



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

GOVERNORS STATE UNIVERSITY

**Financial Audit
 For the Year Ended June 30, 2016**

Release Date: January 12, 2017

FINDINGS THIS AUDIT: 2				AGING SCHEDULE OF REPEATED FINDINGS			
	<u>New</u>	<u>Repeat</u>	<u>Total</u>	<u>Repeated Since</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>
Category 1:	1	0	1	No Repeat Findings			
Category 2:	1	0	1				
Category 3:	<u>0</u>	<u>0</u>	<u>0</u>				
TOTAL	2	0	2				
FINDINGS LAST AUDIT: 0							

INTRODUCTION

This digest covers the Governors State University's Financial Audit as of and for the year ended June 30, 2016. The Governors State University's Compliance Examination (including the Single Audit) covering the year ended June 30, 2016 will be issued at a later date.

SYNOPSIS

- **(16-1)** The University has not established adequate internal controls over identifying and recording accrued liabilities for financial reporting purposes.
- **(16-2)** The University's procedures for the substantiation and collection of student accounts receivable were inadequate.

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

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

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

{Financial information is summarized on next page.}

GOVERNORS STATE UNIVERSITY
FINANCIAL AUDIT
For the Year Ended June 30, 2016

FINANCIAL OPERATIONS	2016	2015
Operating Revenues		
Student tuition and fees, net.....	\$ 39,533,255	\$ 34,231,954
Grants and contracts	3,793,948	5,753,292
Sales and services of educational departments.....	5,817,902	5,464,197
Auxiliary enterprises.....	3,364,201	2,725,837
Other operating revenues.....	2,885,189	2,586,827
Total Operating Revenues.....	55,394,495	50,762,107
Operating Expenses		
Instruction.....	55,060,167	55,556,888
Research.....	662,087	545,994
Public service.....	13,760,379	13,050,266
Academic support.....	2,782,931	2,940,413
Student services.....	10,951,119	11,537,812
Institutional support.....	18,751,058	19,428,743
Operation and maintenance of plant.....	9,497,904	11,131,670
Auxiliary enterprises.....	2,040,403	1,685,288
Depreciation.....	4,931,843	4,723,021
Total Operating Expenses.....	118,437,891	120,600,095
Operating Income (Loss).....	(63,043,396)	(69,837,988)
Nonoperating Revenues (Expenses)		
State appropriation.....	6,974,400	23,858,200
Payments made on behalf of the University.....	37,276,678	32,313,639
Federal and State nonoperating grants.....	10,013,418	11,458,216
Investment income.....	28,080	7,139
Interest expense.....	(1,713,636)	(1,730,542)
Other nonoperating income (expense).....	447,610	(4,845)
Net Nonoperating Revenues (Expenses).....	53,026,550	65,901,807
Capital Additions - State & Contributions.....	26,550	2,968,818
Increase in Net Position.....	(9,990,296)	(967,363)
Net position, beginning of year.....	114,857,108	115,736,636
Prior period adjustment.....	(2,165,543)	87,835
Net position, end of year.....	\$ 102,701,269	\$ 114,857,108

SUMMARY - STATEMENT OF NET POSITION	2016	2015
Current Assets.....	\$ 37,381,879	\$ 46,217,966
Noncurrent Assets.....	121,529,414	126,721,000
Total Assets.....	158,911,293	172,938,966
Deferred Outflows of Resources.....	88,657	95,432
Total Deferred Outflows of Resources.....	88,657	95,432
Current Liabilities.....	12,266,505	11,124,894
Noncurrent Liabilities.....	44,032,176	47,052,396
Total Liabilities.....	56,298,681	58,177,290
Total Net Position.....	\$ 102,701,269	\$ 114,857,108

PRESIDENT
During Audit Period and Currently: Dr. Elaine Maimon

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**INADEQUATE CONTROLS OVER IDENTIFYING
AND RECORDING ACCRUED LIABILITIES**

The University has not established adequate internal controls over identifying and recording accrued liabilities for financial reporting purposes.

University failed to record prior fiscal year accrued liability

\$2,165,543 prior period adjustment to unrestricted net position recorded due to error

During the audit, the auditors inquired of the University whether they had any employees who worked a ten month year but chose to be paid over twelve months. It was determined that the University had numerous employees who worked such an arrangement. University management determined the appropriate expense and related liability for those employees who had completed their contracted services as of June 30, 2015 but had not received final payment for these services until fiscal year 2016. Consequently, University management recorded a prior period adjustment to correct this error. The adjustment reduced unrestricted net position as of June 30, 2015 by \$2,165,543 for the unrecorded liability as of that date. (Finding 1, pages 56-57).

We recommended the University review and improve its procedures to ensure all properly accruable items are identified and recorded in the University's accounting records to facilitate accurate financial reporting.

University agreed with finding

University officials agreed and stated the University has recorded the accrual for the current fiscal year and will be diligent to review accounting records in order to identify unrecorded liabilities in the future.

**INADEQUATE CONTROLS OVER STUDENT
ACCOUNTS RECEIVABLE**

The University's procedures for the substantiation and collection of student accounts receivable were inadequate.

Balances from student accounts prior to the summer 2011 academic term were disputed by students

During the audit, the auditors requested the University send a statement of account (statement) to all students who had a balance due to the University. The University and auditors stated they received hundreds of calls from students whose stated account balances due to the University were incorrect. Calls received by auditors were from students whose account charges occurred before the summer 2011 academic term (prior to a computer system conversion).

University stated they have not actively pursued collection on older student accounts

The University stated they have not sent any statements to these older student accounts or actively pursued collection in recent years, but intended to pursue in the future when time permitted. Due to the age of these accounts and the computer

system conversion, the University's ability to substantiate these receivables was time consuming and questionable.

\$3,316,471 from 4,386 student accounts were written off

The University decided to summarily write-off these older balances. A total of 4,386 account balances were written off totaling \$3,316,471. In addition, the University is still collecting data in order to formally obtain approval from the Attorney General to write off approximately 750 accounts that exceed \$1,000. (Finding 2, pages 58-59).

We recommended the University improve its procedures in order to collect its student accounts receivable in a timely manner.

University agreed with finding

University officials accepted the recommendation and stated current collection practices are in place to perform a series of collection efforts on an established timeline.

AUDITOR'S OPINION

Our auditors state the financial statements of the Governors State University as of and for the year ended June 30, 2016 are fairly presented in all material respects.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

FJM:JGR

SPECIAL ASSISTANT AUDITORS

Our Special Assistant Auditors for this audit were Borschnack, Pelletier & Co.