



STATE OF ILLINOIS
**OFFICE OF THE
 AUDITOR GENERAL**

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

GOVERNORS STATE UNIVERSITY

Single Audit and Compliance Examination
 For the Year Ended June 30, 2017

Release Date: March 29, 2018

FINDINGS THIS AUDIT: 19	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	0	0	2016		17-02, 17-03, 17-05, 17-09, 17-10, 17-11, 17-14, 17-16, 17-19	
Category 2:	6	13	19				
Category 3:	0	0	0				
TOTAL	6	13	19	2015		17-18	
				2014		17-04, 17-13	
FINDINGS LAST AUDIT: 20				2005		17-17	

INTRODUCTION

This Digest covers our federal Single Audit and Compliance Examination of the Governors State University (University) for the year ended June 30, 2017. A separate Financial Audit as of and for the year ended June 30, 2017 was previously released on January 11, 2018. In total, this report contains 19 findings, none of which were reported in the financial audit.

SYNOPSIS

- (17-02) The University failed to accurately report separation dates for Federal Perkins Loan borrowers.
- (17-03) The University's Federal Perkins loan cohort default rate is in excess of the threshold for administrative capability stipulated by the U.S. Department of Education.
- (17-09) The University had inadequate controls over to its property and equipment.
- (17-12) The University did not maintain adequate controls over purchasing cards expenditures.
- (17-13) The University needs to improve controls over verification of information included on a job applicant's resume or application prior to hiring for a specific position.
- (17-14) The University did not comply with the Illinois State Collection Act of 1986.

Category 1: Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with laws and regulations (material noncompliance).

Category 2: Findings that are **significant deficiencies** in internal control and **noncompliance** with laws and regulations.

Category 3: Findings that have **no internal control issues but are in noncompliance** with laws and regulations.

{Expenditures and Activity Measures are summarized on next page.}

GOVERNORS STATE UNIVERSITY
SINGLE AUDIT AND STATE COMPLIANCE EXAMINATION
For the Year Ended June 30, 2017

INCOME FUND REVENUES AND EXPENDITURES	2017	2016
Fund Balance, beginning of year.....	\$ 38,966,941	\$ 48,347,784
Income Fund Revenues		
Student Tuition and Fees.....	38,034,090	38,226,390
Investment Income.....	129,040	28,072
Miscellaneous.....	55,657	-
Total Income Fund Revenues.....	38,218,787	38,254,462
Income Fund Expenditures		
Personal Services.....	27,547,250	36,139,249
Medicare and benefits.....	1,369,157	1,359,103
Contractual Services.....	5,467,980	5,139,049
Travel.....	201,433	133,291
Commodities.....	527,431	486,438
Equipment and Permanent Improvements.....	946,396	756,051
Telecommunications Services.....	173,856	224,425
Operation of Automotive Equipment.....	46,905	54,245
Miscellaneous Expenditures.....	-	114,154
Awards, Grants and Matching Funds.....	834,319	921,744
Tuition and Fee Waivers.....	1,435,132	1,728,483
Debt Service Transfer.....	583,533	579,073
Total Income Fund Expenditures.....	39,133,392	47,635,305
Fund Balance, end of year.....	\$ 38,052,336	\$ 38,966,941
SUPPLEMENTARY INFORMATION (UNAUDITED)	2017	2016
Employment Statistics		
Faculty and Staff (State Appropriated Funds).....	619.8	594.0
Faculty and Staff (Nonappropriated Funds).....	228.3	229.8
Students (State Appropriated Funds).....	9.8	4.0
Students (Nonappropriated Funds).....	69.1	61.1
Total Employees.....	927.0	888.9
Enrollment Statistics		
Headcount:		
Annual Full-time Equivalent Undergraduate Students.....	2,634	2,634
Annual Full-time Equivalent Graduate Students.....	1,705	1,884
Total Headcount.....	4,339	4,518
Institutional Cost per Student.....	\$ 6,340	\$ 6,798
Credit Hours - Academic Year.....	119,937	124,235
Degrees Awarded - Fiscal Year.....	1,688	1,678
PRESIDENT		
During Audit Period and Current: Dr. Elaine Maimon		

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

**FEDERAL PERKINS LOAN CONVERSION TO
REPAYMENT**

The University failed to accurately report separation dates for Federal Perkins Loan borrowers.

University reported inaccurate separation dates to the loan servicer for 76% of those borrowers

We tested 25 Federal Perkins Loan recipients whom the University reported to its loan servicer as having separated (enrollment ended) and were due to start repaying loans during Fiscal Year 2017. The University reported inaccurate separation dates to the loan servicer for 19 (76%) of those borrowers. Due to these errors, students were scheduled to begin repayment anywhere from 11 months early to 28 months late. In addition, four of the students were converted to repayment despite still being enrolled at least half-time at the University. (Finding 2, pages 19-20)

Some students tested were converted to repayment despite still being enrolled at least half-time

We recommended the University improve its procedures for accurately reporting separation dates for Perkins Loan borrowers who have ceased half-time attendance at the University.

University agrees with auditors

University officials agreed with the finding and stated they have instituted a process to correct identified issues.

**FEDERAL PERKINS LOAN COHORT DEFAULT
RATE TOO HIGH**

The University's Federal Perkins loan cohort default rate is in excess of the threshold for administrative capability stipulated by the U.S. Department of Education.

Federal Perkins Loan cohort default rate as of June 30, 2016 exceeded the 15% threshold

The Federal Perkins Loan cohort default rate as of June 30, 2016 (the default rate data trails the fiscal year by approximately ten months) was 15.43%, which exceeded the 15% threshold, and was obtained from the U.S. Department of Education's website. (Finding 3, pages 21-22)

We recommended the University ensures its cohort default rate is not in excess of the threshold for administrative capabilities stipulated by the U.S. Department of Education.

University agrees with auditors

University officials agreed with the finding and stated the University will continue to explore options to reduce the default rate and to increase collection efforts.

INADEQUATE CONTROLS OVER PROPERTY AND EQUIPMENT

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

During our examination, we noted the following:

Equipment theft was not timely reported to University

- In August of 2017, the auditors requested to examine 16 iPads which were issued to employees during prior fiscal years and had the wireless cell service cancelled during the current fiscal year or earlier. We were unable to examine one iPad (6%) because it had been stolen while taken off campus in June of 2016. The employee informed the University of the theft and provided a copy of the police report filed when theft occurred to the University after our audit inquiry, approximately 14 months after the theft.

Documentation for surplus computers did not contain evidence of erasing data and contained errors

- We tested 156 computers that were sent to surplus according to the University's property control records to determine the University maintained evidence such computers had been "wiped" prior to transfer. The University could not provide any evidence that eight (5%) of these computers were cleared of data and software before they were transferred to surplus. In addition, one of these computers was subsequently found on the University campus by Information Technology personnel even though the records indicate it had been sent to the State surplus in May of 2017.

University did not report \$827,822 in software for the fiscal year

- We examined a listing of surplus property held by the University at June 30, 2017 and noted three items with a value of over \$500 included on the list. One of these items (exam table) with a reported value of \$835 was not included on the University's property control records.

University did not include delivery costs, freight, or installation charges to the value of equipment selected for testing during the fiscal year

- During our examination of the University's Agency Report of State Property (C-15), we noted the University did not report software totaling \$827,822 which was purchased during the fiscal year.
- We tested 10 equipment additions made during the year and noted two (20%) items (digital mixer and fluorometer) did not include the delivery costs (totaling \$129) in the purchase price of the equipment.
- We tested 25 equipment expenditures and noted 4 (16%) expenditures in which the cost of freight and installation charges was not added to the purchase price of the equipment in the University's property

control records. This understated the purchase price of these items by \$2,461. We also noted one expenditure which was recorded in the property control records based upon the purchase order instead of the actual amount paid. This overstated the purchase price of this item by \$100. (Finding 9, pages 33-35)

We recommended the University improve the operation of its internal controls over the accountability of University equipment and compliance with University policies and procedures for documenting wiping of computer equipment prior to disposal. We also recommended the University improve its internal controls to ensure property and equipment records are accurate and properly maintained. Finally, we recommended the University evaluate whether the employee should be held financially accountable for the stolen iPad.

University agrees with auditors

University officials agreed with the finding and stated they will continue to work on improving property control processes and entry/reporting accuracies.

INADEQUATE PURCHASING CARD PROCEDURES

The University did not maintain adequate controls to ensure University purchasing cards (P-Card) expenditures are made in accordance with University's P-Card Purchasing Guidelines and other University procedures.

During Fiscal Year 2017, the University expanded its P-Card program and made net purchases totaling \$390,007 with its P-Cards.

\$2,475 in purchases were made prior to approval of the Procurement Card Authorization/Agreements

We reviewed 8 of the 35 Procurement Card Authorization/Agreements and noted four (50%) of the cardholder agreements tested were approved after purchases had already been made on the P-Card. The total purchases made prior to approval were \$2,475.

In addition, we tested 40 P-Card transactions totaling \$43,960 and noted the following:

Auditors noted P-Card transactions were for unallowable items, lacking support or approval

- Six (15%) transactions were for unauthorized purchases of food (\$597).
- One (3%) transaction was for the purchase of gasoline for a rental car (\$16).
- Three (8%) transactions totaling \$322 included Illinois sales tax included on the transaction amount. The total sales tax paid was \$29.
- One (3%) transaction did not include a detailed receipt for expenditures (\$134). Only a summary receipt was included.

- One (3%) transaction for \$610 was included on the P-Card holder's monthly transaction log, but the log was not approved by the department head or appropriate vice president. (Finding 12, pages 38-39)

We recommended the University enhance its internal controls relative to P-cards and re-evaluate its P-Card Purchasing Guidelines and enforce adherence.

University agrees with auditors

University officials agreed with the finding and stated the University has improved the training, review and approval process for the issuance and use of P-Cards.

INADEQUATE CONTROLS OVER VERIFICATION OF JOB APPLICANT'S INFORMATION

The University did not have adequate controls over verification of information included on a job applicant's resume or application prior to hiring for a specific position.

No reference check documentation on file for ten personnel reviewed

During our testing of the University's compliance with its policy and procedures for verification of information on a job applicant's resume, we noted no reference check documentation was on file for all ten (100%) personnel selected for testing. (Finding 13, page 40) **This finding has been repeated since 2014.**

We recommended the University improve its processes to ensure compliance with University policy and procedures.

University agrees with auditors

University officials agreed with the finding and stated the University will not move forward with the hiring process without the reference check documentation from the hiring department. *(For the previous University response, see Digest Footnote #1.)*

NONCOMPLIANCE WITH THE ILLINOIS STATE COLLECTION ACT OF 1986

The University did not comply with the requirements of the Illinois State Collection Act of 1986 (Act).

\$41,770 in eligible accounts receivable were not submitted to the Comptroller's Offset System

As of December 31, 2016, the University's accounts receivable aging report included 2,723 accounts totaling \$7,756,004 with receivable balances greater than \$1,000 and in excess of 90 days past due. We tested a sample of 30 such accounts (totaling \$80,137) and determined 18 (60%) of those accounts (totaling \$41,770) had not been submitted by the University for placement with the Comptroller's Offset System. (Finding 14, page 41)

We recommended the University improve its procedures to ensure all debts owed to the University are placed in the Comptroller's Offset System once they exceed \$1,000 and are 90 days past due.

University agrees with auditors

University officials agreed with the finding and stated the University expects to be current by the end of Fiscal Year 2018.

OTHER FINDINGS

The remaining findings are reportedly being given attention by the University. We will review the University's progress towards the implementation of our recommendations in our next engagement.

AUDITOR'S OPINIONS

The financial report was previously released. The auditors stated the financial statements of the University as of and for the year ended June 30, 2017 are fairly stated in all material respects.

The auditors also conducted a Single Audit of the University as required by the Uniform Guidance. The auditors stated the University complied, in all material respects, with the types of compliance requirements that could have a direct and material effect on the University's major federal programs for the year ended June 30, 2017.

ACCOUNTANT'S OPINION

The accountants conducted a compliance examination of the University for the year ended June 30, 2017 as required by the Illinois State Auditing Act. The auditors stated the University complied, in all material respects, with the requirements described in the report.

This Single Audit and compliance examination were conducted by Borschnack, Pelletier & Co.

SIGNED ORIGINAL ON FILE

JANE CLARK
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

FJM:JGR

DIGEST FOOTNOTES

**#1 – INADEQUATE CONTROLS OVER VERIFICATION OF
JOB APPLICANT’S INFORMATION**

2015 – The University agrees with this finding and accepts the recommendation. The University will continue to work with University units toward compliance with hiring procedures to ensure that all required documentation is forwarded to the Human Resources Department as a part of the hiring process.