



**EASTERN ILLINOIS UNIVERSITY**  
**A Component Unit of the State of Illinois**

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REPORT REQUIRED UNDER  
*GOVERNMENT AUDITING STANDARDS*

For the Year Ended June 30, 2020

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



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**EASTERN ILLINOIS UNIVERSITY**  
A Component Unit of the State of Illinois  
**FINANCIAL AUDIT**  
For the Year Ended June 30, 2020

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**EASTERN ILLINOIS UNIVERSITY**  
A Component Unit of the State of Illinois  
University Officials  
For the Year Ended June 30, 2020

**UNIVERSITY OFFICIALS**

|                                                                         |                         |
|-------------------------------------------------------------------------|-------------------------|
| President                                                               | Dr. David M. Glassman   |
| Provost and Vice President for Academic Affairs                         | Dr. Jay D. Gatrell      |
| Vice President for Business Affairs (Interim) (through 6/15/20)         | Mr. Paul A. McCann      |
| Vice President for Business Affairs (6/15/20 - Present)                 | Mr. Sean D. Reeder      |
| Vice President for Student Affairs (Interim) (through 7/31/20)          | Ms. Lynette F. Drake    |
| Vice President for Student Affairs (8/1/20 - Present)                   | Ms. Anne Flaherty       |
| Vice President for University Advancement                               | Mr. Kenneth A. Wetstein |
| Director of Business Services and Treasurer (Interim) (through 6/15/20) | Ms. Linda Holloway      |
| Director of Business Services and Treasurer (6/15/20 - Present)         | Mr. Paul A. McCann      |
| General Counsel                                                         | Ms. Laura McLaughlin    |
| Director of Internal Auditing                                           | Ms. Leigh C. Moon       |

**BOARD OF TRUSTEES** (as of June 30, 2020)

|                  |                          |
|------------------|--------------------------|
| Chairperson      | Ms. Barbara Baurer       |
| Vice Chairperson | Ms. Joyce Madigan        |
| Secretary        | Mr. C. Christopher Hicks |
| Member Pro-Temp  | Dr. Phillip Thompson     |
| Member           | Mr. Joseph R. Dively     |
| Member           | Dr. Audrey Edwards       |
| Member           | Mr. Martin Ruhaak        |
| Student Member   | Ms. Kathleen Conlin      |

University offices are located at:

600 Lincoln Avenue  
Charleston, Illinois 61920

**EASTERN ILLINOIS UNIVERSITY**  
A Component Unit of the State of Illinois  
**FINANCIAL AUDIT**  
For the Year Ended June 30, 2020

**REPORT REQUIRED UNDER GOVERNMENT AUDITING STANDARDS**

**SUMMARY**

The audit of the financial statements of Eastern Illinois University (University) was performed by Sikich 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, issued under a separate cover.

**SUMMARY OF FINDINGS**

The auditors identified one matter involving the University's internal control over financial reporting that they considered to be a material weakness.

| <u>Item No.</u>         | <u>Page</u> | <u>Last/First Reported</u> | <u>Description</u>                            | <u>Finding Type</u>                 |
|-------------------------|-------------|----------------------------|-----------------------------------------------|-------------------------------------|
| <b>CURRENT FINDINGS</b> |             |                            |                                               |                                     |
| 2020-001                | 5           | New                        | Inadequate internal controls over census data | Material Weakness and Noncompliance |

**EXIT CONFERENCE**

The finding and recommendation appearing in this report were discussed with University personnel at an exit conference on May 6, 2021.

Attending were:

Eastern Illinois University

Sean Reeder, Vice President of Business Affairs  
Paul McCann, Director of Business Services and Treasurer  
Mike Hutchinson, Assistant Comptroller  
Linda Holloway, Interim Human Resources Director

Office of the Auditor General

Peggy Hartson, Senior Manager  
Kathy Lovejoy, Principal of IS Audits

Sikich, LLP

Thomas Leach, Partner

The response to the recommendation was provided by Mr. Paul McCann, Director of Business Services and Treasurer, in correspondence dated May 17, 2021.

132 South Water Street, Suite 300  
Decatur, IL 62523  
217.423.6000

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INDEPENDENT AUDITOR’S 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

### **Report on the Financial Statements**

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 and its aggregate discretely presented component units of Eastern Illinois University (University), collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the University’s basic financial statements, and we have issued our report thereon dated May 17, 2021. Our report includes a reference to other auditors who audited the financial statements of the University’s 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 (internal control) or compliance and other matters of the Eastern Illinois University Foundation and the Eastern Illinois University Alumni Association, component units of the University, that are reported on separately by those auditors.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 financial statements. 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001.

## **Internal Control Over Financial Reporting**

Management of the University is responsible for establishing and maintaining effective internal control over financial reporting (internal control).

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 a 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 second 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 weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001 that we considered to be a material weakness.

### **University's Response to the Finding**

The University's response to the finding identified in our audit is described in the accompanying Schedule of Findings. The University's response was not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

**SIGNED ORIGINAL ON FILE**

Decatur, Illinois  
May 17, 2021

**EASTERN ILLINOIS UNIVERSITY**

A component Unit of the State of Illinois

**SCHEDULE OF FINDINGS – GOVERNMENT AUDITING STANDARDS FINDINGS**

For the Year Ended June 30, 2020

2020-001. **FINDING** (Inadequate internal controls over census data)

The Eastern Illinois University (University) did not have adequate internal control over reporting its census data and did not have a reconciliation process to provide assurance census data submitted to its pension and other postemployment benefits (OPEB) plans was complete and accurate.

Census data is demographic data (date of birth, gender, years of service, etc.) of the active, inactive, or retired members of a pension or OPEB plan. The accumulation of inactive or retired members' census data occurs before the current accumulation period of census data used in the plan's actuarial valuation (which eventually flows into each employer's financial statements), meaning the plan is solely responsible for establishing internal controls over these records and transmitting this data to the plan's actuary. In contrast, responsibility for active members' census data during the current accumulation period is split among the plan and each member's current employer(s). Initially, employers must accurately transmit census data elements of their employees to the plan. Then, the plan must record and retain these records for active employees and then transmit this census data to the plan's actuary.

We noted the University's employees are members of both the State Universities Retirement System (SURS) for their pensions and the State Employees Group Insurance Program sponsored by the State of Illinois, Department of Central Management Services (CMS) for their OPEB. In addition, we noted these plans have characteristics of different types of pension and OPEB plans, including single employer plans and cost-sharing multiple-employer plans.

During testing, we noted the following:

- The University had not performed an initial complete reconciliation of its census data recorded by SURS and CMS to its internal records to establish a base year of complete and accurate census data.
- After establishing a base year, the University had not developed a process to annually obtain from SURS and CMS the incremental changes recorded by SURS and CMS in their census data records and reconcile these changes back to the University's internal supporting records.

Upon due consideration and based upon the significance of these issues alone, we concluded a material weakness exists within the University's internal controls related to ensuring both SURS and CMS can provide their respective actuaries with complete and accurate census data related to the University. Even given these two exceptions, we performed detail testing and certain data analysis tests and noted the following additional exceptions:

- 1) Three of 80 (4%) employees tested had three events occur during the census data accumulation period throughout Fiscal Year 2018 which had not been reported by the University to SURS.

- 2) We performed an analysis of transactions reported by the University to SURS during the census data accumulation period throughout Fiscal Year 2018, noting the following problems:
  - Two of 20 (10%) employees reported as laid off by the University were untimely reported to SURS by the University. SURS determined the total potential impact to each former employee's total service credit was it could be off by one-quarter to one-half year.
  - Two of 12 (17%) employees had three departures on a leave of absence where the start date of the leave of absence was untimely reported to SURS by the University. SURS determined the total potential impact to each of these employee's total service credit was it could be off by 1 to 2 years.
  - Three of 13 (23%) employees with a return from a leave of absence had the end date of the leave of absence untimely reported to SURS by the University. SURS determined the total potential impact to each of these employee's total service credit was it could be off by one-half to 1 year.
- 3) As of the end of the census data accumulation year on June 30, 2018, we identified seven employees where each employee's associated termination or rehire date(s) had been untimely reported to SURS. While these employees were all associated with the University at June 30, 2018, some or all of these untimely reports may have occurred at other public universities and community colleges across the State. SURS determined these errors resulted in the employees being misclassified between the active, retired, and inactive member categories within SURS. The total potential impact to each former employee's total service credit was it could be off between 0.0 and 1.75 years.

For employers where their employees participate in plans with multiple-employer and cost-sharing features, the American Institute of Certified Public Accountants' *Audit and Accounting Guide: State and Local Governments* (AAG-SLG) (§ 13.177 for pensions and § 14.184 for OPEB) notes the determination of net pension/OPEB liability, pension/OPEB expense, and the associated deferred inflows and deferred outflows of resources depends on employer-provided census data reported to the plan being complete and accurate along with the accumulation and maintenance of this data by the plan being complete and accurate. To help mitigate against the risk of a plan's actuary using incomplete or inaccurate census data within similar agent multiple-employer plans, the AAG-SLG (§ 13.181 (A-27) for pensions and § 14.141 for OPEB) recommends an employer annually reconcile its active members' census data to a report from the plan of census data submitted to the plan's actuary, by comparing the current year's census data file to both the prior year's census data file and its underlying records for changes occurring during the current year.

Additionally, eligibility criteria for participation in SURS under the Illinois Pension Code (Code) (40 ILCS 5/15-134(a)) states any person who is an employee of the University becomes a participant in SURS. Under the Code (40 ILCS 5/15-107), an employee is a person who works for the University in a secretarial, mechanical, labor, clerical, educational, administrative, or other staff position which is either (a) permanent and continuous or (b) for a period of four months or an academic term, whichever is less, who is:

- 1) not a student employed on a less than full-time temporary basis;
- 2) not receiving a retirement or disability annuity from SURS;
- 3) not on military leave;
- 4) not eligible to participate in the Federal Civil Service Retirement System,
- 5) not currently on a leave of absence without pay more than 60 days after the termination of SURS' disability benefits;
- 6) not paid from funds received under the Federal Comprehensive Employment and Training Act as a public service employment program participant hired on or after July 1, 1979;
- 7) not a patient in a hospital or home;
- 8) not an employee compensated solely on a fee basis where such income would net earnings from self-employment;
- 9) not providing military courses pursuant to a federally-funded contract where the University has filed a written notice with SURS electing to exclude these persons from the definition of an employee;
- 10) currently on lay-off status of not more than 120 days after the lay-off date;
- 11) not on an absence without pay of more than 30 days; and,
- 12) a nonresident alien on a visa defined under subparagraphs (F), (J), (M), or (Q) of Section 1101(a)(15) of Title 8 of the United States Code who (1) has met the Internal Revenue Service's substantial presence test and (2) became an employee on and after July 1, 1991.

Further, for CMS' OPEB plan, we noted participation in OPEB is derivative of an employee's eligibility to participate in SURS, as members of SURS participate in OPEB as annuitants under the State Employees Group Insurance Act of 1971 (Act) (5 ILCS 375/3(b)).

In addition, the Illinois Pension Code (40 ILCS 5/15-157) requires the University to, at a minimum, withhold contributions of each employee's total compensation of 8% (9.5% for firefighters or police officers) for their participation in SURS, unless further contributions by the employee would either exceed the maximum retirement annuity in the Code (40 ILCS 5/15-136(c)) or the Tier 2 earnings limitation within the Code (40 ILCS 5/15-111(b)), and remit these amounts to SURS. Further, the Code (40 ILCS 5/15-155(b)) requires the University remit employer contributions to SURS reflecting the accruing normal costs of an employee paid from federal or trust funds. Additionally, the Act (5 ILCS 375/10) requires active employees to make contributions as set by CMS and the Act (5 ILCS 375/11) requires employer contributions by the University for all employees not totally compensated from its Income Fund, local auxiliary funds, and the Agricultural Premium Fund.

Finally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds applicable to operations are properly recorded and accounted for to permit the preparation of reliable financial and statistical reports.

University management indicated the items noted above occurred due to a lack of oversight. University management further indicated the establishment of rules regarding the reporting of data occurred two years plus after transactions occurred, and there was poor communications regarding the data necessary to reconcile.

Failure to ensure complete and accurate census data was reported to SURS and CMS could have resulted in a material misstatement of the University's financial statements and reduced the overall accuracy of pension/OPEB-related liabilities, deferred inflows and outflows of resources, and expense recorded by the State, the State's agencies, and other public

universities and community colleges across the State. In addition, failure to reconcile active members' census data reported to and held by SURS and CMS to the University's internal records could result in each plan's actuary relying on incomplete or inaccurate census data in the calculation of the University's pension and OPEB balances, which could result in a material misstatement of these amounts. (Finding Code No. 2020-001)

### **RECOMMENDATION**

We recommend the University implement controls to ensure census data events are timely and accurately reported to SURS and CMS.

Further, we recommend the University work with SURS and CMS to develop an annual reconciliation process of its active members' census data from its underlying records to a report from each plan of census data submitted to the plan's actuary. After completing an initial full reconciliation, the University may limit the annual reconciliations to focus on the incremental changes to the census data file from the prior actuarial valuation, provided no risks are identified that incomplete or inaccurate reporting of census data may have occurred during prior periods.

Additionally, we recommend the University work with SURS and CMS to identify and address any unremitted or erroneously remitted employee and, if applicable, employer contributions related to these events.

Finally, due to the interrelatedness of SURS, the mobility of employees to change their employers within SURS, and a specific noncompliance matter regarding whether a person is eligible to participate in SURS identified during testing at Governors State University (please see Governors State University's Fiscal Year 2020 financial audit report for more information), we recommend the University work with both SURS and Governors State University to identify employees initially hired by Governors State University with a visa defined under subparagraphs (F), (J), (M), or (Q) of Section 1101(a)(15) of Title 8 of the United States Code who had not met the Internal Revenue Service's substantial presence test and started employment on and after July 1, 1991.

### **UNIVERSITY RESPONSE**

The University agrees with the recommendation that data within the SURS and CMS needs to be reconciled and improved.

As a first step in this process, SURS needs to establish rules defining eligible employees and identify information that needs to be reported to accurately calculate the State's liability.

The University is willing to reconcile data when SURS is able to provide the University with a report of their data or share what data is to be reconciled.

With the improvement of computerized systems, we have suggested to SURS that they consider taking all or selected pay information from us each payday. This would reduce or eliminate factors that raise questions years later. In addition, this may help with issues created by the mobility of employees.