

LEGISLATIVE AUDIT COMMISSION



Review of
Governors State University
Year Ended June 30, 2010

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REVIEW: 4352
GOVERNORS STATE UNIVERSITY
YEAR ENDED JUNE 30, 2010
FINDINGS/RECOMMENDATIONS - 12

ACCEPTED - 6
IMPLEMENTED - 5
UNDER STUDY - 1

REPEATED RECOMMENDATIONS - 2

PRIOR AUDIT FINDINGS/RECOMMENDATIONS - 5

This review summarizes the audit of Governors State University for the year ended June 30, 2010, filed with the Legislative Audit Commission March 22, 2011. The auditors performed a financial and compliance audit in accordance with State law and the requirements of the Single Audit Act and OMB Circular A-133. The auditors stated that the financial statements were fairly presented.

Governors State is a senior university created in July 1969 and located in University Park, a southern suburb of Chicago. GSU's functions are to provide affordable and accessible undergraduate and graduate education to its culturally and economically diverse life-long learners in the Chicago metropolitan area. Major goals are: 1) academic excellence; 2) high quality faculty and staff; 3) continuous process improvement; 4) visibility, outreach and economic catalyst; 5) social, ethical and environmental responsibility; and 6) financial growth and sustainability. Dr. Elaine Maimon was President of GSU during the audit period and since November 2007.

General Information

Following is a comparative summary of assets of the University at the dates indicated:

	At June 30	
	2010	2009
Current assets	\$ 48,982,447	\$ 44,142,262
Noncurrent assets	78,084,519	68,359,392
TOTAL assets	\$127,066,966	\$112,501,654

Student enrollment as measured in full-time equivalent for the fall term is as follows:

Annual full-time equivalent	2010	2009
Undergraduate	2,261	2,005
Graduate	2,180	2,240
Total FTE	4,441	4,245

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According to the audit report, the cost per FTE student in FY10 was \$5,036 compared to \$4,843 in FY09.

Information on the number of full-time equivalent employees by function and source of funding is as follows:

	2010	2009
Funded by State appropriated funds:		
Faculty	243.1	244.7
Administrative	36.7	30.6
Other professional	88.9	91.2
Graduate assistants	19.7	22.1
Students	4.9	2.0
Civil service	199.7	197.3
TOTAL	593.0	587.9
Funded by nonappropriated funds:		
Faculty & administrative	191.6	176.6
Civil service	88.5	93.6
Students	21.9	33.3
TOTAL	302.0	303.5
GRAND TOTAL	895.0	891.4

Expenditures From Appropriations and the Income Fund

Appendix A presents a summary of revenues and expenditures for FY10 and FY09 from appropriations and the Income Fund. The General Assembly appropriated a total of \$28,324,400, all from GRF to Governors State University in FY10. Revenues from the Income Fund totaled \$28,144,433 in FY10. Total appropriated expenditures increased from \$27,616,290 in FY09 to \$28,324,400 in FY10, an increase of \$708,110, or 2.6%. Overall expenditures decreased from \$47.6 million FY09 to \$46.7 million in FY10, which is \$944,481, or 2%.

Accrued Vacation and Sick Pay

As of June 30, 2010, the University had \$5,048,000 in accumulated unpaid vacation and sick pay. This compares to \$5,570,000 as of June 30, 2009 and represents a decrease of 9.8% in FY10 over FY09.

Current Income and Expenditures

Appendix B presents a statement of revenues, expenses and changes in net assets for the years ended June 30, 2010 and 2009. As of June 30, 2010, net assets totaled \$78,188,998 as compared to \$67,998,176 as of June 30, 2009. University operating and

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nonoperating revenues increased as the result of an increase in tuition, federal ARRA funds, increases in the Pell grant funds and payments made on behalf of the University for healthcare and retirement costs. The following chart shows the sources of revenues for FY2010:

Revenues	FY10
State Appropriations	29.1%
Tuition and Fees	30.7
Grants and Contracts	12.9
Payments on Behalf of University	19.8
Auxiliary Enterprises	2.1
Other	5.4

Operating expenses increased from \$82.6 in FY09 to \$87.2 million in FY10. The increases in expenses were primarily from instruction, student services and maintenance and operation.

Expenditures	FY10
Instruction	45.8%
Student Services	7.4
Institutional support	16.2
Plant	8.0
Public Service	13.4
Other	9.2

Student services includes counseling and career services, student health services, student financial assistance, and other activities carried out with the objective of contributing to the emotional and physical well-being of students. Institutional support includes activities carried out to provide for both the day-to-day functioning, as well as the long-range viability, of the University as an operating organization and includes executive and financial management, general administration and logistical services, and public relations. "Other" includes research, academic support, scholarships, depreciation, and auxiliary enterprise expenditures.

Accounts Receivable

Appendix C provides a summary of the University's accounts receivable for FY10 and FY09. Net accounts receivable increased from \$4,308,950 in FY09 to \$4,558,640 in FY10; and the allowance for doubtful accounts increased to \$3.3 million. The single largest amount in total receivables, \$6.4 million, was the appropriation due from the State.

Property and Equipment

Appendix D summarizes the changes in property and equipment for the period under review. The ending balance in FY10 was \$134.4 million, which was \$12.6 million more than the balance at the beginning of the FY10. The total is comprised of about \$1.4 million in land, \$18.4 million in equipment, \$268,323 in sculptures and artwork, \$12.9 million in library books and \$101.4 million in buildings and improvements. The increase was due primarily to the substantial completion of deferred maintenance projects underway for the past three years.

Foundation Payments to the University

During FY10 and FY09, the University engaged Governors State University Foundation under contract to provide fund-raising services. As provided in the contract agreement, the University provided \$142,254 of services to the Foundation equal to the cost of the services the Foundation provided to the University for FY10. In addition the Foundation supported the University \$112,115 in unrestricted funds and \$75,346 in restricted funds, for a total of \$187,461. The amount made available to the University in FY09 was \$207,434.

Tuition and Fee Waivers

During FY10, the University granted \$3,352,200 in tuition and fee waivers to about 1,070 students, consisting of \$1,270,800 in mandated waivers and \$2,081,400 in discretionary waivers. Approximately 645 veterans received tuition and fee waivers valued at \$1,156,400 in FY10. This was the largest recipient category both in numbers and amount and represents a \$401,200 increase, or 53.2%, over FY09. Tuition and fee waivers in FY09 totaled almost \$2.7 million. Appendix F provides a summary of tuition and waivers for the period under review.

Accountants' Findings and Recommendations

Condensed below are the 12 findings and recommendations presented in the audit report. Two recommendations are repeated from prior audits. The following recommendations are classified on the basis of updated information provided by Karen Kissel, Associate Vice President and Comptroller, Governors State University.

Under Study

- 11. Amend policies and revise procedures to ensure all employees submit timesheets documenting the time spent each day on official State business to the nearest quarter hour. (Repeated-2005)**

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Finding: Governors State University (University) is not maintaining time sheets for its faculty and graduate assistants in compliance with the State Officials and Employees Ethics Act. The Act states, “The policies shall require State employees to periodically submit time sheets documenting the time spent each day on official State business to the nearest quarter hour; contractual State employees may satisfy the time sheets requirement by complying with the terms of their contract, which shall provide for a means of compliance with this requirement.” The IBHE adopted personnel policies for public universities on February 3, 2004 in accordance with the Act. The University has not incorporated these policies into the University’s policies.

During a review of timesheets for 26 employees during the year, auditors noted the following:

- Four faculty members used the “negative” timekeeping system whereby the employee is assumed to be working unless noted otherwise.
- Three adjunct faculty members not required by the University to submit timesheets since they worked on a contract basis.
- Two graduate assistants used positive timekeeping system wherein total contract hours worked per week is reported instead of time worked each day to the nearest quarter hour.

Updated Response: Under Study. The university acknowledges the requirements of the State Officials and Employees Ethics Act for employees to periodically report time spent each day on official State business to the nearest quarter hour. The University currently collects and monitors reported time spent on official business for all nonacademic, civil service, and professional and administrative staff. The University is reviewing existing time reporting requirements for faculty employees established by federal granting agencies and others to determine whether the requirements of the Ethics Act can be met by existing requirements rather than requiring dual reporting. In addition, the University is reviewing, along with other State universities, time reporting for faculty, as it relates to existing collectively bargained contractual obligations.

Accepted or Implemented

- 1. Verify the eligibility requirements for grant applicants and maintain supporting documentations to ensure compliance with federal regulations.**

Finding: The University did not have adequate procedures over verification of eligibility requirements for TRIO Cluster - Student Support Services and Upward Bound programs. In eligibility testing of 30 participants under the TRIO Cluster, auditors noted the following:

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Accepted or Implemented – continued

- The University's eligibility determination for five participants was either not supported or does not agree with the supporting documents on file.
- The University did not completely document its eligibility determination for 15 participants. Items on the verification portion of the application form, such as age, citizenship, grade level, enrollment, first generation, income, or disability, were not properly filled-out by program evaluators.

University officials stated that the conditions noted above were the result of oversight during eligibility processing.

Updated Response: Implemented. In March 2011, the University corrected this audit finding for our Trio cluster grant process to include: a complete review of our Trio grant processes. The outcome of this review included revising our eligibility processes and program application form to ensure future compliance.

2. Comply with federal regulations by monitoring equipment acquired from federal funds.

Finding: The University did not have adequate record keeping over its equipment acquired from federal funds. During detailed testing of Research & Development (R&D) and TRIO Clusters, auditors obtained a general ledger listing of equipment acquired from these federal funds during the FY10 and noted that the following items, each valued at \$500 and above, were not included in the property records:

- Four items of telephone and data answering equipment with a total value of \$2,248 acquired and charged to the R&D Cluster.
- Three items of scientific equipment with a total value of \$6,546 acquired and charged to the R&D Cluster.
- Electronic data processing equipment valued at \$4,171 acquired and charged to the TRIO Cluster.

University officials stated that they were not aware of the federal requirement that equipment acquired from federal funds be specifically identified in the property records.

Updated Response: Implemented. Since this was brought to the University's attention, the University moved all identified federal equipment into a separate property location in the electronic inventory system. Further, with the development and implementation of the new Enterprise Resource Planning (ERP) system the University will have the ability to better track and identify federal equipment in the inventory system.

3. Comply with the reporting requirements of grant programs and ensure timely submission of all reports. Program directors should monitor their report submission requirements to ensure compliance.

Finding: The University is a recipient of a grant from the U.S. Department of Health and Human Services (HHS). The required federal reports as of June 30, 2010 were not submitted. In detailed testing of Research and Development Program, auditors noted that the budget and project period for this program was extended from June 30, 2010 through April 30, 2011. The University did not submit the required interim progress report and annual Financial Status Report as required.

Subsequently, the University submitted the annual Financial Status Report on January 14, 2011 and the interim progress report on January 19, 2011 after it was noted during the audit.

University officials stated that the condition noted above was the result of an oversight in the monitoring of the report submission requirements.

Updated Response: Accepted. In May 2011, due to the increase in the number of grants, associated reporting requirements, and to ensure compliance with existing and future grant requirements, the University restructured the University Office of Grants and Sponsored Programs. This restructuring includes a change in the OSPR management from a half-time to full-time academic administrator and an addition of two full-time positions -- a Deputy Coordinator and a grant accountant. As of 6/30/11, the two new positions have not been filled but the search process has commenced and we hope to have these employees on staff by the end of August.

4. Improve procedures to ensure compliance with federal requirements.

Finding: The University did not have adequate controls in documenting and monitoring the match/cost share provided to the Teacher Quality Partnership Grants.

The University is a recipient of the grant programs under the Teacher Quality Partnership Grants: In a review of the grant performance reports (ED 524B), auditors noted the following:

- The final performance report for the budget period October 1, 2008 to September 30, 2009 for the Improving Teacher Preparation program showed a match of \$125,634, which is \$41,993 or 25% less than the required recipient's non-federal share of \$167,627. Auditors asked for the supporting documentation for the \$125,634 presented on the final performance report but the University was not able to provide it.

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- The annual performance report for the reporting period April 16, 2009 to April 15, 2010 for the Recruiting and Mentoring Teachers program did not show any matching amount. The University's match should have been \$114,110.

University officials stated that the conditions noted above were due to the resignation of the grant accountant.

Updated Response: Accepted. In May 2011, due to the increase in the number of grants, associated reporting requirements, and to ensure compliance with existing and future grant requirements, the university restructured the University Office of Grants and Sponsored Programs. This restructuring includes a change in the OSPR management from a half-time to full-time academic administrator and an addition of two full-time positions -- a Deputy Coordinator and a grant accountant. As of 6/30/11, the two new positions have not been filed but the search process has commenced and we hope to have these employees on staff by the end of August.

5. Implement procedures to ensure that indirect costs recorded are in accordance with the federally approved rate.

Finding: The University recorded indirect cost in excess of the federally approved rate. In detailed testing of Research and Development, auditors noted that for the fiscal year ended June 30, 2010, the indirect cost recorded by the University under program fund 31-3503 represents 61% of the program's cost base, which is 6% higher than the approved rate of 55%. Details are as follows:

Program's cost base (payroll and fringe benefits)	\$ 154,456
Approved indirect cost rate	55%
Should be indirect cost amount	<u>84,951</u>
Indirect cost recorded per books (61%)	<u>94,287</u>
Excess indirect cost (6%)	<u>\$ 9,336</u>

University officials stated that the condition noted above was due to oversight.

Updated Response: Accepted. In May 2011, due to the increase in the number of grants, associated reporting requirements, and to ensure compliance with existing and future grant requirements, the university restructured the University Office of Grants and Sponsored Programs. This restructuring includes a change in the OSPR management from a half-time to full-time academic administrator and an addition of two full-time positions -- a Deputy Coordinator and a grant accountant. As of 6/30/11, the two new positions have not been filed but the search process has commenced and we hope to have these employees on staff by the end of August.

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6. Ensure that SMART disbursements are reported to the U.S. Department of Education within 30 days of being disbursed as required.

Finding: The disbursements made by the University to students awarded with National Science and Mathematics Access to Retain Talent Grants (SMART) were not reported timely. In detailed testing of 40 students who received student financial aid during the academic year 2009-2010, SMART disbursements in Fall 2009 for three students were not reported to the U.S. Department of Education within 30 days from the disbursement dates (12 to 101 days late).

University officials stated that the condition noted above was due to administrative oversight.

Updated Response: Implemented. The University commissioned a peer review of its financial aid operations by the National Association of Student Financial Aid Administrators (NASFAA) and implemented a series of recommendations designed to improve customer service and compliance with federal and state requirements. One recommendation that has already been implemented was the creation and filling of a new position of Associate Director of Financial Aid to address the needs of increased number of students on financial aid, to improve customer service, and to ensure effective compliance with reporting requirements.

7. Ensure all contracts over the threshold amounts are filed with the Office of the Comptroller and the three signatures required for contracts of \$250,000 or more be obtained in accordance with State statutes and regulations.

Finding: The University did not comply with certain required contracting procedures. During tests of 25 contracts, auditors noted the following:

- Four contracts totaling \$3,074,064 did not have the three signatures required for contracts of \$250,000 or more.
- Two contracts each valued at more than \$10,000 and a contract for professional and artistic services valued at more than \$5,000 were not filed with the Office of the State Comptroller. These contracts were incurred against locally-held funds.
- Three contracts each valued at more than \$10,000 were not filed with the Office of the State Comptroller within 15 days after execution (three to nine days late). These contracts were incurred against locally-held funds.

University officials stated that the conditions noted above were due to oversight.

Updated Response: Implemented. The University modified its contracting process to include an additional review of the contract files to ensure that all contracts are filed with the Office of the State Comptroller on time and, if necessary, to include three signatures

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Accepted or Implemented – continued

for all contracts \$250,000 and over.

- 8. Adhere to procedures to ensure that property and equipment records are accurately maintained and updated. Conduct periodic physical inventories to ensure existence of equipment and update property records with the results of the inventory. Ensure submission of a complete inventory of equipment with DCMS. In addition, ensure proper completion of the quarterly C-15 Reports.**

Finding: The University did not have adequate controls over its property and equipment. While attempting physical identification of 50 items in the property records, auditors noted:

- A corrector base, valued at \$10,500, was not found.
- Two items with a total value of \$52,584 were not tagged with the University decal. These items consisted of a shuttle bus and a television. The University subsequently affixed the University decal on these items.

Information in the property records for four items were not updated as follows:

- A battery charger valued at \$530 was found in a different location. No Property Change Request form was prepared to support the change in location.
- Tag numbers affixed on two items with a total value of \$12,479 did not match the tag numbers in the property records.
- A portable projector valued at \$719 was reported as stolen in March 2008 but not yet deleted in the property records.

The University subsequently updated the property records.

During tracing to the property records of items physically identified, auditors noted:

- Two typewriters were not included in the property records.
- Several items of art equipment with a total value of \$4,497 were recorded in the property records as a single item. Based on further review of supporting documents, these items are individually valued at less than \$500. The University subsequently updated the property records to reflect each of the items as appropriate.

During a review of 25 equipment deletions made during the fiscal year, nine items with a total value of \$6,360 were deleted from the University's property records four to 350 days prior to approval from the Department of Central Management Services (DCMS).

In detailed testing of 25 equipment vouchers during the fiscal year, auditors noted:

- Equipment purchases from a voucher tested with a total value of \$5,738 were not included in the property records.

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- Equipment purchases from two vouchers tested with a total value of \$12,038 were not included in the property listing as of the fiscal yearend submitted by the University to DCMS.

During review of the Quarterly Agency Report of State Property (C-15 Reports) for the fiscal year, auditors also noted the following:

- The University's capital lease equipment with a total cost of \$169,545 was included as part of the general equipment category instead of being reflected separately in the quarterly C-15 Reports.
- C-15 Reports for the first and fourth quarters did not reflect deletions amounting to \$300,339 and \$58,138, respectively, under the appropriate line. These amounts were offset against additions instead of being presented as deletions.

University officials stated that the conditions noted above were a result of human errors and the ease and mobility of property from room to room.

Updated Response: Accepted. The University will continue to improve its property control processes and reporting procedures. Further, with the development and implementation of the new ERP system, the University will have better capability to track and identify property and equipment.

9. Ensure that faculty members comply with the University Faculty Research and Consulting Act as required by statute. (Repeated-2009)

Finding: The University did not comply with the University Faculty Research and Consulting Act. Each year, the University's Office of the President requests all faculty members who intend to perform outside research and/or consulting services to submit a *Request for Advance Approval of University Faculty Research and Consulting*. During a review of nine Requests and the related *Annual Statement of Time Spent on Outside Research and/or Consulting Services*, auditors noted that three Requests were approved two to 78 days after the start of the related services. In addition, two Annual Statements were not submitted by the faculty members to the University.

Updated Response: Accepted. The University routinely communicates the requirements of this law to faculty members. The University's new provost has recently been working with deans and department chairs to reinforce the need for proper and more effective compliance.

10. Comply with the provisions of the Governors State University Law concerning meningitis.

Accepted or Implemented – concluded

Finding: The University did not inform its incoming students at the beginning of each academic year about meningitis and its transmission as required by the Governors State University Law. The last notification sent to incoming students was dated September 4, 2003 and the University has not sent any notification thereafter.

University officials stated that the condition noted was due to oversight.

Updated Response: Implemented. The University has developed and implemented a communications plan. Under the plan, at the beginning of each academic year and it will be posting signs throughout the campus and placing advertisements in the student newspaper about meningitis and its transmission.

12. Restrict the use of accounts with powerful capabilities, make the Administrator's account unique and not shared to establish accountability, and log use of the account and regularly review the log to ensure that the account is used for valid reasons. Implement segregation of duties and deny administrator access to move changes to production, change production programs or enter transactions. Develop formal procedures for user access and logical security which contain guidelines for requesting, changing, terminating or approving user access and periodically review user access rights. Enforce the policy regarding password change interval and length. Restrict access to the Data Center. Improve physical security measures to store documents that contain sensitive or personal information in locked cabinets.

Finding: During the review of the University, the following weaknesses were noted in regard to the administration of computer security:

- The number of personnel having powerful system-level access privileges was excessive.
- Lack of adequate segregation of duties.
- Lack of adequate documentation of policies and procedures relating to the administration of user access.
- Passwords for non-administrative accounts (including students) never expire and do not adhere to the University's standard length.
- Access to the University's Data Center was excessive.

The powerful Administrator's User ID and password were shared by the Network, Helpdesk, and Application Development personnel, as well as vendors and system service users. When brought to the attention of appropriate management, immediate action was taken to remove the access from all of the above except Network personnel.

Aside from the lean organization of the application development group, the designated application security administrator had the lead experience and expertise in the system and

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process, and was relied upon to complete many tasks. Designated system administrators have carried out their security administration based on established practices, in addition to other assigned tasks and responsibilities. The documentation of local policies and standard procedures has lagged.

Updated Response: Accepted. The University's Information Technology Services (ITS) completed a thorough review of processes and is completing documentation. Although all of the specifics in the recommendation above have not been implemented in their entirety, ITS has restricted full administrator access to only network team personnel; a security committee has been established as part of the ERP implementation to review and establish guidelines for user security levels; and in the 4th quarter of 2011, ITS will implement a password change interval and length policy for all users.

Emergency Purchases

The Illinois Purchasing Act (30 ILCS 505/1) states that "the principle of competitive bidding and economical procurement practices shall be applicable to all purchases and contracts." The law also recognizes that there will be emergency situations when it will be impossible to conduct bidding. It provides a general exemption for emergencies "involving public health, public safety, or where immediate expenditure is necessary for repairs to State property in order to protect against further loss of or damage ... prevent or minimize serious disruption in State services, to insure the integrity of State records, or to avoid lapsing or loss of federal or donated funds. The Chief procurement officer may promulgate rules extending the circumstances by which a purchasing agency may make 'quick purchases', including but not limited to items available at a discount for a limited period of time."

State agencies are required to file an affidavit with the Auditor General for emergency procurements that are an exception to the competitive bidding requirements per the Illinois Purchasing Act. The affidavit is to set forth the circumstance requiring the emergency purchase. The Commission receives quarterly reports of all emergency purchases from the Office of the Auditor General. The Legislative Audit Commission is directed to review the purchases and to comment on abuses of the exemption.

During FY10, the University filed one affidavit for an emergency purchase totaling \$53,500 for an architectural firm for potential renovations.

Headquarters Designations

The State Finance Act requires all State agencies to make semiannual headquarters reports to the Legislative Audit Commission. Each State agency is required to file reports of all of its officers and employees whose official duties require them to spend more than 50% of their time at locations other than their official headquarters.

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Governors State University indicated as of July 12, 2010, no employees were assigned to locations other than that at which their official duties require them to spend the largest part of their working time.