



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

BOARD OF HIGHER EDUCATION

Compliance Examination
 For the Two Years Ended June 30, 2017

Release Date: July 10, 2018

FINDINGS THIS AUDIT: 3	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	1	1	2013	17-01		
Category 2:	1	1	2	2015		17-02	
Category 3:	0	0	0				
TOTAL	1	2	3				
FINDINGS LAST AUDIT: 4							

SYNOPSIS

- (17-01) The Board did not exercise adequate controls over the recording and reporting of State property.
- (17-03) The Board did not review the implementation of the Student Transfer Achievement Reform Act.

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.}

**BOARD OF HIGHER EDUCATION
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2017**

EXPENDITURE STATISTICS	2017	2016	2015
Total Expenditures	\$ 29,941,156	\$ 9,614,823	\$ 112,936,051
OPERATIONS TOTAL.....	\$ 24,174,042	\$ 3,149,006	\$ 4,111,830
% of Total Expenditures.....	80.7%	32.8%	3.6%
Personal Services.....	2,335,564	2,420,536	2,586,056
Other Payroll Costs (FICA, Retirement).....	155,932	219,607	191,615
All Other Operating Expenditures.....	21,682,546	508,863	1,334,159
AWARDS AND GRANTS.....	\$ 5,761,333	\$ 6,463,847	\$ 108,822,771
% of Total Expenditures.....	19.3%	67.2%	96.4%
REFUNDS.....	\$ 5,781	\$ 1,970	\$ 1,450
% of Total Expenditures.....	0.0%	0.0%	0.0%
Total Receipts	\$ 4,156,599	\$ 4,522,127	\$ 103,873,659
Average Number of Employees (Not Examined)	36	37	40

SELECTED ACTIVITY MEASURES (Not Examined) (in thousands)	2017	2016	2015
Grant Allocations by Institution Type			
Public Universities	1,752.3	1,117.2	3,383.0
Community Colleges	-	-	365.3
Independent Institutions	2,276.9	5,346.1	3,468.9
Proprietary Institutions	-	-	19.0
Other Institutions	1,732.2	-	2,006.4
Total Grants	<u>5,761.4</u>	<u>6,463.3</u>	<u>9,242.6</u>

EXECUTIVE DIRECTOR
During Examination Period: Dr. James L. Applegate (7/01/15 - 2/15/17); Vacant (2/16/17 - 10/31/17)
Currently: Dr. Al Bowman (effective 11/01/17)

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

INADEQUATE CONTROL OVER STATE PROPERTY

The Board of Higher Education (Board) did not exercise adequate controls over the recording and reporting of State property. We noted the following issues during testing:

- Listing of items received from CMS not maintained**

 - The Board did not maintain a listing of inventory items received from the Department of Central Management System (CMS). Therefore, 3 of 60 (5%) items selected for backwards testing could not be traced back to the Board's property records.

- Incomplete records maintained for items acquired**

 - During the examination period, the Board acquired 139 items. We noted the Board did not record the detail object code for 139 items (100%), the voucher number for 131 items (94%), and the purchase price for one item (1%) on its property listing.

- Transferred items not reported**

 - Fourteen items transferred to CMS, totaling \$7,438, were not reported on the Board's quarterly *Agency Report of State Property* (Form C-15). Furthermore, 86 of 86 (100%) items, totaling \$29,355, were improperly classified as deletions on the Board's Form C-15s. These items were actually transfers to CMS.

- Items not reported as additions**

 - We noted 4 items purchased, totaling \$4,224, were not reported on the Board's Form C-15s as additions.

- Freight and installation charges not added**

 - Freight and installation charges, totaling \$1,620, were not added to the values of various equipment items.

- Item locations did not match inventory listing**

 - Thirteen of 120 (11%) items tested, totaling \$6,187, were found in locations that did not match the locations listed on the inventory listing.

- New Furniture Affidavit not submitted for furniture purchase**

 - The Board did not file a New Furniture Affidavit with the State Surplus Administrator for one furniture purchase, totaling \$3,235. (Finding 1, pages 10-12)
This finding has been repeated since 2013.

We recommended the Board strengthen its internal controls over the recording and reporting of State property by ensuring all equipment transactions are accurately and timely recorded on its property records and accurately reported on its Form C-15s.

Board officials agree

The Board accepted the recommendation and stated it will make the changes to ensure inventory reporting is improved. *(For the previous Board response, see Digest Footnote #1.)*

FAILURE TO REVIEW THE IMPLEMENTATION OF THE STUDENT TRANSFER ACHIEVEMENT REFORM ACT

The Board did not review the implementation of the Student Transfer Achievement Reform Act (Act).

Did not complete a review of the Act

During testing, we noted the Board did not review the implementation of this Act and, therefore, it could not file a report with the General Assembly by May 31, 2017. During discussions with Board personnel about this matter, they indicated Board staff was unaware of this requirement. (Finding 3, page 15)

Board staff was unaware of this statutory requirement

We recommended the Board improve its process for monitoring new legislation and requirements to ensure compliance. Further, we recommended the Board review the implementation of the Act and submit a report on its findings to the General Assembly.

Board officials agree

The Board accepted the recommendation and stated it will review the Act and any future legislation to ensure compliance.

OTHER FINDING

The remaining finding pertains to inaccurate financial reporting for federal grants. We will review the Board's progress towards the implementation of our recommendations in our next compliance examination.

ACCOUNTANT'S OPINION

The accountants conducted a compliance examination of the Board for the two years ended June 30, 2017, as required by the Illinois State Auditing Act. The accountants qualified their report on State compliance for Finding 2017-001. Except for the noncompliance described in this finding, the accountants stated the Board complied, in all material respects, with the requirements described in the report.

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

SIGNED ORIGINAL ON FILE

JANE CLARK, CPA
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

FJM:CMD

DIGEST FOOTNOTES

#1 – Inadequate Control over State Property – Previous Board Response

2015 – We agree. IBHE has assigned personnel that will strengthen the internal controls and reporting of State property. This will ensure all transactions are accurate and reports are submitted timely.