

State of Illinois
Illinois State University

Report Required Under *Government Auditing Standards*
For the Year Ended June 30, 2014

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



State of Illinois
Illinois State University
Financial Audit
For the Year Ended June 30, 2014

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Other Reports Issued Under a Separate Cover

The annual financial statements of the University for the year ended June 30, 2014, have been issued under a separate cover.

The University’s Compliance Examination (including the Single Audit) for the year ended June 30, 2014, which includes the reports of independent auditors, Schedule of Findings and Questioned Costs, and Supplementary Information for State Compliance Purposes, has been issued under a separate cover.

State of Illinois
Illinois State University
Financial Audit
For the Year Ended June 30, 2014

Agency Officials

President (Interim)	Dr. Sheri Noren Everts (07/01/13 – 08/14/13)
President	Dr. Timothy Flanagan (08/15/13 – 03/22/14)
President	Dr. Larry Dietz (03/23/14 – Current)
Vice President for Finance and Planning	Dr. Daniel Layzell (07/01/13 – 02/24/14)
Vice President for Finance and Planning (Interim)	Mr. Greg Alt (02/25/14 – Current)
Vice President for Academic Affairs and Provost	Dr. Sheri Noren Everts (07/01/13 – 6/30/14)
Vice President for Academic Affairs and Provost (Interim)	Dr. Janet Wessel Krejci (07/01/14 – Current)
Vice President for Student Affairs	Dr. Larry Dietz (07/01/14 – 03/22/14)
Vice President for Student Affairs (Interim)	Dr. Brent Paterson (03/23/14 – Current)
Vice President for University Advancement	Ms. Erin Minne´ (07/01/14 – 09/12/14)
President for University Advancement (Interim)	Mr. Pat Vickerman (09/13/14 – Current)
Comptroller	Mr. Greg Alt
Legal Counsel	Ms. Lisa Huson
Director - Internal Audit	Mr. Robert Blemler

Board of Trustees (as of June 30, 2014)

Chair	Hon. Judge Michael McCuskey
Member	Mr. Jay D. Bergman
Member	Ms. Anne Davis
Member	Mr. Bob Churney
Member	Mr. Rocky Donahue
Member	Ms. Betty Kinser
Student Member	Ms. Ellen Schumacher

Office Locations

Agency offices are located at:

Hovey Hall
Campus Box 1100
Normal, Illinois 61790-1100

State of Illinois
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Government Auditing Report Summary

The audit of the financial statements of the Illinois State University (University) was performed by BKD, LLP in accordance with *Government Auditing Standards*. This report is an integral part of that audit.

Based on their audit, the auditors expressed an unmodified opinion on the Illinois State University's basic financial statements, issued under a separate cover.

Summary of Findings

Number of	Current Report	Prior Report
Findings	0	1
Repeated findings	0	0
Prior recommendations implemented or not repeated	1	1

Item No.	Page	Description	Finding Type
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Findings (Government Auditing Standards)

The audit did not disclose findings required to be reported by *Government Auditing Standards*.

Prior Finding Not Repeated (Government Auditing Standards)

- | | | |
|----|---|---|
| A. | 6 | Inadequate Control over Reporting Investments |
|----|---|---|

State of Illinois
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Financial Audit
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Exit Conference

This report was discussed with University personnel at an exit conference on November 19, 2014.
Attending were:

Representing Illinois State University

Vice President for Finance and Planning (Interim)	Mr. Greg Alt
Senior Associate Comptroller	Ms. JoEllen Bahnsen
Director - Internal Audit	Mr. Robert Blemler
Accounting Associate	Ms. Erika Jones
Information Security Officer	Mr. Kevin Crouse
Assistant Vice President for Administrative Technologies and CTO	Mr. Matthew Helm

Representing BKD LLP

Director	Ms. Heather M. Powell, CPA
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Representing the Office of the Auditor General

Audit Manager	Mr. Daniel J. Nugent, CPA
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**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance With *Government Auditing Standards***

Honorable William G. Holland
Auditor General
State of Illinois

and

Board of Trustees
Illinois State University

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Illinois State University and its aggregate discretely presented component unit, collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Illinois State University's basic financial statements, and have issued our report thereon dated December 17, 2014. Our report includes a reference to other auditors who audited the financial statements of the Illinois State University's discretely presented component unit, as described in our report on the Illinois State University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Illinois State University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Illinois State University's internal control. Accordingly, we do not express an opinion on the effectiveness of the Illinois State University's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during the audit we did not identify any deficiencies in internal control that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Illinois State University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Illinois State University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Illinois State University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Decatur, Illinois
December 17, 2014

State of Illinois
Illinois State University
Schedule of Findings
June 30, 2014

Prior Finding Not Repeated – *Government Auditing Standards*

A. Finding – Inadequate Control over Reporting Investments

During the prior engagement, the Illinois State University (University) did not exercise adequate internal control over the financial reporting of investments. (Finding Code No. 2013-001)

Status: Implemented

During the current engagement, the auditors' sample testing did not disclose any instances of incorrect valuations of investments for financial reporting.