

NOTE:

Illinois State University's FY2010 financial statements should be read in conjunction with the FY2011 financial statements. In the FY2010 financial statements, the June 30, 2010 net assets have been restated (decreased by \$5,189,664) to correct errors in reporting accounts receivable. Because the June 30, 2010 net assets have been restated, the previously issued auditors' report dated March 30, 2011 is not to be relied upon without consideration of the auditors' report dated March 2, 2012 on the restatement of the June 30, 2010 net assets.



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

ILLINOIS STATE UNIVERSITY

**Financial Audit and Compliance Examination (In
accordance with the Single Audit Act and OMB
Circular A-133)**

For the Year Ended: June 30, 2010

Release Date: April 14, 2011

Summary of Findings:

Total this audit: 3

Total last audit: 2

Repeated from last audit: 2

SYNOPSIS

- The University does not perform a periodic reconciliation of the detailed property and equipment listings to the general ledger.
- The University had not assured adequate University-wide procedures existed over the proper disposal of confidential information.

Expenditures and Activity Measures are summarized on the reverse page.}

ILLINOIS STATE UNIVERSITY
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
For The Year Ended June 30, 2010

FINANCIAL OPERATIONS	2010	2009
Operating Revenues		
Student tuition and fees, net.....	\$ 152,516,115	\$ 137,167,496
Auxiliary enterprises.....	81,017,810	73,181,556
Grants and contracts.....	20,378,921	19,543,657
Sales and services of educational activities.....	2,634,827	2,461,319
Other.....	23,734,054	22,679,369
Total Operating Revenues.....	<u>\$ 280,281,727</u>	<u>\$ 255,033,397</u>
Operating Expenses		
Instruction.....	\$ 109,969,512	\$ 106,796,366
Research.....	14,202,048	14,317,400
Public service.....	15,098,876	16,373,915
Academic support.....	14,190,544	13,628,645
Student services.....	35,310,245	33,845,827
Institutional support.....	27,229,921	28,555,692
Operation and maintenance of plant.....	29,536,156	27,499,940
Scholarships and fellowships.....	32,894,660	25,391,152
Auxiliary enterprises.....	61,583,757	51,784,687
Depreciation.....	17,939,398	16,719,631
Payments on Behalf of the University.....	78,553,377	59,580,738
Other.....	2,401,736	2,368,255
Total Operating Expenses.....	<u>\$ 438,910,230</u>	<u>\$ 396,862,248</u>
Operating Income (Loss).....	<u>\$ (158,628,503)</u>	<u>\$ (141,828,851)</u>
NONOPERATING REVENUES (EXPENSES)		
State appropriations.....	\$ 85,146,430	\$ 82,991,020
Capital appropriations, gifts and grants.....	8,511,807	6,766,481
On behalf payments of the University.....	79,867,958	60,802,887
Other, net.....	24,966,869	22,979,053
INCREASE (DECREASE) IN NET ASSETS.....	<u>\$ 39,864,561</u>	<u>\$ 31,710,590</u>
Net assets, beginning of year.....	\$ 379,953,643	\$ 348,243,053
Net assets, end of year.....	<u>\$ 419,818,204</u>	<u>\$ 379,953,643</u>

SUMMARY - BALANCE SHEET	2010	2009
Current Assets.....	\$ 132,615,673	\$ 126,050,374
Noncurrent Assets	466,179,726	436,681,345
Total Assets.....	\$ 598,795,399	\$ 562,731,719
Current Liabilities.....	45,675,409	42,538,353
Noncurrent Liabilities.....	133,301,786	140,239,723
Total Liabilities.....	\$ 178,977,195	\$ 182,778,076
Total Net Assets.....	\$ 419,818,204	\$ 379,953,643

EMPLOYMENT STATISTICS (unaudited)	2010	2009
Total Employees.....	3,806	3,696

ENROLLMENT STATISTICS (unaudited)	2010	2009
Total Enrollment (Full-time equivalent students).....	19,022	18,614

UNIVERSITY PRESIDENT
During Audit Period: Dr. C. Alvin Bowman
Currently: Dr. C. Alvin Bowman

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

**LACK OF REVIEWED AND APPROVED
RECONCILIATION OF DETAILED PROPERTY
LISTINGS TO THE GENERAL LEDGER**

**Periodic reconciliations between
property records and general ledger
were not performed**

The University does not perform periodic reconciliations of detailed property listings to the general ledger. Without a reconciliation, the University can not ensure that the activity being recorded in the general ledger agrees to the activity recorded in the property and equipment database. We noted the following:

**Assets were not capitalized when
acquired**

- The University did not capitalize assets as of the date acquired, but as of the date they were tagged. We noted in the first quarter of 2010, approximately \$837,000 of capital assets were capitalized when tagged that had been previously expensed in 2009. As of June 30, 2010, there was approximately \$207,000 of capital assets that were improperly expensed due to not being tagged until 2011.
- The University improperly capitalized approximately \$2,339,000 of equipment in 2009 that was below the capitalization threshold. The University corrected this misclassification in fiscal year 2010.
- The University recorded approximately \$2,863,000 in both the construction in progress and buildings accounts during fiscal year 2009 for the same costs. The University corrected this error in fiscal year 2010 by eliminating \$2,863,000 from the construction in progress account.
- The University improperly expensed approximately \$1,750,000 of building costs during fiscal year 2009. The University corrected this misclassification in fiscal year 2010.
- As a result of the above misclassifications, the June 30, 2010 C-15 report is incorrect.

**2009 expenses were understated by
approximately \$2,615,000 and 2010
expenses were overstated
approximately \$2,822,000**

The net effect of these misclassifications resulted in the expenses on the fiscal year 2009 financial statements being understated by approximately \$2,615,000. The expenses in the fiscal year 2010 financial statements are overstated by approximately \$2,822,000. The June 30, 2010 financial statements were not adjusted for these misclassifications as management deemed them immaterial.

Proper internal control procedures require that accounts be periodically reconciled at the detail level to ensure that the

subledgers agree to the general ledger balances. (Finding 1, pages 15-16)

We recommended that the University perform a reconciliation of the detailed property and equipment listings to the general ledger that is properly reviewed and approved on a quarterly basis.

University agrees with auditors

University officials accepted our recommendation.

INADEQUATE PROCEDURES OVER DISPOSAL OF CONFIDENTIAL INFORMATION

Controls over confidential information need to be improved

The University had not assured adequate University-wide procedures existed over the disposal of confidential information. We noted the University:

No risk assessment of the University computing environment to identify confidential or personal information

- Had not performed a risk assessment of its computing environment to identify and protect confidential information from unauthorized disclosure.
- Had not installed disk encryption software on its laptop computers as well as mainframe backup tapes.
- Had not formally approved procedures regarding the University's responsibilities, as stated in the Personal Information Protection Act, for the prompt investigation and notification in the event of a breach of personal information.

Confidential or personal information found in unsecured bins

While performing walkthroughs at the University, we found personal information and personal health information in unsecured bins.

Failure to establish adequate procedures to protect and timely dispose of confidential information and to enforce compliance with established procedures can lead to such information being compromised. (Finding 3, pages 18-20)

We recommended the University assess its procedures for safeguarding and subsequent disposal of all confidential information. The University should effectively communicate the procedures to all University personnel and enforce compliance with its procedures ensuring all confidential information is kept secured until no longer needed, and then properly disposed. We also recommend the University perform a comprehensive risk assessment of its computer environment and encrypt personal or confidential data.

University agrees with auditors

University officials accepted our recommendation.

OTHER FINDINGS

The remaining finding is reportedly being given attention by the University. We will review the University's progress towards the implementation of our recommendations in our next audit.

AUDITORS' OPINION

Our auditors stated the financial statements of the University as of June 30, 2010 and for the year then ended are fairly presented in all material respects.



WILLIAM G. HOLLAND
Auditor General

WGH:CML:pp

SPECIAL ASSISTANT AUDITORS

Clifton Gunderson, LLP were our special assistant auditors for this audit.