



STATE OF ILLINOIS
 OFFICE OF THE
AUDITOR GENERAL

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

ILLINOIS STATE UNIVERSITY

Financial Audit, Single Audit, and Compliance Examination
 For the Year Ended June 30, 2016

Release Date: December 15, 2016

FINDINGS THIS AUDIT: 4	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	1	0	1	2012		16-3	
Category 2:	1	2	3	2005		16-4	
Category 3:	0	0	0				
TOTAL	2	2	4				
FINDINGS LAST AUDIT: 3							

SYNOPSIS

- (16-02) The University did not exercise adequate internal control over the return of grant and loan funds to the United States Department of Education.
- (16-03) 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.

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

ILLINOIS STATE UNIVERSITY
FINANCIAL AUDIT, SINGLE AUDIT, AND COMPLIANCE EXAMINATION
For The Year Ended June 30, 2016

STATEMENT OF NET POSITION (in thousands)	2016	2015
Assets and Deferred Outflows of Resources		
Cash and cash equivalents.....	\$ 39,270	\$ 48,550
Restricted cash and cash equivalents.....	2,417	6,982
Investments.....	214,249	214,999
Receivables.....	37,174	36,230
Capital assets, net.....	438,748	442,209
Other.....	7,175	6,450
Deferred Outflow of Resources.....	672	651
Total.....	739,705	756,071
Liabilities		
Accounts payable and accrued liabilities.....	16,683	18,862
Unearned revenues.....	9,642	11,356
Long-term liabilities.....	148,482	161,360
Other.....	17,154	16,496
Total.....	191,961	208,074
Net Position		
Net investment in capital assets.....	308,085	304,289
Restricted, expendable.....	710	701
Unrestricted.....	238,949	243,007
Total.....	\$ 547,744	\$ 547,997
REVENUES, EXPENSES, AND CHANGES IN NET POSITION		
(in thousands)	2016	2015
Revenues		
Tuition and fees, net.....	\$ 201,074	\$ 191,621
State appropriations.....	20,935	72,227
Auxiliary enterprises.....	85,467	84,669
Payments on behalf of the University - State.....	152,072	136,086
Federal, State, and private grants and gifts.....	17,597	17,848
Other.....	83,078	79,865
Total.....	560,223	582,316
Expenses		
Instruction.....	114,761	117,812
Student services.....	41,253	42,768
Institutional support.....	37,909	37,007
Auxiliary enterprises.....	49,947	53,973
Student aid.....	51,995	52,130
Payments on behalf of the University - State.....	152,072	136,086
Other.....	112,539	113,881
Total.....	560,476	553,657
Cumulative effect: change in accounting principle and prior period adjustment.....	-	(8,216)
Change in net position.....	\$ (253)	\$ 20,443
EMPLOYMENT STATISTICS (Unaudited)		
	2016	2015
Faculty and Administrative.....	1,923	2,161
Civil Service.....	1,214	1,401
Students.....	475	1,425
Miscellaneous Contractual.....	51	244
Total Employees.....	3,663	5,231
ENROLLMENT STATISTICS (Unaudited)		
	2016	2015
Cost per full-time equivalent student.....	\$ 11,929	\$ 12,695
Full-time equivalent students.....	19,256	18,650
UNIVERSITY PRESIDENT		
During Audit Period: Dr. Larry Dietz		
Currently: Dr. Larry Dietz		

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**NEED TO ENHANCE CONTROLS OVER RETURNING
GRANT AND LOAN FUNDS**

The University (University) did not exercise adequate internal control over the return of grant and loan funds to the U.S. Department of Education (Department).

During testing, the auditors noted the following:

**Unearned grants and loans not
returned timely**

- Eight of 25 (32%) unearned grant and loan funds was not returned to the Department until 48 to 198 days after the University became aware the student had withdrawn from the University.
- One of 25 (4%) unearned grant and loan funds were not properly calculated, resulting in the amount returned being understated by \$42. (Finding 2, pages 20-21)

We recommended the University implement controls to ensure all returns of grant and loan funds are properly calculated and timely refunded.

University officials agree

University officials agreed with the recommendation.

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

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

During testing, some of the issues noted by the auditors included the following:

**Approvals not obtained prior to the
start date of outside employment**

- 40 of 105 (38%) cases of outside employment had the Request for Approval of Secondary/Outside Employment Form approved by the University's Provost one to 371 days late.

**Faculty members did not submit
required reports**

- 77 of 105 (73%) 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, 2016. (Finding 3, pages 22-23) **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

University officials agreed with the recommendation and stated they will continue to assess the faculty research and consulting approval process to ensure more timely approvals and disclosures. (*For the previous University response, see Digest Footnote #1.*)

OTHER FINDINGS

The remaining findings pertain to inadequate controls over revenue recognition and noncompliance with the State Officials and Employees Ethics Act. We will review the University's progress towards the implementation of our recommendations in our next audit and examination.

AUDITOR'S OPINIONS

The auditors stated the financial statements of the University as of and for the year ended June 30, 2016, are fairly stated in all material respects.

The auditors also conducted a Single Audit of the University as required by the Uniform Guidance. Our auditors qualified their opinion on compliance regarding the return of Title IV funds for the Student Financial Assistance Cluster. Except for this matter, the auditors stated the University complied, in all material respects, with the types of compliance requirements that could have a direct and material effect on the University's major federal programs for the year ended June 30, 2016.

ACCOUNTANT'S OPINIONS

The accountants conducted a compliance examination of the University for the year ended June 30, 2016, as required by the Illinois State Auditing Act. The accountants stated the University complied, in all material respects, with the requirements described in the report.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

FJM: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

2015: The University agrees with the recommendation and will continue its assessment of the faculty research and consulting approval process. Additional modifications will be made to ensure more timely approvals and annual disclosures of outside research, consulting and employment activities.