



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

SOUTHERN ILLINOIS UNIVERSITY

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

For the Year Ended: June 30, 2012

Release Date: Lwpg'8.'4235

Summary of Findings:

• Compliance Examination	12
• Financial Audit (previously reported 4-11-13)	<u>3</u>
Total findings:	15
Total last report:	6
Repeated from last audit:	4

SYNOPSIS

This digest covers our compliance examination and OMB A-133 federal single audit of Southern Illinois University (the "University") for the year ended June 30, 2012. A financial audit covering the year ending June 30, 2012 was previously released on April 11, 2013. In total this report contains fifteen findings, three of which were also reported in the Financial Audit which was released on April 11, 2013.

- The East St. Louis Center of the Edwardsville campus did not perform a formalized review of budget to actual reports for their Head Start program during fiscal year 2012.
- The East St. Louis Center of the Edwardsville campus failed to meet the Head Start program's requirement for enrollment of children with disabilities.
- The University was unable to locate 257 computers during their annual inventory.
- The Carbondale campus had a subsidy between accounting entities during fiscal year 2012.

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

SOUTHERN ILLINOIS UNIVERSITY
COMPLIANCE EXAMINATION AND SINGLE AUDIT
For the Year Ended June 30, 2012

COMPARATIVE SCHEDULE OF INCOME FUND REVENUES AND EXPENDITURES (Amounts in Thousands)	FY 2012	FY 2011
INCOME FUND REVENUES		
Student tuition and fees, net.....	\$ 211,341	\$ 204,514
Investment income and other.....	1,033	921
Sales and services.....	88	134
Total Revenues.....	<u>212,462</u>	<u>205,569</u>
INCOME FUND EXPENDITURES		
Personal services.....	116,300	109,300
Contractual services.....	28,848	25,969
Transfers.....	21,310	33,285
Awards and grants.....	10,774	9,482
Equipment.....	10,717	9,940
Scholarships, fellowships and waivers.....	7,473	8,338
Commodities.....	5,274	5,135
Travel.....	2,062	1,983
Social security.....	2,050	2,251
Telecommunications.....	1,008	905
Bad debt expense.....	744	524
Operation of automotive equipment.....	635	313
Group insurance.....	237	1,341
Permanent improvements.....	76	22
Unemployment compensation benefits.....	73	62
Total Expenditures.....	<u>207,581</u>	<u>208,850</u>
Excess of Revenues over Expenditures.....	<u>\$ 4,881</u>	<u>\$ (3,281)</u>

EMPLOYMENT STATISTICS (UNAUDITED)	FALL 2011	FALL 2010
Faculty.....	2,171	2,174
Graduate assistants.....	1,019	994
Civil service.....	3,571	3,608
Administrative and Professional staff.....	1,528	1,564
Total Employees.....	<u>8,289</u>	<u>8,340</u>

ENROLLMENT STATISTICS (UNAUDITED)	FALL 2011	FALL 2010
Fall term enrollment (full-time equivalents).....	27,792	28,525

COST PER STUDENT (UNAUDITED)	FY 2012	FY 2011
Cost per full time equivalent student.....	\$ 38,500	\$ 35,183

PRESIDENT
During Examination Period: Dr. Glenn Poshard
Currently: Dr. Glenn Poshard

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**CONTROLS OVER CASH MANAGEMENT OF THE
HEAD START PROGRAM NEED IMPROVEMENT**

No formalized review of reports

The East St. Louis Center of the Edwardsville campus did not perform a formalized review of budget to actual reports for their Head Start program, during fiscal year 2012. As a result, effective internal controls related to the Head Start program were lacking.

Reviews not documented

The University used the monthly budget to actual reports as a control to monitor revenues and expenditures related to the Head Start program during the grant period. The reviews were not formally documented, and as such, no audit evidence exists to prove that the reviews occurred. The annual Head Start budget for the East St. Louis campus for fiscal year 2012 was \$11.6 million. (Finding #4, page 21)

We recommended the Edwardsville campus create formalized policies and procedures related to the review of budget to actual reports and documentation of internal control procedures and retention of fiscal monitoring for the Head Start program.

University agrees with auditors

University officials accepted our recommendation and indicated the University Accounting Reports are being reconciled monthly.

**FAILURE TO MEET HEAD START EARMARKING
REQUIREMENTS**

Program requirements not met

The East St. Louis Center of the Edwardsville campus failed to meet the Head Start program's requirement for enrollment of children with disabilities.

The East St. Louis campus had funded enrollment of only 4 percent of children with disabilities, which is less than the required 10 percent for the Head Start program.

Waiver requested

In a letter to the Administration for Children and Families dated October 12, 2012, the University acknowledged they did not meet the earmarking requirement and requested a waiver. The University has not yet received a written response from the Administration for Children and Families regarding the waiver request.

**University experienced barriers
to achieve the required
enrollment**

According to University officials, SIUE East St. Louis Head Start experienced several barriers to achieving the enrollment requirement. (Finding #5, page 22) **This finding was first reported in 2010.**

We recommended a documented supervisory review of projected enrollment levels occur before the grant agreements are signed. Further, the University should formally monitor the enrollment status quarterly throughout the grant period.

University agrees with auditors

University officials accepted our recommendation and indicated that if earmarking requirements for children with disabilities cannot be met, waivers would be requested in a more timely fashion. (For the previous University response, see Digest footnote #1)

NEED TO IMPROVE CONTROLS OVER COMPUTER INVENTORY

University unable to locate 257 computers

Southern Illinois University (University) was unable to locate 257 computers (192 from Carbondale and 65 from Edwardsville) during their annual inventory. These items were deemed by the University to have been lost or stolen during fiscal year 2012, totaling \$416,183.

Computers were not protected with encryption software

During testing, the auditors noted the University had not protected its computers with encryption software, thus increasing the risk that confidential information could be exposed. Confidential information routinely collected and maintained by the University includes education records, health records, personal information, and sensitive information.

In addition, the University did not perform a detailed assessment and therefore was unable to assess whether the missing computers contained confidential information.

No procedures were in place to determine if lost or stolen computers contained confidential information

University officials stated that they file police reports for computers reported as stolen. For computers reported as lost many of the missing computers are later located by department staff and are properly cleared of data and surplus. However, University officials stated that no procedures were in place to assess whether lost or stolen computers contained confidential information. (Finding #11, pages 29-30)

We recommended the University:

- perform an assessment to determine if the missing computers contain confidential information;
- review current practices to determine if enhancements can be implemented to prevent the theft or loss of computers;
- establish procedures to immediately notify security personnel of any missing or stolen computers to allow them to assess if a computer may have contained confidential information and document the results of the assessment; and,
- ensure confidential information is adequately secured with methods such as encryption or redaction.

University agrees with auditors

University officials accepted our recommendation and indicated that controls over computer inventory and data will be implemented.

NONCOMPLIANCE WITH UNIVERSITY GUIDELINES

Southern Illinois University (University) had a subsidy between accounting entities during fiscal year 2012.

Student Programs and Services were subsidized

During testing of the University Guidelines, the auditors noted the Carbondale Student Programs and Services accounting entity had a negative cash balance at the beginning and end of Fiscal Year 2012 (a negative cash balance is – in effect – an unrecorded interfund payable), thereby causing a subsidy between accounting entities to occur.

Subsidies are not allowed

The Legislative Audit Commission’s University Guidelines, adopted in 1982 and as amended in 1997, (Chapter III, Section D, Part 1) states, “There shall be no subsidies between accounting entities. Subsidies include cash advances and interfund payables/receivables outstanding for more than one year.”

Renovations of facilities caused negative cash balance

According to University officials, the renovation of facilities at the Carbondale campus resulted in the cash position of the Student Programs and Services entity to become negative in the amount of \$(55,699) at June 30, 2012. The entity’s cash position is expected to be positive at June 30, 2013. (Finding #12, page 31)

We recommended the University review the activities of accounting entities and ensure that fees charged for services are sufficient to cover expenditures and ensure that subsidies between accounting entities do not occur.

University agrees with auditors

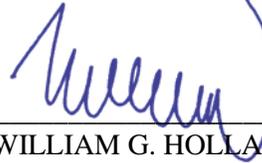
University officials accepted our recommendation and indicated procedures are being modified to ensure fees charged are sufficient to ensure that a subsidy between accounting entities does not occur.

OTHER FINDINGS

The remaining findings are reportedly being given attention by the University. We will review the University’s progress towards the implementation of our recommendations in our next engagement.

AUDITORS' OPINION

We conducted a compliance examination and OMB A-133 federal single audit of the University for the year ended June 30, 2012 as required by the Illinois State Auditing Act. A financial audit covering the year ending June 30, 2012 was issued separately.



WILLIAM G. HOLLAND
Auditor General

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SPECIAL ASSISTANT AUDITORS

CliftonLarsonAllen LLP was our special assistant auditors for this engagement.

DIGEST FOOTNOTE

#1 - Failure to Meet Headstart Earmarking Requirements - Previous University Response

Accepted