

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois

FEDERAL SINGLE AUDIT
(In Accordance with the Single Audit Act
and Applicable Federal Regulations)
For the Year Ended June 30, 2021

Performed as Special Assistant Auditors
for the Auditor General, State of Illinois

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

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Governors State University’s Financial Audit and State Compliance Examination for the Year Ended June 30, 2021 have been issued under separate covers.

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UNIVERSITY OFFICIALS

President	Dr. Cheryl F. Green
Vice President for Administration and Finance (October 11, 2021 to Present)	Dr. Corey S. Bradford
Vice President for Administration and Finance (July 1, 2020 to October 15, 2021)	Dr. W. Paul Bylaska
General Counsel and Vice President (November 16, 2020 to Present)	Ms. Therese Nohos
General Counsel and Vice President (July 1, 2020 to November 15, 2020)	Vacant
Chief Internal Auditor	Mr. Kristoffer Evangelista, CPA
Associate Vice President for Finance	Ms. Villalyn Baluga, CPA

OFFICERS OF THE UNIVERSITY BOARD OF TRUSTEES

Chairman	Ms. Lisa Harrell
Vice Chairman	Mr. Kevin Brookins
Secretary	Mr. James Kvedaras

UNIVERSITY BOARD OF TRUSTEES

Trustee	Ms. Jeanine Latrice Koger, Student
Trustee	Mr. Pedro Cevallos-Candau
Trustee	Mr. Kevin Brookins
Trustee	Mr. John Brudnak
Trustee	Ms. Lisa Harrell
Trustee	Ms. Angela Sebastian
Trustee	Mr. James Kvedaras
Trustee	Mr. Anibal Taboas

UNIVERSITY OFFICE

1 University Parkway
University Park, Illinois 60484

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FEDERAL COMPLIANCE REPORT

SUMMARY

The compliance testing performed during this audit of Governors State University (University) was conducted in accordance with the Single Audit Act, Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Guidance Requirements, Cost Principals, and Audit Requirements for Federal Awards (Uniform Guidance) and Government Auditing Standards.*

AUDITOR’S REPORT

The Independent Auditor’s Report on Compliance for Each Major Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards, and the Schedule of Federal and Nonfederal Activity does not contain scope limitations, disclaimers, or other significant non-standard language.

SUMMARY OF FINDINGS

<u>Number of Findings</u>	<u>Current Report</u>	<u>Prior Report</u>
Findings	5	3
Repeated findings	2	2
Prior recommendations implemented or not repeated	1	3

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
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CURRENT FINDINGS GOVERNMENT AUDITING STANDARDS

2021-001	13	2020/2020	Inadequate Internal Controls Over Census Data	Material Weakness / Noncompliance
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CURRENT FINDINGS FEDERAL COMPLIANCE

2021-002	17	New	Exit Counseling	Significant Deficiency / Noncompliance
2021-003	19	New	Enrollment Reporting	Significant Deficiency / Noncompliance
2021-004	21	New	Fiscal Operations Report	Significant Deficiency / Noncompliance
2021-005	23	2020/2016	Federal Perkins Loan Cohort Default Rate Too High	Noncompliance

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SCHEDULE OF FINDINGS (Continued)

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>
PRIOR FINDINGS NOT REPEATED			
A	25	2020/2014	Failure to Meet Earmarking Requirements for Head Start Program

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EXIT CONFERENCE

Governors State University waived an exit conference in a correspondence from Ms. Villalyn Baluga, Associate Vice President for Finance, on June 14, 2022. The responses to the recommendations were provided by Ms. Villalyn Baluga, Associate Vice President for Finance, in correspondences dated May 25, 2022 and June 15, 2022.

INDEPENDENT AUDITOR'S 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 Frank J. Mautino
Auditor General
State of Illinois

and

Board of Trustees
Governors State University

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the 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, the financial statements of the business-type activities and the discretely presented component unit of Governors State University (University), collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated May 25, 2022. Our report includes a reference to another auditor who audited the financial statements of the discretely presented component unit, as described in our report on the University's financial statements. The financial statements of the Governors State University Foundation, a component unit of the University, were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control or compliance and other matters associated with this component unit.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings as item 2021-001.

Internal Control Over Financial Reporting

Management of the University is responsible for establishing and maintaining effective internal control over financial reporting (internal control).

In planning and performing our audit of the financial statements, we considered the University's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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. *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.

Our consideration of internal control was for the limited purpose described in the above paragraphs of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings as item 2021-001 that we consider to be a material weakness.

University's Response to the Findings

The University's response to the finding identified in our audit is described in the accompanying Schedule of Findings. The University's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Governors State University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Governors State University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Kankakee, IL
May 25, 2022

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE; REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE; AND REPORT ON THE SCHEDULE OF FEDERAL AND NONFEDERAL FINANCIAL ACTIVITY

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

The Board of Trustees
Governors State University

Report on Compliance for Each Major Federal Program

As Special Assistant Auditors for the Auditor General, we have audited compliance by Governors State University (University) with the types of compliance requirements described in the *OMB 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, 2021. The University's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

The University's basic financial statements include the operations of Governors State University Foundation, a component unit of the University, which is not included in the University's Schedule of Expenditures of Federal Awards during the year ended June 30, 2021. Our audit, as described below, did not include the operations of this component unit because the component unit engaged other auditors to perform an audit of their financial statements.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit

requirements of Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

Opinion on Each Major Federal Program

In our opinion, the University complied, in all material respects, with the types of 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, 2021.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2021-002 through 2021-005. Our opinion on each major federal program is not modified with respect to these matters.

The University's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The University's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Additionally, the University is responsible for preparing a corrective action plan to address each finding included in our auditor's report. The University's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the corrective action plan.

Report on Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 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 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. 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.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2021-002 through 2021-004 that we consider to be significant deficiencies.

The University's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The University's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance and the Report on the Schedule of Federal and Nonfederal Financial Activity

We have audited the financial statements of the business-type activities of Governors State University and its discretely presented component unit as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated May 25, 2022, which contained unmodified opinions on those financial statements. Our report includes a reference to other auditors who 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 conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of basic the financial statements. In addition, the accompanying Schedule of Federal and Nonfederal Activity is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of

Expenditures of Federal Awards and the Schedule of Federal and Nonfederal Activity are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

SIGNED ORIGINAL ON FILE

Kankakee, IL

June 27, 2022

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR'S RESULTS
For the Year Ended June 30, 2021

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? X Yes None reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 C.F.R. section 516(a)? X Yes No

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR'S RESULTS
For the Year Ended June 30, 2021

Identification of major federal programs:

Assistance Listing Numbers	Name of Federal Program or Cluster
	<u>Student Financial Assistance Cluster:</u>
84.268	Federal Direct Student Loans
84.063	Federal Pell Grant Program
84.038	Federal Perkins Loan Program - Federal Capital Contributions
84.033	Federal Work-Study Program
84.007	Federal Supplemental Educational Opportunity Grants
84.379	Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)
93.264	Nurse Faculty Loan Program (NFLP)
93.925	Scholarships for Health Professions Students from Disadvantaged Backgrounds
	<u>Research and Development Cluster</u>
84.031A	Higher Education – Institutional Aid
84.220	Centers for International Business Education
93.859	Biomedical Research and Research Training
93.077	Family Smoking Prevention and Tobacco Control Act Regulatory Research
47.076	Education and Human Resources
47.074	Biological Sciences
84.425	<u>COVID 19 - Education Stabilization Fund</u>

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

\$750,000

Auditee qualified as low-risk auditee?

_____ Yes X No

GOVERNORS STATE UNIVERSITY
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2021

CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS

2021-001 FINDING: INADEQUATE INTERNAL CONTROLS OVER CENSUS DATA

Governors State University (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 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 the incremental changes recorded by SURS in their census data records and reconcile these changes back to the University's internal supporting records.

Based on information we obtained while performing our audit, we learned these deficiencies are pervasive across the public universities participating in SURS and across the State's agencies participating in one of the other four State pension plans, the State Employees' Retirement System of Illinois. These conditions significantly increase the risk there could be errors at one or more employers within the plans, and these errors could have a significant impact on SURS' and CMS' measurement of pension and OPEB liabilities, respectively.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2021

CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS

2021-001 FINDING: INADEQUATE INTERNAL CONTROLS OVER CENSUS DATA (Continued)

In addition, we noted errors within CMS' allocation of OPEB-related balances across the State's funds, public universities, and the Illinois State Toll Highway Authority related to a failure by CMS to account for a separately financed specific OPEB liability for certain groups of employees at one component unit of the State. The impact of these errors resulted in the University restating its beginning net position by \$16,829,183 as of July 1, 2020.

Based upon the significance of these issues alone, we concluded a material weakness exists within the University's internal controls related to ensuring both SURS and CMS can provide their respective actuaries with complete and accurate census data related to the University's active employees. Even given these exceptions, we performed detail testing of a sample of employees and certain data analysis tests of the total population of the University's census data transactions reported to SURS and noted that one of 512 employees that taught a course during either the Fall 2018 or Spring 2019 semester on a continuous basis for four months or one academic term, whatever is less was improperly excluded from SURS. In earlier years, this employee took refunds of their prior contributions; however, this does not preclude the employee from participating in the future. SURS determined the total potential impact to the employee's total service credit could be off by 3.5 years.

For employers where their employees participate in plans with multiple-employer and cost-sharing features, the American Institute of Certified Public Accountants' *Audit and Accounting Guide: State and Local Governments* (AAG-SLG) (§ 13.177 for pensions and § 14.184 for OPEB) notes the determination of net pension/OPEB liability, pension/OPEB expense, and the associated deferred inflows and deferred outflows of resources depends on employer-provided census data reported to the plan being complete and accurate along with the accumulation and maintenance of this data by the plan being complete and accurate. To help mitigate against the risk of a plan's actuary using incomplete or inaccurate census data within similar agent multiple-employer plans, the AAG-SLG (§ 13.181 (A-27) for pensions and § 14.141 for OPEB) recommends an employer annually reconcile its active members' census data to a report from the plan of census data submitted to the plan's actuary, by comparing the current year's census data file to both the prior year's census data file and its underlying records for changes occurring during the current year.

Additionally, eligibility criteria for participation in SURS under the Illinois Pension Code (Code) (40 ILCS 5/15-134(a)) states any person who is an employee of the University becomes a participant in SURS. Under the Code (40 ILCS 5/15-107), an employee is a person who works for the University in a secretarial, mechanical, labor, clerical, educational, administrative, or other staff position which is either (a) permanent and continuous or (b) for a period of four months or an academic term, whichever is less, who is:

- 1) not a student employed on a less than full-time temporary basis;
- 2) not receiving a retirement or disability annuity from SURS;
- 3) not on military leave;
- 4) not eligible to participate in the Federal Civil Service Retirement System,

GOVERNORS STATE UNIVERSITY
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS

2021-001 FINDING: INADEQUATE INTERNAL CONTROLS OVER CENSUS DATA (Continued)

- 5) not currently on a leave of absence without pay more than 60 days after the termination of SURS' disability benefits;
- 6) not paid from funds received under the Federal Comprehensive Employment and Training Act as a public service employment program participant hired on or after July 1, 1979;
- 7) not a patient in a hospital or home;
- 8) not an employee compensated solely on a fee basis where such income would net earnings from self-employment;
- 9) not providing military courses pursuant to a federally-funded contract where the University has filed a written notice with SURS electing to exclude these persons from the definition of an employee;
- 10) currently on lay-off status of not more than 120 days after the lay-off date;
- 11) not on an absence without pay of more than 30 days; and,
- 12) a nonresident alien on a visa defined under subparagraphs (F), (J), (M), or (Q) of Section 1101(a)(15) of Title 8 of the United States Code who (1) has met the Internal Revenue Service's substantial presence test and (2) became an employee on and after July 1, 1991.

Further, for CMS' OPEB plan, we noted participation in OPEB is derivative of an employee's eligibility to participate in SURS, as members of SURS participate in OPEB as annuitants under the State Employees Group Insurance Act of 1971 (Act) (5 ILCS 375/3(b)).

In addition, the Illinois Pension Code (40 ILCS 5/15-157) requires the University to, at a minimum, withhold contributions of each employee's total compensation of 8% (9.5% for firefighters or police officers) for their participation in SURS, unless further contributions by the employee would either exceed the maximum retirement annuity in the Code (40 ILCS 5/15-136(c)) or the Tier 2 earnings limitation within the Code (40 ILCS 5/15-111(b)), and remit these amounts to SURS. Further, the Code (40 ILCS 5/15-155(b)) requires the University remit employer contributions to SURS reflecting the accruing normal costs of an employee paid from federal or trust funds. Additionally, the Act (5 ILCS 375/10) requires active employees to make contributions as set by CMS and the Act (5 ILCS 375/11) requires employer contributions by the University for all employees not totally compensated from its Income Fund, local auxiliary funds, and the Agricultural Premium Fund.

Finally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds applicable to operations are properly recorded and accounted for to permit the preparation of reliable financial and statistical reports.

University officials indicated:

- The University had no established practice or procedure to verify the census data submitted by SURS to the plan actuaries are complete and accurate.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2021

CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS

2021-001 FINDING: INADEQUATE INTERNAL CONTROLS OVER CENSUS DATA (Continued)

- The University believed that once an employee received a refund of prior SURS contributions it precluded the employee from SURS participation in the future.

Failure to ensure complete and accurate census data was reported to SURS could result in a material misstatement of the University's financial statements and reduced the overall accuracy of pension/OPEB-related liabilities, deferred inflows and outflows of resources, and expense recorded by the State, the State's agencies, and other public universities and community colleges across the State. In addition, failure to reconcile active members' census data reported to and held by SURS to the University's internal records could result in each plan's actuary relying on incomplete or inaccurate census data in the calculation of the pension and OPEB balances, which could result in a material misstatement of these amounts. Finally, the allocation error involving one component unit in the OPEB plan resulted in misstatements within each employer's allocation, which resulted in a restatement at the University. (Finding Code No. 2021-001, 2020-001)

RECOMMENDATION

We recommend the University implement controls to ensure census data events are timely and accurately reported to SURS.

Further, we recommend the University 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 recommend 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 RESPONSE

The University agrees with this finding and accepts the recommendation. Procedures have been established by the University to ensure census data events are reported to SURS timely and accurately. The University will continue 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, in accordance with the reconciliation process developed by SURS. On the one employee noted by the auditors that was improperly excluded from SURS, the University is currently working with SURS to determine the actual impact and the related corrective action.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2021

CURRENT FINDINGS – FEDERAL COMPLIANCE

2021-002 FINDING: EXIT COUNSELING

Federal Department:	U.S. Department of Education
Assistance Listing Number:	84.268
Cluster Name:	Student Financial Assistance Cluster
Program:	Federal Direct Student Loans
Award Numbers:	P268K200567, P268K210567
Questioned Cost:	None
Program Expenditures:	\$27,426,646
Cluster Expenditures:	\$40,197,084

Governors State University (University) did not timely provide exit counseling for Federal Direct Student Loan recipients who ceased half-time study at the University.

We tested a sample of 60 students who received Federal student financial aid. Included in those 60 students were 14 Federal Direct Student Loan recipients who ceased half-time study at the University during Fiscal Year 2021. The University’s notification to the students of the need to complete exit counseling was provided 43 days late for 2 (14%) of the students and was never sent for 3 (21%) students. The sample was not intended to be, and was not, a statistically valid sample.

The Code of Federal Regulations (34 CFR 685.304(b)) requires schools to ensure exit counseling is conducted with each Direct Subsidized Loan or Direct Unsubsidized Loan borrower and graduate or professional student Direct PLUS Loan borrower shortly before the student borrower ceases at least half-time study at the school. In addition, if a student borrower withdraws from school without the school’s prior knowledge or fails to complete the exit counseling as required, exit counseling must, within 30 days after the school learns that the student borrower has withdrawn from the school or failed to complete exit counseling as required, be provided either through interactive electronic means, by mailing written counseling materials to the student borrower at the student borrower’s last known address, or by sending written counseling materials to an email address provided by the student borrower that is not an email address associated with the school sending the counseling materials.

The Uniform Guidance (2 CFR 200.303) requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal statutes, regulations, and terms and conditions of the Federal award. Effective internal controls should include procedures to ensure the University conducts timely exit counseling for students that have received Federal Direct Student Loans and have ceased half-time study at the school.

University officials indicated the Office of Financial Aid receives a report from the Office of the Registrar indicating which students have ceased half-time enrollment and due to issues with the timing of reports, some exit counseling notifications were sent out late. The notifications not sent at all were due to oversight.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2021

CURRENT FINDINGS – FEDERAL COMPLIANCE

2021-002 FINDING: EXIT COUNSELING (Continued)

Failure to conduct timely exit counseling resulted in students not being notified of their rights and responsibilities, and could result in the loss of Federal funding. (Finding Code No. 2021-002)

RECOMMENDATION

We recommend the University conduct timely exit counseling in accordance with Federal regulations.

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation and has updated its procedures to conduct timely exit counseling in accordance with Federal regulations.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2021

CURRENT FINDINGS – FEDERAL COMPLIANCE

2021-003 FINDING: ENROLLMENT REPORTING

Federal Department:	U.S. Department of Education
Assistance Listing Number:	84.268
Cluster Name:	Student Financial Assistance Cluster
Program Name:	Federal Direct Student Loans
Award Numbers:	P268K200567, P268K210567
Questioned Cost:	None
Program Expenditures:	\$27,426,646
Cluster Expenditures:	\$40,197,084

Governors State University (University) did not accurately and timely report student enrollment information to the U.S. Department of Education’s National Student Loan Data System (NSLDS).

During our audit, we tested 25 students who experienced a change in enrollment status during the fiscal year. Our testing identified two students (8%) who had a change in enrollment status (graduated) which was not reported accurately to the NSLDS (student was erringly reported as withdrawn). These two students were reported to NSLDS 119 days (59 days late) after the status change.

The sample was not intended to be, and was not, a statistically valid sample.

The Code of Federal Regulations (34 CFR 685.309) requires the University, upon the receipt of an enrollment report from the Secretary, to update all information included in the report and return the report to the Secretary within the timeframe prescribed by the Secretary. It further requires the University to report enrollment changes within 30 days unless a roster file is expected within 60 days, in which case the enrollment data may be updated on that roster file.

The Uniform Guidance (2 CFR 200.303) requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal statutes, regulations, and terms and conditions of the Federal award. Effective internal controls should include procedures to ensure accurate and timely student enroll status reports are submitted to NSLDS.

University officials stated the Registrar’s office did not timely and accurately update student enrollment with NSLDS due to delays in transitioning students to graduate status in the University’s system.

Enrollment reporting in a timely and accurate manner is critical for effective management of the student financial aid programs. Noncompliance with enrollment reporting regulations may result in a loss of future Federal funding. (Finding Code No. 2021-003)

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2021

CURRENT FINDINGS – FEDERAL COMPLIANCE

2021-003 **FINDING: ENROLLMENT REPORTING** (Continued)

RECOMMENDATION

We recommend the University improve its procedures to ensure timely and accurate reporting of student enrollment status to the NSLDS.

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation and has updated its procedures to ensure timely and accurate reporting of students to NSLDS.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2021

CURRENT FINDINGS – FEDERAL COMPLIANCE

2021-004 FINDING: FISCAL OPERATIONS REPORT

Federal Department: U.S. Department of Education
Assistance Listing Number: 84.038
Cluster Name: Student Financial Assistance Cluster
Program Name: Federal Perkins Loan Program – Federal Capital Contributions
Questioned Cost: None
Program Expenditures: \$3,257,469
Cluster Expenditures: \$40,197,084

Governors State University (University) did not have adequate procedures to ensure accurate information was reported and the final changes, corrections, and edits to the Fiscal Operations Report and Application to Participate (FISAP) were timely filed.

During the audit, we noted the University did not report accurate information for the following fields related to the Federal Perkins Loan Program:

	<u>As reported</u>	<u>Correct amount</u>
Part III, Section A, Field 30.2 (Repayments of excess/liquidated fund capital to Institution)	\$77,118	\$95,122
Part III, Section B, Field 13 (Amount of loan service cancellation)	\$ -	\$59,881

We also noted the second submission of the FISAP, which included final changes, corrections and edits, was not timely filed. The University submitted its final FISAP to the U.S. Department of Education on January 18, 2022 (34 days late). (The FISAP’s first submission was made timely by the University and there were only minor updates/changes on the final submission.)

The Code of Federal Regulations (34 CFR 674.19 (d)(2)) requires the University to submit a Fiscal Operations Report plus other information required; the information must be accurate and shall be submitted on the form at the time specified.

The Federal Register notice on January 26, 2021 (86 FR 7075) requires corrections to the FISAP be made by December 15, 2021.

The Uniform Guidance (2 CFR 200.303) requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal statutes, regulations, and terms and conditions of the Federal award. Effective internal controls should include procedures to ensure accurate information is reported on the FISAP on a timely basis.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2021

CURRENT FINDINGS – FEDERAL COMPLIANCE

2021-004 FINDING: FISCAL OPERATIONS REPORT (Continued)

University officials stated the input error in FISAP was due to oversight on the part of the employee preparing the FISAP. The amounts were thought to be immaterial differences, and the correct amounts were properly reported and included on the totals column. The late filing of the second submission was due to additional changes that need to be made after the December 15, 2021 deadline. University officials stated changes made were extremely minor and did not affect total amounts of Perkins, FSEOG, or FWS. As allowed by Federal regulations, the University can request to change the information on FISAP even after the deadline, and the University has secured approval from the U.S. Department of Education to submit changes after the deadline.

Failure to timely and accurately submit the University's FISAP may jeopardize future federal funding. (Finding Code No. 2021-004)

RECOMMENDATION

We recommend the University improve procedures to ensure accurate and timely reporting.

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation and has updated its procedures to ensure that reporting requirements and deadlines are met.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2021

CURRENT FINDINGS – FEDERAL COMPLIANCE

2021-005 FINDING: FEDERAL PERKINS LOAN COHORT DEFAULT RATE TOO HIGH

Federal Department:	U.S. Department of Education
Assistance Listing Numbers:	84.038, 84.033, 84.007, 84.063, 84.268, 84.379
Cluster Name:	Student Financial Assistance Cluster
Programs:	Federal Perkins Loan Program – Federal Capital Contributions, Federal Work-Study Program, Federal Supplemental Educational Opportunity Grants, Federal Pell Grant Program, Federal Direct Student Loans, Teacher Education Assistance for College and Higher Education Grants
Award Numbers:	P033A201156, P033A191156, P007A151156, P007A191156, P007A201156, P063P190567, P063P200567, P268K210567, P268K200567, P379T200567, P379T210567
Questioned Cost:	None
Program Expenditures:	\$3,257,469; \$437,855; \$303,625; \$7,662,088; \$27,426,646; \$12,244
Cluster Expenditures:	\$40,197,084

Governors State University’s (University) Federal Perkins loan cohort default rate is in excess of the threshold for administrative capability stipulated by the U.S. Department of Education.

The Federal Perkins Loan cohort default rate as of June 30, 2021 (for borrowers who entered repayment during Fiscal Year 2020) was 16.67%, which exceeded the 15% threshold. The University chose to continue servicing their Perkins Loan portfolio after Federal Perkins Loan Program loan originations were discontinued in Fiscal Year 2018.

The Code of Federal Regulations (Code) (34 CFR 668.16) states “to begin and to continue to participate in any Title IV, HEA program, an institution shall demonstrate to the Secretary that the institution is capable of adequately administering that program under each of the standards established in this section. The Secretary considers an institution to have that administrative capability if the institution – ... (m)(1) Has a cohort default rate - (iii) as defined in 34 CFR 674.5, on loans made under the Federal Perkins Loan Program to students for attendance at the institution that does not exceed 15 percent.”

The U.S. Department of Education’s Dear Colleague Letter (DCL ID: GEN-17-10) states institutions that choose to continue to service their outstanding Perkins Loan portfolios must continue to service these loans in accordance with the Federal Perkins Loan Program regulations in 34 CFR 674.

The Uniform Guidance (2 CFR 200.303) requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal statutes, regulations, and terms and conditions of the Federal award. Effective internal controls

GOVERNORS STATE UNIVERSITY
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2021

CURRENT FINDINGS – FEDERAL COMPLIANCE

2021-005 FINDING: FEDERAL PERKINS LOAN COHORT DEFAULT RATE TOO HIGH (Continued)

should include procedures to ensure the University maintains a Federal Perkins Loan cohort default rate of less than 15%.

University officials indicated they have met all due diligence requirements with regards to Perkins collections and have worked closely with the collection agency and with former students to facilitate loan consolidations, to reduce the cohort default rate; however economic conditions continue to present challenges for some former students.

Failure to maintain a Federal Perkins Loan cohort default rate below 15% resulted in noncompliance with the Code, the Uniform Guidance, and the U.S. Department of Education’s directive. (Finding Code No. 2021-005, 2020-002, 2019-005, 2018-008, 2017-003, 2016-006)

RECOMMENDATION

We recommend the University improve its efforts and procedures to ensure its cohort default rate is not in excess of the threshold for administrative capabilities stipulated by the U.S. Department of Education.

UNIVERSITY RESPONSE

The University agrees with this finding and accepts the recommendation. The University will continue to closely monitor and communicate with students entering on default on a month-to-month basis, in addition to sending defaulted student loans to the Illinois State Comptroller’s Offset system.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2021

PRIOR FINDINGS NOT REPEATED

A **FINDING: Failure to Meet Earmarking Requirements for Head Start Program**

During the prior audit, Governors State University (University) did not meet the funded enrollment requirement for its Head Start Program (Program).

During the current audit period, the U.S. Department of Health and Human Services (Department) suspended the enrollment requirements for the Program due to the COVID-19 pandemic. The Department will begin monitoring enrollment again beginning January 2022. (Finding Code No. 2020-003, 2019-001, 2018-010, 2017-004, 2016-007, 2015-002, 2014-003)

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor Program/Grant Title	Assistance Listing Number	Federal Project or Pass-Through Number	Pass-Through To Subrecipients	FY 2021 Expenditures
MAJOR PROGRAMS				
STUDENT FINANCIAL ASSISTANCE CLUSTER:				
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Federal Direct Student Loans	84.268		\$ -	\$ 27,426,646
Federal Pell Grant Program	84.063		-	7,662,088
Federal Perkins Loan Program - Federal Capital Contributions	84.038		-	3,257,469
Federal Work-Study Program	84.033		-	437,855
Federal Supplemental Educational Opportunity Grants	84.007		-	303,625
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379		-	12,244
TOTAL U.S. DEPARTMENT OF EDUCATION			-	39,099,927
<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/Occupational Therapy</i>	93.925		-	383,996
Nurse Faculty Loan Program (NFLP) <i>Nurse Faculty Loan Program</i>	93.264		-	713,161
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			-	1,097,157
TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER			-	40,197,084
<u>U.S. DEPARTMENT OF EDUCATION</u>				
COVID-19 - Education Stabilization Fund				
<i>COVID-19 - Education Stabilization Fund/Governors State University Emergency Financial Aid Grants Under CARES Act - Higher Education Emergency Relief Fund (HEERF) - Student Aid Portion</i>	84.425E		-	2,733,902
<i>COVID-19 - Education Stabilization Fund/Governors State University Higher Education Emergency Relief Fund (HEERF) - Institutional Portion</i>	84.425F		-	4,415,235
<i>COVID-19 - Education Stabilization Fund/Governors State University Higher Education Emergency Relief Fund (HEERF) - Strengthening Institutions Program (SIP)</i>	84.425M		-	168,455
Passed through the Illinois Board of Higher Education				
<i>COVID-19 - Education Stabilization Fund Program Governor's Emergency Education Relief Fund (GEERF)</i>	84.425C	21GEERGSU	-	515,484
<i>COVID-19 - Education Stabilization Fund Program Governor's Emergency Education Relief Fund (GEERF)</i>	84.425C	21RFP04	-	152,006
Total COVID-19 - Education Stabilization Fund			-	7,985,082
TOTAL U.S. DEPARTMENT OF EDUCATION			-	7,985,082

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor Program/Grant Title	Assistance Listing Number	Federal Project or Pass-Through Number	Pass-Through To Subrecipients	FY 2021 Expenditures
RESEARCH AND DEVELOPMENT CLUSTER:				
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Higher Education - Institutional Aid <i>Integrating Pathways: Student Success Through Junior Year Transition</i>	84.031A		-	291,684
Centers for International Business Education Passed through Indiana University <i>Center for International Business Education Research (CIBER)</i>	84.220	IN-4236302-GSU	-	26,813
TOTAL U.S. DEPARTMENT OF EDUCATION			-	318,497
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Biomedical Research and Research Training Passed through the Board of Trustees of the University of Illinois <i>IRACDA at University of Illinois at Chicago</i>	93.859	18121	-	14,514
Family Smoking Prevention and Tobacco Control Act Regulatory Research Passed through the Regents of the University of Michigan <i>Center for the Assessment of the Public Health Impact of Tobacco Regulations</i>	93.077	SUBK00014316	-	6,166
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			-	20,680
<u>NATIONAL SCIENCE FOUNDATION</u>				
Education and Human Resources Passed through Chicago State University <i>Illinois Louis Stokes Alliance for Minority Participation</i>	47.076	53953	-	18,853
Biological Sciences Passed through Cornell University <i>Coastal SEES Collaborative Research</i>	47.074	84104-10936	-	9,959
TOTAL NATIONAL SCIENCE FOUNDATION			-	28,812
TOTAL RESEARCH AND DEVELOPMENT CLUSTER			-	367,989
TOTAL MAJOR PROGRAMS			-	48,550,155
OTHER PROGRAMS				
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Child Care Access Means Parents in School <i>CCAMPIS at Governors State University</i>	84.335A		-	19,174
Undergraduate International Studies and Foreign Language Programs <i>Making Spanish and Global Studies Accessible to All</i>	84.016A		-	35,530
TOTAL U.S. DEPARTMENT OF EDUCATION			-	54,704
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Head Start <i>Early Head Start</i>	93.600		-	1,036,048
<i>COVID-19 - Early Head Start</i>	93.600		-	21,451
Total Head Start			-	1,057,499

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor Program/Grant Title	Assistance Listing Number	Federal Project or Pass-Through Number	Pass-Through To Subrecipients	FY 2021 Expenditures
Mental and Behavioral Health Education and Training Grants <i>Behavioral Health Workforce Education and Training (BHWET)</i>	93.732		-	525,307
Substance Abuse and Mental Health Services Projects of Regional and National Significance <i>Module-Based Substance Use Disorders Training for Behavioral, Medical, and Allied Health Practitioners</i>	93.243		-	28,067
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	260134400	-	297,309
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			-	<u>1,908,182</u>
<u>U.S. DEPARTMENT OF COMMERCE</u>				
Cluster Grants <i>Fostering Supply Chain and Logistics Innovation in Chicago Southland</i>	11.020		-	29,567
TOTAL U.S. DEPARTMENT OF COMMERCE			-	<u>29,567</u>
<u>NATIONAL ENDOWMENT FOR THE ARTS</u>				
Promotion of the Arts_Partnership Agreements <i>Arts Midwest Touring Fund-MOMIX</i>	45.025		-	2,800
Promotion of the Arts_Grants to Organizations and Individuals <i>Importance of Arts Participation for the Sense of Belonging and Academic Outcomes of University Students of Color</i>	45.024		-	2,186
TOTAL NATIONAL ENDOWMENT FOR THE ARTS			-	<u>4,986</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Child and Adult Care Food Program Passed through the Illinois State Board of Education <i>Child and Adult Food Care Program</i>	10.558	56099527051	-	54,224
TOTAL U.S. DEPARTMENT OF AGRICULTURE			-	<u>54,224</u>
TOTAL OTHER PROGRAMS			-	<u>2,051,663</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -	<u>\$ 50,601,818</u>

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2021

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the State of Illinois, Governors State University (University) under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200 *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because this schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net position, or cash flows of the University.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The University has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 - FEDERAL STUDENT LOAN PROGRAMS

The federal student loan programs listed subsequently are administered directly by the University and balances and transactions relating to these programs are included in the University's basic financial statements. Expenditures reported on the Schedule include loans outstanding at the beginning of the year, loans made during the year, any administrative cost allowance claimed, cash balance of the fund as of the end of the year, and cancellations receivable at the end of the year. The balance of loans outstanding at June 30, 2021 consists of:

Assistance		Outstanding Balance
Listing Number	Program Name	at June 30, 2021
84.038	Federal Perkins Loan Program	\$1,305,864
93.264	Nurse Faculty Loan Program	\$ 311,949

NOTE 4 - SUBRECIPIENTS

During the year ended June 30, 2021, the University did not pass through federal assistance to any subrecipients.

NOTE 5 - NON-CASH ASSISTANCE

The University did not receive any federal non-cash assistance during the year ended June 30, 2021.

NOTE 6 - INSURANCE

The University did not have federally funded insurance in effect during the year ended June 30, 2021.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FEDERAL AND NONFEDERAL FINANCIAL ACTIVITY
For the Year Ended June 30, 2021

The following schedules are used to determine the University's Single Audit costs in accordance with the Uniform Guidance (2 C.F.R. § 200.425).

Schedule A: Federal Financial Component

Total federal expenditures ¹	\$ 50,601,818
Total, Schedule A	\$ 50,601,818

Schedule B: Total Financial Component

Total operating expenses ²	\$ 126,995,340
Total nonoperating expenses ²	1,710,887
Federal loan balances: ^{1,3}	
Perkins Loan Program	3,257,469
Nursing Faculty Loan Program	663,455
Total value of new federal loans: ^{1,4}	
Perkins Loan Program	-
Nursing Faculty Loan Program	49,706
Federal Direct Loans	27,426,646
Other noncash federal award expenditures	-
Total, Schedule B	\$ 160,103,503

Schedule C: Computation of Nonfederal Expenses

Total, Schedule B	\$ 160,103,503	100.0%
Total, Schedule A	50,601,818	31.6%
Total nonfederal expenses	\$ 109,501,685	68.4%

¹ Obtained from the Schedule of Expenditures of Federal Awards

² Obtained from the Statement of Revenues, Expenses, and Changes in Net Positions

³ Balance at the beginning of the fiscal year with continuing compliance requirements

⁴ Balance of loans issued during the fiscal year