



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, 2021

Release Date: June 16, 2022

FINDINGS THIS AUDIT: 1	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	1	1	2020	21-1		
Category 2:	0	0	0				
Category 3:	0	0	0				
TOTAL	0	1	1				
FINDINGS LAST AUDIT: 1							

INTRODUCTION

This digest covers the Governors State University's (University) Financial Audit as of and for the year ended June 30, 2021. The University's Compliance Examination and Single Audit will be issued in separate reports.

SYNOPSIS

- **(21-1)** The University did not have adequate internal control over reporting its census data and did not have a reconciliation process to provide assurance census data submitted to its pension and other postemployment benefits plans was complete and accurate.

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.

GOVERNORS STATE UNIVERSITY
FINANCIAL AUDIT
For the Year Ended June 30, 2021

STATEMENT OF NET POSITION	2021	2020
Assets and Deferred Outflows of Resources		
Cash and cash equivalents.....	\$ 69,787,239	\$ 55,941,103
Accounts, student loan, and other receivables and due from, net.....	11,337,946	16,363,949
Capital assets.....	112,087,377	111,296,741
Investments, Inventories, prepaid expenses, and other assets.....	1,783,694	11,066,618
Pension.....	123,363	109,283
Other postemployment benefits.....	369,740	502,531
Total Assets and Deferred Outflows of Resources.....	<u>195,489,359</u>	<u>195,280,225</u>
Liabilities and Deferred Inflows of Resources		
Accounts and other accrued liabilities.....	8,275,555	9,543,667
Unearned revenues.....	3,603,633	2,982,689
Accrued compensated absences.....	4,458,633	3,804,879
Revenue bonds payable, net.....	21,262,947	22,218,801
Certificates of participation, net.....	19,415,615	21,342,025
Intangible asset payable.....	666,496	532,232
Refundable grants.....	2,475,051	2,915,328
Other postemployment benefits.....	10,992,586	28,970,025
Total Liabilities and Deferred Inflows of Resources.....	<u>71,150,516</u>	<u>92,309,646</u>
Net Position		
Net investment in capital assets.....	79,293,531	78,159,103
Restricted, expendable.....	2,177,908	2,257,967
Unrestricted.....	42,867,404	22,553,509
Total Net Position.....	<u>\$ 124,338,843</u>	<u>\$ 102,970,579</u>
REVENUES, EXPENSES, AND CHANGES IN NET POSITION		
Revenues		
Tuition and fees, net.....	\$ 33,437,549	\$ 34,854,701
State appropriations.....	23,193,600	23,193,600
Federal grants and contracts or other revenue.....	2,999,817	3,867,781
State and local grants or other revenue.....	4,403,347	2,253,527
Nongovernmental grants and contracts or other revenue.....	43,605,647	22,378,939
Nonoperating grants - Federal and State.....	22,447,185	16,270,971
Auxiliary enterprises.....	1,673,061	3,345,071
Other.....	1,419,494	3,108,383
Total	<u>133,179,700</u>	<u>109,272,973</u>
Expenses		
Instruction.....	59,959,445	43,810,798
Research.....	880,102	703,214
Public service.....	5,801,697	3,978,712
Academic support.....	4,599,303	3,364,055
Student services.....	9,500,035	7,655,158
Institutional support.....	20,393,385	15,768,470
Operation and maintenance of plant.....	10,006,840	8,720,776
Auxiliary enterprises.....	2,516,869	1,915,124
Student aid.....	8,635,464	7,407,694
Depreciation.....	4,702,200	4,563,351
Other.....	1,710,887	1,831,103
Total	<u>128,706,227</u>	<u>99,718,455</u>
Change in net position.....	<u>\$ 4,473,473</u>	<u>\$ 9,554,518</u>
PRESIDENT		
During Audit Period and Currently: Dr. Cheryl F. Green		

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

INADEQUATE INTERNAL CONTROLS OVER CENSUS DATA

Internal controls over census data need improvement

The University did not have adequate internal control over reporting its census data and did not have a reconciliation process to provide assurance census data submitted to its pension and other postemployment benefits (OPEB) plans was complete and accurate.

Census data is demographic data (date of birth, gender, years of service, etc.) of the active, inactive, or retired members of a pension or OPEB plan. The accumulation of inactive or retired members' census data occurs before the current accumulation period of census data used in the plan's actuarial valuation (which eventually flows into each employer's financial statements), meaning the plan is solely responsible for establishing internal controls over these records and transmitting this data to the plan's actuary. In contrast, responsibility for active members' census data during the current accumulation period is split among the plan and each member's current employer(s). Initially, employers must accurately transmit census data elements of their employees to the plan. Then, the plan must record and retain these records for active employees and then transmit this census data to the plan's actuary.

We noted the University's employees are members of both the State Universities Retirement System (SURS) for their pensions and the State Employees Group Insurance Program sponsored by the State of Illinois, Department of Central Management Services (CMS) for their OPEB. In addition, we noted these plans have characteristics of different types of pension and OPEB plans, including single employer plans and cost-sharing multiple-employer plans. Finally, CMS' actuaries use census data for employees of the State's public universities provided by SURS along with census data for the other participating members which is provided by the State's four other pension plans to prepare the projection of the OPEB plan's liabilities.

During testing we noted the following:

- The University had not performed an initial complete reconciliation of its census data recorded by SURS and CMS to its internal records to establish a base year of complete and accurate census data.
- After establishing a base year, the University had not developed a process to annually obtain from SURS and CMS the incremental changes recorded by SURS and CMS in their census data records and reconcile these

An initial complete reconciliation had not been performed and an annual incremental reconciliation had not been established

changes back to the University's internal supporting records.

- One of 512 employees was improperly excluded from SURS. Total potential impact to the employee's total service credit could be off by 3.5 years. (Finding 1, Pages 77-80)

We recommended the University implement controls to ensure census data events are timely and accurately report to SURS and to work with SURS to annually reconcile its active members' census data from its underlying records to a report of census data submitted to SURS' actuary and CMS' actuary. After completing an initial full reconciliation, the University may limit the annual reconciliations to focus on the incremental changes to the census data file from the prior actuarial valuation, provided no risks are identified that incomplete or inaccurate reporting of census data may have occurred during prior periods. Any errors identified during this process should be promptly corrected by either the University or SURS, with the impact of these errors communicated to both SURS' actuary and CMS' actuary. Finally, we recommended the University work with SURS and CMS to identify and address any unremitted or erroneously remitted employee and, if applicable, employer contributions related to these events.

University agreed with the auditors

University officials agreed with the finding and stated they will work with SURS and CMS to correct the issues identified.

AUDITOR'S OPINION

The auditors stated the financial statements of the University as of and for the year ended June 30, 2021 are fairly stated in all material respects.

This financial audit was conducted by Borschneck, 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