labor Standards Provisions Applicable to Contracts Covering Federally Financed and Assisted Construction (29 CFR 5.5) requires contractors submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of all payrolls. It further requires that each payroll submitted shall be accompanied by a "Statement of Compliance" signed by the contractor (certified payrolls).

In addition, the Office of Management and Budget (OMB) Circular A-110, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations requires nonfederal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations and program compliance requirements. Effective internal control procedures should include ensuring that all required payroll certifications are obtained from contractors in compliance with the Davis-Bacon Act.

University officials stated that the condition noted above was due to oversight.

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CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

Failure to obtain the required weekly certified payrolls from the contractor resulted in noncompliance with federal regulations. (Finding Code No. 11-8)

Recommendation

We recommend the University establish and implement procedures to ensure that all required payroll certifications are obtained in compliance with Federal regulations.

University Response

The University agrees with this finding and accepts the recommendation. The University has reorganized its grant organization and has invested in additional grant staff and technology as well as improved processes and communications to ensure compliance.

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CURRENT FINDINGS - STATE COMPLIANCE

11-9 *Noncompliance with the Required Contracting Procedures*

The University did not comply with certain required contracting procedures.

During our tests of 25 contracts, we noted the following:

- Three contracts (12%) totaling \$2,217,736 did not have the three signatures required for contracts of \$250,000 or more.
- Two contracts (8%) each valued at more than \$10,000 were not filed with the Office of the State Comptroller within 15 days after execution (three and four days late). These contracts were incurred against locally held funds.
- Two contracts (8%) each valued at more than \$10,000 were not filed with the Office of the State Comptroller. These contracts were incurred against locally held funds.
- Three contracts (12%) totaling \$397,736 were not approved and executed prior to performance of services. These contracts were executed one to 83 days after the start of related services.
- A contract (4%) amounting to \$385,000 was not procured through competitive selection and the disclosure of financial interest statement was also not obtained.
- Three contracts (12%) totaling \$980,000 did not meet the contract content requirements. The State Board of Elections Certification was not marked as required.

The State Finance Act (30 ILCS 105/9.02) and Statewide Accounting Management System (SAMS) Procedure 15.10.20 require three signatures for any new contract or contract renewal in the amount of \$250,000 or more in a fiscal year, or any order against a master contract in the amount of \$250,000 or more in a fiscal year, or any contract amendment or change to an existing contract that increases the value of the contract to or by \$250,000 or more in a fiscal year, shall be signed or approved in writing by the chief executive officer of the agency, and shall also be signed or approved in writing by the agency's chief legal counsel and chief fiscal officer. If the agency does not have a chief legal counsel or a chief fiscal officer, the chief executive officer of the agency shall designate in writing a senior executive as the individual responsible for signature or approval.

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CURRENT FINDINGS - STATE COMPLIANCE, Continued

The Illinois Procurement Code (30 ILCS 500/20-80(b)) and SAMS Procedure 15.10.40 require all state agencies to file contracts, including any cancellation or modification, exceeding \$10,000 with the State Comptroller within 15 calendar days after execution. An Affidavit for Late Filing must be completed for any contract liability not filed within 30 days of execution. In addition, the Illinois Procurement Code (30 ILCS 500/20-80(d)) and SAMS Procedure 15.10.40 require all contracts be reduced to writing and signed by all necessary parties before services are rendered or goods are received.

SAMS Procedure 15.20.10 states that “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.

The Illinois Procurement Code (30 ILCS 500/20-5) requires all State contracts be awarded by competitive sealed bidding unless otherwise authorized by law. In addition, the Illinois Procurement Code (30 ILCS 500/20-20) establishes the small purchase maximum for individual procurement of supplies or services other than professional or artistic services. The Illinois Public Higher Education Procurement Bulletin Small Purchase Limits requires competitive sealed bidding for procurement of supplies and services other than professional or artistic services exceeding \$51,300.

The Illinois Procurement Code (30 ILCS 500/50-35) requires all contracts with an annual value of more than \$25,000 be accompanied by disclosure of the financial interests of the contractor, bidder, or proposer and each subcontractor to be used.

The Illinois Procurement Code (30 ILCS 500/20-160(b)) requires all contracts contain a certification by the bidder or contractor that either (i) the bidder or contractor is not required to register as a business entity with the State Board of Elections pursuant to this Code or (ii) the bidder or contractor has registered as a business entity with the State Board of Elections.

University officials stated that the conditions noted above were due to oversight.

Failure to comply with the required contracting procedures resulted in noncompliance with State statutes and regulations. In addition, failure to adhere to a competitive bidding process may result in the University not getting the lowest possible cost for the services provided. (Finding Code Nos. 11-9, 10-7)

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS - STATE COMPLIANCE, Continued

Recommendation

We recommend the University ensure all contracts over the threshold amounts be approved and executed prior to performance of services and filed with the Office of the Comptroller in accordance with State statutes and regulations. We further recommend that the required disclosure of financial interest statement, contract certifications and signatures must be obtained, and the required competitive solicitation procedures must be observed.

University Response

The University agrees with this finding and accepts the recommendation. Since this was brought to the University's attention, the University modified the contracting procedures to ensure compliance.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
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CURRENT FINDINGS - STATE COMPLIANCE, Continued

11-10 Inadequate Controls Over University Property and Equipment

Governors State University (University) did not have adequate controls over its property and equipment.

In our physical identification of 40 items in the property records, we noted the following:

- A television (3%), valued at \$1,629, was not tagged with the University decal. The University subsequently affixed the University decal on the item.
- Information in the property records for a video library (3%), valued at \$610, was not updated. The item was found in a different location and no Property Change Request form was prepared to support the change in location. The University subsequently updated the property records.

During our tracing to the property records of items physically identified, we noted the following:

- Tag number affixed on a powercam, valued at \$16,081, did not match the tag number in the property records. The University subsequently affixed the correct tag number on the item.
- A fax machine was not recorded in the property records.

During our review of 37 equipment deletions made during the fiscal year, we noted that a tractor mower, valued at \$10,683, traded-in and approved for deletion by the Department of Central Management Services (DCMS) on January 5, 2011 was not yet deleted from the property records. The University subsequently deleted the item after being noted during the audit.

In our detailed testing of 40 equipment vouchers during the fiscal year, we noted the following:

- Equipment items purchased from a voucher tested with a total value of \$3,874 were not included in the property records. These items consisted of six chairs, a coffee table, three bars, five barstools, and a set of graphic.
- A studio pedestal tripod purchased from a voucher tested with a value of \$2,880 was not included in the property listing as of the fiscal year end submitted by the University to DCMS.

**STATE OF ILLINOIS
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CURRENT FINDINGS - STATE COMPLIANCE, Continued

During our review of the Quarterly Agency Report of State Property (C-15 Reports) for the fiscal year, we also noted that the University's capital lease equipment with a total cost of \$169,545 was included as part of the general equipment category instead of being reflected separately in the quarterly C-15 Reports. The University subsequently revised the fourth quarter C-15 Report to reflect the capital lease equipment as a separate line item.

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

DCMS Property Control Rules (44 Illinois Administrative Code, Section 5010.210: Marking of State-Owned Equipment) require each piece of equipment be marked with a unique six-digit identification number. The identification number may be applied by using the agency's inventory decal or by indelibly marking the number on the property. The identification number shall be affixed to the property in a general area easily located by all and in no danger of being damaged. It also requires that all equipment regardless of value shall be clearly marked to indicate that it is the property of the State of Illinois.

DCMS Property Control Rules (44 Illinois Administrative Code, Section 5010.400: Equipment Inventory Recording) require that agencies shall adjust property records within 30 days of acquisition, change, or deletion of equipment items.

Statewide Accounting Management System (SAMS) Procedure 29.10.10 requires agencies to maintain detailed property records and update property records as necessary to reflect the current balance of State property. Such detail records are to be organized by major asset category and include the following information for each asset: (1) cost (or other value); (2) function and activity; (3) reference to acquisition source document; (4) acquisition date and date placed in service; (5) name and address of vendor; (6) short description of asset; (7) organization unit charged with custody; (8) location; (9) fund and account from which the item was purchased; (10) method of acquisition; (11) estimated useful life; (12) estimated salvage value; (13) date, method and authorization of disposition; (14) tag number; (15) accumulated depreciation; (16) depreciation method; (17) depreciation convention; and (18) insured value (if applicable).

University procedures require the use of Property Change Request form when a department wishes to have tagged equipment transferred out of their unit inventory.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
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CURRENT FINDINGS - STATE COMPLIANCE, Continued

DCMS Property Control Rules (44 Illinois Administrative Code, Section 5010.220: Inventory of Equipment) requires that all items of equipment with an acquisition value of \$500 or more is subject to being reported to DCMS by the holding agency. It also states that equipment with an acquisition value of less than \$500 is not subject to reporting; however, agencies will be responsible for establishing and maintaining internal control records over these items.

DCMS Property Control Rules (44 Illinois Administrative Code, Section 5010.460: Annual Inventory) requires all agencies to provide the Property Control Division on an annual basis a listing of all equipment subject to being reported to DCMS as required under Section 5010.220. In relation to this, the University was required by the DCMS to submit a listing of all equipment as of June 30, 2011 subject to being reported to DCMS no later than October 1, 2011.

SAMS Procedure 29.10.30 requires C-15 Reports to present the total cost of State property, by category, reflected on the agency's records as of the reporting date. It further requires that capital lease assets be reflected on the C-15 Reports. In addition, SAMS Procedure 29.20.10 states that C-15 Report makes a distinction between capital lease assets and other types of assets.

Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls, which shall provide assurance that funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation; and revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

University officials stated that the conditions noted above were a result of human errors and the ease of mobility of property from room to room.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS - STATE COMPLIANCE, Continued

Inadequate controls over University property and equipment results in inaccurate and incomplete property records. It could also result in incorrect accounting information and could cause unnecessary equipment expenditures and inaccurate financial reporting. Loss of University property and equipment may not be detected timely or remain undetected without an accurate property inventory listing and/or strict compliance with University property control procedures. Failure to submit the complete inventory of equipment resulted in noncompliance with DCMS Property Control Rules. Failure to properly complete the quarterly C-15 Reports resulted in noncompliance with State's property reporting requirements. (Finding Code Nos. 11-10, 10-8)

Recommendation

We recommend the University adhere to its procedures to ensure that property and equipment records are accurately maintained and updated. Periodic physical inventories should be conducted to ensure existence of equipment, and property records should be updated with the results of the inventory. We also recommend the University ensure submission of a complete inventory of equipment with DCMS. In addition, the University should ensure proper completion of the quarterly C-15 Reports.

University Response

The University agrees with this finding and accepts the recommendation. The University will continue to improve its property control process and reporting procedures.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS - STATE COMPLIANCE, Continued

11-11 *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 timesheets documenting the time spent each day on official State business to the nearest quarter hour; contractual State employees may satisfy the timesheets requirement by complying with the terms of their contract, which shall provide for a means of compliance with this requirement." The IBHE adopted personnel policies for public universities on February 3, 2004 in accordance with the Act. The University has not incorporated these policies into the University's policies.

During our review of timesheets for 25 employees during the fiscal year, we noted the following:

- Four faculty members used the "negative" timekeeping system whereby the employee is assumed to be working unless noted otherwise.
- Two adjunct faculty members not required by the University to submit timesheets since they worked on a contract basis.
- A graduate assistant used positive timekeeping system wherein total contract hours worked per week is reported instead of time worked each day to the nearest quarter hour.

University officials stated that the University is reviewing along with other State universities, time reporting for faculty, as it relates to existing collectively bargained contractual obligations. The President's council and the individual universities will continue to discuss and explore time reporting.

By not requiring positive time reporting from all its employees, the University is not in compliance with the Act. (Finding Code Nos. 11-11, 10-11, 09-3, 08-3, 07-3, 06-4, 05-7)

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS - STATE COMPLIANCE, Continued

Recommendation

We recommend the University amend its policies and revise its procedures to ensure that all employees submit timesheets documenting the time spent each day on official State business to the nearest quarter hour.

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. The University currently collects and monitors reported time spent on official business from all nonacademic, civil service, and professional and administrative staff. The University is reviewing existing time reporting requirements for faculty employees established by federal granting agencies and others to determine whether the requirements of the Ethics Act can be met by existing requirements rather than requiring dual reporting. In addition, the University is 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
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS - STATE COMPLIANCE, Continued

11-12 Noncompliance with the University's Law on Board Membership, Terms, Vacancies and Meetings

Governors State University (University) did not comply with its law on Board membership, terms, vacancies and meetings.

During our testing of statutory mandates, we noted that a quorum was not present during the University's regular Board of Trustees (Board) meeting on October 8, 2010. There were only three Board members present during the meeting, which was less than the required quorum of five. This raises a concern as to the legitimacy of actions taken by the Board during that meeting.

In addition, we noted that the University's Board is not composed of eight members as required by its law. As of the current fiscal year's audit, the University's Board has only four members appointed by the Governor and one student member elected by the student body, leaving the University's Board with three vacancies. Two of these vacancies have existed for several years now and one has been recently vacant from a resignation during the current fiscal year.

The Governors State University Law (Law) (110 ILCS 670/15-25) requires that at all regular meetings of the Board, a majority of its members shall constitute a quorum. Unless the student member is entitled to vote, he or she shall not be considered a member for the purpose of determining whether a quorum is present. Further, University officials confirmed that five Board members constitute a quorum for the University, which represents the majority of its required members of eight.

In addition, the Law (110 ILCS 670/15-15) states that the Board shall consist of seven voting members appointed by the Governor and one voting member who is a student at the University as chosen by a campus-wide student election.

University officials stated that the Governor is responsible for making these appointments to the Board and they have been in constant communication with the Governor's Office to fill the vacancies.

Failure to have sufficient number of Board members and to meet the required quorum at its regular Board meeting resulted in noncompliance with the Law. In addition, there is a risk that the Board will be unable to conduct meetings and perform functions as intended. (Finding Code No. 11-12)

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FOR THE YEAR ENDED JUNE 30, 2011**

CURRENT FINDINGS - STATE COMPLIANCE, Continued

Recommendation

We recommend the University continue to work with the Governor's Office to ensure that Board vacancies are filled. We further recommend the University ensure that it meets the required quorum at all regular Board meetings to comply with the provisions of the Law.

University Response

The University agrees and accepts this finding. In October 2011, the Governor's Office appointed two additional Board of Trustee members.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FOR THE YEAR ENDED JUNE 30, 2011**

PRIOR FINDINGS NOT REPEATED

A *Inadequate Controls Over Federal Matching*

Status: Implemented

It was recommended that the University improve its procedures to ensure compliance with federal requirements.

During the current fiscal year, our testing disclosed that the match/cost share provided by the University to its grants were adequate and properly supported in accordance with federal requirements. (Finding Code No. 10-4)

B *Indirect Cost Recorded in Excess of the Federally Approved Rate*

Status: Implemented

It was recommended that the University implement procedures to ensure that indirect costs recorded are in accordance with the federally approved rate.

During the current fiscal year, our testing disclosed that indirect costs recorded were in accordance with the federally approved rates. (Finding Code No. 10-5)

C *Noncompliance with University Faculty Research and Consulting Act*

Status: Implemented

It was recommended that the University ensure that faculty members comply with the University Faculty Research and Consulting Act as required by statute.

During the current fiscal year, our sample testing disclosed that the *Requests for Advance Approval of University Faculty Research and Consulting* (Requests) were approved by the University Provost prior to the start of the related services. It was also noted that the *Annual Statements of Time Spent on Outside Research and/or Consulting Services* (Annual Statements) for the related Requests are not yet due until February 2012. (Finding Code Nos. 10-9, 09-2)

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FOR THE YEAR ENDED JUNE 30, 2011**

PRIOR FINDINGS NOT REPEATED, Continued

D *Noncompliance with the University's Law on Meningitis Vaccine Information*

Status: Implemented

It was recommended that the University comply with the provisions of the Governors State University Law on informing incoming students at the beginning of each academic year about meningitis and its transmission.

On September 15, 2010, the University published in its student newspaper (The Phoenix) information about meningitis and its transmission. It was also noted that posters showing the same information were conspicuously displayed throughout the University at the beginning of Academic Year 2010-2011. (Finding Code No. 10-10)

E *Computer Security Weaknesses*

Status: Repeated, reported as Finding Code No. IM11-8

It was recommended that the University restrict the use of accounts with powerful capabilities; implement segregation of duties; develop formal procedures for user access and logical security; enforce the University policy regarding password change interval and length; restrict access to the data center; and improve physical security measures to store documents that contain sensitive or personal information in locked cabinets.

During the current fiscal year, weaknesses noted in the University's administration of computer security have been substantially acted upon. What remains to be addressed are the documentation of policies and procedures relating to the administration of user access and the full enforcement of password expiration to all users. This issue has been included in the immaterial finding letter. (Finding Code No. 10-12)

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FOR THE YEAR ENDED JUNE 30, 2011**

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

Summary

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

- Fiscal Schedules and Analysis
 - Schedule of Expenditures of Federal Awards
 - Notes to the Schedule of Expenditures of Federal Awards
 - Schedule of Net 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 Expenses
 - Analysis of Significant Variations in Revenues
 - Analysis of Significant Account Balances
 - Analysis of Accounts Receivable
 - Summary of Indirect Cost Reimbursement Funds
- Analysis of Operations
 - University Functions and Planning Program
 - Average Number of Employees (Unaudited)
 - Student Statistics (Unaudited)
 - University Bookstore Information (Unaudited)
 - Selected Service Efforts and Accomplishments (Unaudited)
 - Schedules of Federal Expenditures, Nonfederal Expenses and New Loans
 - Schedule of Degrees Awarded (Unaudited)
 - Schedule of Tuition and Fee Waivers (Unaudited)
- Special Data Requirements for Audits of Universities
 - 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 (Amended 1997)
 - Schedule of Excess Funds Calculation by Entity as Required by 1982 University Guidelines (Amended 1997)
 - Balance Sheets - Auxiliary Enterprises and Activities Entities
 - Schedules of Revenues, Expenditures and Changes in Fund Balances
 - Summary of Foundation Cash Support to the University

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY
FOR THE YEAR ENDED JUNE 30, 2011**

**SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES,
Continued**

Summary, Continued

The accountants' 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**

FISCAL SCHEDULES AND ANALYSIS

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Federal Project or Pass-Through Number	FY 2011 Expenditures
MAJOR PROGRAMS			
STUDENT FINANCIAL ASSISTANCE CLUSTER:			
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Federal Direct Student Loans	84.268		\$ 37,328,827
Federal Pell Grant Program	84.063		6,519,196
Federal Perkins Loans - Federal Capital Contributions	84.038		4,377,959
Federal Work - Study Program	84.033		271,308
Federal Supplemental Educational Opportunity Grants	84.007		119,109
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379		65,500
National Science and Mathematics Access to Retain Talent (SMART) Grants	84.376		52,500
TOTAL U.S. DEPARTMENT OF EDUCATION			48,734,399
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Scholarships for Health Professions Students from Disadvantaged Backgrounds			
<i>Scholarships for Health Professions Students from Disadvantaged Backgrounds/Mental Health</i>	93.925		184,193
<i>Scholarships for Health Professions Students from Disadvantaged Backgrounds/CSW</i>	93.925		82,887
<i>Scholarships for Health Professions Students from Disadvantaged Backgrounds/OT</i>	93.925		41,443
<i>Scholarships for Health Professions Students from Disadvantaged Backgrounds/Speech</i>	93.925		41,443
<i>Scholarships for Health Professions Students from Disadvantaged Backgrounds/PT</i>	93.925		41,443
<i>Scholarships for Health Professions Students from Disadvantaged Backgrounds/Undergrad CDIS</i>	93.925		36,839
<i>Scholarships for Health Professions Students from Disadvantaged Backgrounds/Grad Health Admin</i>	93.925		32,234
<i>Scholarships for Health Professions Students from Disadvantaged Backgrounds/M&F Therapy</i>	93.925		18,420
<i>Scholarships for Health Professions Students from Disadvantaged Backgrounds/Nursing</i>	93.925		6,477
			485,379

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

FISCAL SCHEDULES AND ANALYSIS, Continued

Schedule of Expenditures of Federal Awards, Continued

For the Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Federal Project or Pass-Through Number	FY 2011 Expenditures
ARRA - Scholarships for Disadvantaged Students			
<i>ARRA - Scholarships for Disadvantaged Students/Mental Health</i>	93.407		121,664
<i>ARRA - Scholarships for Disadvantaged Students/CSW</i>	93.407		54,748
<i>ARRA - Scholarships for Disadvantaged Students/OT G</i>	93.407		28,375
<i>ARRA - Scholarships for Disadvantaged Students/Speech</i>	93.407		27,375
<i>ARRA - Scholarships for Disadvantaged Students/PT G</i>	93.407		27,375
<i>ARRA - Scholarships for Disadvantaged Students/SP UG</i>	93.407		24,333
<i>ARRA - Scholarships for Disadvantaged Students/Hlth Admin G</i>	93.407		21,292
<i>ARRA - Scholarships for Disadvantaged Students/M&F</i>	93.407		12,168
			<u>317,330</u>
 Nurse Faculty Loan Program (NFLP)	 93.264		 <u>277,719</u>
 TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			 <u>1,080,428</u>
 TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER			 <u>49,814,827</u>
 RESEARCH AND DEVELOPMENT CLUSTER:			
 <u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Minority Health and Health Disparities Research			
<i>RIMI - Building Capacity for Health Disparities Research</i>	93.307		706,981
ARRA - Trans-NIH Recovery Act Research Support			
<i>ARRA/Building Complex Language</i>	93.701		64,016
Research on Healthcare Costs, Quality and Outcomes			
<i>Agency for Health Care Research and Quality</i>	93.226		21,694
 TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			 <u>792,691</u>
 <u>NATIONAL SCIENCE FOUNDATION</u>			
ARRA - Trans-NSF Recovery Act Research Support			
<i>ARRA/Biology Research Lab</i>	47.082		100,654
 TOTAL NATIONAL SCIENCE FOUNDATION			 <u>100,654</u>
 TOTAL RESEARCH AND DEVELOPMENT CLUSTER			 <u>893,345</u>

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

FISCAL SCHEDULES AND ANALYSIS, Continued

Schedule of Expenditures of Federal Awards, Continued

For the Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Federal Project or Pass-Through Number	FY 2011 Expenditures
TEACHER QUALITY PARTNERSHIP GRANTS CLUSTER:			
<u>U.S. DEPARTMENT OF EDUCATION</u>			
ARRA - Teacher Quality Partnerships, Recovery Act <i>ARRA/Chicago Southland Region Teacher Quality Partnership</i>	84.405		771,730
Teacher Quality Partnership Grants <i>Teacher Quality Enhancement Grants</i>	84.336		<u>100,708</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u><u>872,438</u></u>
TOTAL TEACHER QUALITY PARTNERSHIP GRANTS CLUSTER			<u><u>872,438</u></u>
TRIO CLUSTER:			
<u>U.S. DEPARTMENT OF EDUCATION</u>			
TRIO - Upward Bound <i>TRIO - Upward Bound</i>	84.047		559,769
TRIO - Student Support Services <i>TRIO - Student Support Services</i>	84.042		<u>31,955</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u><u>591,724</u></u>
TOTAL TRIO CLUSTER			<u><u>591,724</u></u>
OTHER MAJOR PROGRAMS:			
<u>U.S. DEPARTMENT OF LABOR</u>			
ARRA - Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors <i>ARRA/Employment and Training Administration</i>	17.275		<u>1,325,393</u>
TOTAL U.S. DEPARTMENT OF LABOR			<u><u>1,325,393</u></u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
ARRA - Head Start <i>ARRA/Early Head Start</i>	93.708		<u>1,309,378</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u><u>1,309,378</u></u>

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

FISCAL SCHEDULES AND ANALYSIS, Continued

Schedule of Expenditures of Federal Awards, Continued

For the Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Federal Project or Pass-Through Number	FY 2011 Expenditures
<u>U.S. DEPARTMENT OF VETERANS AFFAIRS</u>			
Post-9/11 Veterans Educational Assistance <i>VA Chapter 33 Award</i>	64.028		<u>442,669</u>
TOTAL U.S. DEPARTMENT OF VETERANS AFFAIRS			<u>442,669</u>
TOTAL MAJOR PROGRAMS			<u>55,249,774</u>
OTHER PROGRAMS			
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Higher Education - Institutional Aid Passed through Morton College <i>Higher Education - Institutional Aid/Title V Cooperative Grant</i>	84.031	N.A.	<u>153,751</u>
Fund for the Improvement of Education <i>Parent University</i>	84.215		<u>144,096</u>
Child Care Access Means Parents in School <i>Child Care Access Means Parents in School</i>	84.335		<u>15,122</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>312,969</u>
<u>LIBRARY OF CONGRESS</u>			
Teaching With Primary Sources Passed through the Education and Research Consortium of the Western Carolinas <i>Teaching With Primary Sources</i>	N.A.	GA06C0076	<u>177,093</u>
TOTAL LIBRARY OF CONGRESS			<u>177,093</u>
<u>SMALL BUSINESS ADMINISTRATION</u>			
Small Business Development Centers Passed through the Illinois Department of Commerce and Economic Opportunity <i>Small Business Development Center</i>	59.037	70006561122	<u>90,695</u>
<i>Small Business Development Center</i>	59.037	1603001Z001428	<u>37,272</u>
TOTAL SMALL BUSINESS ADMINISTRATION			<u>127,967</u>

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

FISCAL SCHEDULES AND ANALYSIS, Continued

Schedule of Expenditures of Federal Awards, Continued

For the Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Federal Project or Pass-Through Number	FY 2011 Expenditures
<u>U.S. DEPARTMENT OF ENERGY</u>			
ARRA - State Energy Program Passed through the Illinois Department of Commerce and Economic Opportunity <i>ARRA/State Energy Program</i>	81.041	DE-EE0000119	<u>84,154</u>
TOTAL U.S. DEPARTMENT OF ENERGY			<u>84,154</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Advanced Nursing Education Traineeships <i>Advanced Education Nursing Traineeships</i>	93.358		<u>37,431</u>
Block Grants for Prevention and Treatment of Substance Abuse Passed through the Illinois Department of Human Services <i>Block Grants for Prevention and Treatment of Substance Abuse</i>	93.959	40C6001291	<u>31,773</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>69,204</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Child and Adult Care Food Program Passed through the Illinois Board of Education <i>Child and Adult Food Care Program</i>	10.558	N.A.	<u>23,294</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>23,294</u>
<u>U.S. DEPARTMENT OF DEFENSE</u>			
Procurement Technical Assistance for Business Firms Passed through the Illinois Department of Commerce and Economic Opportunity <i>Procurement Technical Assistance Center</i>	12.002	70006561122	<u>8,557</u>
TOTAL U.S. DEPARTMENT OF DEFENSE			<u>8,557</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Edward Byrne Memorial Justice Assistance Grant Program Passed through the Illinois Criminal Justice Grant Program <i>Edward Byrne Memorial Justice Assistance Grant Program</i>	16.738	410058	<u>4,807</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>4,807</u>
TOTAL OTHER PROGRAMS			<u>808,045</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 56,057,819</u>

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

FISCAL SCHEDULES AND ANALYSIS, Continued

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2011

1. Significant Accounting Policy

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 State, 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.

2. Subrecipients

During the fiscal year 2011, the University provided Federal awards to subrecipients under the following grants:

Program/Grant Title	CFDA Number	Amount Provided to Subrecipients
Minority Health and Health Disparities Research	93.307	\$ 212,580
ARRA - Trans-NIH Recovery Act Research Support	93.701	22,570
ARRA - Trans-NSF Recovery Act Research Support	47.082	100,654
ARRA - Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	17.275	966,395
Total		<u>\$ 1,302,199</u>

3. Non-cash Assistance

The University did not receive any federal non-cash assistance during the fiscal year ended June 30, 2011.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

FISCAL SCHEDULES AND ANALYSIS, Continued

Schedule of Net Appropriations, Expenditures and Lapsed Balances*

Appropriations for Fiscal Year 2011

Fourteen Months Ended August 31, 2011

	Appropriations (Net After Transfers)	Expenditures through June 30, 2011	Approximate Lapse Period Expenditures July 1 to August 31, 2011	Approximate Total Expenditures	Approximate Balances Lapsed
General Revenue Fund-001 (Public Act 96-0956): (a)					
Operational expenses	\$ 26,558,000	\$ 26,556,000	\$ 2,000	\$ 26,558,000	\$ -
Total General Revenue Fund	<u>\$ 26,558,000</u>	<u>\$ 26,556,000</u>	<u>\$ 2,000</u>	<u>\$ 26,558,000</u>	<u>\$ -</u>
Total Appropriated Fund	<u>\$ 26,558,000</u>	<u>\$ 26,556,000</u>	<u>\$ 2,000</u>	<u>\$ 26,558,000</u>	<u>\$ -</u>

* *The information contained in this schedule was taken directly from the University records which have been reconciled to those of the State Comptroller. Expenditure amounts are vouchers approved and paid by the University and submitted to the State Comptroller for reimbursement of payments made to vendors.*

(a) *For fiscal year 2011, the General Assembly changed the appropriation process for operating expenses that were paid from the General Revenue Fund. The University received a lump sum appropriation for operational expenses, including personal services expenditures, rather than individual appropriations designated for specific purposes.*

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

FISCAL SCHEDULES AND ANALYSIS, Continued

Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances*
For the Years Ended June 30, 2011, 2010, and 2009

	Fiscal Years		
	2011	2010	2009
	P.A. 96-0956	P.A. 96-0114	P.A. 95-0734
	(a)	(b)	
General Revenue Fund - 001:			
Appropriations (net after transfers)	\$ 26,558,000	\$ 28,324,400	\$ 27,018,400
Expenditures:			
Operational expenses	26,558,000	25,986,100	-
Personal services	-	-	22,415,390
Personal services - ARRA	-	2,338,300	-
Medicare	-	-	94,900
Contractual services	-	-	3,050,000
Commodities	-	-	150,000
Equipment	-	-	400,000
Telecommunications services	-	-	100,000
Awards and grants	-	-	100,000
Total Expenditures	<u>26,558,000</u>	<u>28,324,400</u>	<u>26,310,290</u>
Lapsed Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 708,110</u>
Special Lump Sum Appropriations:			
Appropriations (net after transfers)	\$ -	\$ -	\$ 1,306,000
Expenditures:			
International Trade Center	-	-	331,000
Institute of Urban Education	-	-	650,000
Center for Excellence in Health Education	-	-	325,000
Total Expenditures	<u>-</u>	<u>-</u>	<u>1,306,000</u>
Lapsed Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Grand Total, All Funds:			
Appropriations (Net after transfers)	<u>\$ 26,558,000</u>	<u>\$ 28,324,400</u>	<u>\$ 28,324,400</u>
Expenditures	<u>\$ 26,558,000</u>	<u>\$ 28,324,400</u>	<u>\$ 27,616,290</u>
Lapsed Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 708,110</u>

* The information contained in this schedule was taken directly from the University records which have been reconciled to those of the State Comptroller. Expenditure amounts are vouchers approved and paid by the University and submitted to the State Comptroller for reimbursement of payments made to vendors.

(a) For fiscal year 2011, the General Assembly changed the appropriation process for operating expenses that were paid from the General Revenue Fund. The University received a lump sum appropriation for operational expenses, including personal services expenditures, rather than individual appropriations designated for specific purposes.

(b) For fiscal year 2010, the General Assembly changed the appropriation process for operating expenses that were paid from the General Revenue Fund. The University received a lump sum appropriation for operational expenses, not including personal services expenditures, rather than individual appropriations designated for specific purposes.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

FISCAL SCHEDULES AND ANALYSIS, Continued

Comparative Schedule of Income Fund Revenues and Expenditures*

For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Fund balance, beginning of year	\$ 23,504,160	\$ 13,710,114
Income fund revenues:		
Student tuition and fees	28,837,713	28,096,232
Investment income	30,660	42,099
Miscellaneous	21,742	6,102
Total income fund revenues	<u>28,890,115</u>	<u>28,144,433</u>
Income fund expenditures:		
Personal services (including change in accrued compensated absences)	12,679,932	12,330,143
Medicare	901,912	873,229
Contractual services	3,048,291	2,537,426
Travel	205,468	177,902
Commodities	500,736	294,768
Equipment and permanent improvements	380,012	21,905
Telecommunications services	225,279	316,496
Operation of automotive equipment	38,128	26,659
Awards, grants and matching funds	127,622	142,285
Tuition and fee waivers	1,575,938	1,629,574
Total income fund expenditures	<u>19,683,318</u>	<u>18,350,387</u>
Fund balance, end of year	<u>\$ 32,710,957</u>	<u>\$ 23,504,160</u>

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

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

FISCAL SCHEDULES AND ANALYSIS, Continued

Schedule of Changes in State Property*

For the Year Ended June 30, 2011

	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
Land	\$ 1,389,086	\$ -	\$ -	\$ 1,389,086
Equipment	18,408,979	1,366,416	480,875	19,294,520
Intangible assets	-	1,077,097	-	1,077,097
Artwork/Sculptures	268,323	-	-	268,323
Library collection	12,954,993	533,524	256,529	13,231,988
Buildings and site improvements	<u>101,408,240</u>	<u>5,041,814</u>	<u>-</u>	<u>106,450,054</u>
Total	<u>\$ 134,429,621</u>	<u>\$ 8,018,851</u>	<u>\$ 737,404</u>	<u>\$ 141,711,068</u>

* *This schedule has been prepared from the University's property control records. These records are maintained on a basis prescribed by the Department of Central Management Services and differ from the information presented in the basic financial statements due to higher capitalization thresholds which were adopted for financial reporting purposes. These records have been reconciled to the property records submitted to the Office of the State Comptroller.*

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

FISCAL SCHEDULES AND ANALYSIS, Continued

Analysis of Significant Variations in Expenses

For the Year Ended June 30, 2011

The Statement of Revenues, Expenses, and Changes in Net Assets is presented on page 13 of the financial audit report. Following are explanations for significant variances between expense accounts exceeding \$94,000 and 10%:

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	2011	2010	Increase (Decrease)		Comments
			Amount	Percentage	
Research	\$ 1,092,589	\$ 1,344,335	\$ (251,746)	(19%)	Decrease mostly due to the \$0.3 million decrease in research and development grants received by the University during the fiscal year 2011 from U.S. Department of Health and Human Services.
Public service	13,867,709	11,656,065	2,211,644	19%	Increase mostly due to the \$0.5 million increase in the allocation of State payment fringe benefits (payments on behalf) to public service, and increase in grant expenditures primarily due to the increase in the related grant revenues from Recovery Act funding received by the University from the Federal government.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

FISCAL SCHEDULES AND ANALYSIS, Continued

Analysis of Significant Variations in Revenues

For the Year Ended June 30, 2011

The Statement of Revenues, Expenses, and Changes in Net Assets is presented on page 13 of the financial audit report. Following are explanations for significant variances between revenue accounts exceeding \$94,000 and 10%:

	2011	2010	Increase (Decrease)		Comments
			Amount	Percentage	
Federal grants and contracts	\$ 7,687,585	\$ 5,483,935	\$ 2,203,650	40%	Increase primarily due to the increase in Recovery Act funding received by the University from the Federal government.
State grants and contracts	982,355	492,229	490,126	100%	Increase mostly due to the \$0.5 million increase in funding on grants received from the Illinois State Board of Education (ISBE).
Other grants and contracts	876,290	999,798	(123,508)	(12%)	Decrease mostly due to the decrease in funding on the following grants: (a) \$0.1 million decrease in CHHS/ASLH Build Sentence grant, and (b) \$0.1 million decrease in private loans grant.
Auxiliary enterprises	1,671,660	2,080,224	(408,564)	(20%)	Decrease mostly due to the \$0.4 million decrease in Center for Performing Arts (CPA) revenues, which was mostly attributable to the \$0.1 million decrease in rentals and concession sales and \$0.3 million decrease in the amount transferred-in to the CPA fund during fiscal year 2011.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

FISCAL SCHEDULES AND ANALYSIS, Continued

Analysis of Significant Variations in Revenues, Continued

For the Year Ended June 30, 2011

	2011	2010	Increase (Decrease)		Comments
			Amount	Percentage	
Other operating revenues	\$ 1,685,746	\$ 1,150,338	\$ 535,408	46%	Increase mostly due to the \$0.2 million increase in indirect cost revenue resulting from increase in the related Federal grants, and receipt of \$0.3 million grant from the Illinois Clean Energy Community Foundation for the University's lighting system upgrade projects.
State appropriation - Federal ARRA	-	2,338,400	(2,338,400)	(100%)	The University did not receive any State appropriation - Federal ARRA during fiscal year 2011.
Federal Pell grant	6,519,196	5,593,162	926,034	17%	Increase mainly due to higher Pell grant awards during fiscal year 2011.
Capital additions provided by State of Illinois	282,600	-	282,600	100%	The University received funding from the Capital Development Board (CDB) during fiscal year 2011 for various renovation projects. The University did not receive any CDB funding during fiscal year 2010.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

FISCAL SCHEDULES AND ANALYSIS, Continued

Analysis of Significant Account Balances

For the Year Ended June 30, 2011

Cash and Cash Equivalents

Cash and cash equivalents as presented on the Statement of Net Assets consisted of the following:

	2011	2010
Deposit types:		
Cash	\$ 4,211,329	\$ 6,441,486
Illinois Funds	24,376,063	21,233,594
	<u>\$ 28,587,392</u>	<u>\$ 27,675,080</u>
Depositories used:		
First Midwest Bank	\$ 4,191,516	\$ 6,419,297
Illinois Funds	24,376,063	21,233,594
Cash on Hand	19,813	22,189
	<u>\$ 28,587,392</u>	<u>\$ 27,675,080</u>

Cash and cash equivalents increased by \$0.9 million primarily due to increased tuition and fee revenues.

Cash and Cash Equivalents, Restricted

Cash and cash equivalents, restricted as presented on the Statement of Net Assets consisted of the following:

	2011	2010
Deposit types:		
Cash	\$ 654,550	\$ 2,330,940
Money Market	622,528	660,986
Illinois Funds	3,429,458	6,226,570
	<u>\$ 4,706,536</u>	<u>\$ 9,218,496</u>

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

FISCAL SCHEDULES AND ANALYSIS, Continued

Analysis of Significant Account Balances, Continued

For the Year Ended June 30, 2011

Cash and Cash Equivalents, Restricted, Continued

	2011	2010
Depositories used:		
First Midwest Bank	\$ 649,857	\$ 647,956
Old National Leasing Bank	4,693	1,682,984
Illinois Funds	3,429,458	6,226,570
Amalgamated Bank	622,528	660,986
	<u>\$ 4,706,536</u>	<u>\$ 9,218,496</u>

Cash and cash equivalents, restricted decreased by \$4.5 million primarily due to expending the proceeds from debt financing on deferred maintenance projects.

Capital Assets

The University's capital assets consisted of the following:

	2011	2010
Land	\$ 1,389,086	\$ 1,389,086
Artwork/Sculptures	268,323	268,323
Site improvements	5,986,726	5,650,832
Buildings	100,463,328	95,757,408
Intangible assets	1,077,097	-
Equipment	8,931,278	8,453,476
Library collection	13,231,988	12,954,993
Gross capital assets	<u>131,347,826</u>	<u>124,474,118</u>
Accumulated depreciation	<u>(52,363,347)</u>	<u>(49,479,437)</u>
Net capital assets	<u>\$ 78,984,479</u>	<u>\$ 74,994,681</u>

Net capital assets increased by \$4.0 million primarily due to the substantial completion of deferred maintenance projects that have been underway for the past four years, and implementation of a new Enterprise Resource Planning (ERP) system.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

FISCAL SCHEDULES AND ANALYSIS, Continued

Analysis of Significant Account Balances, Continued

For the Year Ended June 30, 2011

Liabilities

The University's liabilities as presented on the Statement of Net Assets consisted of the following:

	2011	2010
Accounts payable	\$ 3,224,012	\$ 4,462,786
Agency funds payable	149,101	373,379
Accrued compensated absences	4,855,661	5,047,765
Deferred revenue	3,806,802	4,611,732
Refundable grants	3,067,701	3,074,355
Revenue bonds payable	8,028,683	8,350,421
Notes payable and capital leases	4,019,410	4,416,271
Certificates of participation	17,578,587	18,541,259
Total liabilities	<u>\$ 44,729,957</u>	<u>\$ 48,877,968</u>

Liabilities decreased by \$4.1 million mostly due to the following: (a) \$1.2 million decrease in accounts payable due to timing differences on vendor payments, (b) \$0.2 million decrease in agency funds payable due to timing of the University's receipt of funds from the various agencies doing activities within the University as against the related expenditures by said agencies, (c) \$0.8 million decrease in deferred revenue mostly due to decrease in credit hours for the summer 2011 term, (d) \$1.7 million principal payments in notes payable and capital leases, revenue bonds payable, and certificates of participation, and (e) \$0.2 million decrease in accrued compensated absences due to payouts made to employees who separated from service or who used vested sick time.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

FISCAL SCHEDULES AND ANALYSIS, Continued

Analysis of Accounts Receivable

For the Year Ended June 30, 2011

The University's receivables as presented on the Statement of Net Assets consisted of the following:

	2011	2010
Accounts receivable, net of allowance for uncollectible accounts of \$3,594,700 in 2011 and \$3,297,799 in 2010	\$ 2,998,668	\$ 3,114,174
Grants receivable	2,152,285	1,444,466
State appropriation receivable	11,534,898	6,440,425
Student loans, net of allowance for uncollectible loans of \$718,000 in 2011 and \$717,000 in 2010	2,783,027	3,036,450
Total receivables	<u>\$ 19,468,878</u>	<u>\$ 14,035,515</u>

Accounts receivable increased mostly due to the increase in grants receivable and State appropriation receivable. Grants receivable consists of amounts due from the Federal government and other granting sources at the end of the fiscal year. Increase in grants receivable was mostly due to the timing of collections/drawdowns and increase in Recovery Act funding received by the University from the Federal government. State appropriation receivable increased in fiscal year 2011 due to delayed payments from the State of Illinois. The \$11.5 million in delayed reimbursement was subsequently received by the University in fiscal year 2012.

The aging of accounts and grants receivable as of June 30, 2011 is as follows:

	2011	2010
Current	\$ 4,551,955	\$ 4,090,905
Up to 120 days past due	388,181	245,780
From 121 to 240 days past due	237,280	215,750
From 241 to 365 days past due	140,517	129,451
More than 365 days past due	3,427,720	3,174,553
Allowance for doubtful accounts	<u>(3,594,700)</u>	<u>(3,297,799)</u>
Net accounts and grants receivable	<u>\$ 5,150,953</u>	<u>\$ 4,558,640</u>

Non-student receivables are not aged and have been presented as current above.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

FISCAL SCHEDULES AND ANALYSIS, Continued

Analysis of Accounts Receivable, Continued
For the Year Ended June 30, 2011

Aging of student loans receivable as of June 30, 2011 is as follows:

	2011	2010
In school or in grace period - not in repayment	\$ 1,978,621	\$ 2,199,811
In repayment:		
On schedule	679,588	736,367
Past due - not in default	245,647	243,662
Past due - in default	597,171	573,610
Allowance for doubtful accounts	<u>(718,000)</u>	<u>(717,000)</u>
Net student loans receivable	<u>\$ 2,783,027</u>	<u>\$ 3,036,450</u>

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

FISCAL SCHEDULES AND ANALYSIS, Continued

Summary of Indirect Cost Reimbursement Funds

For the Year Ended June 30, 2011

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

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

Balances remaining at June 30, 2011 are used to meet budgeted operational costs in fiscal year 2012. 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, 2011:

	<u>Indirect Costs</u>	<u>Administrative Overhead</u>	<u>Total</u>
Balance at June 30, 2010	\$ 210,453	\$ 120,431	\$ 330,884
Add: Sources			
Recovered from grants and contracts	1,500,405	-	1,500,405
Financial aid program reimbursements	-	56,055	56,055
VA reporting fees	-	1,498	1,498
Total sources	<u>1,500,405</u>	<u>57,553</u>	<u>1,557,958</u>
Less: Applications			
Personal services	150,807	50,005	200,812
Contractual services	275,000	555	275,555
Commodities	4,383	2,066	6,449
Equipment	11,950	-	11,950
Others	176,638	-	176,638
Total applications	<u>618,778</u>	<u>52,626</u>	<u>671,404</u>
Balance at June 30, 2011	<u>\$ 1,092,080</u>	<u>\$ 125,358</u>	<u>\$ 1,217,438</u>

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

ANALYSIS OF OPERATIONS

University Functions and Planning Program

For the Year Ended June 30, 2011

Functions

The University was chartered in 1969 to provide affordable and accessible undergraduate and graduate education to its culturally and economically diverse life-long learners in the Chicago metropolitan area. It is governed by the Board of Trustees of the University created in January 1996 as a result of legislation to reorganize governance of State higher education institutions and provides liberal arts, science, and professional preparation at the upper-division, master, and doctoral levels.

Planning

Strategy 2015: Inspire Hope, Realize Dreams, Strengthen Community is the strategic plan of the University. It was formally adopted by the University Board of Trustees in October 2009, and is designed to provide general direction for all University initiatives through the 2014-2015 academic year.

Strategy 2015 articulates the mission of the University as follows:

The University is committed to offering an exceptional and accessible education that imbues students with the knowledge, skills, and confidence to succeed in a global society. The University is dedicated to creating an intellectually stimulating public square, serving as an economic catalyst for the region, and being a model of diversity and responsible citizenship.

The mission statement is informed by five core values, specified as follows:

- (1) **Provide Opportunity and Access:** At the University, those traditionally underserved by higher education and residents of surrounding communities have access to a first class public education.
- (2) **Serve as an Economic Catalyst:** The University is committed to the citizens of the State of Illinois and the region to serve as an economic catalyst, so that communities grow and flourish.
- (3) **Prepare Stewards of our Future:** The University is committed to preparing students to thrive in the global economy and to contribute to the ongoing stewardship of the environment.
- (4) **Demonstrate Inclusiveness and Diversity:** The University embraces diversity among students, staff, and faculty as well as members of the broader community, and encourages acceptance of wide-ranging perspectives.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

ANALYSIS OF OPERATIONS, Continued

University Functions and Planning Program, Continued

For the Year Ended June 30, 2011

- (5) **Promote Quality of Life:** The University values an atmosphere that fosters a capacity to enjoy life through the fine arts and humanities, marketable skills and attitudes for employment, supportive interpersonal relationships, and participative and informed citizenship.

Consistent with these values and informed by the larger institutional mission, the University actively pursues six primary goals:

- (1) **Academic Excellence:** Provide distinctive academic programs that effectively prepare students to become leaders and productive citizens in the global community.
- (2) **High Quality Faculty and Staff:** Provide students access to a highly qualified, motivated, and diverse faculty and staff.
- (3) **Continuous Process Improvement:** Develop and sustain a climate of continuous improvement that is defined by evidence-based decision-making focused on enriching the student experience.
- (4) **Visibility, Outreach, and Economic Catalyst:** Pursue initiatives that make the University a preferred destination in the region, that create a vibrant public dialogue, and that increase the University's effectiveness as an economic catalyst in the region.
- (5) **Social, Ethical, and Environmental Responsibility:** Build an institution that is socially, ethically, and environmentally responsible.
- (6) **Financial Growth and Sustainability:** Diversify the University's revenue streams to ensure resources that are necessary for institutional growth and fiscal sustainability.

Within the larger context set by *Strategy 2015*, the annual budget process operates under the general direction of the Planning and Budget Advisory Council (PBAC), a twenty-one member group composed of faculty, staff and students, and co-chaired by the Provost and the Executive Vice-President. PBAC and its six constituent committees develop recommendations on all issues of University-wide scope and, after due deliberation, forward those recommendations to the University President.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

ANALYSIS OF OPERATIONS, Continued

University Functions and Planning Program, Continued

For the Year Ended June 30, 2011

Every spring, PBAC operates the annual budget process. The group develops guidelines consistent with the goals of *Strategy 2015*, and procedures and timelines in accordance with which every budget unit of the University develops its budget requests for the fiscal year to come. Public hearings are held at which each unit presents its request and is subject to questions and discussions from the members of the PBAC. Final recommendations are developed and forwarded to the President for her adoption. PBAC also receives recommendations from its Budget and Finance Committee with regard to tuition and fee rates for the year to come, and develops and forwards to the President recommendations on these as well. The President, in turn, forwards final recommendations on tuition and fees to the Board of Trustees.

Progress toward achieving the goals of *Strategy 2015* is monitored by means of a series of “dashboard” indicators of accomplishment, which are regularly updated by the Office of Institutional Research and which are available for public viewing on the University’s web site.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

ANALYSIS OF OPERATIONS, Continued

Average Number of Employees (Unaudited)

For the Year Ended June 30, 2011

	<u>2011</u>	<u>2010</u>
Full-time equivalent employees funded by State appropriated funds:		
Faculty	240.5	243.1
Administrative	30.5	36.7
Civil service	203.0	199.7
Other professionals	90.0	88.9
Graduate assistants	19.7	19.7
Students	16.1	4.9
	<u>599.8</u>	<u>593.0</u>
Full-time equivalent employees funded by nonappropriated funds:		
Faculty and administrative	199.2	191.6
Civil service	84.0	88.5
Students	11.7	21.9
	<u>294.9</u>	<u>302.0</u>

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, Continued

Student Statistics (Unaudited)

For the Year Ended June 30, 2011

Enrollment Statistics

	<u>Academic Year 2010-2011</u>		
	<u>Fall</u>	<u>Spring</u>	<u>Summer</u>
Headcount:			
Undergraduate	2,993	2,999	1,883
Graduate	2,667	2,530	1,924
Total	<u>5,660</u>	<u>5,529</u>	<u>3,807</u>
Full-time equivalent:			
Undergraduate	1,875	1,860	823
Graduate	1,476	1,401	997
Total	<u>3,351</u>	<u>3,261</u>	<u>1,820</u>

Student Cost Statistics

	<u>2011</u>	<u>2010</u>
Annual full-time equivalent students: [*]		
Undergraduate	2,279	2,261
Graduate	1,937	2,180
Total	<u>4,216</u>	<u>4,441</u>
Total instructional costs per IBHE Cost Study Report ^{**}	\$ 22,580,440	\$ 22,363,441
Annual full-time equivalent students	4,216	4,441
Cost per full-time equivalent student	\$ 5,356	\$ 5,036

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

*** Reflects preliminary University calculations based on IBHE reporting standards.*

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

ANALYSIS OF OPERATIONS, Continued

University Bookstore Information (Unaudited)

For the Year Ended June 30, 2011

The University has a contractual arrangement for bookstore operations on campus. The University's current contract is for the period December 1, 2008 through November 30, 2011. 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 between \$1,000,000 and \$2,000,000; plus
3. 10.6% of any part of gross revenue over \$2,000,000

During fiscal year 2011, the bookstore had gross sales of \$1,465,404, the University received commissions of \$142,574 and the University spent a total of \$16,463 at the bookstore. 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, Continued

Selected Service Efforts and Accomplishments (Unaudited)

For the Year Ended June 30, 2011

	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>
1. Student headcount - Fall trimester (a)	<u>5,382</u>	<u>5,692</u>	<u>5,636</u>	<u>5,674</u>	<u>5,660</u>
2. Minority enrollment - Fall trimester (a)	<u>2,266</u>	<u>2,342</u>	<u>2,406</u>	<u>2,625</u>	<u>2,617</u>
3. Degrees awarded - Fiscal year (b)	<u>1,872</u>	<u>1,911</u>	<u>1,768</u>	<u>1,718</u>	<u>1,832</u>
4. Credit hours - Academic year (f)	<u>107,201</u>	<u>112,471</u>	<u>113,909</u>	<u>120,139</u>	<u>114,853</u>
5. Unduplicated headcount - Academic year (d, f)	<u>7,725</u>	<u>7,803</u>	<u>7,788</u>	<u>7,649</u>	<u>7,444</u>
6. Annualized tuition and fees (c):					
Undergraduate					
Resident (e)	\$ 4,419	\$ 4,796	\$ 6,084	\$ 6,606	\$ 7,048
Nonresident	\$ 12,243	\$ 13,388	\$ 15,876	\$ 14,670	\$ 12,736
Graduate					
Resident	\$ 4,611	\$ 4,987	\$ 5,274	\$ 5,364	\$ 5,746
Nonresident	\$ 12,819	\$ 14,093	\$ 13,914	\$ 13,104	\$ 10,408

(a) Per Illinois Board of Higher Education (IBHE) Fall Enrollment Survey, Part II, Table II.

(b) Per data file extracted by the University's Institutional Research Office at the end of each term.

(c) Per Integrated Postsecondary Education Data System (IPEDS) Institutional Characteristics Survey, using 12 and 9 credit hours per term for full-time status undergraduate and graduate students, respectively.

(d) This represents cumulative students for the academic year without double counting students enrolled more than one term.

(e) Tuition rate used is the rate for new full-time undergraduate students.

(f) Per IPEDS Institutional Characteristics Survey.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

ANALYSIS OF OPERATIONS, Continued

Schedules of Federal Expenditures, Nonfederal Expenses and New Loans

For the Year Ended June 30, 2011

Schedule A - Federal Financial Component

Total Federal Expenditures Reported on SEFA Schedule	\$ 56,057,819
Total Schedule A	<u>\$ 56,057,819</u>

Schedule B - Total Financial Component

Total Operating Expenses (from Financial Statements)	\$ 91,911,254
Total Nonoperating Expenses (from Financial Statements)	306,601
Total New Loans Made	37,328,827
Amount of Federal Loan Balances	<u>4,377,959</u>
Total Schedule B	<u>\$ 133,924,641</u>

Schedule C

		<u>Percent</u>
Total Schedule A	\$ 56,057,819	41.9%
Total Nonfederal Expenses	<u>77,866,822</u>	<u>58.1%</u>
Total Schedule B	<u>\$ 133,924,641</u>	<u>100.0%</u>

These schedules are used to determine the University's single audit costs in accordance with OMB Circular A-133.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

ANALYSIS OF OPERATIONS, Continued

Schedule of Degrees Awarded (Unaudited)

For the Year Ended June 30, 2011

The following schedule presents the number of degrees awarded by the University for the fiscal years indicated:

<u>Fiscal Year</u>	<u>Number of Degrees Awarded</u>		
	<u>Graduate</u>	<u>Undergraduate</u>	<u>Total</u>
2011	909	923	1,832
2010	862	856	1,718
2009	1,001	767	1,768
2008	1,033	878	1,911
2007	964	908	1,872
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

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

ANALYSIS OF OPERATIONS, Continued

Schedule of Tuition and Fee Waivers (Unaudited)

(In Thousands of Dollars)

For the Year Ended June 30, 2011

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	Undergraduate				Graduate			
	Tuition Waivers		Fee Waivers		Tuition Waivers		Fee Waivers	
	Number of Recipients	Value of Waivers	Number of Recipients	Value of Waivers	Number of Recipients	Value of Waivers	Number of Recipients	Value of Waivers
<u>Mandatory Waivers</u>								
Teacher Special Education	1	\$ 4.3	1	\$ 1.3	12	\$ 45.5	12	\$ 9.9
General Assembly	3	16.8	3	4.6	5	39.0	5	6.9
Children of Employees	11	29.8	1	1.8	-	-	-	-
Senior Citizens	5	13.0	5	3.5	2	3.6	2	0.9
Veterans Grants & Scholarships	42	160.6	42	4.0	250	970.4	250	24.0
Subtotal	62	224.5	52	15.2	269	1,058.5	269	41.7
<u>Discretionary Waivers</u>								
Faculty/Administrators	4	4.8	4	1.4	39	86.0	40	22.2
Civil Service	13	28.6	13	9.1	42	98.8	42	28.0
Academic/Other Talent	66	229.2	16	21.5	67	195.6	7	1.5
Foreign Exchange Students	20	34.7	20	12.0	19	50.8	19	12.6
Cooperating Professionals	-	-	-	-	18	16.8	19	6.9
Other Assistants	-	-	-	-	102	622.5	101	98.9
Interinstitutional/Related Agencies	-	-	-	-	15	51.8	15	19.2
Subtotal	103	297.3	53	44.0	302	1,122.3	243	189.3
Total	165	\$ 521.8	105	\$ 59.2	571	\$ 2,180.8	512	\$ 231.0

**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, 2011

In accordance with an Office of the Auditor General, July 25, 2000, memorandum entitled “Matters Regarding University Audits” (Memorandum), certain supplemental data is required to be reported for University audits. The information below cross references the memorandum requirements (indicated by number and letter paragraph references) to the University financial statements and audit reports for the year ended June 30, 2011, where such special data is found.

Compliance Findings

13(a) As of June 30, 2011, no findings of noncompliance with *University Guidelines* were noted.

Indirect Cost Reimbursements

13(b) Refer to page 69 of this report for an analysis of the sources and applications of indirect cost reimbursements for the year ended June 30, 2011.

13(c) Refer to page 84 of this report for the calculation sheet for indirect cost carry-forward. There were no excess funds required to be deposited into the Income Fund within 45 days after the end of the lapse period.

Tuition Charges and Fees

13(d) No instances of tuition being diverted to auxiliary enterprise operations were noted.

Auxiliary Enterprises, Activities and Accounting Entities

13(e) Accounting entities as defined by the 1982 Legislative Audit Commission Guidelines and their primary revenue sources are as follows:

- University Facilities Revenue Bonds System includes all operations of the Student Center, the University Bookstore, University Parking Facilities, and University Food Service and Vending Facilities.
 - 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.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES, Continued

University Reporting in Accordance with University Guidelines, Continued

For the Year Ended June 30, 2011

- Food service and vending provide meals and catering services under contract to the University community. Commission revenue is received by the University.
 - Student Center is the focal point of student activity programs on campus and includes student activities and recreation facilities. Student Center revenue is derived from fees charged to students.
- Center for Performing Arts provides cultural entertainment to the University community. Revenues are generated from ticket sales.
 - Educational and Student Life Activities represent credit and noncredit conferences, workshops and seminars, and organized student activities. Revenues are generated from course fees charged to participants and from student activity fees.
 - Service Departments provide products or services to University departments. Revenues are generated from chargebacks to user departments.
 - Indirect and Administrative Cost accounts receive the “overhead” portion of grant and contract expense incurred. Revenues are generated from charges to sponsors.
- 13(f) Refer to pages 86 through 91 of this report for the financial statements of each accounting entity.
- 13(g) Calculations of current excess funds for each entity are presented on page 85 of this report. There were no excess funds required to be deposited into the Income Fund within 45 days after the end of the lapse period.
- 13(h) The following is a schedule of indirect subsidies to Auxiliary Enterprises and Activities for the year ended June 30, 2011:

Auxiliary Enterprises:	
University Facilities Revenue Bonds System	\$ 338,642
Center for Performing Arts	<u>175,874</u>
	<u>\$ 514,516</u>
Activities:	
Educational and Student Life Activities	\$ 2,841,891
Service Departments	<u>145,628</u>
	<u>\$ 2,987,519</u>

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES, Continued

University Reporting in Accordance with University Guidelines, Continued

For the Year Ended June 30, 2011

Indirect subsidies represent support received by Auxiliary Enterprises and Activities from State appropriated funds for retirement and group insurance benefits. There were no direct subsidies to Auxiliary Enterprises and Activities from appropriated funds during the year ended June 30, 2011.

- 13(i) A Statement of Revenues, Expenses and Changes in Net Assets for the bond indenture required accounts is presented on page 38 of the financial audit report.
- 13(j) The revenue bond fund accounting conforms to the terms of the bond issue, including all covenants thereto.
- 13(k) As of June 30, 2011, no non-instructional facilities reserves have been established by the University.

University Related Organizations

- 13(l) The University recognizes the Governors State University Foundation (Foundation) as a University Related Organization. There are no organizations considered by the University to be “Independent Organizations” as defined in Section VII of the *University Guidelines*.
- 13(m) The Foundation does not pay the University for services provided. Compensation is in the form of University support. See page 92 of this report for details related to services and support provided.
- 13(n) The University does not pay the Foundation for services provided. Compensation is in the form of services and facilities provided. See footnote 10 on pages 32 and 33 of the financial audit report for details related to services and support provided.
- 13(o) As of June 30, 2011, there are no unreimbursed subsidies to the Foundation from the University or appropriated funds.
- 13(p) There is no debt financing provided by the Foundation.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES, Continued

University Reporting in Accordance with University Guidelines, Continued

For the Year Ended June 30, 2011

Other Topics

- 13(q) Schedules of cash and cash equivalents (short-term investments) for the year ended June 30, 2011 are presented in the Analysis of Significant Account Balances section of this report on pages 64 and 65, and in footnotes 3 and 4 on pages 20 through 24 of the financial audit report.
- 13(r) Income from the investment of pooled funds is credited to the University's Income Fund. Income from the investment of non-pooled funds is credited to the fund making the investment.
- 13(s) Student cost statistics are presented on page 74 of this report.
- 13(t) Neither the University nor the Foundation has purchased any real estate during the year ended June 30, 2011.
- 13(u) Neither the University nor the Foundation issued certificates of participation during the year ended June 30, 2011.

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES, Continued

**Schedule of Indirect Cost Funds to be Deposited into the University Income
Fund as Required by 1982 University Guidelines (Amended 1997)**

For the Year Ended June 30, 2011

Cash and cash equivalents balance:	
Cash and cash equivalents	<u>\$ 1,380,489</u>
Actual cash carried forward	<u>1,380,489</u>
Less Allowable carry-forward per formula:	
Allocated reimbursements: 30% of total indirect cost reimbursements allocated for expenditure for the fiscal year completed (\$5,522,400 x 30%)	1,656,720
Unallocated reimbursements: Lesser of actual unallocated indirect cost reimbursements for the fiscal year completed or 10% of total indirect cost allocations for the fiscal year completed	552,240
Current liabilities paid in lapse period	<u>163,051</u>
Maximum allowable carry-forward	<u>2,372,011</u>
Excess cash and cash equivalents to be deposited into the University Income Fund	<u><u>\$ -</u></u>

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES, Continued

Schedule of Excess Funds Calculation by Entity as Required by 1982 University Guidelines (Amended 1997)

For the Year Ended June 30, 2011

	<u>Auxiliary Enterprises</u>		<u>Activities</u>	
	<u>University Facilities Revenue Bonds System</u>	<u>Center for Performing Arts</u>	<u>Educational and Student Life Activities</u>	<u>University Service Departments</u>
Current available funds:				
Cash and cash equivalents	A \$ 1,759,922	\$ 20,559	\$ 5,117,372	\$ 83,088
Working capital allowance:				
Highest month's expenditures	992,213	121,277	6,159,422	174,397
Current liabilities paid during lapse period	80,389	47,393	395,080	56,441
Deferred income	-	-	773,651	-
Working capital allowance:	B <u>1,072,602</u>	<u>168,670</u>	<u>7,328,153</u>	<u>230,838</u>
Current excess funds (margin of compliance):				
Deduct B from A	<u>\$ 687,320</u>	<u>\$ (148,111)</u>	<u>\$ (2,210,781)</u>	<u>\$ (147,750)</u>
Calculation of net excess funds for remittance:				
Indentured capital reserves:				
Unspent project proceeds included in cash above	\$ 382,848			
Funds reserved for debt retirement	649,856			
Nonindentured capital reserves:				
5% of the replacement cost of buildings and improvements	703,502			
10% of the historical cost of parking lots	387,722			
20% of the historical cost of equipment	2,674			
Total allowable capital reserves	<u>\$ 2,126,602</u>			
Net excess funds	<u>\$ -</u>			

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES, Continued

Balance Sheets - Auxiliary Enterprises and Activities Entities

As of June 30, 2011

	<u>Auxiliary Enterprises</u>		<u>Activities</u>			<u>Total Auxiliary Enterprises and Activities</u>
	<u>University Facilities Revenue Bonds System</u>	<u>Center for Performing Arts</u>	<u>Educational and Student Life Activities</u>	<u>University Service Departments</u>	<u>Administrative Overhead/ Indirect Costs</u>	
Assets						
Cash and cash equivalents	\$ 1,759,922	\$ 20,559	\$ 5,117,372	\$ 83,088	\$ 1,380,489	\$ 8,361,430
Accounts receivable, net	-	31,898	1,943,844	-	-	1,975,742
Inventories	-	-	-	65,883	-	65,883
Unamortized debt issuance costs - revenue bonds	144,981	-	-	-	-	144,981
Buildings and improvements, net	5,241,062	4,435,181	18,391,795	113,728	-	28,181,766
Parking lots, net	3,877,219	-	-	-	-	3,877,219
Equipment, net	13,369	66,863	-	109,112	-	189,344
Total assets	<u>11,036,553</u>	<u>4,554,501</u>	<u>25,453,011</u>	<u>371,811</u>	<u>1,380,489</u>	<u>42,796,365</u>
Liabilities						
Accounts payable	80,389	47,393	395,080	56,441	163,051	742,354
Revenue bonds payable	8,028,683	-	-	-	-	8,028,683
Deferred income	-	-	773,651	-	-	773,651
Total liabilities	<u>8,109,072</u>	<u>47,393</u>	<u>1,168,731</u>	<u>56,441</u>	<u>163,051</u>	<u>9,544,688</u>
Fund balances						
Other unrestricted funds	872,236	5,064	5,892,485	92,530	1,217,438	8,079,753
Restricted	649,856	-	-	-	-	649,856
Invested in capital assets, net of related debt	1,405,389	4,502,044	18,391,795	222,840	-	24,522,068
Total fund balances	<u>2,927,481</u>	<u>4,507,108</u>	<u>24,284,280</u>	<u>315,370</u>	<u>1,217,438</u>	<u>33,251,677</u>
Total liabilities and fund balances	<u>\$ 11,036,553</u>	<u>\$ 4,554,501</u>	<u>\$ 25,453,011</u>	<u>\$ 371,811</u>	<u>\$ 1,380,489</u>	<u>\$ 42,796,365</u>

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES, Continued

Schedules of Revenues, Expenditures and Changes in Fund Balances

For the Year Ended June 30, 2011

UNIVERSITY FACILITIES REVENUE BONDS SYSTEM - ALL FUNDS:

Revenues	<u>\$ 1,998,539</u>
Expenditures	
Personal services	718,986
Contractual	314,094
Commodities	89,637
Equipment	31,769
Others	<u>509,075</u>
Total expenditures	<u>1,663,561</u>
Excess of revenues over expenditures	334,978
Fund balance, beginning of year	<u>2,592,503</u>
Fund balance, end of year	<u><u>\$ 2,927,481</u></u>

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES, Continued

Schedules of Revenues, Expenditures and Changes in Fund Balances, Continued
For the Year Ended June 30, 2011

CENTER FOR PERFORMING ARTS/THEATRE - OTHER UNRESTRICTED FUNDS:

Revenues	<u>\$ 1,048,515</u>
Expenditures	
Personal services	373,406
Contractual	582,819
Commodities	31,765
Others	<u>1,440</u>
Total expenditures	<u>989,430</u>
Excess of revenues over expenditures	59,085
Deficit, beginning of year	<u>(54,021)</u>
Fund balance, end of year	<u><u>\$ 5,064</u></u>

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES, Continued

Schedules of Revenues, Expenditures and Changes in Fund Balances, Continued

For the Year Ended June 30, 2011

EDUCATIONAL AND STUDENT LIFE ACTIVITIES - OTHER UNRESTRICTED FUNDS

	<u>Educational Program</u>	<u>Student Activities</u>	<u>Academic Enhancement</u>	<u>Media</u>	<u>Farm</u>	<u>Telecomm</u>	<u>Others</u>	<u>Total</u>
Revenues	\$ 6,263,669	\$ 2,005,066	\$ 1,536,077	\$ 309,311	\$ 59,080	\$ 405	\$ 3,357,000	\$ 13,530,608
Expenditures								
Personal services	4,969,454	30,299	272,232	112,874	-	-	648,879	6,033,738
Contractual	356,113	217,573	392,989	104,325	4,550	-	1,902,836	2,978,386
Commodities	17,700	4,935	49,699	40,010	-	-	46,401	158,745
Equipment	2,724	88,759	13,143	100,937	-	-	310,976	516,539
Others	1,316,278	2,630,600	221,802	18,173	30,868	-	262,644	4,480,365
Total expenditures	<u>6,662,269</u>	<u>2,972,166</u>	<u>949,865</u>	<u>376,319</u>	<u>35,418</u>	<u>-</u>	<u>3,171,736</u>	<u>14,167,773</u>
Excess (deficiency) of revenues over expenditure	(398,600)	(967,100)	586,212	(67,008)	23,662	405	185,264	(637,165)
Fund balance (deficit), beginning of year	<u>323,858</u>	<u>3,696,810</u>	<u>1,412,958</u>	<u>756,437</u>	<u>436,887</u>	<u>14,366</u>	<u>(111,666)</u>	<u>6,529,650</u>
Fund balance (deficit), end of year	<u>\$ (74,742)</u>	<u>\$ 2,729,710</u>	<u>\$ 1,999,170</u>	<u>\$ 689,429</u>	<u>\$ 460,549</u>	<u>\$ 14,771</u>	<u>\$ 73,598</u>	<u>\$ 5,892,485</u>

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES, Continued

Schedules of Revenues, Expenditures and Changes in Fund Balances, Continued

For the Year Ended June 30, 2011

UNIVERSITY SERVICE DEPARTMENT ACTIVITIES - OTHER UNRESTRICTED FUNDS

	<u>University Print Shop</u>	<u>Copier</u>	<u>Central Stores</u>	<u>Motor Pool</u>	<u>Mail Service</u>	<u>Total</u>
Revenues	\$ 435,217	\$ 221,085	\$ 307,465	\$ 108,083	\$ 249,695	\$ 1,321,545
Expenditures						
Personal services	104,844	68,818	41,086	26,477	67,965	309,190
Contractual	54,563	164,261	7,461	635	166,996	393,916
Commodities	183,248	30,820	245,802	-	2,128	461,998
Equipment	-	-	3,078	-	-	3,078
Others	62,895	-	24,428	57,531	-	144,854
Total expenditures	<u>405,550</u>	<u>263,899</u>	<u>321,855</u>	<u>84,643</u>	<u>237,089</u>	<u>1,313,036</u>
Excess (deficiency) of revenues over expenditures	29,667	(42,814)	(14,390)	23,440	12,606	8,509
Fund balance (deficit), beginning of year	<u>8,394</u>	<u>44,033</u>	<u>22,796</u>	<u>(23,621)</u>	<u>32,419</u>	<u>84,021</u>
Fund balance (deficit), end of year	<u>\$ 38,061</u>	<u>\$ 1,219</u>	<u>\$ 8,406</u>	<u>\$ (181)</u>	<u>\$ 45,025</u>	<u>\$ 92,530</u>

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES, Continued

Schedules of Revenues, Expenditures and Changes in Fund Balances, Continued

For the Year Ended June 30, 2011

ADMINISTRATIVE OVERHEAD/INDIRECT COST ACTIVITIES - OTHER UNRESTRICTED FUNDS

	<u>Grants and Contracts</u>	<u>Business Office</u>	<u>Office of Financial Aid</u>	<u>Office of Veterans Affairs</u>	<u>Other Activities</u>	<u>Total</u>
Revenues	\$ 1,219,540	\$ 33,900	\$ 22,155	\$ 1,498	\$ 280,865	\$ 1,557,958
Expenditures						
Personal services	150,569	39,824	10,181	-	238	200,812
Contractual	184,276	-	495	60	90,724	275,555
Commodities	10	-	2,034	32	4,373	6,449
Equipment	-	-	-	-	11,950	11,950
Others	162,265	-	-	-	14,373	176,638
Total expenditures	<u>497,120</u>	<u>39,824</u>	<u>12,710</u>	<u>92</u>	<u>121,658</u>	<u>671,404</u>
Excess (deficiency) of revenues over expenditures	722,420	(5,924)	9,445	1,406	159,207	886,554
Fund balance (deficit), beginning of year	<u>(442,497)</u>	<u>111,155</u>	<u>8,153</u>	<u>1,123</u>	<u>652,950</u>	<u>330,884</u>
Fund balance, end of year	<u>\$ 279,923</u>	<u>\$ 105,231</u>	<u>\$ 17,598</u>	<u>\$ 2,529</u>	<u>\$ 812,157</u>	<u>\$ 1,217,438</u>

**STATE OF ILLINOIS
GOVERNORS STATE UNIVERSITY**

SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES, Continued

Summary of Foundation Cash Support to the University

For the Year Ended June 30, 2011

During fiscal year 2011, the University engaged the Foundation, under contract, to provide fundraising services. As provided in the contract agreement, the University provided \$179,686 of services to the Foundation equal to the cost of the services the Foundation provided to the University for the fiscal year ended June 30, 2011. In addition, the Foundation supported the University with funds considered to be unrestricted for purposes of the University Guidelines computations and other non-qualifying restricted funds.

Presented below is a summary of cash support provided to the University by the Foundation for the fiscal year ended June 30, 2011.

Funds considered unrestricted for purposes of the Guidelines computations:

Restricted only as to campus, college or department and generally available for on-going University operations	
- Given to a particular college	\$ 10,553
- Given to a particular department	92,606
Total funds considered unrestricted	<u>103,159</u>

Funds considered restricted for purposes of the Guidelines computations:

Given for Center for Performing Arts	46,589
Given for scholarships	92,773
Total funds considered restricted	<u>139,362</u>

Total funds provided to the University by the Foundation \$ 242,521