



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

ILLINOIS STATE UNIVERSITY

Financial Audit, Single Audit, and Compliance Examination
 For the Year Ended June 30, 2014

Release Date: January 15, 2015

FINDINGS THIS AUDIT: 5				AGING SCHEDULE OF REPEATED FINDINGS			
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	1	1	2013	14-01		
Category 2:	1	3	4	2012		14-03	
Category 3:	0	0	0	2009		14-02	
TOTAL	1	4	5	2005		14-05	
FINDINGS LAST AUDIT: 7							

SYNOPSIS

- **(14-01)** The University had weaknesses in the University’s internal controls over compliance with the College Student Immunization Act.
- **(14-03)** The University did not always ensure compliance with the University Faculty Research and Consulting Act and University policies regarding outside employment.

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

{Financial information is summarized on next page.}

ILLINOIS STATE UNIVERSITY
FINANCIAL AUDIT, SINGLE AUDIT, AND STATE COMPLIANCE EXAMINATION
For The Year Ended June 30, 2014

STATEMENT OF NET POSITION (in thousands)	2014	2013 (as restated)
Assets		
Cash and cash equivalents.....	\$ 39,825	\$ 47,874
Restricted cash and cash equivalents.....	7,497	13,726
Investments.....	198,430	136,133
Receivables.....	41,480	45,217
Capital assets, net.....	443,207	456,844
Other.....	6,801	6,241
Total.....	737,240	706,035
Liabilities		
Accounts payable and accrued liabilities.....	20,151	23,350
Unearned revenues.....	10,240	7,155
Long-term liabilities.....	170,180	149,586
Other.....	9,114	8,462
Total.....	209,685	188,553
Net Position		
Net investment in capital assets.....	296,644	337,673
Restricted, expendable.....	9,539	9,523
Unrestricted.....	221,372	170,286
Total.....	\$ 527,555	\$ 517,482
REVENUES, EXPENSES, AND CHANGES IN NET POSITION (in thousands)		
Revenues		
Tuition and fees, net.....	\$ 180,469	\$ 174,094
State appropriations.....	74,089	74,082
Auxiliary enterprises.....	83,179	81,205
Payments on behalf of the University - State.....	127,237	130,781
Federal, State, and private grants and gifts.....	17,373	27,447
Other.....	77,885	76,270
Total.....	560,232	563,879
Expenses		
Instruction.....	113,309	116,827
Student services.....	38,758	38,377
Institutional support.....	35,453	37,207
Auxiliary enterprises.....	56,645	53,263
Student aid.....	47,116	42,341
Payments on behalf of the University - State.....	127,237	130,781
Other.....	131,642	110,914
Total.....	550,160	529,710
Change in net position.....	\$ 10,072	\$ 34,169
EMPLOYMENT STATISTICS (Unaudited)		
Faculty and Administrative.....	1,949	2,010
Civil Service.....	1,155	1,218
Students.....	531	553
Miscellaneous Contractual.....	248	90
Total Employees.....	3,883	3,871
ENROLLMENT STATISTICS (Unaudited)		
Cost per full-time equivalent student.....	\$ 12,595	\$ 12,019
Full-time equivalent students.....	18,297	18,675
UNIVERSITY PRESIDENT		
During Audit Period: Dr. Sheri Noren Everts (Interim, 05/15/13 - 08/14/13), Dr. Timothy Flanagan (08/15/13 - 03/22/14), and Dr. Larry Dietz (03/23/14 - Current)		
Currently: Dr. Larry Dietz		

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

**NEED TO IMPROVE INTERNAL CONTROLS OVER
COMPLIANCE WITH THE COLLEGE STUDENT
IMMUNIZATION ACT**

The Illinois State University (University) had weaknesses in the University's internal controls over compliance with the College Student Immunization Act (Act).

Continued erroneous data

While the University had begun implementing new policies to ensure compliance with the Act, the University continued to have erroneous data within its health records. The auditors noted 18 students who were either erroneously reported as immune, reported as not immune who were exempted from complying with the Act, duplicated within the records, or missing from the dataset.

In response to the auditors' notification to the University of these conditions, Student Health Services performed a review of the students enrolled and attending classes in Fall 2013 who were identified by the University as likely to have been included within the potential population of noncompliant students who should have been precluded from enrolling in classes during Fiscal Year 2014. The University's review indicated the following:

Some students should not have been allowed to enroll in classes

- 16 students were enrolled and attending classes when they should have been blocked from registration.
- Five students were erroneously coded as "on campus" when they were actually "off campus" students.

Computer system problems

- The University's computer system was identifying students as noncompliant when the student was actually either in compliance with the Act or deferred by the University from having to meet the compliance requirement for medical reasons.

According to University officials, these errors were due to oversight and computer coding problems. (Finding 1, pages 18-20)

We recommended the University review, improve, and maintain a system of internal controls to monitor covered student compliance, identify noncompliant students and preclude them from enrolling in subsequent academic terms, and accurately report information to the Department of Public Health.

University officials agree with the auditors

University officials agreed with the recommendation.

NEED TO IMPROVE COMPLIANCE WITH THE UNIVERSITY FACULTY RESEARCH AND CONSULTING ACT

The University did not always ensure compliance with the University Faculty Research and Consulting Act and University policies regarding outside employment.

During testing, the auditors noted the following:

- 42 of 135 (31%) cases of outside employment had the *Request for Approval of Secondary/Outside Employment Form* approved by the University's Provost one to 199 days late.
- 36 of 135 (27%) cases of outside employment were not reported by the faculty member to the University for approval prior to filing the *Annual Report of Secondary/Outside Employment Form* with the University's Provost before the deadline of August 31, 2014.
- 24 of 135 (18%) cases of outside employment did not have the *Annual Report of Secondary/Outside Employment Form* submitted by the faculty member to the University's Provost by the deadline of August 31, 2014.

According to University officials, the failure to seek timely approval and file reports was due to employee oversight. (Finding 3, pages 23-24) **This finding has been repeated since 2012.**

We recommended the University Provost implement internal controls to ensure faculty members with outside research, consulting services, or employment receive written pre-approval to conduct the requested activity and annually disclose the time spent on these activities in accordance with State law and University policy.

University officials agree with the auditors

University officials agreed with the recommendation and stated they will continue to assess the process and implement modifications to improve compliance. (*For the previous University response, see Digest Footnote #1.*)

OTHER FINDINGS

The remaining findings pertain to (1) weaknesses regarding the security and control of confidential information; (2) inadequate controls over contractual agreements; and, (3) noncompliance with the State Officials and Employees Ethics Act.

These findings are reportedly being given attention by the University. We will review the University's progress towards the implementation of our recommendations in our next audit.

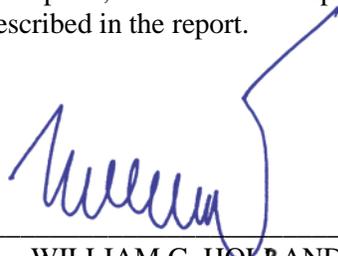
AUDITOR'S OPINIONS

The auditors stated the financial statements of the Illinois State University as of and for the year ended June 30, 2014, are fairly stated in all material respects.

The auditors also conducted a Single Audit of the University as required by OMB Circular A-133. Our auditors stated the University complied, in all material respects, with the types of compliance requirements that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2014.

ACCOUNTANT'S OPINION

The accountants conducted a compliance examination of the University for the year ended June 30, 2014, as required by the Illinois State Auditing Act. The auditors qualified their report on State compliance for Finding 2014-001. Except for the noncompliance described in this finding, the auditors stated the University complied, in all material respects, with the requirements described in the report.



WILLIAM G. HOLLAND
Auditor General

WGH:djn

SPECIAL ASSISTANT AUDITORS

Our Special Assistant Auditors for the audits and examination were BKD, LLP.

DIGEST FOOTNOTES

#1 - Noncompliance with the University Faculty Research and Consulting Act - Previous University Response

2013: The University agrees with the recommendation and will continue its assessment of the faculty research and consulting approval process and implement modifications to ensure more timely approvals and annual disclosures of outside research, consulting, and employment activities.