

**STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION**

COMPLIANCE EXAMINATION

For the Two Years Ended June 30, 2017

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

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

AGENCY OFFICIALS

Executive Director (11/01/17 – Present)	Al Bowman
Executive Director (2/16/17 – 10/31/17)	Vacant
Executive Director (7/1/15 – 2/15/17)	James L. Applegate
Deputy Directors:	
Academic Affairs	Dan Cullen
Diversity and Outreach	Arthur Sutton
Fiscal Affairs & Budgeting (6/1/17 – Present)	Nyle Robinson
Fiscal Affairs & Budgeting (Interim) (12/16/16 – 5/31/17)	Karen Helland
Fiscal Affairs & Budgeting (7/1/15 – 12/15/16)	Kevin Schoeben
Information Management & Research	Eric Lichtenberger
Executive Assistant / Secretary to the Board	Cindy Deitsch
Associate Director for External Relations	Candace Mueller
Senior Associate Director	Karen Helland
Chief Budget Officer	Bruce Bennett

BOARD MEMBERS

As of June 30, 2017, the Board was comprised of:

Tom Cross (Chairman)	John Bambenek
Jay Bergman	Max Coffey
Sherry Eagle	Jane Hays
Kevin Huber	Alice Marie Jacobs
Cherilyn Murer	Santos Rivera
Darlene Ruscitti	Jack Thomas
Christine Wiseman	

The Board's office is located at:

1 North Old State Capitol Plaza, Suite 333
Springfield, Illinois 62701-1377



ILLINOIS BOARD OF HIGHER EDUCATION

1 NORTH OLD CAPITOL PLAZA, SUITE 333
SPRINGFIELD, ILLINOIS 62701-1377

MANAGEMENT ASSERTION LETTER

Bruce Rauner
Governor

June 21, 2018

Tom Cross
Oswego
Chair

Honorable Frank J. Mautino
Auditor General

Jane Hays
Champaign
Vice Chair

State of Illinois
Iles Park Plaza
740 East Ash Street
Springfield, Illinois 62703

Members

Jay Bergman
Joliet

Auditor General Mautino:

Max Coffey
Charleston

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the State of Illinois, Board of Higher Education. We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the State of Illinois, Board of Higher Education's compliance with the following assertions during the two-year period ended June 30, 2017. Based on this evaluation, we assert that during the years ended June 30, 2016, and June 30, 2017, the State of Illinois, Board of Higher Education has materially complied with the assertions below.

Meredith Daw
Winnetka

Sherry Eagle
Chicago

Alice Marie Jacobs
Bismarck

Cherilyn Murer
Homer Glen

Santos Rivera
Chicago

Darlene Ruscitti
Bloomingdale

Jack Thomas
Macomb

A. The State of Illinois, Board of Higher Education has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.

B. The State of Illinois, Board of Higher Education has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.

C. The State of Illinois, Board of Higher Education has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

D. State revenues and receipts collected by the State of Illinois, Board of Higher Education are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.

Student Members
Akya Gossitt
Chicago

Natalie Pieper
Chicago

Ex Officio Representatives
John Bambenek
Champaign

Eric Zarnikow
Buffalo Grove

Executive Director
Dr. Al Bowman

- E. Money or negotiable securities or similar assets handled by the State of Illinois, Board of Higher Education on behalf of the State or held in trust by the State of Illinois, Board of Higher Education have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Yours truly,

Board of Higher Education

SIGNED ORIGINAL ON FILE

Dr. Al Bowman, Executive Director

SIGNED ORIGINAL ON FILE

Nyle Robinson, Deputy Director of Fiscal
Affairs and Budgeting

SIGNED ORIGINAL ON FILE

Bruce Bennett, Chief Budget Officer

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

COMPLIANCE REPORT

SUMMARY

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

ACCOUNTANT’S REPORT

The Independent Accountant’s Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes does not contain scope limitations or disclaimers, but does contain a modified opinion on compliance and identifies a material weakness in internal control over compliance.

SUMMARY OF FINDINGS

<u>Number of</u>	<u>Current</u> <u>Report</u>	<u>Prior</u> <u>Report</u>
Findings	3	4
Repeated findings	2	1
Prior recommendations implemented or not repeated	2	2

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (STATE COMPLIANCE)			
2017-001	10	Inadequate Control over State Property	Material Weakness and Material Noncompliance
2017-002	13	Inaccurate Financial Reporting for Federal Grants	Significant Deficiency and Noncompliance
2017-003	15	Failure to Review the Implementation of the Student Transfer Achievement Reform Act	Significant Deficiency and Noncompliance

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

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
PRIOR FINDINGS NOT REPEATED			
A	16	Failure to Enforce Compliance with Rules and Regulations over State Grants	
B	16	Vouchers Incorrectly Paid from Certain Appropriations	

EXIT CONFERENCE

The Board of Higher Education waived an exit conference in correspondence dated June 15, 2018. The responses to the recommendations were provided by Bruce Bennett in correspondence dated June 20, 2018.

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OFFICE OF THE AUDITOR GENERAL
FRANK J. MAUTINO

INDEPENDENT ACCOUNTANT'S REPORT ON STATE COMPLIANCE,
ON INTERNAL CONTROL OVER COMPLIANCE, AND ON
SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

Honorable Frank J. Mautino
Auditor General
State of Illinois

Compliance

We have examined the State of Illinois, Board of Higher Education's compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the two years ended June 30, 2017. The management of the State of Illinois, Board of Higher Education is responsible for compliance with these requirements. Our responsibility is to express an opinion on the State of Illinois, Board of Higher Education's compliance based on our examination.

- A. The State of Illinois, Board of Higher Education has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The State of Illinois, Board of Higher Education has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.
- C. The State of Illinois, Board of Higher Education has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the State of Illinois, Board of Higher Education are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the State of Illinois, Board of Higher Education on behalf of the State or held in trust by the State of Illinois, Board of Higher Education have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the

Auditor General pursuant to the Act (the Audit Guide). Those standards, the Act, and the Audit Guide require that we plan and perform the examination to obtain reasonable assurance about whether the State of Illinois, Board of Higher Education complied, in all material respects, with the specified requirements listed above. An examination involves performing procedures to obtain evidence about whether the State of Illinois, Board of Higher Education complied with the specified requirements listed above. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error.

We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the State of Illinois, Board of Higher Education's compliance with specified requirements.

As described in item 2017-001 in the accompanying schedule of findings, the State of Illinois, Board of Higher Education did not comply with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations. Compliance with such requirements is necessary, in our opinion, for the State of Illinois, Board of Higher Education to comply with the requirements listed in the first paragraph of this report.

In our opinion, except for the noncompliance described in the preceding paragraph, the State of Illinois, Board of Higher Education complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the two years ended June 30, 2017. However, the results of our procedures disclosed other instances of noncompliance with the requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings as items 2017-002 and 2017-003.

The State of Illinois, Board of Higher Education's responses to the findings identified in our examination are described in the accompanying schedule of findings. The State of Illinois, Board of Higher Education's responses were not subjected to the procedures applied in the compliance examination and, accordingly, we express no opinion on the responses.

The purpose of this report on compliance is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the Audit Guide issued by the Illinois Office of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Internal Control

Management of the State of Illinois, Board of Higher Education is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the State of Illinois, Board of Higher Education's internal control over compliance with the requirements listed in the first paragraph of this report to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the State of Illinois, Board of Higher Education's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Board of Higher Education's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the requirements listed in the first paragraph of this report on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as item 2017-001 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2017-002 and 2017-003 to be significant deficiencies.

As required by the Audit Guide, immaterial findings excluded from this report have been reported in a separate letter.

The State of Illinois, Board of Higher Education's responses to the internal control findings identified in our examination are described in the accompanying schedule of findings. The State of Illinois, Board of Higher Education's responses were not subjected to the procedures applied in the compliance examination and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Audit Guide, issued by the Illinois Office of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Supplementary Information for State Compliance Purposes

Our examination was conducted for the purpose of forming an opinion on compliance with the requirements listed in the first paragraph of this report. The accompanying supplementary information for the years ended June 30, 2017, and June 30, 2016, in Schedules 1 through 5 and the Analysis of Operations Section is presented for purposes of additional analysis. We have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the June 30, 2017, and June 30, 2016, accompanying supplementary information in Schedules 1 through 5. However, we do not express an opinion on the accompanying supplementary information.

As reported in Finding 2017-001, we were not able to determine whether the State of Illinois, Board of Higher Education's property listing was complete and appropriately reported. Therefore, we were unable to conclude the Schedule of Changes in State Property on Schedule 4 was complete and appropriately reported.

We have not applied procedures to the June 30, 2015, accompanying supplementary information in Schedules 3 through 5 and in the Analysis of Operations Section and, accordingly, we do not express an opinion or provide any assurance on it.

SIGNED ORIGINAL ON FILE

JANE CLARK, CPA
Director of Financial and Compliance Audits

Springfield, Illinois
June 21, 2018

STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2017

2017-001. **FINDING** (Inadequate Control over State Property)

The Board of Higher Education (Board) did not exercise adequate controls over the recording and reporting of State property.

During testing, we noted the following issues:

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

The Illinois Administrative Code (Code) (44 Ill. Admin. Code 5010.220) requires the Board to establish and maintain internal control records over all equipment items regardless of value. Also, the Statewide Accounting Management System (SAMS) (Procedure 29.10.10) requires a listing of these items to be maintained for internal accountability purposes.

- 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.

The Code (44 Ill. Admin. Code 5010.230) requires the Board record each item's identification number, location code number, description, date of purchase, purchase price, detail object code, and voucher number in its property records.

- 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.

SAMS (Procedure 29.10.30) requires all assets with an individual value of \$500 or greater and any items highly susceptible to theft regardless of value must be reported quarterly on the Form C-15. Additionally, SAMS (Procedure 29.20.10) requires the Board to report deletions and transfers-out that occurred during the applicable quarter on the proper columns on the Form C-15. Deletions include reductions due to an item's retirement, while transfers reflect items which have moved between State agencies.

STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2017

2017-001. **FINDING** (Inadequate Control over State Property) - Continued

- We noted 4 items purchased, totaling \$4,224, were not reported on the Board's Form C-15s as additions. Additionally, the Board did not timely report and incorrectly classified two of 11 (18%) items, totaling \$450, as additions on their Fiscal Year 2016, 1st Quarter C-15 Report. The two items were transfers-in that should have been reported on the Board's Fiscal Year 2015, 4th Quarter Form C-15.

SAMS (Procedure 29.10.30) requires all assets with an individual value of \$500 or greater and any items highly susceptible to theft regardless of value must be reported quarterly on the Form C-15. Additionally, SAMS (Procedure 29.20.10) requires the Board to report all new items, except for transfers in, as additions that occurred during the applicable quarter and prior periods on the Form C-15.

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

SAMS (Procedure 03.30.20) states the basic cost of equipment includes all costs necessary to acquire the asset and place it into service, such as freight charges, in-transit insurance, applicable taxes, special foundations or bases, assembly, installation, and the net invoice cost.

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

The Code (44 Ill. Admin. Code 5010.400) requires the Board adjust its property records within 30 days of a change. Further, SAMS (Procedure 29.10.10) requires the Board maintain detailed property information, including the physical locations of its assets.

- The Board did not file a New Furniture Affidavit with the State Surplus Administrator for one furniture purchase, totaling \$3,235.

The State Property Control Act (30 ILCS 605/7a) requires the Board, prior to purchasing new furniture, first check with CMS to determine if any surplus furniture can be used in place of new furniture. If the Board finds it is unable to use available surplus furniture, it must file an affidavit with the Director of CMS prior to any purchase, specifying the types of new furniture, the cost per type, and the total cost per category with a clear statement identifying why the furniture must be purchased new.

STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2017

2017-001. **FINDING** (Inadequate Control over State Property) - Continued

During the previous examination, Board personnel indicated the issues noted were mainly due to the Board moving to a new office location and limited staff. During the current examination, Board personnel indicated the issues noted were due to staff errors and misunderstandings of certain reporting and recordkeeping requirements.

Failure to maintain accurate and complete property records and timely record and report transactions increases the potential for fraud and possible loss or theft of State property, reduces the reliability of Statewide property information, and represents noncompliance with State laws and regulations. (Finding Code No. 2017-001, 2015-001, 2013-001)

RECOMMENDATION

We recommend 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 RESPONSE

We agree. The Board will make changes to ensure inventory reporting is improved.

STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2017

2017-002. **FINDING** (Inaccurate Financial Reporting for Federal Grants)

The Board of Higher Education (Board) did not accurately report financial information for its federal grants to the Office of the State Comptroller (Comptroller).

The Board reported federal activity in two funds during Fiscal Year 2017, the BHE State Projects Fund (Fund 736) and the BHE Federal Grants Fund (Fund 983). During testing of this activity, we noted the Board inaccurately reported financial information on its Forms SCO-563, SCO-567, and SCO-568 as follows:

- The Board improperly calculated and understated Fund 736's reported expenditures on the Form SCO-567 by \$20 thousand.
- The Board improperly calculated and reported grantor expenditures on its Form SCO-568s. We noted certain grantor expenditures were:
 - understated by \$10 thousand for Fund 736;
 - overstated by \$13 thousand for Fund 736; and,
 - overstated by \$6 thousand for Fund 983.
- The Board improperly calculated and overstated Fund 983's reported subrecipient amounts on its Form SCO-563 by \$16 thousand.
- The Board was unable to provide supporting documentation for expenditures, totaling \$79,000, reported on Form SCO-568 for Fund 736. In addition, the Board was unable to provide supporting documentation for expenditures, totaling \$3,000, reported on Form SCO-567 for Fund 736.
- Grants agreements provided by the Board did not include Catalog of Federal Domestic Assistance (CFDA) numbers reported on the Forms SCO-567 and SCO-568 for Fund 736 for expenditures totaling \$3 thousand.

The Fiscal Control and Internal Auditing Act (Act) (30 ILCS 10/3001) requires the Board to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance expenditures are properly recorded and accounted for to permit the preparation of accounts and reliable financial reports. Further, the Statewide Accounting Management System (SAMS) (Procedure 27.10.10) notes the preparation of the annual financial reporting packages requires careful examination of both financial and non-financial data is properly reported on the Board's reporting packages, including each fund's Forms SCO-563, SCO-567, and SCO-568.

STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2017

2017-002. **FINDING** (Inaccurate Financial Reporting for Federal Grants) - Continued

During the prior examination, Board personnel indicated the issues noted were due to staff turnover within the responsible position. During the current examination, Board personnel indicated the issues noted were due to staff oversight and inadequate documentation of certain calculations.

Failure to submit correct and properly supported information to the Comptroller decreases the accuracy of financial information used for preparing the State's Schedule of Expenditures of Federal Awards and represents noncompliance with the Act and SAMS. (Finding Code No. 2017-002, 2015-003)

RECOMMENDATION

We recommend the Board review and revise, as necessary, its current process used to gather, compile, document, and report financial information to the Comptroller to ensure its accuracy and completeness.

BOARD RESPONSE

We agree. The Board will review its process to ensure accuracy and completeness in reporting financial information to the Comptroller.

STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2017

2017-003. **FINDING** (Failure to Review the Implementation of the Student Transfer Achievement Reform Act)

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

The Act (110 ILCS 150/25(a)) requires the Board to review the implementation of the Act and submit a one-time report to the General Assembly on or before May 31, 2017. Further, good internal controls over compliance include establishing a monitoring process to ensure all compliance requirements are identified and implemented.

Board personnel indicated these problems were due to oversight.

Failure to review the implementation of this Act and file a subsequent report with the General Assembly represents noncompliance with State law and reduces governmental oversight. Additionally, failure to monitor and identify new compliance requirements increases the risk the Board will not fulfill its statutory responsibilities established by the General Assembly. (Finding Code No. 2017-003)

RECOMMENDATION

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

BOARD RESPONSE

We agree. The Board will review this Act and any future legislation to ensure compliance.

STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
PRIOR FINDINGS NOT REPEATED
For the Two Years Ended June 30, 2017

A. **FINDING** (Failure to Enforce Compliance with Rules and Regulations over State Grants)

During the previous examination, the Board of Higher Education (Board) did not enforce rules regarding the timely and accurate submission of reports and the return of unused grant funds.

During the current examination, our sample testing indicated improvement within the Board's monitoring of grantee compliance. However, we did note smaller, immaterial conditions of noncompliance. As such, this issue will be reported in the Board's *Report of Immaterial Findings*. (Finding Code No. 2015-002)

B. **FINDING** (Vouchers Incorrectly Paid from Certain Appropriations)

During the previous examination, the Board of Higher Education (Board) approved expenditure vouchers that were incorrectly paid from certain appropriations.

During the current examination, our sample testing did not reveal any such instances. (Finding Code No. 2015-004)

STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
PERFORMANCE AUDIT FOLLOW-UP
For the Two Years Ended June 30, 2017

**STATE MONEYS PROVIDED TO THE
KENWOOD OAKLAND COMMUNITY ORGANIZATION**

The Office of the Auditor General conducted a performance audit of the State moneys provided by or through State agencies to the Kenwood Oakland Community Organization (KOCO) under contracts or grant agreements in Fiscal Years 2010, 2011, 2012, 2013, 2014, and 2015. The audit was conducted pursuant to House Resolution Number 324. The audit was released in May 2017 and contained one recommendation addressed to the Board of Higher Education. Our follow-up conducted during the current examination for this recommendation concluded the recommendation was implemented. The recommendation is listed below.

Recommendation #3 - Grow Your Own Teacher Expenditure Monitoring

The Illinois Board of Higher Education should review issues identified in the audit report and determine whether repayment of any funds is necessary due to unsupported or unallowable expenditures.

Status – Implemented

The Board of Higher Education's former grant administrator discussed the issues noted with the Northeastern Illinois University (NEIU), which served as the fiscal agent and was responsible for the funds, and reviewed NEIU's audit documents for the grant. As a result of this review, it was determined that no further action was needed and no money would be recouped by the Board for the past grant funds disbursed to KOCO.

No additional funds were disbursed to KOCO via NEIU from this program during Fiscal Year 2016 and Fiscal Year 2017.

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

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

- Fiscal Schedules and Analysis:
 - Schedule of Appropriations, Expenditures, and Lapsed Balances - Fiscal Year 2017
 - Schedule of Appropriations, Expenditures, and Lapsed Balances - Fiscal Year 2016
 - Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances
 - Schedule of Changes in State Property
 - Comparative Schedule of Cash Receipts and Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller

- Analysis of Operations (Not Examined):
 - Agency Functions and Planning Program (Not Examined)
 - Analysis of Significant Variations in Expenditures (Not Examined)
 - Analysis of Significant Variations in Receipts (Not Examined)
 - Analysis of Significant Lapse Period Spending (Not Examined)
 - Budget Impasse Disclosures (Not Examined)
 - Alternative Financing in Lieu of Appropriations and Programs to Address Untimely Payments to Vendors (Not Examined)
 - Interest Costs on Fiscal Year 2017 and Fiscal Year 2016 Invoices (Not Examined)
 - Average Number of Employees (Not Examined)
 - Service Efforts and Accomplishments (Not Examined)
 - Grant Allocations by Institution (Not Examined)

The accountant's report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states the accountants have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the June 30, 2017, and June 30, 2016, accompanying supplementary information in Schedules 1 through 5. However, the accountants do not express an opinion on the supplementary information. The accountant's report also states that they have not applied procedures to the Analysis of Operations Section and, accordingly, they do not express an opinion or provide any assurance on it.

STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Expenditure Authority for Fiscal Year 2017

For the Fifteen Months Ended September 30, 2017

Public Act 99-0524, Public Act 100-0021, and Court-Ordered Expenditures FISCAL YEAR 2017	Expenditure Authority (Net Of Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to September 30	Total Expenditures 15 Months Ended September 30	Balances Lapsed September 30
APPROPRIATED FUNDS					
GENERAL REVENUE FUND - 001					
Personal Services		\$ 1,956,813	-	\$ 1,956,813	
State Contributions to Social Security		27,099	-	27,099	
Quad Cities Graduate Study Center Grant	\$ 82,000	-	26,655	26,655	\$ 55,345
IMSA Excellence 2000 Program	106,500	-	-	-	106,500
University Center of Lake County Grant	586,500	-	586,500	586,500	-
Cooperative Work Study Grants	1,089,400	-	-	-	1,089,400
Grants to Nursing Schools	415,400	-	-	-	415,400
Nurse Educator Fellowships	219,300	-	-	-	219,300
Grants to Support Essential Operations at Public Community Colleges and Public Universities	20,000,000	20,000,000	-	20,000,000	-
Operational Expenses	469,600	-	10,436	10,436	459,164
P-20 Longitudinal Education Data System	424,200	135,561	-	135,561	288,639
MyCredits Transfer Program	203,700	-	203,700	203,700	-
Washington Center Intern Program	97,800	-	-	-	97,800
Total General Revenue Fund	\$ 23,694,400	\$ 22,119,473	\$ 827,291	\$ 22,946,764	\$ 2,731,548
EDUCATION ASSISTANCE FUND - 007					
Operating Expenses and Grants	\$ 1,665,000	\$ 934,593	\$ 175,680	\$ 1,110,273	\$ 554,727
University Center of Lake County Grant	586,500	-	586,500	586,500	-
Diversifying Higher Education Faculty Program Administrative Expenses and Grants	1,456,500	-	-	-	1,456,500
Grow Your Own Teachers Program	1,466,300	-	-	-	1,466,300
Total Education Assistance Fund	\$ 5,174,300	\$ 934,593	\$ 762,180	\$ 1,696,773	\$ 3,477,527
DISTANCE LEARNING FUND - 082					
Supplemental Support and Enforcement	\$ 30,000	\$ 1,750	-	\$ 1,750	\$ 28,250
Total Distance Learning Fund	\$ 30,000	\$ 1,750	-	\$ 1,750	\$ 28,250

STATE OF ILLINOIS
 BOARD OF HIGHER EDUCATION
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
 Expenditure Authority for Fiscal Year 2017

For the Fifteen Months Ended September 30, 2017

Public Act 99-0524, Public Act 100-0021, and Court-Ordered Expenditures FISCAL YEAR 2017	Expenditure Authority (Net Of Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to September 30	Total Expenditures 15 Months Ended September 30	Balances Lapsed September 30
ACADEMIC QUALITY ASSURANCE FUND - 660					
Administration and Enforcement	\$ 400,000	\$ 327,163	\$ -	\$ 327,163	\$ 72,837
Total Academic Quality Assurance Fund	\$ 400,000	\$ 327,163	\$ -	\$ 327,163	\$ 72,837
PRIVATE COLLEGE ACADEMIC QUALITY ASSURANCE FUND - 661					
Administration and Enforcement	\$ 80,000	\$ 42,809	\$ 4,793	\$ 47,602	\$ 32,398
Total Private College Academic Quality Assurance Fund	\$ 80,000	\$ 42,809	\$ 4,793	\$ 47,602	\$ 32,398
BUDGET STABILIZATION FUND - 686					
Ordinary and Contingent Expenses	\$ 500,000	\$ 496,950	\$ 1,081	\$ 498,031	\$ 1,969
Total Budget Stabilization Fund	\$ 500,000	\$ 496,950	\$ 1,081	\$ 498,031	\$ 1,969
PRIVATE BUSINESS AND VOCATIONAL SCHOOLS QUALITY ASSURANCE FUND - 751					
Administration and Enforcement	\$ 550,000	\$ 258,535	\$ 2,768	\$ 261,303	\$ 288,697
Total Private Business and Vocational Schools Quality Assurance Fund	\$ 550,000	\$ 258,535	\$ 2,768	\$ 261,303	\$ 288,697
BHE FEDERAL GRANTS FUND - 983					
Federal Contracts and Grants	\$ 5,500,000	\$ 2,424,006	\$ 340,873	\$ 2,764,879	\$ 2,735,121
Total BHE Federal Grants Fund	\$ 5,500,000	\$ 2,424,006	\$ 340,873	\$ 2,764,879	\$ 2,735,121
TOTAL APPROPRIATED FUNDS	\$ 35,928,700	\$ 26,605,279	\$ 1,938,986	\$ 28,544,265	\$ 9,368,347

STATE OF ILLINOIS
 BOARD OF HIGHER EDUCATION
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
 Expenditure Authority for Fiscal Year 2017

For the Fifteen Months Ended September 30, 2017

Public Act 99-0524, Public Act 100-0021, and Court-Ordered Expenditures FISCAL YEAR 2017	Expenditure Authority (Net Of Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to September 30	Total Expenditures 15 Months Ended September 30	Balances Lapsed September 30
NON-APPROPRIATED FUNDS					
BHE STATE PROJECTS FUND - 736					
Early Childhood Educator Preparation Program		\$ 188,879	\$ 8,469	\$ 197,348	
Capital Development Grants		605,802	476,505	1,082,307	
Advance Illinois Program		1,502	-	1,502	
Board of Trustees Members' Training		4,500	-	4,500	
Midwestern Higher Education Compact Grant		652	-	652	
United States Aid Funds Program		90,197	1,631	91,828	
Illinois Network of Child Care Resource and Referral Agencies Grant		14,186	1,929	16,115	
Council for Higher Education Accreditation Travel Reimbursement		352	1	353	
RTI International Travel Reimbursement		-	1,284	1,284	
Illinois Education Research Council Travel Reimbursement		87	-	87	
State Higher Education Executive Organization Travel Reimbursement		-	444	444	
Synergy Travel Reimbursement		471	-	471	
Total BHE State Projects Fund		\$ 906,628	\$ 490,263	\$ 1,396,891	
TOTAL NON-APPROPRIATED FUNDS		\$ 906,628	\$ 490,263	\$ 1,396,891	
GRAND TOTAL ALL FUNDS		\$ 27,511,907	\$ 2,429,249	\$ 29,941,156	

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller's records as of September 30, 2017, and have been reconciled to Board records.

Note 2: Expenditure amounts are vouchers approved for payment by the Board and submitted to the State Comptroller for payment to the vendor.

Note 3: The Circuit Court of St. Clair County in *AFSCME Council 31 v. Munger* (15 CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to "draw and issue warrants accomplishing payment of wages [for all State employees] at their normal rates of pay." As Public Act 100-0021 states appropriation authority granted by the General Assembly does not supercede any court order directing the expenditure of funds and states such payments are added to the appropriations granted by the General Assembly, the Board was able to submit vouchers to pay its employees in full from Fund 001 without a maximum expenditure limit for personal service costs during Fiscal Year 2017. Further, the Board incurred non-payroll obligations within Fund 001 and Fund 007, which the Board was unable to pay until the passage of Public Act 100-0021.

Note 4: Public Act 99-524 authorized the Board to pay Fiscal Year 2016 costs using its Fiscal Year 2017 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 42 includes information from Board management about the number of invoices and the total dollar amount of invoices held by the Board submitted against its Fiscal Year 2017 appropriation.

Note 5: During Fiscal Year 2017, the Board operated without enacted appropriations until Public Act 100-0021 was approved on July 6, 2017. During the impasse, the Board incurred non-payroll obligations within Fund 001 and Fund 007, which the Board was unable to pay until the passage of Public Act 100-0021.

Note 6: Notwithstanding anything within Public Act 100-0021 to the contrary, Public Act 100-0021 authorized the Board to pay for all costs incurred prior to July 1, 2018, using either its Fiscal Year 2017 or Fiscal Year 2018 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 42 includes information from Board management about the number of invoices and the total dollar amount of invoices from Fiscal Year 2016 and Fiscal Year 2017 held by the Board to be submitted against either its Fiscal Year 2017 or Fiscal Year 2018 appropriation.

STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Expenditure Authority for Fiscal Year 2016

For the Fourteen Months Ended August 31, 2016

Public Act 099-0409, Public Act 099-0524, and Court-Ordered Expenditures FISCAL YEAR 2016	Expenditure Authority (Net Of Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to August 31	Total Expenditures 14 Months Ended August 31	Balances Lapsed August 31
<u>APPROPRIATED FUNDS</u>					
<u>GENERAL REVENUE FUND - 001</u>					
Personal Services	\$ 1,962,536	-	-	\$ 1,962,536	
State Contributions to Social Security	27,170	-	-	27,170	
P-20 Longitudinal Education Data System	80,587	-	-	80,587	
Total General Revenue Fund	\$ 2,070,293	-	-	\$ 2,070,293	
<u>DISTANCE LEARNING FUND - 082</u>					
Supplemental Support and Enforcement	\$ 30,000	-	1,750	\$ 1,750	\$ 28,250
Total Academic Quality Assurance Fund	\$ 30,000	-	1,750	\$ 1,750	\$ 28,250
<u>ACADEMIC QUALITY ASSURANCE FUND - 660</u>					
Administration and Enforcement	\$ 400,000	239,024	-	\$ 239,024	\$ 160,976
Total Academic Quality Assurance Fund	\$ 400,000	239,024	-	\$ 239,024	\$ 160,976
<u>PRIVATE COLLEGE ACADEMIC QUALITY ASSURANCE FUND - 661</u>					
Administration and Enforcement	\$ 80,000	-	51,272	\$ 51,272	\$ 28,728
Total Private College Academic Quality Assurance Fund	\$ 80,000	-	51,272	\$ 51,272	\$ 28,728
<u>PRIVATE BUSINESS AND VOCATIONAL SCHOOLS QUALITY ASSURANCE FUND - 751</u>					
Administration and Enforcement	\$ 550,000	330,825	50,729	\$ 381,554	\$ 168,446
Total Private Business and Vocational Schools Quality Assurance Fund	\$ 550,000	330,825	50,729	\$ 381,554	\$ 168,446
<u>BHE FEDERAL GRANTS FUND - 983</u>					
Federal Contracts and Grants	\$ 5,500,000	1,678,003	580,325	\$ 2,258,328	\$ 3,241,672
Total BHE Federal Grants Fund	\$ 5,500,000	1,678,003	580,325	\$ 2,258,328	\$ 3,241,672
TOTAL APPROPRIATED FUNDS	\$ 6,560,000	4,318,145	684,076	\$ 5,002,221	\$ 3,628,072

STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Expenditure Authority for Fiscal Year 2016

For the Fourteen Months Ended August 31, 2016

Public Act 099-0409, Public Act 099-0524, and Court-Ordered Expenditures FISCAL YEAR 2016	Expenditure Authority (Net Of Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to August 31	Total Expenditures 14 Months Ended August 31	Balances Lapsed August 31
NON-APPROPRIATED FUNDS					
<u>BHE STATE PROJECTS FUND - 736</u>					
P-20 Longitudinal Education Data System	\$ 116,620	\$ -	-	\$ 116,620	
Early Childhood Education Prep Program	377,314	21,024	-	398,338	
Common Core	3,216	-	-	3,216	
Capital Development Grants	4,073,444	-	-	4,073,444	
General Education Core Curriculum Panels	6,673	-	-	6,673	
Advance Illinois Program	8,639	991	-	9,630	
Survey Grant	3,000	-	-	3,000	
Midwestern Higher Education Compact Grant	1,681	-	-	1,681	
Total BHE State Projects Fund	\$ 4,590,587	\$ 22,015	\$ -	\$ 4,612,602	
TOTAL NON-APPROPRIATED FUNDS	\$ 4,590,587	\$ 22,015	\$ -	\$ 4,612,602	
GRAND TOTAL ALL FUNDS	\$ 8,908,732	\$ 706,091	\$ -	\$ 9,614,823	

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller's records as of September 30, 2016, and have been reconciled to Board records.

Note 2: Expenditure amounts are vouchers approved for payment by the Board and submitted to the State Comptroller for payment to the vendor.

Note 3: The Circuit Court of St. Clair County in *AFSCME Council 31 v. Munger* (15 CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to "draw and issue warrants accomplishing payment of wages [for all State employees] at their normal rates of pay." As the Board never received enacted personal services appropriations for Fund 001, the Board was able to submit vouchers to pay its employees in full without a maximum expenditure limit for personal service costs during Fiscal Year 2016.

Note 4: During Fiscal Year 2016, the Board operated without enacted appropriations until Public Act 099-0409 and Public Act 099-0524 were signed into law on August 20, 2015, and June 30, 2016, respectively. During the impasse, the Circuit Court of St. Clair County in *AFSCME Council 31 v. Munger* (15 CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to "draw and issue warrants accomplishing payment of wages [for all State employees] at their normal rates of pay." As such, the Board's court-ordered payroll payments were merged into the enacted appropriation within Fund 660 and Fund 751. Further, the Board incurred non-payroll obligations within Fund 082, Fund 661, Fund 751, and Fund 983, which the Board was unable to pay until the passage of Public Act 099-0409 and 099-0524.

Note 5: Public Act 099-0524 authorized the Board to pay Fiscal Year 2016 costs using its Fiscal Year 2017 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 42 includes information from Board management about the number of invoices and the total dollar amount of invoices held by the Board to be submitted against the Fiscal Year 2017 appropriation.

STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
For the Fiscal Years Ended June 30,

	FISCAL YEAR		
	2017	2016	2015
	P.A. 99-0524, P.A. 100-0021, and Court-Ordered Expenditures	P.A. 99-0524, P.A. 99-0409, and Court-Ordered Expenditures	P.A. 98-0678 and P.A. 99-0001
APPROPRIATED FUNDS			
GENERAL REVENUE FUND - 001			
Expenditure Authority (Net Of Transfers)			\$ 10,787,300
<u>Expenditures</u>			
Personal Services	\$ 1,956,813	\$ 1,962,536	\$ 2,072,179
State Contributions to Social Security	27,099	27,170	28,661
Contractual Services	-	-	404,769
Travel	-	-	42,693
Commodities	-	-	3,836
Printing	-	-	902
Equipment	-	-	4,217
Telecommunications	-	-	31,949
Operation of Automotive Equipment	-	-	2,292
Quad Cities Graduate Study Center Grant	26,655	-	82,000
Chicago Area Health and Medical Careers Program	-	-	1,433,600
IMSA Excellence 2000 Program	-	-	106,500
University Center of Lake County Grant	586,500	-	1,173,000
Education Faculty in Illinois Program	-	-	1,349,911
Cooperative Work Study Programs	-	-	1,089,397
Costs of the u.Select System	-	-	203,700
P-20 Longitudinal Education Data System	135,561	80,587	415,188
Washington Center Intern Program	-	-	97,800
Grow Your Own Teachers Program	-	-	1,458,916
Grants to Support Essential Operations at Public Community Colleges and Public Universities	20,000,000	-	-
Operational Expenses	10,436	-	-
MyCredits Transfer Program	203,700	-	-
Total Expenditures	<u>\$ 22,946,764</u>	<u>\$ 2,070,293</u>	<u>\$ 10,001,510</u>
Lapsed Balances			<u>\$ 785,790</u>
EDUCATION ASSISTANCE FUND - 007			
Expenditure Authority (Net Of Transfers)	\$ 5,174,300	\$ -	\$ -
<u>Expenditures</u>			
Operating Expenses and Grants	\$ 1,110,273	\$ -	\$ -
University Center of Lake County Grant	586,500	-	-
Total Expenditures	<u>\$ 1,696,773</u>	<u>\$ -</u>	<u>\$ -</u>
Lapsed Balances	<u>\$ 3,477,527</u>	<u>\$ -</u>	<u>\$ -</u>
DISTANCE LEARNING FUND - 082			
Expenditure Authority (Net Of Transfers)	\$ 30,000	\$ 30,000	\$ -
<u>Expenditures</u>			
Supplemental Support and Enforcement	\$ 1,750	\$ 1,750	\$ -
Total Expenditures	<u>\$ 1,750</u>	<u>\$ 1,750</u>	<u>\$ -</u>
Lapsed Balances	<u>\$ 28,250</u>	<u>\$ 28,250</u>	<u>\$ -</u>

STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
For the Fiscal Years Ended June 30,

	FISCAL YEAR		
	2017	2016	2015
	P.A. 99-0524, P.A. 100-0021, and Court-Ordered Expenditures	P.A. 99-0524, P.A. 99-0409, and Court-Ordered Expenditures	P.A. 98-0678 and P.A. 99-0001
ACADEMIC QUALITY ASSURANCE FUND - 660			
Expenditure Authority (Net Of Transfers)	\$ 400,000	\$ 400,000	\$ 400,000
<u>Expenditures</u>			
Administration and Enforcement	\$ 327,163	\$ 239,024	\$ 270,226
Total Expenditures	\$ 327,163	\$ 239,024	\$ 270,226
Lapsed Balances	\$ 72,837	\$ 160,976	\$ 129,774
PRIVATE COLLEGE ACADEMIC QUALITY ASSURANCE FUND - 661			
Expenditure Authority (Net Of Transfers)	\$ 80,000	\$ 80,000	\$ 80,000
<u>Expenditures</u>			
Administration and Enforcement	\$ 47,602	\$ 51,272	\$ 56,768
Total Expenditures	\$ 47,602	\$ 51,272	\$ 56,768
Lapsed Balances	\$ 32,398	\$ 28,728	\$ 23,232
BUDGET STABILIZATION FUND - 686			
Expenditure Authority (Net Of Transfers)	\$ 500,000	\$ -	\$ -
<u>Expenditures</u>			
Ordinary and Contingent Expenses	\$ 498,031	\$ -	\$ -
Total Expenditures	\$ 498,031	\$ -	\$ -
Lapsed Balances	\$ 1,969	\$ -	\$ -
PRIVATE BUSINESS AND VOCATIONAL SCHOOLS QUALITY ASSURANCE FUND - 751			
Expenditure Authority (Net Of Transfers)	\$ 550,000	\$ 550,000	\$ 550,000
<u>Expenditures</u>			
Administration and Enforcement	\$ 261,303	\$ 381,554	\$ 258,462
Total Expenditures	\$ 261,303	\$ 381,554	\$ 258,462
Lapsed Balances	\$ 288,697	\$ 168,446	\$ 291,538
BHE FEDERAL GRANTS FUND - 983			
Expenditure Authority (Net Of Transfers)	\$ 5,500,000	\$ 5,500,000	\$ 5,500,000
<u>Expenditures</u>			
Federal Contracts and Grants	\$ 2,764,879	\$ 2,258,328	\$ 2,330,439
Total Expenditures	\$ 2,764,879	\$ 2,258,328	\$ 2,330,439
Lapsed Balances	\$ 2,735,121	\$ 3,241,672	\$ 3,169,561
GRAND TOTAL - ALL APPROPRIATED FUNDS			
Expenditure Authority (Net Of Transfers)	\$ 12,234,300	\$ 6,560,000	\$ 17,317,300
Total Expenditures	\$ 28,544,265	\$ 5,002,221	\$ 12,917,405
Total Appropriated Lapsed Balances	\$ (16,309,965)	\$ 1,557,779	\$ 4,399,895

STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
For the Fiscal Years Ended June 30,

	FISCAL YEAR		
	2017	2016	2015
	P.A. 99-0524, P.A. 100-0021, and Court-Ordered Expenditures	P.A. 99-0524, P.A. 99-0409, and Court-Ordered Expenditures	P.A. 98-0678 and P.A. 99-0001
NON-APPROPRIATED FUNDS			
BHE STATE PROJECTS FUND - 736			
<u>Expenditures</u>			
P-20 Longitudinal Education Data System	\$ -	\$ 116,620	\$ -
Early Childhood Educator Preparation Program	197,348	398,338	294,193
Common Core State Standards	-	-	307,137
Common Core	-	3,216	-
Capital Development Grants	1,082,307	4,073,444	99,365,981
General Education Core Curriculum Panels	-	6,673	-
Partnership for Assessment of Readiness of College and Careers - Department of Education	-	-	2,279
Early Childhood Education Preparation Innovation Grant	-	-	48,485
Advance Illinois Program	1,502	9,630	571
Board of Trustees Members' Training	4,500	-	-
Survey Grant	-	3,000	-
Midwestern Higher Education Compact Grant	652	1,681	-
United States Aid Funds Program	91,828	-	-
Illinois Network of Child Care Resource and Referral Agencies Grant	16,115	-	-
Council for Higher Education Accreditation Travel Reimbursement	353	-	-
RTI International Travel Reimbursement	1,284	-	-
Illinois Education Research Council Travel Reimbursement	87	-	-
State Higher Education Executive Organization Travel Reimbursement	444	-	-
Synergy Travel Reimbursement	471	-	-
Total Expenditures	<u>\$ 1,396,891</u>	<u>\$ 4,612,602</u>	<u>\$ 100,018,646</u>
TOTAL - ALL NON-APPROPRIATED FUNDS	<u>\$ 1,396,891</u>	<u>\$ 4,612,602</u>	<u>\$ 100,018,646</u>
GRAND TOTAL - ALL FUNDS	<u>\$ 29,941,156</u>	<u>\$ 9,614,823</u>	<u>\$ 112,936,051</u>

Note 1: Fiscal Year 2017 and Fiscal Year 2016 expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller's records as of September 30, 2017, and September 30, 2016, and have been reconciled to Board records.

Note 2: Expenditure amounts are vouchers approved for payment by the Board and submitted to the State Comptroller for payment to the vendor.

Note 3: The Circuit Court of St. Clair County in *AFSCME Council 31 v. Munger* (15 CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to "draw and issue warrants accomplishing payment of wages [for all State employees] at their normal rates of pay." As the Board never received enacted personal services appropriations for Fund 001, the Board was able to submit vouchers to pay its employees in full without a maximum expenditure limit for personal service costs during Fiscal Year 2016.

Note 4: The Circuit Court of St. Clair County in *AFSCME Council 31 v. Munger* (15 CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to "draw and issue warrants accomplishing payment of wages [for all State employees] at their normal rates of pay." As Public Act 100-0021 states appropriation authority granted by the General Assembly does not supercede any court order directing the expenditure of funds and states such payments are added to the appropriations granted by the General Assembly, the Board was able to submit vouchers to pay its employees in full from Fund 001 without a maximum expenditure limit for personal service costs during Fiscal Year 2017. Further, the Board incurred non-payroll obligations within Fund 001 and Fund 007, which the Board was unable to pay until the passage of Public Act 100-0021.

Note 5: During Fiscal Year 2016, the Board operated without enacted appropriations until Public Act 099-0409 and Public Act 099-0524 were signed into law on August 20, 2015, and June 30, 2016, respectively. During the impasse, the Circuit Court of St. Clair County in *AFSCME Council 31 v. Munger* (15 CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to "draw and issue warrants accomplishing payment of wages [for all State employees] at their normal rates of pay." As such, the Board's court-ordered payroll payments were merged into the enacted appropriation within Fund 660 and Fund 751. Further, the Board incurred non-payroll obligations within Fund 082, Fund 661, Fund 751, and Fund 983, which the Board was unable to pay until the passage of Public Act 099-0409 and 099-0524.

Note 6: During Fiscal Year 2017, the Board operated without enacted appropriations until Public Act 100-0021 was approved on July 6, 2017. During the impasse, the Board incurred non-payroll obligations within Fund 001 and Fund 007, which the Board was unable to pay until the passage of Act 100-0021.

Note 7: Public Act 099-0524 authorized the Board to pay Fiscal Year 2016 costs using its Fiscal Year 2017 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 42 includes information from Board management about the number of invoices and the total dollar amount of invoices held by the Board to be submitted against its Fiscal Year 2017 appropriation.

Note 8: Notwithstanding anything within Public Act 100-0021 to the contrary, Public Act 100-0021 authorized the Board to pay for all costs incurred prior to July 1, 2018, using either its Fiscal Year 2017 or Fiscal Year 2018 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 42 includes information from Board management about the number of invoices and the total dollar amount of invoices from Fiscal Year 2016 and Fiscal Year 2017 held by the Board to be submitted against either its Fiscal Year 2017 or Fiscal Year 2018 appropriation.

STATE OF ILLINOIS
 BOARD OF HIGHER EDUCATION
SCHEDULE OF CHANGES IN STATE PROPERTY
 For the Two Years Ended June 30, 2017

	<u>Equipment</u>
Balance at July 1, 2015	\$ 322,763
Additions	9,470
Deletions	(14,405)
Net Transfers	<u>(5,959)</u>
Balance at June 30, 2016	<u><u>\$ 311,869</u></u>
Balance at July 1, 2016	\$ 311,869
Additions	69,045
Deletions	(34,662)
Net Transfers	<u>-</u>
Balance at June 30, 2017	<u><u>\$ 346,252</u></u>

Note: The above schedule has been derived from the Board's property reports submitted to the Office of the State Comptroller. We were unable to reconcile the property records submitted to the Office of the State Comptroller to records maintained within the Board (see Finding 2017-001).

STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
**COMPARATIVE SCHEDULE OF CASH RECEIPTS AND RECONCILIATION SCHEDULE
OF CASH RECEIPTS TO DEPOSITS REMITTED TO THE STATE COMPTROLLER**
For the Fiscal Years Ended June 30,

<u>General Revenue Fund - 001</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Miscellaneous Receipts	\$ -	\$ 225	\$ 1,859
Prior Year Refunds	149,859	494,161	366,704
Total Cash Receipts per Board	<u>149,859</u>	<u>494,386</u>	<u>368,563</u>
Less - In transit at End of Year	-	-	-
Plus - In transit at Beginning of Year	-	-	-
Total Cash Receipts per Comptroller	<u>\$ 149,859</u>	<u>\$ 494,386</u>	<u>\$ 368,563</u>
<u>Distance Learning Fund - 0082</u>			
Operating Authority Fees	\$ 98,000	\$ 78,750	\$ -
Total Cash Receipts per Board	98,000	78,750	-
Less - In transit at End of Year	1,750	-	-
Plus - In transit at Beginning of Year	-	-	-
Total Cash Receipts per Comptroller	<u>\$ 96,250</u>	<u>\$ 78,750</u>	<u>\$ -</u>
<u>Academic Quality Assurance Fund - 660</u>			
Degree Granting Fees	\$ 384,800	\$ 257,150	\$ 257,250
Total Cash Receipts per Board	384,800	257,150	257,250
Less - In transit at End of Year	-	7,700	13,450
Plus - In transit at Beginning of Year	7,700	13,450	6,500
Total Cash Receipts per Comptroller	<u>\$ 392,500</u>	<u>\$ 262,900</u>	<u>\$ 250,300</u>
<u>Private College Academic Quality Assurance Fund - 661</u>			
Operating Authority Fees	\$ 100,250	\$ 63,750	\$ 48,000
Total Cash Receipts per Board	100,250	63,750	48,000
Less - In transit at End of Year	-	-	250
Plus - In transit at Beginning of Year	-	250	5,000
Total Cash Receipts per Comptroller	<u>\$ 100,250</u>	<u>\$ 64,000</u>	<u>\$ 52,750</u>
<u>Fiscal Year 2009 Budget Relief Fund - 678</u>			
Refunds	\$ -	\$ -	\$ 2,222
Total Cash Receipts per Board	-	-	2,222
Less - In transit at End of Year	-	-	-
Plus - In transit at Beginning of Year	-	-	-
Total Cash Receipts per Comptroller	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,222</u>

STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
**COMPARATIVE SCHEDULE OF CASH RECEIPTS AND RECONCILIATION SCHEDULE
OF CASH RECEIPTS TO DEPOSITS REMITTED TO THE STATE COMPTROLLER**
For the Fiscal Years Ended June 30,

<u>BHE State Projects Fund - 736</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Grantee Interest Income	\$ -	\$ 149	\$ -
Other Illinois State Agency	-	20,000	-
Illinois State Board of Education Project Receipts	58,500	823,636	492,841
Capital Development Board Bond Fund Receipts	-	-	100,000,000
Partnership for Assessment of College and Career Readiness - Florida Department of Education Receipts	-	-	2,279
Not-for-Profit Joyce Foundation Receipts	-	-	12,000
Midwestern Higher Education Compact Military Credit	10,357	10,000	10,000
Council for Adult and Experiential Learning	-	3,000	-
Illinois Community College Board	-	7,000	-
USA Funds	-	100,000	-
Illinois Network Child Care Resource and Referral Agencies	15,074	15,000	-
Council for Higher Education Accreditation Travel Reimbursements	353	-	-
Response to Intervention Travel Reimbursements	1,284	-	-
Illinois Education Research Council Travel Reimbursements	86	-	-
Synergy Committee Travel Reimbursements	556	-	-
Prior Year Refunds	7,350	3,784	1,942
Total Cash Receipts per Board	<u>93,560</u>	<u>982,569</u>	<u>100,519,062</u>
Less - In transit at End of Year	-	-	10,000
Plus - In transit at Beginning of Year	-	10,000	21,388
Total Cash Receipts per Comptroller	<u>\$ 93,560</u>	<u>\$ 992,569</u>	<u>\$ 100,530,450</u>
 <u>Private Business and Vocational Schools Quality Assurance Fund - 751</u>			
Private Business and Vocational Schools Fees	<u>\$ 325,800</u>	<u>\$ 328,137</u>	<u>\$ 332,024</u>
Total Cash Receipts per Board	325,800	328,137	332,024
Less - In transit at End of Year	44,220	56,720	61,080
Plus - In transit at Beginning of Year	56,720	61,080	4,150
Total Cash Receipts per Comptroller	<u>\$ 338,300</u>	<u>\$ 332,497</u>	<u>\$ 275,094</u>
 <u>BHE Federal Grants Fund - 983</u>			
Receipts from Federal Government	\$ 3,004,330	\$ 2,317,385	\$ 2,346,478
Prior Year Refunds	-	-	60
Total Cash Receipts per Board	<u>3,004,330</u>	<u>2,317,385</u>	<u>2,346,538</u>
Less - In transit at End of Year	-	-	-
Plus - In transit at Beginning of Year	-	-	82,214
Total Cash Receipts per Comptroller	<u>\$ 3,004,330</u>	<u>\$ 2,317,385</u>	<u>\$ 2,428,752</u>
 TOTAL RECEIPTS - ALL FUNDS PER BOARD			
Less - In transit at End of Year	45,970	64,420	84,780
Plus - In transit at Beginning of Year	64,420	84,780	119,252
TOTAL CASH RECEIPTS PER COMPTROLLER	<u>\$ 4,175,049</u>	<u>\$ 4,542,487</u>	<u>\$ 103,908,131</u>

STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
AGENCY FUNCTIONS AND PLANNING PROGRAM
(NOT EXAMINED)

For the Two Years Ended June 30, 2017

The Board of Higher Education (Board) was established in 1961 to plan and coordinate the State's system of colleges and universities. The goal was to create an agency with the expertise, credibility, and Statewide perspective to map an efficient and orderly course for the growth of higher education.

The Board of Higher Education Act (110 ILCS 205/2) requires the Board to consist of 16 members as follows:

- Ten appointed by the Governor, with the advice and consent of the Senate;
- One appointed by the Governor to represent public universities;
- One appointed by the Governor to represent private colleges;
- The chair of the Illinois Student Assistance Commission;
- The chair of the Illinois Community College Board; and,
- Two student members selected by the Board's Student Advisory Committee, one of whom must be a nontraditional undergraduate student.

The Board's statutory responsibilities include:

- Analyzing the aims, needs, and requirements of higher education and, as a result, modifying the policies that guide the development of the State's system of public and private colleges and universities;
- Recommending to the Governor and General Assembly budgetary needs for higher education institutions and agencies;
- Approving or denying proposals by public university governing boards and the Illinois Community College Board for new units of instruction, research, or public service, and reviewing existing instruction, research, and public service programs to determine their continued educational and economic justification;
- Authorizing independent and out-of-state institutions to operate and offer degree programs within the State, conducting ongoing reviews to assure these institutions maintain the conditions under which they were authorized to operate and grant degrees, and revoking operating authority as deemed necessary;
- Administering State and federal grant programs which provide financial assistance to public and non-public institutions of higher education, including the Independent Colleges Capital Program, No Child Left Behind - Improving Teacher Quality State Grant Program, general grants, and federal grants; and,
- Maintaining a State university and college information system of timely, comprehensive, and meaningful data about higher education, with the data collected and maintained by the Board falling into three broad categories: demographic information about enrolled students and degree recipients, faculty and staff information, and characteristics of individual colleges and universities.

STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
AGENCY FUNCTIONS AND PLANNING PROGRAM
(NOT EXAMINED)

For the Two Years Ended June 30, 2017

Policy and Planning

The Board's policy and planning responsibility is one of its key functions, which it carries out in a variety of means, including ad hoc study committees and special task forces, responses to legislative mandates, and initiatives of the Board's staff.

Through its master planning responsibility, the Board approved the *Illinois Public Agenda for College and Career Success (Public Agenda)* in December 2008 as the blueprint for higher education over the next decade. The *Public Agenda* focuses on four goals:

- Increasing educational attainment to match the best performing states;
- Ensuring college affordability for students, families, and taxpayers;
- Increasing the number of high-quality postsecondary credentials to meet the demands of the economy and an increasingly global society; and,
- Better integrating the State's educational, research, and innovation assets to meet the economic needs of the State and its regions.

STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
(NOT EXAMINED)**

For the Two Years Ended June 30, 2017

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2017 AND 2016

General Revenue Fund – 001

Quad Cities Graduate Study Center Grant

The increase in expenditures was due to the passage of Public Act 100-0021, which was approved on July 6, 2017. The Public Act allowed the Board to use funding for costs incurred through June 30, 2017. The Board did not receive an appropriation for this line item in Fiscal Year 2016.

University Center of Lake County Grant

The increase in expenditures was due to the passage of Public Act 100-0021, which was approved on July 6, 2017. The Public Act allowed the Board to use funding for costs incurred through June 30, 2017. The Board did not receive an appropriation for this line item in Fiscal Year 2016.

P-20 Longitudinal Education Data System

The increase in expenditures was due to an increase in salary payments. The Board did not receive an appropriation for this line item, but received a court order to pay salaries. Therefore, the Board only paid salaries from this line item during Fiscal Year 2017.

Grants to Support Essential Operations at Public Community Colleges and Public Universities

The increase in expenditures was due to the Board receiving a Fiscal Year 2017 appropriation for emergency funding to universities and community colleges from Public Act 099-0524. The Board did not receive an appropriation for this line item in Fiscal Year 2016.

Operational Expenses

The increase in expenditures was due to the Board receiving a Fiscal Year 2017 appropriation from Public Act 100-0021. The Board did not receive an appropriation for this line item in Fiscal Year 2016.

MyCredits Transfer Programs

The increase in expenditures was due to the Board receiving a Fiscal Year 2017 grant appropriation from Public Act 100-0021. The Board did not receive an appropriation for this line item in Fiscal Year 2016.

Education Assistance Fund – 007

Operating Expenses and Grants

The increase in expenditures was due to the Board receiving a Fiscal Year 2017 appropriation from Public Act 099-0524 for operational expenses. The Board did not receive an appropriation for this line item in Fiscal Year 2016.

STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
(NOT EXAMINED)**

For the Two Years Ended June 30, 2017

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2017 AND 2016 (continued)

Education Assistance Fund – 007 (continued)

University Center of Lake County Grant

The increase in expenditures was due to the passage of Public Act 100-0021, which was approved on July 6, 2017. The Public Act allowed the Board to use funding for costs incurred through June 30, 2017. The Board did not receive an appropriation for this line item in Fiscal Year 2016.

Academic Quality Assurance Fund – 660

Administration and Enforcement

The increase in expenditures was due to additional operational expenditures, including a new workflow database and cost sharing of staff salaries, incurred by the Board during Fiscal Year 2017.

Budget Stabilization Fund - 686

Ordinary and Contingent Expenses

The increase in expenditures was due to the passage of Public Act 099-0524, which appropriated funds to pay all Fiscal Year 2016 expenditures in Fiscal Year 2017. The Board did not receive an appropriation from the Budget Stabilization Fund in Fiscal Year 2016.

BHE State Projects Fund – 736

P-20 Longitudinal Education Data System

The decrease in expenditures was due to the Board receiving a grant from the Illinois State Board of Education for Longitudinal Date System projects only in Fiscal Year 2016. The Board did not receive any funding for this line item in Fiscal Year 2017.

Early Childhood Educator Preparation Program

The decrease in expenditures was due to the decrease in funding given to the Board from the Illinois State Board of Education agreement. This program was funded by two grants and the Early Childhood Education Preparation grant ended in Fiscal Year 2016.

Capital Development Grants

The decrease in expenditures was due to a decline in the number of grant awards given and the timing of grantees submitting for expenditure reimbursements.

STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
(NOT EXAMINED)**

For the Two Years Ended June 30, 2017

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2017 AND 2016 (continued)

BHE State Projects Fund – 736 (continued)

General Education Core Curriculum Panels

The decrease in expenditures was due to the Board receiving a grant for General Education Core Curriculum Panels expenses only in Fiscal Year 2016. The Board did not receive any funding for this line item in Fiscal Year 2017.

Advance Illinois Program

The decrease in expenditures was due to the timing of grant expenditures. The program ended in Fiscal Year 2016, and only administrative expenditures for travel and supplies were processed during Fiscal Year 2017.

USA Funds Program

The increase in expenditures was due to the Board establishing a grant in Fiscal Year 2017. Funding from this program was to support the initiative/program entitled Illinois Higher Education Commission on the Future of the Workforce: Connecting the Dots and Bridging the Gaps.

Illinois Network Child Care Resource and Referral Agencies Grant

The increase in expenditures was due to the Board establishing a grant in Fiscal Year 2017. Funding from this program was used for establishing the framework for better integrating, defining, and measuring Early Childhood Credentials as part of the higher education component of the Illinois Longitudinal Data System.

Private Business and Vocational Schools Quality Assurance Fund – 751

Administration and Enforcement

The decrease in expenditures was due to the cost sharing of staff salaries. This fluctuates based on employees being hired, leaving the Board, or moving their salaries to be paid from the General Revenue Fund based on their job assignment.

BHE Federal Grants Fund – 983

Federal Contracts and Grants

The increase was due to the number of grant awards given and the timing of grantees submitting for expenditure reimbursements.

STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
(NOT EXAMINED)**

For the Two Years Ended June 30, 2017

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2016 AND 2015

General Revenue Fund - 001

Contractual Services, Travel, Telecommunications, Quad Cities Graduate Study Center Grant, Chicago Area Health and Medical Careers Program, IMSA Excellence 2000 Program, University Center of Lake County Grant, Education Faculty in Illinois Program, Cooperative Work Study Programs, Costs of the u.Select System, Washington Center Intern Program, Grow Your Own Teachers Program, and P-20 Longitudinal Education Data System

The decrease in expenditures was due to the budget impasse. The Board did not receive an appropriation for these line items, but received a court order to pay salaries. Therefore, the Board only paid salaries from these line items during Fiscal Year 2016.

BHE State Projects Fund – 736

P-20 Longitudinal Education Data System

The increase was due to the Board receiving a grant from the Illinois State Board of Education for Longitudinal Data System projects only in Fiscal Year 2016. The Board did not receive any funding for this line item in Fiscal Year 2015.

Early Childhood Educator Prep Program

The increase in expenditures was due to the increase in funding given to the Board from the Illinois State Board of Education agreement.

Common Core State Standards

The decrease in expenditures was due to the Board receiving no grant funding for this line item in Fiscal Year 2016.

Capital Development Grants

The decrease in expenditures was due to the number of grant awards given and the timing of grantees submitting expenditure reimbursements to the Board.

General Education Core Curriculum Panels

The increase in expenditures was due to an agreement allowing the Board to expend funding related to the General Education Core Curriculum Panels Fiscal Year 2016. The Board did not receive any funding for this line item in Fiscal Year 2015.

Early Childhood Education Preparation Innovation Grant

The decrease in expenditures was due to the Board not receiving a grant for this line item during Fiscal Year 2016.

STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
(NOT EXAMINED)
For the Two Years Ended June 30, 2017

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2016 AND 2015 (continued)

BHE State Projects Fund – 736 (continued)

Advance Illinois Program

The increase in expenditures was due to the timing of grant expenditures. The Board expended the majority of the grant funding during Fiscal Year 2016.

Private Business and Vocational Schools Quality Assurance Fund – 751

Administration and Enforcement

The increase in expenditures was due to the Board changing their cost sharing and salaries being used for the Private Business and Vocational Schools Quality Assurance Fund during Fiscal Year 2016. This fluctuated based on employees being hired, leaving the Board, or moving their salaries to be paid from the General Revenue Fund based on their job assignment.

STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS
(NOT EXAMINED)**

For the Two Years Ended June 30, 2017

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN FISCAL YEARS 2017 AND 2016

General Revenue Fund (001)

Prior Year Refunds

Prior year refunds decreased by \$344,302 (70%) due to a decrease in grant programs administered. In Fiscal Year 2017, the Board did not administer the following grants due to the budget impasse: Illinois Cooperative Work Study Program (ILCWSP), Grow Your Own (GYO), Chicago Area Health and Medical Careers Program (CAHMCP), Illinois Student Assistance Commission (ISAC) Public Agenda Implementation, Partnership for Assessment of Readiness for College and Careers (PARCC), The Washington Center, Illinois Math and Science Academy, Nursing School Grant Program, Nurse Educator Fellowship Grant Program, and Diversifying Higher Education Faculty Grant Program. In Fiscal Year 2016, the Board collected return of funds from various grant programs, with the largest refunds from the ILCWSP, GYO, and CAHMCP Grant Programs. The amount of prior year grant refunds is expected to fluctuate year to year depending on the grantee's expenditures of the awarded grant funds.

In Fiscal Year 2017, there were 20 total refunds with the largest refund totaling \$27,915 from the Eastern Illinois University with the ILCWSP program. In Fiscal Year 2016, there were 33 total refunds, with the largest refund totaling \$166,609 from the Illinois Institute of Technology, with the CAHMCP program.

Distance Learning Fund (082)

Operating Authority Fees

Fees collected increased by \$19,250 (24%) due to an increase in distance education programs being offered on an interstate basis pursuant to the Higher Education Distance Learning Act (Act) (110 ILCS 145/35). The Act became effective in the last six months of Fiscal Year 2015; therefore, the Board did not start collecting fees related to this Act until Fiscal Year 2016.

Academic Quality Assurance Fund (660)

Degree Granting Fees

Fees collected increased by \$127,650 (50%) due to an increase in applications for degree granting programs received by the Board pursuant to the Academic Degree Act (110 ILCS 1010/10.5). The number of applications received and the related fees collected are expected to vary from year to year.

STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS
(NOT EXAMINED)**

For the Two Years Ended June 30, 2017

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN FISCAL YEARS 2017 AND 2016 (continued)

Private College Academic Quality Assurance Fund (661)

Operating Authority Fees

Fees collected increased by \$36,500 (57%) due to an increase in applications for certificates of approval submitted to the Board pursuant to the Private College Act (110 ILCS 1005/14.5). The number of applications received and the related fees collected are expected to vary from year to year.

BHE State Projects Fund (736)

Other Illinois State Agency

Receipts decreased by \$20,000 (100%) due to the Board receiving a one-time grant in Fiscal Year 2016 from the Department of Employment Security for a joint project in assessing the impact of college degrees on employment and salary. The Board did not receive additional funding in Fiscal Year 2017 for this project.

Illinois State Board of Education Project Receipts

Project receipts decreased by \$765,136 (93%) due to decrease in grant agreements and a lack of funds available, caused by the budget impasse. The receipts are expected to fluctuate from year to year depending on funds available.

USA Funds

Grant funds received decreased by \$100,000 (100%) due to the Board receiving a one-time grant in Fiscal Year 2016 to fund a pilot program, called the Future of the Illinois Workforce Technical Assistance. This pilot program was designed to align workplace development and education with economic growth and future demand. No additional funding was received in Fiscal Year 2017.

BHE Federal Grants Fund (983)

Receipts from Federal Government

Receipts increased by \$686,946 (30%) due to the Board receiving a federal reimbursable grant to allow the Board to expend monies related to the Board's Improving Teacher Quality State Grants program under the Title II, Part A of the No Child Left Behind Act of 2001. The receipts are expected to fluctuate from year to year.

STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS
(NOT EXAMINED)**

For the Two Years Ended June 30, 2017

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN FISCAL YEARS 2016 AND 2015

General Revenue Fund (001)

Prior Year Refunds

Prior year refunds received increased by \$127,456 (35%) due to the Board receiving the return of unused funds from various grant programs in Fiscal Year 2016, with the largest refunds from the Illinois Cooperative Work Study Program (ILCWSP), Grow Your Own (GYO), and Chicago Area Health and Medical Careers Program (CAHMCP) grant programs. Prior year refunds received are expected to fluctuate based on grantee's expenditures of the awarded grant funds.

Distance Learning Fund (082)

Operating Authority Fees

No fees were collected during Fiscal Year 2015 as the Higher Education Distance Learning Act (Act) (110 ILCS 145/35) became effective in the last six months of Fiscal Year 2015; therefore, the Department did not start collecting fees related to this Act until Fiscal Year 2016.

Private College Academic Quality Assurance Fund (661)

Operating Authority Fees

Fees collected increased by \$15,750 (33%) due to the increase in applications for certificates of approval submitted to the Board pursuant to the Private College Act (110 ILCS 1005/14.5). The number of applications received and the related fees collected are expected to vary from year to year.

BHE State Projects Fund (736)

Illinois State Board of Education Project Receipts

Project receipts increased by \$330,795 (67%) due to additional funding received from the Illinois State Board of Education (ISBE) to administer the following grants: Common Core State Standards, Illinois Longitudinal Data System, and the Early Childhood Educator Grant Programs. The receipts are expected to fluctuate from year to year depending on funds available.

Capital Development Board Bond Fund Receipts

Receipts decreased by \$100,000,000 (100%) due a grant received in Fiscal Year 2015 from the Capital Development Board (CDB). Public Act 96-0037 created a capital grant program for non-profit private colleges and universities. The Act became effective on July 13, 2009, and created a formula for distributing the capital grants which were funded by an appropriation from the Build Illinois Bond Fund to the Capital Development Board. The Board was responsible for implementing this grant program. Grant funds were distributed as bond proceeds became available to the Board. The Board did not receive additional grant funding in Fiscal Year 2016.

STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS
(NOT EXAMINED)**

For the Two Years Ended June 30, 2017

**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN FISCAL
YEARS 2016 AND 2015 (continued)**

Not-For-Profit-Joyce Foundation Receipts

Receipts decreased by \$12,000 (100%) due to the Board receiving a grant in Fiscal Year 2015 for a joint project with Advance Illinois to implement a new data reporting system aimed to strengthen teacher preparation programs. No receipts of this type were received during Fiscal Year 2016.

Other Illinois State Agency

Grant funds received for this program in Fiscal Year 2016 was a one-time grant that was not available in Fiscal Year 2015.

USA Funds

Grant funds received for this program in Fiscal Year 2016 was a one-time grant that was not available in Fiscal Year 2015.

STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING
(NOT EXAMINED)

For the Two Years Ended June 30, 2017

FISCAL YEAR 2017

General Revenue Fund – 001

Quad Cities Graduate Study Center Grant, University Center of Lake County Grant, Operational Expenses, and MyCredits Transfer Program

The significant spending during the Lapse Period was due to the timing of the passage of Public Act 100-0021, which was approved on July 6, 2017. The Public Act allowed the Board of Higher Education (Board) to use funding for costs incurred through June 30, 2017.

Education Assistance Fund – 007

Operational Expenses and Grants and University Center of Lake County Grant

The significant spending during the Lapse Period was due to the timing of the passage of Public Act 100-0021, which was approved on July 6, 2017. The Public Act allowed the Board to use funding for costs incurred through June 30, 2017.

BHE State Projects Fund - 736

Capital Development Grants

The significant spending during the Lapse Period was due to timing of reimbursement requests received from grantees.

FISCAL YEAR 2016

Private College Academic Quality Assurance Fund – 661

Administrative and Enforcement Costs

The significant spending during the Lapse Period was due to the timing of the passage of Public Act 099-0524, which was approved on June 30, 2016.

BHE Federal Grants Fund – 983

Federal Contracts and Grants

The significant spending during the Lapse Period was due to timing of reimbursement requests received from grantees.

STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
BUDGET IMPASSE DISCLOSURES
(NOT EXAMINED)
For the Two Years Ended June 30, 2017

Payment of Prior Year Costs in Future Fiscal Years

Article 74 of Public Act 99-0524 authorized the Board of Higher Education (Board) to pay Fiscal Year 2016 costs using the Board's Fiscal Year 2017 appropriations for non-payroll expenditures. The Board did not have any outstanding invoices from Fiscal Year 2016 unpaid after the closure of the Fiscal Year 2016 Lapse Period on August 31, 2016. Therefore, the Board does not intend to use its Fiscal Year 2017 appropriations to pay its Fiscal Year 2016 costs.

In addition, Article 998 of Public Act 100-0021 authorized the Board to pay its unpaid Fiscal Year 2016 and Fiscal Year 2017 costs using either the Board's Fiscal Year 2017 or Fiscal Year 2018 appropriations for non-payroll expenditures. The Board did not have any outstanding invoices from Fiscal Year 2017 unpaid after the closure of the Fiscal Year 2017 Lapse Period on September 30, 2017. Therefore, the Board did not use its Fiscal Year 2017 appropriations to pay its Fiscal Year 2016 costs and does not intend to use either its Fiscal Year 2017 or Fiscal Year 2018 appropriations to pay its Fiscal Year 2016 or Fiscal Year 2017 costs.

STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
**ALTERNATIVE FINANCING IN LIEU OF APPROPRIATIONS AND
PROGRAMS TO ADDRESS UNTIMELY PAYMENTS TO VENDORS
(NOT EXAMINED)**

For the Two Years Ended June 30, 2017

Transactions Involving the Illinois Finance Authority

The Board and its vendors did not participate in alternative financing in lieu of enacted appropriations involving the Illinois Finance Authority during Fiscal Year 2016 and Fiscal Year 2017.

Transactions Involving the Vendor Payment Program and Vendor Support Initiative Program

None of the Board's vendors participated in the Vendor Payment Program (VPP) or the Vendor Support Initiative Program (VSI) during Fiscal Year 2016 and Fiscal Year 2017.

STATE OF ILLINOIS
 BOARD OF HIGHER EDUCATION
INTEREST COSTS ON FISCAL YEAR 2017 AND FISCAL YEAR 2016 INVOICES
(NOT EXAMINED)

For the Two Years Ended June 30, 2017

Prompt Payment Interest Costs

The Board plans to calculate prompt payment interest due to vendors under the State Prompt Payment Act (Act) (30 ILCS 540) using the vendor's proper bill date through the date the State Comptroller issues a warrant to the vendor, regardless of when and if an enacted appropriation existed during Fiscal Year 2016 and Fiscal Year 2017. The Act (30 ILCS 540/3-2) and the Illinois Administrative Code (74 Ill. Admin. Code 900.100) require interest to be paid under a daily simple interest rate of .033% (1% over a 30-day period) for every day elapsed following the 90th day after a vendor submits an eligible proper bill to the Board. The following chart shows the Board's prompt payment interest incurred related to Fiscal Year 2017 and Fiscal Year 2016 invoices, calculated on the accrual basis of accounting, through June 30, 2017, and June 30, 2016, by fund:

PROMPT PAYMENT INTEREST INCURRED

Year Ended June 30, 2017

<u>Fund #</u>	<u>Fund Name</u>	<u>Invoices</u>	<u>Vendors</u>	<u>Dollar Value</u>
007	Education Assistance Fund	3	3	\$ 553
686	Budget Stabilization Fund	88	29	19,434
		<u>91</u>	<u>32</u>	<u>\$ 19,987</u>

PROMPT PAYMENT INTEREST INCURRED

Year Ended June 30, 2016

<u>Fund #</u>	<u>Fund Name</u>	<u>Invoices</u>	<u>Vendors</u>	<u>Dollar Value</u>
661	Private College Academic Quality Assurance Fund	37	14	\$ 1,711
686	Budget Stabilization Fund	78	28	17,629
751	Private Business and Vocational Schools Quality Assurance Fund	32	10	1,457
		<u>147</u>	<u>52</u>	<u>\$ 20,797</u>

STATE OF ILLINOIS
 BOARD OF HIGHER EDUCATION
AVERAGE NUMBER OF EMPLOYEES
(NOT EXAMINED)
 For the Two Years Ended June 30, 2017

The following table, prepared from Board records, presents the average number of employees, by function, for the Fiscal Year Ended June 30,

<u>Division</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Executive	2	2	3
Policy Studies	1	1	1
External Relations	3	2	3
Academic Affairs	12	12	13
Fiscal Affairs and Budgeting	8	8	8
Information Management and Research	7	8	8
Diversity and Outreach	1	2	2
Office Administration	2	2	2
 Total Average Full-Time Employees	 <u>36</u>	 <u>37</u>	 <u>40</u>

STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
SERVICE EFFORTS AND ACCOMPLISHMENTS
(NOT EXAMINED)

For the Two Years Ended June 30, 2017

The Board has responsibility for program review and approval for public colleges and universities. During the examination period, the Board approved 50 degree programs, 5 administrative units (centers and colleges) for public universities, and 62 degree programs for community colleges.

The Board also has statutory responsibility to approve operating authority and degree-granting authority for independent and out-of-state institutions operating within the State of Illinois. During the period, the Board approved 139 degree programs for private institutions and granted operating authority to 19 private institutions.

GRANTS AWARDED

State and federal grant programs administered by the Board play an important role in the implementation of Board goals and priorities. During Fiscal Year 2016 and Fiscal Year 2017, the Board entered into grant agreements with specific institutions of higher education for the grants listed below. The Independent Colleges Capital Program (ICCAP) grants are funded through money received from the Capital Development Board (CDB), which the Board passes onto independent colleges and universities. The Board received appropriations from Public Act 100-0021 which allowed the Board to disburse general grant funding during Fiscal Year 2017's Lapse Period. These funds were used to reimburse general grantees for allowable program related expenses from Fiscal Year 2017. Grants entered into by the Board in Fiscal Year 2016 and Fiscal Year 2017 were for the programs and purposes as follows:

Independent Colleges Capital Program

The Board administers grants under the Private Colleges and Universities Capital Distribution Formula Act (30 ILCS 769/25-1 et seq.). The Independent Colleges Capital Program (ICCAP) was created as part of the Illinois Jobs Now! capital program. ICCAP provides private not-for-profit colleges and universities within the State with financial assistance for capital projects (Public Act 96-0037). This multi-year grant program uses a distribution formula based entirely on the fall 2008 student enrollment numbers. The formula provides a base grant and an FTE (full-time equivalent) grant for each eligible institution. Institutions must certify the eligibility of the institution, the determination of credit hours using the methodology provided, and the use of funds only for eligible capital projects. Grant funds will be distributed as the proceeds of Build Illinois bond sales become available to the Board.

General Grant Programs

The Board receives various appropriations or other funds for which there is no specific authorizing statute and only a general purpose or designated recipient is included in the appropriation language. These grants are paid to the specified institutions after a grant agreement has been executed between the Board and grantee institution.

STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
SERVICE EFFORTS AND ACCOMPLISHMENTS
(NOT EXAMINED)

For the Two Years Ended June 30, 2017

GRANTS AWARDED (continued)

Federal Grant Programs

The Board also expends federal awards received directly from federal agencies and federal awards passed through other State agencies. Presented below are the federal award programs administered by the Board:

- The Improving Teacher Quality State Grants (also known as No Child Left Behind (NCLB)) (CFDA No. 84.367) program provides grants to state educational agencies, local education agencies, state agencies for higher education, and to eligible partnerships in order to increase student academic achievement through such strategies as increasing the number of highly qualified teachers in the classroom.
- The Longitudinal Data System Grant (CFDA No. 84.384) program is funded under the American Recovery and Reinvestment Act (ARRA). This program establishes (1) a Statewide transcript system for middle and high school students; (2) integrates student-level data with teacher and administrator data; (3) continues expansion and development of postsecondary education data systems; and, (4) expands early childhood data collection systems.
- The Common Core State Standards (CFDA 84.367A) program, which was implemented in Fiscal Year 2014 and Fiscal Year 2015, granted the Board federal funds from the Illinois State Board of Education (ISBE) to further the advancement and alignment of Common Core State Standards across secondary and post-secondary curricula through the development of regional consortia.
- The Race to the Top and Early Learning Challenge (CFDA 84.412) program, which was implemented in Fiscal Year 2014 and Fiscal Year 2015, granted federal funds to the Board from ISBE to implement the Early Childhood Race to the Top Innovation Grant program. This program provides institutions of higher education with grant funding to redesign their early childhood teacher preparation programs.

The NCLB and Race to the Top and Early Learning Challenge programs were funded by direct grants from the U.S. Department of Education during Fiscal Year 2016 and Fiscal Year 2017. However, the Longitudinal Data System and the Common Core Standards programs were funded during Fiscal Year 2016 but were not funded in Fiscal Year 2017.

**BOARD OF HIGHER EDUCATION
FISCAL YEAR 2017 GRANT ALLOCATIONS BY INSTITUTION
(NOT EXAMINED)**
(dollars in thousands)

Institution	Location	Direct Grant	U.Select	NCLB	Early Childhood	ICCAP General Grants	Total Grants
<u>Public Universities</u>							
Northeastern Illinois University	Chicago	\$ -	\$ -	\$ 542.1	\$ -	\$ -	\$ 542.1
Southern Illinois University at Carbondale	Carbondale	-	-	608.1	-	-	608.1
Southern Illinois University at Edwardsville	Edwardsville	-	-	301.4	-	-	301.4
University of Illinois (Administration)	Urbana	-	300.7	-	-	-	300.7
Total, Public Universities		\$ -	\$ 300.7	\$ 1,451.6	\$ -	\$ -	\$ 1,752.3
<u>Independent Institutions</u>							
Judson University	Elgin	\$ -	\$ -	\$ -	\$ -	\$ 1,082.3	\$ 1,082.3
Loyola University of Chicago	Chicago	-	-	418.1	-	-	418.1
Roosevelt University	Chicago	-	-	368.4	-	-	368.4
University of Chicago	Chicago	-	-	408.1	-	-	408.1
Total, Independent Institutions		\$ -	\$ -	\$ 1,194.6	\$ -	\$ 1,082.3	\$ 2,276.9
<u>Other Institutions</u>							
Quad-Cities Graduate Study Center	Moline	\$ 26.7	\$ -	\$ -	\$ -	\$ -	\$ 26.7
University Center of Lake County	Grayslake	1,705.5	-	-	-	-	1,705.5
Total, Other Institutions		\$ 1,732.2	\$ -	\$ -	\$ -	\$ -	\$ 1,732.2
Grand Total		\$ 1,732.2	\$ 300.7	\$ 2,646.2	\$ -	\$ 1,082.3	\$ 5,761.4

**BOARD OF HIGHER EDUCATION
FISCAL YEAR 2016 GRANT ALLOCATIONS BY INSTITUTION
(NOT EXAMINED)**
(dollars in thousands)

Institution	Location	Direct Grant	U.Select	NCLB	Early Childhood	ICCAP	Total Grants
<u>Public Universities</u>							
Northeastern Illinois University	Chicago	\$ -	\$ -	\$ 361.7	\$ -	\$ -	\$ 361.7
Northern Illinois University	DeKalb	-	-	52.2	21.8	-	74.0
Southern Illinois University at Carbondale	Carbondale	-	-	354.9	23.5	-	378.4
Southern Illinois University at Edwardsville	Edwardsville	-	-	244.0	19.9	-	263.9
University of Illinois at Springfield	Springfield	-	-	-	39.2	-	39.2
Total, Public Universities		\$ -	\$ -	\$ 1,012.8	\$ 104.4	\$ -	\$ 1,117.2
<u>Independent Institutions</u>							
Benedictine University	Lisle	\$ -	\$ -	\$ -	\$ -	\$ 3,095.5	\$ 3,095.5
Bradley University	Peoria	-	-	-	24.0	-	24.0
Lewis University	Romeoville	-	-	-	22.8	-	22.8
Loyola University of Chicago	Chicago	-	-	355.1	14.7	-	369.8
Millikin University	Decatur	-	-	-	50.0	-	50.0
Moody Bible Institute	Chicago	-	-	-	-	286.9	286.9
National Univ. of Health Sciences	Lombard	-	-	-	-	572.7	572.7
Rockford University	Rockford	-	-	-	22.0	-	22.0
Roosevelt University	Chicago	-	-	389.4	-	-	389.4
St. John's College of Nursing	Springfield	-	-	-	-	42.4	42.4
St. Xavier University	Chicago	-	-	-	15.5	-	15.5
Trinity College of Nursing and Health Sciences	Rock Island	-	-	-	-	75.8	75.8
University of Chicago	Chicago	-	-	379.3	-	-	379.3
Total, Independent Institutions		\$ -	\$ -	\$ 1,123.8	\$ 149.0	\$ 4,073.3	\$ 5,346.1
Grand Total		\$ -	\$ -	\$ 2,136.6	\$ 253.4	\$ 4,073.3	\$ 6,463.3