

**EASTERN ILLINOIS UNIVERSITY**

**Reports Required Under  
*Government Auditing Standards***

For the Year Ended June 30, 2017

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

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



**EASTERN ILLINOIS UNIVERSITY**

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## **UNIVERSITY OFFICIALS**

President	Dr. David M. Glassman
Provost and Vice President for Academic Affairs	Dr. Blair M. Lord
Interim Vice President for Business Affairs	Mr. Paul A. McCann
Interim Vice President for Student Affairs	Ms. Lynette F. Drake
Vice President for University Advancement	Vacant
Interim Director of Business Services and Treasurer	Ms. Linda Holloway
General Counsel	Mr. Robert L. Miller
Director of Internal Auditing	Ms. Leigh C. Moon

## **BOARD OF TRUSTEES (as of June 30, 2017)**

Chairperson	Mr. Joseph R. Dively
Vice Chairperson	Mr. Timothy Burke
Secretary	Mr. Carl Mito
Member	Ms. Barbara Bauer
Member	Mr. Daniel P. Caulkins
Member	Dr. Jan Spivey Gilchrist
Member	Mr. Phillip B. Thompson
Student Member	Ms. Maralea Negron

University offices are located at:  
600 Lincoln Avenue  
Charleston, Illinois 61920

## **EASTERN ILLINOIS UNIVERSITY**

### ***Government Auditing Standards Report***

#### **Government Auditing Report Summary**

The audit of the financial statements of Eastern Illinois University (University) was performed by CliftonLarsonAllen LLP in accordance with *Government Auditing Standards*. This report is an integral part of that audit. Based on their audit and the reports of other auditors, the auditors expressed an unmodified opinion on the University's basic financial statements.

#### **Summary of Finding**

The auditors identified a certain deficiency in internal control over financial reporting that they considered to be a material weakness which is described in the accompanying schedule of findings and responses on page 5 of this report.

#### **Exit Conference**

An exit conference was held on March 6, 2018. Attending were:

#### **Eastern Illinois University**

Mr. Paul McCann, Interim Vice President for Business Affairs  
Mr. Michael Hutchinson, Assistant Controller  
Mr. Josh Awalt, Assistant Vice President – ITS

#### **CliftonLarsonAllen LLP**

Mr. Michael T. Hillary, Principal

#### **Office of the Auditor General**

Ms. Peggy Hartson, Manager

Response was provided by the University in correspondence dated March 12, 2018.

**INDEPENDENT AUDITORS' 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  
Eastern Illinois 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 of Eastern Illinois University and the aggregate discretely presented component units, collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Eastern Illinois University' basic financial statements, and have issued our report thereon dated March 12, 2018. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component units, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Eastern Illinois University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Eastern Illinois University's internal control. Accordingly, we do not express an opinion on the effectiveness of Eastern Illinois 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 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 first paragraph 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 and responses as item 2017-001, that we consider to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Eastern Illinois 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Eastern Illinois University's Response to Findings**

Eastern Illinois University's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Eastern Illinois 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 them.

### **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 result of that testing, and not to provide an opinion on the effectiveness of Eastern Illinois 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 Eastern Illinois University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

### **Signature on File**

**CliftonLarsonAllen LLP**

Peoria, Illinois  
March 12, 2018

**EASTERN ILLINOIS UNIVERSITY  
CURRENT FINDING AND RESPONSE  
GOVERNMENT AUDITING STANDARDS  
For the Year Ended June 30, 2017**

**2017-001. Finding: Financial Statement Reporting of Restricted Accounts**

Eastern Illinois University (University) did not ensure restrictions from revenue bond covenants were properly reflected within the University's financial statements.

As of June 30, 2017, the University's Auxiliary Facilities System (System) consisted of certain facilities across campus which are not directly related to the University's instruction, research, or service units, including:

- athletic-related facilities;
- recreation-related facilities;
- resident halls and apartments;
- student services facilities;
- textbook rentals.

As of June 30, 2017, the System had outstanding revenue bond issues (Series 2005 and Series 2008B) where the proceeds from these bonds had been used to finance certain projects within the system.

These bond issues established a "closed system" for the System where the revenues generated by both could only be used for the following purposes:

- 1) expenses necessary for the operation and reasonable upkeep and repair of the System;
- 2) payment of principal and/or interest amounts when due;
- 3) amounts set aside limited to and used for financing the costs of renovating or replacing capital assets of the System beyond ordinary maintenance and operation of the System;
- 4) amounts set aside limited to and used for constructing new space or additions to existing facilities within the System; and
- 5) amounts set aside limited to and used for the purchase of moveable equipment to be installed in the facilities within the System.

However, if any funds existed following the use of revenues for the above purposes, the remaining funds were to be set aside to either fund the redemption of previously issued bonds when callable, the purchase of the University's bonds on the open market, or any other System purpose permitted by law. Notably, resources within the System are unavailable for use by the University outside of the System.

**EASTERN ILLINOIS UNIVERSITY  
CURRENT FINDING AND RESPONSE  
GOVERNMENT AUDITING STANDARDS  
For the Year Ended June 30, 2017**

During testing, we noted the University had controls to segregate the System's assets and include their net position with the University's financial statements; however, the University did not accurately report restricted assets and restricted net position under generally accepted accounting principles. As a result, to be in accordance with Governmental Accounting Standards Board Statement 34, the University (and all Illinois public universities with closed systems) changed its accounting presentation in its final financial statements to show all non-capital assets associated with the System, totaling \$17,548,000, as restricted assets and reclassified the System's portion of the University's net position to expendable restricted net position, totaling \$15,057,000.

Governmental Accounting Standards Board Statement No. 34, Paragraph 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, requires net position should be reported as restricted when constraints imposed upon the use of the net position are externally imposed by creditors, such as through debt covenants. Further, Governmental Accounting Standards Board Statement No. 34, Paragraph 99, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, requires the reporting of restricted assets when constraints imposed upon the use of the net position are externally imposed by creditors which change the nature or normal understanding of the availability of the asset, such as assets that cannot be used to extinguish liabilities outside of those allowed by the bond covenants.

In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University establish and maintain a system, or systems, of fiscal and administrative controls to provide assurance that revenues, expenses, resources, and funds applicable to operations are properly recorded and accounted for to permit the preparation of reliable financial reports and to maintain accountability over the State's resources.

University officials attributed the deficiencies to incorrect conclusions reached in the past. During the current audit period, after consultation with staff of the Governmental Accounting Standards Board by the Office of the Auditor General and the Office of the State Comptroller, all of the State's public universities with a closed system determined it was necessary to reclassify each closed system's non-capital assets and net position to reflect a restriction.

Failure to report the non-capital assets and net position related to the System as restricted resulted in a material misstatement of the University's financial statements and reduced the overall reliability of statewide financial reporting. (Finding Code No. 2017-001)

**EASTERN ILLINOIS UNIVERSITY  
CURRENT FINDING AND RESPONSE  
*GOVERNMENT AUDITING STANDARDS*  
For the Year Ended June 30, 2017**

**Recommendation**

We recommend the University continue to review its financial reporting to provide assurance accounts are properly classified under generally accepted accounting principles.

**University Response**

The University agrees with the auditor's recommendation and, as noted within the finding, has made the changes to its financial statements.

**EASTERN ILLINOIS UNIVERSITY  
PRIOR FINDINGS  
*GOVERNMENT AUDITING STANDARDS*  
For the Year Ended June 30, 2017**

**None**