



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

William G. Holland, Auditor General

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**SUMMARY REPORT DIGEST**

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**GOVERNORS STATE UNIVERSITY**

**SINGLE AUDIT AND STATE COMPLIANCE  
EXAMINATION**

**For the Year Ended: June 30, 2013**

**Release Date: March 26, 2014**

**Summary of Findings:**

<b>Total this audit:</b>	<b>11</b>
<b>Total last audit:</b>	<b>12</b>
<b>Repeated from last audit:</b>	<b>3</b>

**SYNOPSIS**

- The University was not in compliance with the requirements related to the return of Title IV funds.
- The University failed to ensure federal eligibility requirements were met for students receiving financial aid.
- The University did not notify students of financial aid disbursements.
- The University did not comply with travel regulations and personnel policies.

{Financial information is summarized on the reverse page.}

**GOVERNORS STATE UNIVERSITY**  
**SINGLE AUDIT AND STATE COMPLIANCE EXAMINATION**  
**For the Year Ended June 30, 2013**

<b>INCOME FUND REVENUES AND EXPENDITURES</b>	<b>2013</b>	<b>2012</b>
Fund Balance, beginning of year.....	\$ 39,644,295	\$ 32,710,957
<b>Income Fund Revenues</b>		
Student Tuition and Fees.....	30,210,075	30,587,843
Investment Income.....	23,227	25,835
Miscellaneous.....	-	248,163
Total Income Fund Revenues.....	<u>30,233,302</u>	<u>30,861,841</u>
<b>Income Fund Expenditures</b>		
Personal Services.....	16,172,760	14,446,805
Medicare.....	707,801	1,141,476
Contractual Services.....	3,761,251	4,372,426
Travel.....	363,570	289,259
Commodities.....	699,570	668,092
Equipment and Permanent Improvements.....	507,848	465,632
Telecommunications Services.....	228,518	226,847
Operation of Automotive Equipment.....	81,084	26,185
Awards, Grants and Matching Funds.....	1,012,737	664,794
Tuition and Fee Waivers.....	1,471,338	1,626,987
Total Income Fund Expenditures.....	<u>25,006,477</u>	<u>23,928,503</u>
Fund Balance, end of year.....	<u>\$ 44,871,120</u>	<u>\$ 39,644,295</u>
<b>SUPPLEMENTARY INFORMATION (UNAUDITED)</b>	<b>2013</b>	<b>2012</b>
<b>Employment Statistics</b>		
Faculty and Staff (State Appropriated Funds).....	594.30	579.60
Faculty and Staff (Nonappropriated Funds).....	261.80	271.50
Students (State Appropriated Funds).....	9.20	18.10
Students (Nonappropriated Funds).....	21.30	19.10
Total Employees.....	<u>886.60</u>	<u>888.30</u>
<b>Enrollment Statistics</b>		
<b>Headcount:</b>		
Annual Full-time Equivalent Undergraduate Students.....	2,331	2,312
Annual Full-time Equivalent Graduate Students.....	1,820	1,916
Total Headcount.....	<u>4,151</u>	<u>4,228</u>
<b>Institutional Cost per Student.....</b>	\$ 5,901	\$ 5,629
<b>Credit Hours - Academic Year.....</b>	113,602	115,355
<b>Degrees Awarded - Fiscal Year.....</b>	1,634	1,701
<b>PRESIDENT</b>		
During Audit Period and Current: Dr. Elaine Maimon		

## **RETURN OF TITLE IV FUNDS NOT MADE TIMELY**

The University did not comply with the requirements related to the return of Title IV funds to the federal government.

### **University failed to timely return Title IV Funds**

During Federal test work included a review of Title IV grants made to students who withdrew from classes during the Academic Year 2012-2013. We sampled 37 cases and noted 11 instances, where the University failed to return funds totaling \$14,613 within 45 days from the withdrawal determination. (Finding 1, pages 18-19)

We recommended the University strengthen its controls over processing of returns of Title IV funds to ensure that they are made timely in compliance with federal regulations.

### **University agrees with auditors**

University Officials agreed with the finding and recommendation and stated they have automated the identification of students whose funds should be returned to the Department of Education.

## **INELIGIBLE STUDENT AWARDED FINANCIAL AID**

The University did not ensure that all students receiving financial aid under the Student Financial Assistance Cluster - Scholarships for Health Professions Students from Disadvantaged Backgrounds grant program met the federal eligibility requirements.

### **\$12,188 awarded to ineligible student**

During eligibility testing, we noted one of nine students tested was awarded a scholarship from the grant program who was ineligible due to family income exceeding the low income level. This resulted in an overstatement of \$12,188 in awards made to the student for two academic terms. (Finding 3, pages 24-25)

We recommended the University strengthen its controls to ensure that awards are only provided to eligible students and to ensure compliance with federal regulations, policies and procedures.

### **University agrees with auditors**

University Officials agreed with the finding and recommendation and stated they have added experienced staff in the Financial Aid area and implemented appropriate processes.

## **NONCOMPLIANCE WITH FEDERAL REQUIREMENTS ON NOTIFICATION OF DISBURSEMENTS**

The University did not comply with federal requirements on notification of financial aid disbursements to students under the Student Financial Assistance Cluster programs.

During our disbursement testing of 40 students awarded and disbursed with financial aid under the Student Financial Assistance Cluster programs during the Academic Year 2012-2013, we noted the following:

**Twenty-seven students did not receive required disbursement notifications**

- Twenty-seven (68%) students did not receive the required notifications regarding disbursements of Federal Direct Student Loans, Federal Perkins Loans and TEACH Grants. These students had 72 disbursements totaling \$190,221.

**Notifications were not timely**

- Required notifications regarding disbursements of Federal Direct Student Loans for four (10%) students were not made within the required timeframe. These students had four disbursements totaling \$5,652. (Finding 7, pages 34-35)

We recommended the University comply with the federal reporting requirements and ensure timely submission of required federal reports.

**University agrees with auditors**

University Officials agreed with the finding and recommendation and stated on a weekly basis they are automatically going to notify students through email.

**NONCOMPLIANCE WITH TRAVEL REGULATIONS AND PERSONNEL POLICIES**

The University did not comply with travel regulations and personnel policies.

**University paid \$42,580 in unallowable travel expenses**

During our review of travel vouchers for 25 employees during the fiscal year, we noted that one individual was paid unallowable travel expenses between residence and official headquarters (University campus) totaling \$42,580.

**Time reports were inaccurate**

In addition, the same employee's monthly time reports for two months (\$12,392 worth of gross compensation) showed that the employee was reported working but was not on the University's campus. The time reports were approved and certified as truthful by the employee's immediate supervisor. The employee is a State Universities Retirement System (SURS) retiree of the University and is subject to a limit on the amount the employee can earn each month from a SURS institution without penalty to the employee's SURS annuity.

**Employee's immediate supervisor approved payment of the employee's travel expenses and monthly, salaried compensation over a 9-month period rather than a 7-month period**

University officials stated that during the middle of the Fiscal Year 2012 audit engagement and year end close, and with a new administrative computing system, the University's long term Controller suddenly resigned. This placed the University in an unexpected crisis situation and in need of expert and experienced assistance in order to complete the financial audit and compliance examination accurately and in a timely

manner. The employee's immediate supervisor hired the retired University Controller who lived out of State for a period from August 1, 2012 to February 28, 2013. The employee's immediate supervisor was aware of the travel regulations and University personnel policies and employee time sheet certifications but determined that this person's expertise and experience were essential for the accurate and timely completion of the University audit engagement and that the employee was uniquely qualified to provide this service to the University. For this reason and because the employee would not accept the position at the University without payment of travel expenses and without compensation at a rate comparable to \$75 an hour without impact on the SURS monthly annuity payment the employee received, the immediate supervisor approved payment of the employee's travel expenses and monthly, salaried compensation over a 9-month period rather than a 7-month period.

**University management performed an investigation**

University management performed an investigation of the above conditions and took certain actions. (Finding 9, pages 38-40)

We recommended the University implement a system of controls to ensure that management does not have the ability to override the controls currently in place to ensure compliance with State regulations and University policies.

**University agrees with auditors**

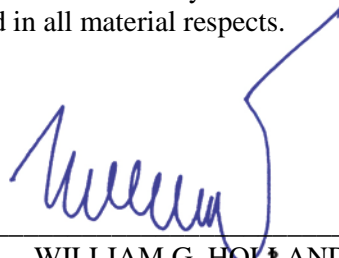
University Officials agreed with the finding and recommendation and stated a policy for establishing an employee's headquarters for reimbursable travel are being developed.

**OTHER FINDINGS**

The remaining findings are reportedly being given attention by University officials. We will review progress toward implementation of our recommendations in our next audit.

**AUDITORS' OPINION**

The financial audit report was previously released. Our auditors state the financial statements of the Governors State University as of and for the year ended June 30, 2013 are fairly presented in all material respects.



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WILLIAM G. HOLLAND  
•• Auditor General

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**SPECIAL ASSISTANT AUDITORS**

E.C. Ortiz & Co., LLP were our special assistant auditors for this engagement.