**REPORT DIGEST**
**ILLINOIS STATE UNIVERSITY**
**FINANCIAL AUDIT**
**FOR THE ONE YEAR ENDED JUNE 30, 1992**
**AND**
**COMPLIANCE AUDIT**
**FOR THE TWO YEARS ENDED JUNE 30, 1992**

## INTRODUCTION

Our audit report is presented in four parts:

- Report of the Comptroller
- Report of the Comptroller - Supporting Information
- Compliance Audit
- Supplemental Financial Information

This audit satisfies the requirements of both the federal Single Audit Act of 1984 and OMB Circular A-133.

## FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

### INTEREST ON TUITION AND FEES NOT DEPOSITED IN STATE TREASURY

Between fiscal years 1989 and 1992, approximately $121,000 in interest earned on student tuition and fees was not remitted to the State Treasury. A summary of the interest follows:

The University retained this interest locally instead of remitting it to the State Treasury.  The State Finance Act requires any interest earned on tuition or fees to be deposited into the Income Fund in the State Treasury.

According to their response, University officials agreed with our recommendation and are now remitting interest to the State Treasury.  (Finding 1, page 8; first reported in 1990.)

**DEFERRED MAINTENANCE OF EXISTING FACILITIES**

The University did not perform all normal, routine preventative building maintenance -- such as mechanical repairs, roof work, and utility upgrades -- on existing facilities; instead, its financial resources were used to correct failures and react to emergency situations and to build new facilities.  Generally speaking, new facilities should not be built until existing facilities are adequately maintained.

During 1992, the University began inspecting campus facilities to determine the extent of deferred maintenance.  They identified an estimated $30.9 million in needed repairs.  Since fiscal year 1988, the University has spent $29.1 million on repairs and maintenance and $36.6 million on new facilities.  Part of the expenditures for new facilities was funded through the issuance of revenue bonds.

By delaying the required maintenance of campus facilities, management may inadvertently increase the cost of future repair bills and cause unplanned disruptions in campus operations.  We recommended that the University devote sufficient resources to routine preventative maintenance for its buildings and grounds before pursuing future plans for new facilities.  (Finding 2, page 10; first reported in 1990.)

University officials disagreed with our recommendation and stated that both new facilities and continued maintenance are essential to their institutional mission.  According to their response, the University's annual capital funding request reflects their commitment to preventative maintenance.

**STATE COMPTROLLER'S OFFSET SYSTEM NOT FULLY UTILIZED**

The University did not use the State Comptroller's Receivable Offset System to collect many of its delinquent student receivables.  As of June 30, 1992, $2.3 million in student receivables were over one year old.   Of this amount, only $890,000 was reported for collection through the Comptroller's Offset System.  The University did not report other delinquent receivables because the required information was not easily gathered.

State law requires agencies to use the Comptroller's Offset System for any overdue receivables exceeding $1,000. Exceptions are permitted when the agency and debtor have agreed to a payment plan or when the agency has demonstrated to the State Comptroller that the Offset System would not be cost effective. Neither exception was obtained.

We recommended that the University use the State Comptroller's Offset System to pursue collections. (Finding 4, page 14; first reported in 1988.)

According to their response, management agreed to comply with the law. They will seek the Comptroller's approval of the University's current collection process and will continue their development of computerized receivable records.

## COMPUTER SECURITY

Our report presents four major finding areas where computer security needs to be improved.

- The University's disaster recovery plan for mainframe computer operations was developed but had not been fully tested. (Finding 5, page 16; first reported in 1982.)

- Computer security needs to be strengthened in areas such as policy development and password control. (Finding 6, page 18.)

- The role of computer security administrator was not clearly defined and separated from day-to-day operations. (Finding 7, page 21; first reported in 1988.)

- Security for the computerized local area networks (LANs) needs improvement, including unique passwords and lock-out of shared ID's. As of June 1992, the University had 33 separate LANs operating on campus. (Finding 8, page 23.)

Our recommendations for each of these areas were generally accepted by University management.

## OTHER FINDINGS

The remaining findings are considered less significant. We will review the University's progress toward implementation of our recommendations during our next audit. University responses were provided by Mr. Chuck Taylor, Comptroller.

## OTHER MATTER

Similar to other State universities, the size of Illinois State University's liability for accrued employee compensated absences has grown in recent years and warrants careful monitoring.

Sick pay, which began accruing in 1984, now represents over two-thirds of the University's $15.1 million liability for compensated absences. Below is a summary of the accrued vacation and sick pay liability for the audit period:

| | Accumulated Liability For: | | |
|---|---|---|---|
| | VACATION PAY | SICK PAY | TOTAL |
| Balance at June 30, | | | |
| 1992 | $ 4,762,707 | $10,390,871 | $15,153,578 |
| 1991 | 4,681,111 | 9,586,208 | 14,267,319 |

**AUDITORS' OPINION**

Our auditors state that the June 30, 1992 financial statements of Illinois State University are fairly presented.

WILLIAM G. HOLLAND, Auditor General

WGH:JHL:pw

**ILLINOIS STATE UNIVERSITY**
**Summary of Audit Findings**

| | 1992 | 1991 (Financial Audit Only) | 1990 |
|---|---|---|---|
| Total Findings | 13 | n/a | 33 |
| Recommendations Repeated | 9 | n/a | 16 |
| Prior Recommendations Implemented or Not Repeated | 24 | n/a | 18 |

**SPECIAL ASSISTANT AUDITORS**

Our special assistant auditors on this engagement were Clifton, Gunderson & Co.