



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

ILLINOIS BOARD OF HIGHER EDUCATION

Compliance Examination
 For the Two Years Ended June 30, 2015

Release Date: April 28, 2016

FINDINGS THIS AUDIT: 4	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	0	0	2013		15-1	
Category 2:	3	1	4				
Category 3:	0	0	0				
TOTAL	3	1	4				
FINDINGS LAST AUDIT: 3							

SYNOPSIS

- (15-1) The Board failed to exercise adequate control over the recording and reporting of State property.
- (15-4) The Board approved expenditure vouchers which were incorrectly paid from certain appropriations.

Category 1: Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with State laws and regulations (material noncompliance).
Category 2: Findings that are **significant deficiencies** in internal control and **noncompliance** with State laws and regulations.
Category 3: Findings that have **no internal control issues but are in noncompliance** with State laws and regulations.

{Expenditures and Activity Measures are summarized on next page.}

**ILLINOIS BOARD OF HIGHER EDUCATION
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2015**

EXPENDITURE STATISTICS	2015	2014	2013
Total Expenditures.....	\$ 112,936,051	\$ 106,085,470	\$ 32,545,753
OPERATIONS TOTAL.....	\$ 3,781,134	\$ 3,510,977	\$ 3,725,174
% of Total Expenditures.....	3.3%	3.3%	11.4%
Personal Services.....	2,072,179	2,129,833	2,124,324
Other Payroll Costs (FICA, Retirement).....	28,661	29,174	29,815
All Other Operating Expenditures.....	1,680,294	1,351,970	1,571,035
AWARDS AND GRANTS.....	\$ 109,154,917	\$ 102,574,493	\$ 28,820,579
% of Total Expenditures.....	96.7%	96.7%	88.6%
Total Receipts.....	\$ 103,873,660	\$ 94,611,819	\$ 4,454,632
Average Number of Employees (Not Examined).....	38	38	36

SELECTED ACTIVITY MEASURES (Not Examined)	2015	2014	2013
Grant Allocations by Institution Type			
Public Universities	\$ 3,383,000	\$ 3,954,800	\$ 2,642,800
Community Colleges	365,300	462,900	625,500
Independent Institutions	3,468,900	3,618,800	2,267,800
Proprietary Institutions	19,000	19,800	21,200
Other Institutions	2,006,400	2,024,400	-
Total Grants	<u>\$ 9,242,600</u>	<u>\$ 10,080,700</u>	<u>\$ 5,557,300</u>

AGENCY DIRECTOR	
During Examination Period:	Dr. Harry J. Berman (through 2/15/14) Dr. James L. Applegate (effective 2/17/14)
Currently:	Dr. James L. Applegate

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**INADEQUATE CONTROLS OVER THE RECORDING
AND REPORTING OF STATE PROPERTY**

The Board did not exercise adequate control over the recording and reporting of State property. Some of the conditions we noted follow:

Complete records not available when requested

- The Board did not have a complete property listing in place during examination fieldwork. We requested Board property records on April 15, 2015, and a complete property listing was not provided for testing purposes until September 15, 2015.

Transactions improperly recorded

- The Board improperly recorded 85 equipment transactions throughout Fiscal Years 2014 and 2015, resulting in the 6/30/15 Quarterly Report of State Property (C-15) to be understated by \$18,053.

Supporting documentation not maintained

- We were unable to determine if the Board timely recorded 5 of 5 (100%) additions tested and 1 of 2 (50%) deletions tested, totaling \$13,605 and \$160, respectively, due to a lack of supporting documentation. (Finding 1, pages 9-10)

We recommended the Board strengthen internal controls over the recording and reporting of State property. Specifically, we recommended the Board ensure all equipment transactions are accurately and timely recorded on its property records and accurately reported on the C-15s. We also recommended the Board submit timely all required reports to ensure the accuracy and reliability of Statewide property reporting.

Board agrees with auditors

Board personnel agreed with our recommendations and stated they have assigned personnel to ensure transactions are reported accurately and reports are submitted timely.

**VOUCHERS INCORRECTLY PAID FROM CERTAIN
APPROPRIATIONS**

The Board approved expenditure vouchers that were incorrectly paid from certain appropriations. Some of the conditions we noted follow:

Faculty research grants totaling \$3,750

- Four vouchers, totaling \$2,500, were paid from the Private College Academic Quality Assurance Fund (Fund 661) for faculty research performed to explore ways to prepare teacher candidates to enter the workforce. In addition, two vouchers, totaling \$1,250, were paid from Fund 661 for faculty research performed to study the intersection of collaborate, informal, and digital learning.

Software purchase totaling \$1,260

- One voucher, totaling \$1,260, was paid from the Academic Quality Assurance Fund for software to be used by all Board staff in tracking time and benefits.

Executive Director search fees totaling \$99,920

- Fifteen vouchers, totaling \$99,920, were paid for the Board's search for an Executive Director. The vouchers were allocated to three different funds: nine vouchers, totaling \$11,311, from the General Revenue Fund; one voucher, totaling \$26,000, from Fund 661; and five vouchers, totaling \$62,609, from the PBVS Quality Assurance Fund. Board personnel concluded it was reasonable to share the search costs amongst multiple funds; however, we could not determine a specific methodology use by the Board to determine which costs to allocate to each fund. (Finding 4, pages 15-17)

We recommended the Board limit expenditures from appropriated line items to the purpose for which they are appropriated.

Board agrees with auditors

Board personnel agreed with our recommendation and stated they have adopted a cost sharing methodology for use when expenditures should be shared across multiple appropriation lines.

OTHER FINDINGS

The remaining findings pertain to 1) failure to enforce compliance with rules and regulations over State grants and 2) inaccurate reporting of financial information for federal grants. We will review the Board's progress toward implementation of our recommendations during our next regularly scheduled compliance examination.

ACCOUNTANT'S OPINION

We conducted a compliance examination of the Board for the two years ended June 30, 2015 as required by the Illinois State Auditing Act. The accountants stated the Board complied, in all material respects, with the requirements described in the report.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

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AUDITORS ASSIGNED

This examination was performed by the Office of the Auditor General's staff.