



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, 2018

Release Date: January 23, 2019

FINDINGS THIS AUDIT: 9	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	0	0	2017		18-01	
Category 2:	6	3	9	2012		18-07	
Category 3:	0	0	0	2005		18-09	
TOTAL	6	3	9				
FINDINGS LAST AUDIT: 7							

SYNOPSIS

- (18-05) The University did not fully implement the Student Transfer Achievement Reform Act.
- (18-07) 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, 2018

STATEMENT OF NET POSITION	2018	2017
Assets and Deferred Outflows of Resources		
Unrestricted		
Cash and cash equivalents.....	\$ 56,122,226	\$ 42,713,305
Receivables.....	24,280,924	35,638,801
Investments.....	95,815,652	59,002,520
Inventories, prepaid expenses, deposits, and other.....	6,423,274	5,532,184
Restricted		
Cash and cash equivalents.....	4,324,216	5,749,277
Receivables.....	5,672,857	4,291,589
Investments.....	153,554,448	160,799,200
Inventories, prepaid expenses, deposits, and other.....	2,350,694	1,416,910
Capital assets, net.....	481,692,054	424,705,388
Total.....	<u>830,236,345</u>	<u>739,849,174</u>
Liabilities and Deferred Inflows of Resources		
Accounts payable and accrued liabilities.....	21,320,938	17,412,671
Bond obligations.....	163,553,776	125,985,083
Other.....	71,385,906	41,388,133
Total.....	<u>256,260,620</u>	<u>184,785,887</u>
Net Position		
Net investment in capital assets.....	318,965,464	300,049,604
Restricted, expendable.....	155,285,243	165,088,485
Unrestricted.....	99,725,018	89,925,198
Total.....	<u>\$ 573,975,725</u>	<u>\$ 555,063,287</u>
REVENUES, EXPENSES, AND CHANGES IN NET POSITION		
Revenues		
Tuition and fees, net.....	\$ 200,168,393	\$ 221,234,933
State appropriations.....	98,939,700	38,291,000
Auxiliary enterprises.....	85,783,356	85,221,127
Payments on behalf of the University - State.....	170,213,603	176,090,829
Other.....	107,135,763	78,305,112
Total.....	<u>662,240,815</u>	<u>599,143,001</u>
Expenses		
Instruction.....	243,231,729	289,991,715
Student services.....	46,326,373	42,644,836
Student aid.....	59,729,198	56,740,837
Auxiliary enterprises.....	60,871,659	52,584,518
Other.....	200,161,752	149,862,003
Total.....	<u>610,320,711</u>	<u>591,823,909</u>
Adjustment for change in accounting principle.....	(33,007,666)	-
Change in net position.....	<u>\$ 18,912,438</u>	<u>\$ 7,319,092</u>
EMPLOYMENT STATISTICS (Unaudited)		
Faculty and Administrative.....	1,879.4	1,879.8
Civil Service.....	1,226.3	1,214.9
Students.....	414.6	307.3
Miscellaneous Contractual.....	54.2	49.5
Total Employees.....	<u>3,574.5</u>	<u>3,451.5</u>
SERVICE EFFORTS AND ACCOMPLISHMENTS (Unaudited)		
Degrees conferred.....	5,348	5,374
Full-time equivalent students.....	18,308	19,594
Graduation rate (six year).....	69.1%	68.8%
UNIVERSITY PRESIDENT		
During Audit Period: Dr. Larry Dietz		
Currently: Dr. Larry Dietz		

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

NONCOMPLIANCE WITH THE STUDENT TRANSFER ACHIEVEMENT REFORM ACT

The Illinois State University (University) did not fully implement the Student Transfer Achievement Reform Act (Act).

During testing, we noted the following:

Some majors required transfer students to take more than 60 additional credit hours

- The University did not ensure all of its majors allowed for students transferring under the Act to take no more than 60 additional credit hours to complete the student's program of study.
- The University has not entered into agreements with the State of Illinois, Board of Higher Education to exempt majors which require more than 120 credit hours to graduate from the requirements of the Act.

Exemption agreements not obtained

17 majors not in compliance

According to University officials, the following majors are not in compliance with the requirements of the Act described in the preceding two bullet points:

- 1) Accountancy BS/MPA – Accountancy and Information Systems
- 2) Accountancy BS/MPA – Professional Accountancy
- 3) Elementary Education – Bilingual/Bicultural Teacher Education
- 4) Biological Sciences – Biology Teacher Education
- 5) Business Education – Business Teacher Education
- 6) Business Education – Training and Development
- 7) Early Childhood Education
- 8) Elementary Education
- 9) History – Social Sciences Teacher Certification
- 10) Middle Level Teacher Education
- 11) Music Education – Choral/General/Keyboard
- 12) Music Education – Choral/General/Vocal
- 13) Music Education – Instrumental/Band
- 14) Music Education – Instrumental/Orchestra
- 15) Special Education – Specialist in Deaf and Hard of Hearing
- 16) Theatre – Dance Teacher Education
- 17) Theatre – Theatre Teacher Education (Finding 5, pages 22-23)

We recommended the University implement controls to ensure that all majors allow for students to take no more than 60 additional credit hours in accordance with the Act. Also, we recommended the University enter into agreements with the Board to exempt majors requiring more than 120 credit hours from the requirements of this Act.

University officials agree

University officials agreed with our recommendation.

NONCOMPLIANCE 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 fiscal year 2018, faculty members reported 125 instances of outside employment to the University Provost. During testing, we noted the following:

Approvals not obtained prior to the start date of outside employment

- 67 of 125 (54%) cases of outside employment had the Request for Approval of Secondary/Outside Employment Form (Form PERS 927) approved by the University's Provost between one to 459 days late.

Faculty members did not submit required reports

- 48 of 123 (39%) cases of outside employment did not have the Annual Report of Secondary/Outside Employment Form (Form PERS 928) submitted by the faculty member by the deadline of August 31, 2018. The total number of cases was reduced to reflect two employees who retired prior to the due date of the Form PERS 928. (Finding 7, pages 26-27) **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 stated they agree with the recommendation and will continue to assess the faculty research and consulting approval process. University officials also stated additional modifications will be made to ensure more timely approvals and annual disclosures of outside research, consulting and employment activities. *(For the previous University response, see Digest Footnote #1.)*

OTHER FINDINGS

The remaining findings pertain to (1) inadequate controls over accounting and financial reporting, property and equipment, and procurement and contracting functions; (2) faculty time reports; (3) noncompliance with federal institutional eligibility requirements and eligibility requirements; and, (4) information security weaknesses. We will review the University's progress towards the implementation of our recommendations in our next financial audit, Single Audit, and compliance examination.

AUDITOR’S OPINIONS

The auditors stated the financial statements of the University as of and for the year ended June 30, 2018, are fairly stated in all material respects.

The auditors also conducted a Single Audit of the University as required by the Uniform Guidance. 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, 2018.

ACCOUNTANT’S OPINION

The accountants conducted a compliance examination of the University for the year ended June 30, 2018, 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.

This financial audit, Single Audit, and compliance examination was conducted by RSM US LLP.

SIGNED ORIGINAL ON FILE

JANE CLARK
Division Director

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

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

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DIGEST FOOTNOTES

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

2017: The University agrees with the recommendation and will continue to assess 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.