

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY**

**COMPLIANCE EXAMINATION
(In Accordance With the Single Audit Act
and Applicable Federal Regulations)
For the Year Ended June 30, 2020**

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

**State of Illinois
Illinois State University
Single Audit and Compliance Examination
For the Year Ended June 30, 2020**

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Other Reports Issued Under a Separate Cover

The Illinois State University's financial statements as of and for the year ended June 30, 2020, have been issued under a separate cover. Additionally, in accordance with *Government Auditing Standards*, we have issued the Report Required Under *Government Auditing Standards* for the year ended June 30, 2020, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters, under a separate cover. The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of the audit.

**State of Illinois
Illinois State University
Single Audit and State Compliance Examination
For the Year Ended June 30, 2020**

University Officials

| | |
|---|----------------------|
| President | Dr. Larry Dietz |
| Vice President for Finance and Planning | Mr. Dan Stephens |
| Vice President for Academic Affairs and Provost (07/01/20 – present) | Dr. Andover Tarhule |
| Vice President for Academic Affairs and Provost (07/01/19 – 06/30/20) | Dr. Jan Murphy |
| Vice President for Student Affairs | Dr. Levester Johnson |
| Vice President for University Advancement | Mr. Pat Vickerman |
| Comptroller | Mr. Doug Schnittker |
| Legal Counsel | Ms. Lisa Huson |
| Director – Internal Audit | Mr. Robert Blemler |

Officers of the Board of Trustees

| | |
|------------------------|-------------------------|
| Chair of the Board | Ms. Julie Annette Jones |
| Secretary of the Board | Dr. Mary Ann Louderback |

Members of the Board of Trustees

| | |
|--------------------------------------|-------------------------|
| Member | Ms. Kathryn Bohn |
| Member | Mr. Robert Dobski |
| Member | Mr. Rocky Donahue |
| Member | Ms. Julie Annette Jones |
| Member | Dr. Mary Ann Louderback |
| Member | Mr. Robert Navarro |
| Member (12/14/20 – present) | Vacant |
| Member (07/01/19 – 12/14/20) | Ms. Sharon Rossmark |
| Student Member (07/01/20 – present) | Ms. Jada Turner |
| Student Member (07/01/19 – 06/30/20) | Ms. Sarah Aguilar |

Office Location

The University's primary administrative offices are located at:

Hovey Hall
Campus Box 1100
Normal, Illinois 61790-1100



**ILLINOIS STATE
UNIVERSITY**
Illinois' first public university

Vice President for Finance and Planning

302 Hovey Hall
Campus Box 1100
Normal, IL 61790-1100
Phone: (309) 438-2143
Fax: (309) 438-2768

June 18, 2021

RSM US LLP
20 N. Martingale Rd., Ste. 500
Schaumburg, IL 60173-2420

Ladies and Gentlemen:

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 Illinois State University (University). 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 Illinois State University's compliance with the following specified requirements during the year ended June 30, 2020. Based on this evaluation, we assert that during the year ended June 30, 2020, the University has materially complied with the specified requirements below.

- A. The University 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 University 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 University 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 University 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 University on behalf of the State or held in trust by the University have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Yours truly,

Illinois State University

SIGNED ORIGINAL ON FILE

Dr. Larry Dietz, University President

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Mr. Dan Stephens, Vice President Finance and Planning

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Ms. Lisa Huson, General Counsel

**State of Illinois
 Illinois State University
 Single Audit and State Compliance Examination
 For the Year Ended June 30, 2020**

Compliance Report Summary

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and 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 material weaknesses in internal control over compliance.

Summary of Findings

| <u>Number of</u> | <u>Current Report</u> | <u>Prior Report</u> |
|---|------------------------------|----------------------------|
| Findings | 14 | 13 |
| Repeated findings | 9 | 4 |
| Prior recommendations implemented or not repeated | 4 | 5 |

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

| Item No. | Page | Last/First Reported | Description | Finding Type |
|---|-------------|----------------------------|---|--|
| Findings (Government Auditing Standards) | | | | |
| 2020-001 | 17 | New | Inadequate Internal Controls over Census Data | Material Weakness and Noncompliance |
| 2020-002 | 22 | New | Lack of Adequate Controls over the Review of Internal Controls over Service Providers | Material Weakness |
| 2020-003 | 24 | 2019/2018 | Information Security Weaknesses | Significant Deficiency |
| Findings (Federal Compliance) | | | | |
| 2020-004 | 27 | 2019/2019 | Failure to Provide Exit Counseling to Nursing Students | Noncompliance and Significant Deficiency |
| 2020-005 | 29 | New | Failure to Return Unearned Title IV Assistance | Noncompliance and Significant Deficiency |
| Findings (State Compliance) | | | | |
| 2020-006 | 31 | 2019/2018 | Inadequate Control over Property and Equipment | Material Noncompliance and Material Weakness |
| 2020-007 | 34 | 2019/2019 | Weaknesses in Cybersecurity Programs and Practices | Material Noncompliance and Material Weakness |
| 2020-008 | 37 | 2019/2019 | Inadequate Business Continuity and Disaster Recovery Planning | Noncompliance and Significant Deficiency |

**State of Illinois
 Illinois State University
 Single Audit and State Compliance Examination
 For the Year Ended June 30, 2020**

Compliance Report Summary (Continued)

| Item No. | Page | Last/First Reported | Description | Finding Type |
|--|-------------|----------------------------|--|--|
| Findings (State Compliance) | | | | |
| 2020-009 | 39 | New | Noncompliance with the Illinois Articulation Initiative Act | Noncompliance and Significant Deficiency |
| 2020-010 | 40 | 2019/2019 | Inadequate Control over Training | Noncompliance and Significant Deficiency |
| 2020-011 | 42 | 2019/2012 | Noncompliance with the University Faculty Research and Consulting Act | Noncompliance and Significant Deficiency |
| 2020-012 | 44 | 2019/2019 | Noncompliance with Civil Service Requirements | Noncompliance and Significant Deficiency |
| 2020-013 | 46 | New | Failure to Appoint a Sustainability Committee | Noncompliance and Significant Deficiency |
| 2020-014 | 48 | 2019/2005 | Noncompliance with the State Officials and Employees Ethics Act | Noncompliance and Significant Deficiency |
| <p>In addition, the following findings which were reported as current findings and questioned costs relating to <i>Government Auditing Standards</i> also meet the reporting requirements for State Compliance</p> | | | | |
| 2020-001 | 17 | New | Inadequate Internal Controls over Census Data | Material Noncompliance and Material Weakness |
| 2020-002 | 22 | New | Lack of Adequate Controls over the Review of Internal Controls over Service Providers | Material Noncompliance and Material Weakness |
| 2020-003 | 24 | 2019/2018 | Information Security Weaknesses | Noncompliance and Significant Deficiency |
| Prior Findings Not Repeated | | | | |
| A | 49 | 2019/2019 | Noncompliance with Special Tests and Provisions - Student Financial Aid Information Security | |
| B | 49 | 2019/2019 | Failure to Conduct Performance Evaluations | |
| C | 49 | 2019/2019 | Untimely Report Submission to the Legislative Audit Commission | |
| D | 49 | 2019/2019 | Inadequate Control over Automobile Certifications | |

**State of Illinois
Illinois State University
Single Audit and State Compliance Examination
For the Year Ended June 30, 2020**

Compliance Report Summary (Continued)

Exit Conference

The findings and recommendations appearing in this report were discussed with University personnel at an exit conference on June 17, 2021. Attending were:

University:

| | |
|-------------------|--|
| Dan Stephens | Vice President for Finance and Planning |
| Doug Schnittker | Comptroller |
| Erika Jones | Assistant Comptroller |
| Charles Edamala | Chief Technology Officer |
| Dan Taube | Interim Chief Information Security Officer |
| Janice Bonneville | Associate Vice President, Human Resources |
| Emily Duffield | Chief Accountant |

Office of the Auditor General:

| | |
|-----------------------|----------------------|
| Daniel J. Nugent, CPA | Technical Specialist |
|-----------------------|----------------------|

State Universities Civil Service System:

| | |
|-----------------|--------------------|
| Jeff Brownfield | Executive Director |
| Gail Schiesser | Legal Counsel |

RSM US LLP:

| | |
|-------------------|----------------|
| Joseph Evans, CPA | Partner |
| Dan Sethness, CPA | Senior Manager |
| Erik Ginter, CPA | Manager |
| Dan Harker, CPA | Manager |

The responses to the recommendations were provided by Ms. Erika Jones, Assistant Comptroller, in a correspondence dated June 18, 2021.

**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

and

Board of Trustees
Illinois State University

Compliance

As Special Assistant Auditors for the Auditor General, we have examined compliance by the Illinois State University (University) with the specified 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 year ended June 30, 2020. Management of the University is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the University's compliance with the specified requirements based on our examination.

The specified requirements are:

- A. The University 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 University 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 University 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 University 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 University on behalf of the State or held in trust by the University 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*. Those standards, the Act, and the *Audit Guide* require that we plan and perform the examination to obtain reasonable assurance about whether the University complied with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether the University complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance with the specified requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our modified opinion.

Our examination does not provide a legal determination on the University's compliance with the specified requirements.

Our examination disclosed material noncompliance with the following specified requirement applicable to the University during the year ended June 30, 2020. As described in the accompanying Schedule of Findings and Questioned Costs as items 2020-001, 2020-002, 2020-006, and 2020-007, the University had not complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

In our opinion, except for the material deviations from the specified requirements described in the preceding paragraph, the University complied with the specified requirements during the year ended June 30, 2020, in all material respects. However, the results of our procedures disclosed instances of noncompliance with the specified requirements, which are required to be reported in accordance with criteria established by the *Audit Guide* and are described in the accompanying Schedule of Findings and Questioned Costs as items 2020-003 and 2020-008 through 2020-014.

The University's responses to the compliance findings identified in our examination are described in the accompanying Schedule of Findings and Questioned Costs. The University's responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the responses.

The purpose of this report is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the specified requirements (internal control). In planning and performing our examination, we considered the University's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the University's compliance with the specified requirements and to test and report on the University's internal control in accordance with the *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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, noncompliance with the specified requirements on a timely basis. A *material weakness in internal control* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2020-001, 2020-002, 2020-006, and 2020-007 to be material weaknesses.

A *significant deficiency in internal control* 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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2020-003 and 2020-008 through 2020-014 to be significant deficiencies.

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

The University's responses to the internal control findings identified in our examination are described in the accompanying Schedule of Findings and Questioned Costs. The University's responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the responses.

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing based on the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Supplementary Information for State Compliance Purposes

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the business-type activities and the aggregate discretely presented component units of the University as of and for the year ended June 30, 2020 (not presented herein), and have issued our report thereon dated May 27, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to May 27, 2021. The accompanying supplementary information for the year ended June 30, 2020, in Schedules 1 through 13 is presented for the purposes of additional analysis and is not a required part of the basic financial statements of the University. Such information is the responsibility of University management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The accompanying supplementary information for the year ended June 30, 2020, in Schedules 1 through 13 has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the year ended June 30, 2020, in Schedules 1 through 13 is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2020.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the University's basic financial statements as of and for the year ended June 30, 2019 (not presented herein), and have issued our reports thereon dated February 4, 2020, which contained unmodified opinions on the respective financial statements of the business-type activities and the aggregate discretely presented component units. The accompanying supplementary information for the year ended June 30, 2019, in Schedules 3 through 5 is the responsibility of University management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2019, financial statements. The accompanying supplementary information for the year ended June 30, 2019, in Schedules 3 through 5 has been subjected to the auditing procedures applied in the audit of the June 30, 2019, basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or to those basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the year ended June 30, 2019, in Schedules 3 through 5 is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2019.

The accompanying supplementary information in the Analysis of Operations Section is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

SIGNED ORIGINAL ON FILE

Schaumburg, Illinois
June 18, 2021



**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***

RSM US LLP

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Trustees
Illinois State University

Report on the Financial Statements

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 and the aggregate discretely presented component units of the Illinois State University (University), collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and we have issued our report thereon dated May 27, 2021. Our report includes a reference to other auditors who audited the financial statements of the aggregate discretely presented component units, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting (internal control) or compliance and other matters of the Illinois State University Foundation and INTO Illinois State University, LLC, component units of the University, associated with these component units that are reported on separately by those auditors.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from 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 financial statements. 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 an instance of noncompliance or other matters that is requested to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings as item 2020-001.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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 and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, we did identify certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency.

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 a 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. We consider the deficiencies described in the accompanying Schedule of Findings as items 2020-001 and 2020-002 to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Findings as item 2020-003 to be a significant deficiency.

University's Responses to the Findings

The University's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The University's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Schaumburg, Illinois
May 27, 2021



RSM US LLP

**Independent Auditor's Report on Compliance for Each Major Federal Program,
Report on Internal Control Over Compliance, and Report on the Schedule of Expenditures
of Federal Awards Required by the Uniform Guidance**

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Trustees
Illinois State University

Report on Compliance for Each Major Federal Program

As Special Assistant Auditors for the Auditor General, we have audited compliance by the Illinois State University (University) with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2020. The University's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

The University's basic financial statements include the operations of the Illinois State University Foundation and INTO Illinois State University, LLC, component units of the University, which are not included in the University's Schedule of Expenditures of Federal Awards during the year ended June 30, 2020. Our audit, as described below, did not include the operations of these component units because the component units engaged other auditors to perform an audit of their financial statements and, if necessary, an audit of compliance.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

Opinion on Each Major Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2020-004 and 2020-005. Our opinion on each major federal program is not modified with respect to this matter.

The University's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The University's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Additionally, the University is responsible for preparing a corrective action plan to address each finding included in our auditor's report. The University's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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 a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section 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 have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as items 2020-004 and 2020-005, that we consider to be significant deficiencies.

The University's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The University's responses were not subjected to the auditing procedures applied in the audit of compliance 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities and the aggregate discretely presented component units of the University as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated May 27, 2021, which contained an unmodified opinion on those financial statements. Our report includes a reference to other auditors, who audited the financial statements of the University's discretely presented component units, as described in our report on the University's financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

SIGNED ORIGINAL ON FILE

Schaumburg, Illinois
June 18, 2021

**State of Illinois
Illinois State University**

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020**

Summary of Auditor's Results

Financial Statements

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

The independent auditors' report on internal control over financial reporting disclosed:

- Significant deficiency(ies) identified that are not considered to be material weakness(es)? X Yes None Reported
- Material weakness(es) identified? X Yes No

Noncompliance considered material to financial statements was disclosed by the audit?

 X Yes No

Federal Awards

The independent auditors' report on internal control over compliance for major federal awards programs disclosed:

- Significant deficiency(ies) identified? X Yes None Reported
- Material weakness(es) identified? Yes X No

Type of auditors' report issued on compliance for major programs:

| | |
|---|------------|
| Various Federal Agencies – Student Financial Assistance Cluster | Unmodified |
| U.S. Department of Education – COVID-19: Higher Education Emergency Relief Fund | Unmodified |
| U.S. Department of Education – Improving Teacher Quality State Grants | Unmodified |

Any audit findings disclosed that are required to be reported in accordance with Section 2 C.F.R. § 200.516(a)?

 X Yes No

Identification of major programs:

| <u>Name of Federal Program or Cluster</u> | <u>Assistance Listing Number</u> |
|--|--|
| Student Financial Assistance Cluster | 84.007, 84.033 84.038, 84.063 84.268, 84.379 93.364 |
| COVID-19: Higher Education Emergency Relief Fund | 84.425E, 84.425F |
| Improving Teacher Quality State Grants | 84.367 |
| Dollar threshold used to distinguish between Type A and Type B programs: | <u>\$750,000</u> |
| The University qualified as low-risk auditee? | <u> X </u> Yes <u> </u> No |

Current Findings – Government Auditing Standards

Finding 2020-001 Inadequate Internal Controls over Census Data

The Illinois State University (University) did not have adequate internal control over reporting its census data and did not have a reconciliation process to provide assurance census data submitted to its pension and other postemployment benefits (OPEB) plans was complete and accurate.

Census data is demographic data (date of birth, gender, years of service, etc.) of the active, inactive, or retired members of a pension or OPEB plan. The accumulation of inactive or retired members' census data occurs before the current accumulation period of census data used in the plan's actuarial valuation (which eventually flows into each employer's financial statements), meaning the plan is solely responsible for establishing internal controls over these records and transmitting this data to the plan's actuary. In contrast, responsibility for active members' census data during the current accumulation period is split among the plan and each member's current employer(s). Initially, employers must accurately transmit census data elements of their employees to the plan. Then, the plan must record and retain these records for active employees and then transmit this census data to the plan's actuary.

We noted the University's employees are members of both the State Universities Retirement System (SURS) for their pensions and the State Employees Group Insurance Program sponsored by the State of Illinois, Department of Central Management Services (CMS) for their OPEB. In addition, we noted these plans have characteristics of different types of pension and OPEB plans, including single employer plans and cost-sharing multiple-employer plans.

During testing, we noted the following:

- The University had not performed an initial complete reconciliation of its census data recorded by SURS and CMS to its internal records to establish a base year of complete and accurate census data.
- After establishing a base year, the University had not developed a process to annually obtain from SURS and CMS the incremental changes recorded by SURS and CMS in their census data records and reconcile these changes back to the University's internal supporting records.

Upon due consideration and based upon the significance of these issues alone, we concluded a material weakness exists within the University's internal controls related to ensuring both SURS and CMS can provide their respective actuaries with complete and accurate census data related to the University. Even given these two exceptions, we performed detail testing and certain data analysis tests and noted the following additional exceptions:

- 1) We performed an analysis of transactions reported by the University to SURS during the census data accumulation period throughout Fiscal Year 2018, noting the following problems:
 - Four of 505 (1%) employees reported as hired had actually been hired in other fiscal years. SURS determined the total potential impact to each employee's total service credit was it could be off by one-half to 4.25 years.

**State of Illinois
Illinois State University**

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2020**

Current Findings – Government Auditing Standards

Finding 2020-001 Inadequate Internal Controls over Census Data (Continued)

- Two of 33 (6%) employees with a departure on a leave of absence had the start date of the leave of absence untimely reported to SURS by the University. SURS determined the total potential impact to each of these employee's total service credit was it could be off by 1 to 1.75 years.
 - Five of 40 (13%) employees with a return from a leave of absence had the end date of the leave of absence untimely reported to SURS by the University. SURS determined the total potential impact to each of these employee's total service credit was it could be off by one-half to three-quarters of a year.
- 2) As of the end of the census data accumulation year on June 30, 2018, we identified two employees where each employee's associated termination or rehire date(s) had been untimely reported to SURS. While these employees were all associated with the University at June 30, 2018, some or all of these untimely reports may have occurred at other public universities and community colleges across the State. SURS determined these errors resulted in the employees being misclassified between the active, retired, and inactive member categories within SURS. The total potential impact to each former employee's total service credit was it could be off between 0.0 and 1.75 years.

For employers where their employees participate in plans with multiple-employer and cost-sharing features, the American Institute of Certified Public Accountants' *Audit and Accounting Guide: State and Local Governments* (AAG-SLG) (§ 13.177 for pensions and § 14.184 for OPEB) notes the determination of net pension/OPEB liability, pension/OPEB expense, and the associated deferred inflows and deferred outflows of resources depends on employer-provided census data reported to the plan being complete and accurate along with the accumulation and maintenance of this data by the plan being complete and accurate. To help mitigate against the risk of a plan's actuary using incomplete or inaccurate census data within similar agent multiple-employer plans, the AAG-SLG (§ 13.181 (A-27) for pensions and § 14.141 for OPEB) recommends an employer annually reconcile its active members' census data to a report from the plan of census data submitted to the plan's actuary, by comparing the current year's census data file to both the prior year's census data file and its underlying records for changes occurring during the current year.

Additionally, eligibility criteria for participation in SURS under the Illinois Pension Code (Code) (40 ILCS 5/15-134(a)) states any person who is an employee of the University becomes a participant in SURS. Under the Code (40 ILCS 5/15-107), an employee is a person who works for the University in a secretarial, mechanical, labor, clerical, educational, administrative, or other staff position which is either (a) permanent and continuous or (b) for a period of four months or an academic term, whichever is less, who is:

- 1) not a student employed on a less than full-time temporary basis;
- 2) not receiving a retirement or disability annuity from SURS;
- 3) not on military leave;
- 4) not eligible to participate in the Federal Civil Service Retirement System;
- 5) not currently on a leave of absence without pay more than 60 days after the termination of SURS' disability benefits;
- 6) not paid from funds received under the Federal Comprehensive Employment and Training Act as a public service employment program participant hired on or after July 1, 1979;
- 7) not a patient in a hospital or home;

**State of Illinois
Illinois State University**

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2020**

Current Findings – Government Auditing Standards

Finding 2020-001 Inadequate Internal Controls over Census Data (Continued)

- 8) not an employee compensated solely on a fee basis where such income would net earnings from self-employment;
- 9) not providing military courses pursuant to a federally-funded contract where the University has filed a written notice with SURS electing to exclude these persons from the definition of an employee;
- 10) currently on lay-off status of not more than 120 days after the lay-off date;
- 11) not on an absence without pay of more than 30 days; and,
- 12) a nonresident alien on a visa defined under subparagraphs (F), (J), (M), or (Q) of Section 1101(a)(15) of Title 8 of the United States Code who (1) has met the Internal Revenue Service's substantial presence test and (2) became an employee on and after July 1, 1991.

Further, for CMS' OPEB plan, we noted participation in OPEB is derivative of an employee's eligibility to participate in SURS, as members of SURS participate in OPEB as annuitants under the State Employees Group Insurance Act of 1971 (Act) (5 ILCS 375/3(b)).

In addition, the Illinois Pension Code (40 ILCS 5/15-157) requires the University to, at a minimum, withhold contributions of each employee's total compensation of 8% (9.5% for firefighters or police officers) for their participation in SURS, unless further contributions by the employee would either exceed the maximum retirement annuity in the Code (40 ILCS 5/15-136(c)) or the Tier 2 earnings limitation within the Code (40 ILCS 5/15-111(b)), and remit these amounts to SURS. Further, the Code (40 ILCS 5/15-155(b)) requires the University remit employer contributions to SURS reflecting the accruing normal costs of an employee paid from federal or trust funds. Additionally, the Act (5 ILCS 375/10) requires active employees to make contributions as set by CMS and the Act (5 ILCS 375/11) requires employer contributions by the University for all employees not totally compensated from its Income Fund, local auxiliary funds, and the Agricultural Premium Fund.

Finally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds applicable to operations are properly recorded and accounted for to permit the preparation of reliable financial and statistical reports.

University officials indicated they routinely review and reconcile events in the SURS system based upon the data that is available but that a full reconciliation of the census data with SURS and CMS had not previously been completed because they were unaware the University needed to fully reconcile every census data element to SURS' and CMS' records. Additionally, with respect to the first data element, while the University has an established set of procedures sufficient to transmit census data to SURS, it appears inconsistent data arose between the University's HR system and SURS' system due to certain limited and unique circumstances, such as retroactive SURS eligibility, suffix correction, and transfer of benefits from another State school.

**State of Illinois
Illinois State University**

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2020**

Current Findings – Government Auditing Standards

Finding 2020-001 Inadequate Internal Controls over Census Data (Continued)

Recommendation

Failure to ensure complete and accurate census data was reported to SURS and CMS could have resulted in a material misstatement of the University's financial statements and reduced the overall accuracy of pension/OPEB-related liabilities, deferred inflows and outflows of resources, and expense recorded by the State, the State's agencies, and other public universities and community colleges across the State. In addition, failure to reconcile active members' census data reported to and held by SURS and CMS to the University's internal records could result in each plan's actuary relying on incomplete or inaccurate census data in the calculation of the University's pension and OPEB balances, which could result in a material misstatement of these amounts. (Finding Code No. 2020-001)

We recommend the University implement controls to ensure census data events are timely and accurately reported to SURS and CMS.

Further, we recommend the University work with SURS and CMS to develop an annual reconciliation process of its active members' census data from its underlying records to a report from each plan of census data submitted to the plan's actuary. After completing an initial full reconciliation, the University may limit the annual reconciliations to focus on the incremental changes to the census data file from the prior actuarial valuation, provided no risks are identified that incomplete or inaccurate reporting of census data may have occurred during prior periods.

Additionally, we recommend the University work with SURS and CMS to identify and address any unremitted or erroneously remitted employee and, if applicable, employer contributions related to these events.

Finally, due to the interrelatedness of SURS, the mobility of employees to change their employers within SURS, and a specific noncompliance matter regarding whether a person is eligible to participate in SURS identified during testing at Governors State University (please see Governors State University's Fiscal Year 2020 financial audit report for more information), we recommend the University work with both SURS and Governors State University to identify employees initially hired by Governors State University with a visa defined under subparagraphs (F), (J), (M), or (Q) of Section 1101(a)(15) of Title 8 of the United States Code who had not met the Internal Revenue Service's substantial presence test and started employment on and after July 1, 1991.

University Response

The University will continue to process SURS events based upon the information available at the time the employee begins employment with the University. In addition, as unique situations arise that require modifications to this data within the SURS system, the University will work with SURS to ensure that information is properly presented based on required compliance system parameters.

**State of Illinois
Illinois State University**

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2020**

Current Findings – Government Auditing Standards

Finding 2020-001 Inadequate Internal Controls over Census Data (Continued)

As a result of the new audit compliance procedures being required once GASB 75 was effective in fiscal year 2018. The University has correspondingly identified some unknown gaps in existing procedures that led to the late reporting of leave of absences. Upon notice, appropriate steps were taken to address this gap.

The University will continue to independently review the visa status of new employees and determine their state tax residency status for tax purposes, even those that are transferring from another State of Illinois University.

Finally, from this point forward, the University will be performing additional census testing in coordination with the SURS' Special Assistant Auditors to help identify and reconcile identified data errors and inconsistencies. In addition, the University will dedicate extra staff resources to focus greater attention on working with SURS, CMS, and other State schools to establish jointly agreed upon procedures leading to a more comprehensive reconciliation process for the census data. We welcome this partnership approach with SURS, CMS and the Office of the Auditor General.

**State of Illinois
Illinois State University**

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2020**

Current Findings – Government Auditing Standards

**Finding 2020-002 Lack of Adequate Controls over the Review of Internal Controls over
Service Providers**

The Illinois State University (University) did not obtain or conduct timely independent internal controls reviews over its service providers.

We requested the University provide a listing of service providers utilized in order to determine if the University had reviewed the internal controls over their service providers. However, the University was unable to provide a listing of service providers utilized during the examination period.

Due to these conditions, we were unable to conclude the University's population records were complete and accurate under the Professional Standards promulgated by the American Institute of Certified Public Accountants (AU-C § 500, AU-C § 530, and AT-C § 205.35).

Even though the University did not provide a listing of service providers, we determined the University utilized service providers for hosting:

- a system containing significant amounts of data and student records protected by the federal Family Education Rights and Privacy Act (FERPA);
- a system which maintains prospective and new student information; and,
- the University's payroll application with Human Resources (HR) functionality.

The University did not have a program to obtain and review System and Organization Control (SOC) reports. In addition, the University did not track compliance with service levels agreed to with the service providers.

The University is responsible for the design, implementation, and maintenance of internal controls related to information systems and operations to assure its critical and confidential data are adequately safeguarded. This responsibility is not limited due to the processes being outsourced.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

In addition, the *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology (NIST), Maintenance and System and Service Acquisition sections, requires entities outsourcing their information technology environment or operations to obtain assurance over the entities internal controls related to the services provided. Such assurance may be obtained through SOC reports or independent reviews.

University officials indicated they were unaware of the need to centrally track all service providers and obtain and review SOC reports and compliance with service level agreements.

**State of Illinois
Illinois State University**

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2020**

Current Findings – Government Auditing Standards

**Finding 2020-002 Lack of Adequate Controls over the Review of Internal Controls over
Service Providers (Continued)**

Without having obtained and reviewed a SOC report or another form of independent internal controls review, the University does not have assurance the service providers' internal controls are adequate to ensure its critical and confidential data are secure and available. In addition, failure to ensure compliance with service level agreements may lend itself to inadequate services by the service provider. (Finding Code No. 2020-002)

Recommendation

We recommend the University identify all service providers and determine and document if a review of internal controls is required. If required, the University should:

- obtain SOC reports or perform independent reviews of internal controls associated with outsourced systems at least annually;
- monitor and document the operation of the Complementary User Entity Controls (CUECs) relevant to the University's operations; and,
- review service level agreements with service providers to ensure applicable requirements are met.

In addition, if a SOC report indicates one or more subservice providers exist, the University should:

- either obtain and review a SOC report for each subservice organization or perform alternative procedures to satisfy the usage of each subservice organization would not impact the University's internal control environment; and,
- document its review of the SOC reports and review all significant issues with each subservice organization to ascertain if a corrective action plan exists and when it will be implemented, any impacts to the University, and any compensating controls.

University Response

The University recognizes the importance of vendor risk management. While it has careful control over procurement and data usage regarding service providers, processes to maintain the assurance over information and information systems are not in place. The University will work to develop, release, and enforce vendor management procedures and standards that will address these findings.

**State of Illinois
Illinois State University**

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2020**

Current Findings – Government Auditing Standards

Finding 2020-003 Information Security Weaknesses

The Illinois State University (University) had multiple computer security weaknesses.

The University relies on its computing environment for maintaining several critical, sensitive, and/or confidential systems used to meet the University's needs.

During testing, we identified the following security weaknesses:

- The University's Information Technology (IT) policies and procedures were not reviewed and updated during the examination period to reflect the University's current environment or address future changes in processes and new systems.
- The University did not conduct a user access review for all of its applications, including a review of administrative access.
- The University did not conduct segregation of duties reviews between development and production environments for systems where University personnel have development responsibilities.
- The University's Center for Teaching, Learning, and Technology (CTLT), an academic unit, granted local administrative privileges by default to all users on their endpoint devices.
- The University was unable to provide access approval evidence for 2 of 40 (5%) access requests tested.
- Five of 37 (14%) terminated employees' accounts tested were not timely removed. The five noted accounts had access removed between 90 and 365 days after the associated employee separated from the University.
- For a financial application, we noted users' accesses were not timely removed and were able to retain access up to one year until the user's network account was removed.
- The University did not timely patch its system endpoints and servers. We noted 1,262 of 9,069 (14%) desktop endpoints and 216 of 706 (31%) servers were not patched.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance University funds, property, and resources are safeguarded against waste, loss, unauthorized use, and misappropriation.

In addition, the *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology (NIST), Access Control section, sanctions the appropriateness of access rights, timely termination, and periodic review of access rights to ensure appropriateness. Additionally, Special Publication 800-53's Configuration Management section, enforces logical restrictions with changes to systems.

**State of Illinois
Illinois State University**

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2020**

Current Findings – Government Auditing Standards

Finding 2020-003 Information Security Weaknesses (Continued)

University officials indicated:

- 1) the policies were drafted and presented to the University's executive management team; however, these policies were not formally adopted due to the COVID-19 pandemic;
- 2) the user access and segregation of duties reviews were not completed due to other competing priorities;
- 3) they were unaware CTLT granted local administrative privileges by default to all users on their endpoint devices;
- 4) access approval documentation was not retained due to employee oversight;
- 5) terminated employees' accounts were not timely removed due to employee oversight;
- 6) they were unaware access to the noted financial application could potentially remain available to terminated users for up to a year; and,
- 7) underperformance of patch management was due to the decentralized nature of support operations across the University without a single entity providing direction and oversight.

Failure to maintain current policies and procedures could result in the University's security requirements not being met. Additionally, failure to maintain documentation on access approvals and review of all access rights could result in unauthorized access and modification to the University's systems. Also, failure to timely patch information systems could result in a compromise and expose confidential, sensitive, or personal information to unauthorized parties. (Finding Code No. 2020-003, 2019-001, 2018-002)

Recommendation

We recommend the University implement adequate security, including:

- finalizing the policies and procedures to (1) reflect the University's current environment and (2) address future changes in processes and new systems;
- conducting formal user access reviews, which includes (1) all privileged access to the system, (2) critical business functions, and (3) business or IT segregation of duties conflicts;
- restricting privileged access to the minimum number of users necessary;
- ensuring all access requests are approved and documentation is retained;
- ensuring access to all applications is terminated in a timely manner; and,
- ensuring all devices are timely patched with vendor updates.

University Response

The University recognizes that this finding is a combination of weaknesses from the FY19 audit period as well as new ones from the FY20 audit period.

Regarding the FY19 items specifically, the University has made considerable progress on corrective actions. However, due to the direct impact of the COVID-19 pandemic, the University experienced resource constraints and technical limitations that prevent it from fully addressing all issues.

**State of Illinois
Illinois State University**

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2020**

Current Findings – Government Auditing Standards

Finding 2020-003 Information Security Weaknesses (Continued)

The University will pursue the following corrective actions to address these items:

- To address University policies and procedures:
 - Continue working through institutional process to release new and updated documents.
 - Develop and release departmental procedures that align with the in-progress University policies for rapid adoption.
- To address access management:
 - Develop, release, and enforce an access review procedure and standard to be implemented with system administrators and owners.
 - Develop and enhance system integrations to automatically remove access as part of data entry for terminations.
 - Develop, release, and enforce a user access standard for University-owned endpoint devices that prohibits defaulting to local administrator.
- To address system management:
 - Develop, release, and enforce a patch management standard for University-owned endpoint and server devices.

In support of these corrective actions, and ultimately the enhancement of information security at the University, the Information Security Program will continue to align with the NIST Cybersecurity Framework, conducting gap analysis and implementation efforts for the covered functions.

**State of Illinois
Illinois State University**

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2020**

Current Findings – Federal Compliance

Finding 2020-004 Failure to Provide Exit Counseling to Nursing Students

| | |
|-------------------------------|--|
| Compliance Requirement: | Special Tests and Provisions – Student Loan Repayments |
| Funding Agency: | U.S. Department of Education |
| Program/Cluster Title: | Student Financial Assistance Cluster |
| Total Expenditures: | \$140,729,517 |
| Assistance Listing Number(s): | 84.007, 84.003, 84.038, 84.063, 84.268, 84.379, 93.364 |
| Questioned Costs: | None |

The Illinois State University (University) did not have adequate internal controls to ensure exit counseling was provided to all students who received a Nursing Student Loan (NSL).

During testing, we sampled 15 of the 147 students with a NSL in repayment during the examination period. We noted five of the 15 (33%) tested NSLs in repayment were not provided with exit counseling. The sample methods used in performing this testing were not statistically valid.

As of the date when we completed our test, the University had not evaluated whether additional errors exist.

The Code of Federal Regulations (Code) (42 C.F.R. § 57.310(b)(1)(ii)) requires the University to exercise due diligence in the collection of these NSLs by conducting and documenting an exit interview with the borrower if the University had advance notice the student was leaving the University or documenting attempts to notify the borrower of the substance of the exit interview if the student terminated their association with the University without advance notice.

Further, the Code (2 C.F.R. § 200.303(a)) requires the University establish and maintain effective internal control over federal awards to provide reasonable assurance the University is managing its federal awards in compliance with federal statutes, regulations, and terms and conditions applicable to a specific grant.

University officials indicated, like they did in Fiscal Year 2019, these graduates did not have their exit counseling completed due to a system conversion issue with the University's third-party service provider.

Failure to perform exit counseling may result in borrowers not being aware of the repayment process and their rights and responsibilities associated with NSLs. In addition, noncompliance with the Code could impact the University's institutional eligibility under the NSL program. (Finding Code No. 2020-004, 2019-002)

Recommendation

We recommend the University implement controls to ensure all individuals with an NSL in repayment receive exit counseling in accordance with the Code. Further, the University should review NSLs currently in repayment, identify those borrowers with an NSL in repayment where the University lacks documentation substantiating the borrower completed exit counseling, and make good faith attempts to inform the borrower of the substance of exit counseling by mail and then secure information back from the borrower by mail.

**State of Illinois
Illinois State University**

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2020**

Current Findings – Federal Compliance

Finding 2020-004 Failure to Provide Exit Counseling to Nursing Students (Continued)

University Response

The University is investigating the best method for ensuring all nursing students are afforded the proper exit counseling, including having the third-party servicer provide this service as well as any formal documentation. The University will make a good faith effort over the next twelve months to provide exit counseling to the students who lack evidence of proper exit counseling.

**State of Illinois
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**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2020**

Current Findings – Federal Compliance

Finding 2020-005 Failure to Return Unearned Title IV Assistance

Compliance Requirement: Special Tests and Provisions – Return of Title IV Funds
Funding Agency: U.S. Department of Education
Program/Cluster Title: Student Financial Assistance Cluster
Total Expenditures: \$140,729,517
Assistance Listing Number(s): 84.007, 84.003, 84.038, 84.063, 84.268, 84.379, 93.364
Questioned Costs: \$132

The Illinois State University (University) did not have adequate internal controls to ensure all unearned Title IV awards from withdrawn students were returned to the U.S. Department of Education (Department).

During testing, we sampled 40 of the 765 students who withdrew from the University during the examination period. We noted the University did not properly calculate five of the 40 (13%) tested withdrawing students' unearned assistance, which resulted in \$132 not being returned to the Department. The sample methods used in performing this testing were not statistically valid.

As of the date when we completed our test, the University had not evaluated whether additional errors exist or quantified the impact of these errors on the population. As such, the amount reported as questioned costs includes only those errors identified by us as a result of our testing. However, after these five problematic withdrawals were identified by us, the University returned the \$132 in unearned assistance to the Department.

The Code of Federal Regulations (Code) (34 C.F.R. § 668.22(g)) requires the return of unearned Title IV assistance, as determined by completing specific calculations specified within the Code, by the University to the Department.

Further, the Code (2 C.F.R. § 200.303(a)) requires the University establish and maintain effective internal control over federal awards to provide reasonable assurance the University is managing its federal awards in compliance with federal statutes, regulations, and terms and conditions applicable to a specific grant.

University officials indicated these errors were due to human error stemming from insufficient training during the COVID-19 pandemic.

Failure to properly calculate unearned Title IV assistance represents noncompliance with the Code and resulted in an underpayment of unearned Title IV assistance back to the Department. In addition, noncompliance with the Code could impact the University's institutional eligibility under the Department's student assistance programs. (Finding Code No. 2020-005)

Recommendation

We recommend the University implement controls, including additional training of staff, to ensure calculations of unearned Title IV assistance are properly performed in accordance with the provisions of the Code.

**State of Illinois
Illinois State University**

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2020**

Current Findings – Federal Compliance

Finding 2020-005 Failure to Return Unearned Title IV Assistance (Continued)

University Response

The University has implemented an additional layer of review once the initial calculation has been performed. In addition, additional training has been provided to the staff member. Additional procedures have been put into place to measure training comprehension as well.

The University has subsequently reviewed and assessed all assistance returns, correcting all necessary calculations.

**State of Illinois
Illinois State University**

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2020**

Current Findings – State Compliance

Finding 2020-006 Inadequate Control over Property and Equipment

The Illinois State University (University) lacked control over its property and equipment records used for State compliance testing.

During testing, we noted the University's property records and systems had certain internal control problems that hindered our ability to conclude the University's property records used for State compliance reporting were sufficiently complete and accurate. We noted the following:

- The University's *Agency Report of State Property* (Form C-15) filed with the Office of the State Comptroller (Controller) had unreconciled differences of \$1,589,297 for property additions and \$1,181 for property deletions as of June 30, 2020.

We followed-up with University officials about these differences and they indicated the following:

- For additions, the discrepancies arose from the University prioritizing the reporting of capital asset additions (equipment items with an initial cost of \$5,000 or more) which are recorded on the University's financial statements as opposed to those assets (equipment items with an initial cost from \$1,000 to \$4,999.99) only recorded within the University's records to facilitate compliance with State regulations. Further, as equipment items typically purchased during the fourth quarter of the fiscal year usually occur near the end of the fiscal year, some of the smaller dollar items are not tagged and recorded by the University until the subsequent fiscal year.
- For deletions, the differences arose from the University using a date-defined query which does not represent the actual disposal date when an item is deleted.
- During testing of 40 deleted items valued at \$618,417, we noted the following:
 - Two of 40 (5%) items – a farm tractor and mower valued at \$24,051 – were removed from the University's records between one and 26 days late.
 - Five of 40 (13%) items – an incubator, two treadmills, a scorer's table, and an adaptive motion trainer valued at \$54,007 – had been removed from the University's inventory records even though the items had not yet been actually transferred out from the University to the Department of Central Management Services (CMS).

The Statewide Accounting Management System (SAMS) (Procedure 29.10.30) notes each quarterly Form C-15 should report the total cost of all assets with an individual value of \$1,000 or greater as of the report date. The Illinois Administrative Code (Code) (44 Ill. Admin. Code 5010.400) requires the University adjust its property records within 90 days of acquiring, changing, or deleting an equipment item.

**State of Illinois
Illinois State University**

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2020**

Current Findings – State Compliance

Finding 2020-006 Inadequate Control over Property and Equipment (Continued)

Due to these conditions, we were unable to conclude whether the University's population records used for State compliance reporting were sufficiently precise and detailed under the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.35) to test the University's equipment. In addition, due to these limitations, we were unable to conclude the University's Schedule of Changes in State Property was complete and appropriately reported; therefore, this report component was excluded from the University's *Compliance Examination Report*. **Even given the population limitations noted above which hindered our ability to conclude whether selected samples were representative of the population as a whole**, we performed additional testing and noted the following:

- During testing of 80 equipment items across the University valued at \$3,539,903, we noted three (4%) items – a printer, an elliptical, and a paper cutter valued at \$110,240 – were not found at the location noted on the University's property listing. These items were subsequently discovered in-service elsewhere at the University.

The Code (44 Ill. Admin. Code 5010.230) and SAMS (Procedure 29.10.10) require the University maintain detailed records for each equipment item, including the current location of an equipment item.

The State Property Control Act (30 ILCS 605/4) notes the University President is accountable to CMS' Director for supervision, control, and inventory of all property under the University's jurisdiction. Further, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance property is safeguarded against loss or unauthorized use.

In addition, good internal controls over compliance include establishing and maintaining a system, or systems, of internal administrative controls to provide assurance the University's operations comply with applicable laws, rules, and regulations.

University officials indicated these errors were due to staff shortages, time spent implementing Public Act 100-193, and delays in implementing corrective action for the materials that were deleted from the University's records but not transferred to CMS due to the COVID-19 pandemic.

Failure to ensure accuracy of property and equipment records could result in errors or other irregularities not being timely identified, additional and unnecessary equipment expenditures, inaccurate capital asset balances within the University's financial statements, inaccurate State compliance reporting over property and equipment, and represents noncompliance with State laws and regulations. (Finding Code No. 2020-006, 2019-004, 2018-006)

**State of Illinois
Illinois State University**

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2020**

Current Findings – State Compliance

Finding 2020-006 Inadequate Control over Property and Equipment (Continued)

Recommendation

We recommend the University implement corrective action to ensure:

- 1) the University's quarterly Form C-15 reports filed with the Comptroller are complete and accurate as of the date reported;
- 2) assets are recorded as deleted on the date the asset is actually disposed of by the University;
- 3) assets are recorded as transferred on the date an item is physically delivered to the custody of CMS;
- 4) acquisitions, changes, and deletions of items are recorded no later than the earlier of the end of the fiscal year or 90 days after the event occurred; and,
- 5) each equipment item's location is kept up-to-date within the University's property records.

Further, the University should work with CMS to either timely transfer or dispose of surplus items.

University Response

As it relates to quarterly Form C-15 filings, focus is placed on tagging capitalized items (greater than \$5,000) which have a financial statement impact. The University will continue to work towards tagging less value-added, non-capitalized items (<\$5,000) in a more-timely manner. In addition, as those non-value-added items are tagged, amended fiscal year-end Form C-15s will be filed to ensure they are complete and accurate.

During fiscal year 2020, the University changed its process related to CMS disposals. The University identifies surplus inventory in the accounting system with an indicator. Once CMS pallets are picked up at the University, those assets are then marked as disposed. Due to the COVID-19 Pandemic, CMS delayed removal of surplus property from University premises, as such these items were not removed until July 14, 2020.

**State of Illinois
Illinois State University**

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2020**

Current Findings – State Compliance

Finding 2020-007 Weaknesses in Cybersecurity Programs and Practices

The Illinois State University (University) had not implemented adequate internal controls related to cybersecurity programs and practices.

Given the University's responsibilities, it maintains a substantial amount of personal and confidential information, including Social Security numbers, addresses, and educational records.

The Illinois State Auditing Act (30 ILCS 5/3-2.4) requires the Auditor General to review State agencies and their cybersecurity programs and practices. We noted the following:

- During our examination of the University's cybersecurity program, practices, and control of confidential information, we noted the University:
 - had not formalized a cybersecurity plan;
 - lacked formal policies and procedures over configuration management, system development, and information technology (IT) project management;
 - did not track completion of information security training of staff designated as security liaisons; and,
 - did not systemically track and document responses to information security incidents.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance University property and resources are safeguarded against waste, loss, unauthorized use, and misappropriation.

Further, the *Framework for Improving Critical Infrastructure Cybersecurity* (Version 1.1) published by the National Institute of Standards and Technology (NIST) endorses:

- 1) the development of a formalized up-to-date plan;
- 2) the adoption of configuration management, system development, and IT project management policies and procedures;
- 3) adequate staff training; and,
- 4) the development of a system to track information security incidents.

University officials indicated they were in the process of obtaining approval for a cybersecurity plan, but it was delayed due to the COVID-19 Pandemic. In addition, University officials indicated they were not aware of the need to formally record a trainee's completion of data security training. Finally, University officials indicated the University did not have a separate tracking mechanism for information security incidents because the University had not defined information security incidents.

**State of Illinois
Illinois State University**

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2020**

Current Findings – State Compliance

Finding 2020-007 Weaknesses in Cybersecurity Programs and Practices (Continued)

- During our sample testing of 40 computers transferred out of the University to other entities, we noted the University:
 - did not have evidence four (10%) tested computers had their hard drive(s) erased, wiped, sanitized, or destroyed in a manner preventing the retrieval of data; and,
 - did not have written documentation of the name and signature of the person who performed the overwriting or destruction process of each tested computer's hard drive(s), along with the date the process was performed, for the other 36 (90%) tested computers.

The Data Security on State Computers Act (20 ILCS 450/20) requires the University to ensure all hard drives of surplus electronic data processing equipment is erased, wiped, sanitized, or destroyed in a manner preventing the retrieval of sensitive data and software before the item is sold, donated, or transferred and to record, in writing, the name, date, and signature of the person performing the overwriting or destruction process.

In addition, good internal controls over compliance include establishing and maintaining a system, or systems, of internal administrative controls to provide assurance the University's operations comply with applicable laws, rules, and regulations.

University officials indicated the lack of evidence the four computers had been wiped was due to the University changing from a paper-based to electronic system for tracking this activity. Further, University officials indicated the University had not developed a process, due to oversight, to track the name, date, and signature of the person completing the overwriting or destruction process for surplus computers.

- We inquired of University officials who reported seven devices able to store data across the University were deemed lost or stolen during the examination period. During our review of these items, we noted University officials were unable to provide evidence two (29%) devices, a computer and a tablet, were encrypted and they were unfamiliar with the nature of the data stored on these items. As such, we were unable to determine whether a "breach of the security of the system data" occurred and the extent to which personal and/or confidential records may have been breached.

The University is responsible for both ensuring confidential information is protected from disclosure and complying with the provisions of the Personal Information Protection Act (815 ILCS 530). In addition, data protected by encryption or redaction is exempt from the disclosure when lost under the Personal Information Protection Act (815 ILCS 530/5).

University officials indicated, at the time these items were lost, the device encryption standard to protect sensitive and/or confidential data had not been implemented at the University.

**State of Illinois
Illinois State University**

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2020**

Current Findings – State Compliance

Finding 2020-007 Weaknesses in Cybersecurity Programs and Practices (Continued)

Inadequate cybersecurity programs and practices could result in unidentified risks and vulnerabilities, which may result in the University's records being susceptible to cyberattacks and unauthorized disclosures. Further, failure to ensure security staff members receive appropriate training could result in these employees not fulfilling their job duties and functions as intended by management. Finally, failure to ensure all devices with data is secured through encryption exposes both the State and the University to potential litigation and reputation risks and could result in identity theft among persons served by the University. (Finding Code No. 2020-007, 2019-005)

Recommendation

We recommend the University:

- 1) formalize a cybersecurity plan covering all relevant aspects of cybersecurity management and keep it up-to-date;
- 2) develop and approve policies governing configuration management, project management, and a system development lifecycle;
- 3) implement a mechanism to track compliance with annual security training requirements and enforce those training requirements;
- 4) track, monitor, remediate, and document all information security incidents;
- 5) fully comply with the requirements of the Data Security on State Computers Act; and,
- 6) enable full disk encryption on all University-owned computers.

University Response

The University established an Information Security Program in June 2020. The program is designed in alignment with the National Institute of Standards and Technology (NIST) Cybersecurity Framework (CSF). The purpose of the program is to assess, implement, and maintain information security throughout the institution. Through successful execution of its functions, the program will address these findings as well as ensure continued improvement of the institution's information security posture.

Since its inception, the program has made the following notable progress on items identified in this finding:

- Implemented a system to record and track information security incidents.
- Adopted a system to deliver and track online training.
- Implemented a full disk encryption standard and initiated a project to manage compliance across institutional endpoints.
- Implemented a system to develop and release information security procedures and standards.

**State of Illinois
Illinois State University**

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2020**

Current Findings – State Compliance

Finding 2020-008 Inadequate Business Continuity and Disaster Recovery Planning

The Illinois State University (University) needs to improve its business continuity and disaster recovery planning process.

The University relies on its computing environment for maintaining several critical, financially sensitive, and/or confidential systems used to meet the University's needs.

During testing, we noted:

- The University's baseline business continuity plan has not been completely established, including not having defined specific departmental procedures, recovery point objectives, and recovery time objectives. Additionally, the University had not conducted testing of the business continuity plan.
- The University did not ensure all other administrative units or departments outside of Administrative Technologies, which are responsible for their own systems, had adequately developed and tested contingency plans.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance University property and resources are safeguarded against waste, loss, unauthorized use, and misappropriation.

In addition, the *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology (NIST), Contingency Planning section, calls for developing and documenting a business continuity plan addressing roles, responsibilities, and coordination among entities, keeping the plan up-to-date, and testing the plan.

University officials indicated given both the University's decentralized structure where various units across the campus establish their individual business continuity and disaster recovery plans with the coordination of these plans into one overall plan set by the University's Emergency Management Department and the shared governance process, additional time and resources will be needed to correct these long-standing problems. Also, progress in implementing corrective action during Fiscal Year 2020 was slowed due to the COVID-19 pandemic.

Without adequate contingency planning, the University cannot ensure all of its critical systems could be recovered within an acceptable period and minimize the impact associated with a disaster. (Finding Code No. 2020-008, 2019-006)

Recommendation

We recommend the University continue working on establishing adequate and tested contingency plans to ensure all critical operations, regardless of administrative unit or department, can be recovered within the required timeframe. At a minimum, the plans should reflect the current environment, identify a prioritized list of critical applications and minimum recovery times, outline recovery team responsibilities and contact information, and discuss alternative recovery locations and off-site storage facilities.

In addition, the plan should be tested annually and updated where necessary based upon the test results and distributed to appropriate personnel, with copies of the plans stored off-site.

**State of Illinois
Illinois State University**

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2020**

Current Findings – State Compliance

**Finding 2020-008 Inadequate Business Continuity and Disaster Recovery Planning
(Continued)**

University Response

Just prior to the COVID-19 Pandemic, a proposal to develop a comprehensive, University-wide continuity of operations program was about to be considered. When the COVID-19 Pandemic hit, we provided guidance to each University department to develop a continuity plan that was relevant to the situation at hand. Shortly thereafter, those plans were reviewed and ultimately enacted. As the pandemic transitions into more of a recovery operation, the original proposal for a comprehensive continuity program will be considered in the upcoming year.

**State of Illinois
Illinois State University**

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2020**

Current Findings – State Compliance

Finding 2020-009 Noncompliance with the Illinois Articulation Initiative Act

The Illinois State University (University) did not submit a minimum of one course per major under the Illinois Articulation Initiative (Initiative) for some majors offered by the University.

The Initiative, through its itransfer.org website, exists to ease the transfer of students among the State's associate and baccalaureate degree granting institutions. The Initiative consists of both a General Education Core Curriculum (GECC) package, where completion of the entire package at one institution is fully accepted by 111 institutions across the State, and an Initiative major, which are common courses at the lower-division level that can be used to ensure students are prepared for upper-division work at 79 institutions across the State.

During testing, we noted the University did not have a minimum of one course included within the related Initiative major for its art, physics, and psychology degree programs.

The Illinois Articulation Initiative Act (110 ILCS 152/15) requires the University participate in the Initiative by maintaining a minimum of one course in the related Initiative major, if the University has an equivalent major and courses.

In addition, good internal controls over compliance include establishing and maintaining a system, or systems, of internal administrative controls to provide assurance the University's operations comply with applicable laws, rules, and regulations.

University officials indicated that while the impacted departments had provided courses for the GECC-side of the Initiative, the impacted departments – through oversight – did not realize a specific major course also needed to be provided for the Initiative.

Failure to fully participate in the Initiative by submitting, at least, one course per Initiative major could hinder students looking to transfer to other institutions and represents noncompliance with State law. (Finding Code No. 2020-009)

Recommendation

We recommend the University comply with the requirements of the Illinois Articulation Initiative Act or seek a legislative remedy.

University Response

The University will continue to work with the Illinois Articulation Initiative to ensure that at least one Illinois State University course per Initiative major is included on the approved course listing. Over the next twelve months, the University will work to identify the courses to be offered for art, physics, and psychology majors.

**State of Illinois
Illinois State University**

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2020**

Current Findings – State Compliance

Finding 2020-010 Inadequate Control over Training

The Illinois State University (University) did not consistently ensure its employees completed statutory training requirements.

During testing of 40 employees, we noted the following:

- Seven of seven (100%) employees with access to social security numbers (SSNs) in the normal course of their employment lacked documentation to substantiate they had completed training on how to protect SSNs.

The Identity Protection Act (5 ILCS 179/37) requires the University to adopt policies requiring University employees with access to SSNs receive training on the proper handling of SSNs from the time of collection through destruction. University Policy 1.13, which was adopted on November 9, 2009, mandates University employees required to use or handle SSNs be trained on “proper procedures for handling information containing [SSNs] from the time of collection through the destruction of the information, in order to protect the confidentiality of [SSNs].”

Further, the State Records Act (5 ILCS 160/8) requires the University to make and preserve records containing adequate and proper documentation of the functions and transactions of the University to protect the legal rights of the State and of persons directly impacted by the University’s activities.

University officials indicated training for the protection of secure data types, including SSNs, was added to the University’s systems after these employees had completed their training and, while the employees received notification to update their training, the University’s system did not record completion of this additional round of training by the employees.

- One of 13 (8%) new hires in the sample completed their initial ethics training and sexual harassment prevention training eight days late.

The State Officials and Employees Ethics Act (Act) (5 ILCS 430/5-10(c)) requires new employees complete their initial ethics training within 30 days after commencing employment. Further, the Act (5 ILCS 430/5-10.5(a)) requires new employees complete their initial sexual harassment training within 30 days after commencing employment.

University officials indicated this exception was due to oversight.

In addition, good internal controls over compliance include establishing and maintaining a system, or systems, of internal administrative controls to provide assurance the University’s operations comply with applicable laws, rules, and regulations.

Failure to ensure records of employee training are created and retained hinders the accountability and limits the ability of the University to substantiate compliance with State law. Further, failure to ensure employees timely complete ethics and sexual harassment prevention training represents noncompliance with the Act, may hinder efforts to increase awareness of ethics laws and sexual harassment prevention, and could result in employees being unaware of their responsibilities. (Finding Code No. 2020-010, 2019-007)

**State of Illinois
Illinois State University**

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2020**

Current Findings – State Compliance

Finding 2020-010 Inadequate Control over Training (Continued)

Recommendation

We recommend the University implement controls to provide assurance employees timely complete training in accordance with applicable State law and retain evidence of their completion of mandated training events.

University Response

The University has acquired and implemented a training platform (COMEVO) that records completion of certain employee training including those referenced in this finding.

The University will ensure that employees complete required training in accordance with applicable statutes. The training system sends a weekly reminder every Monday to employees and supervisors for those who have not completed the mandatory new hire and annual training courses.

**State of Illinois
Illinois State University**

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2020**

Current Findings – State Compliance

Finding 2020-011 Noncompliance with the University Faculty Research and Consulting Act

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

During Fiscal Year 2020, faculty members reported 101 instances of outside employment to the University Provost.

During testing, we noted the following:

- Twenty-four of 101 (24%) instances had the Request for Approval of Secondary/Outside Employment (Form PERS 927) submitted by the faculty member for approval by the University's Provost between five to 233 days late.
- One of 101 (1%) instances never had a Form PERS 927 submitted by the faculty member to the University's Provost.
- Fifty-two of 101 (51%) instances had Form PERS 927 approved by the University's Provost between three to 248 days late.
- Twenty-nine of 101 (29%) instances did not have the Annual Report of Secondary/Outside Employment (Form PERS 928) submitted by the faculty member by the deadline of August 31, 2020.
- Thirteen of 101 (13%) instances had the Form PERS 928 submitted by the faculty member to the University's Provost during September 2020, which reduced the amount of time available for review and approval by the faculty member's department chair and dean prior to receiving final approval from the University's Provost by September 30, 2020.
- One of 101 (1%) instances had an approval for outside employment by the University's Provost, but did not have either PERS 927 or PERS 928 on file.
- One of 101 (1%) instances only identified the faculty member and the outside entity the faculty member was working for, but the University's Provost did not have either the PERS 927 or PERS 928 on file and had not approved the faculty member's outside employment.

Further, this finding was first noted during the University's Fiscal Year 2012 State compliance examination, **nine years ago**. As such, University management has been unsuccessful in implementing a corrective action plan to remedy these deficiencies.

The Act (110 ILCS 100/1) prohibits full-time University faculty members from undertaking, contracting for, or accepting anything of value in return for research or consulting services for any person other than the University unless the faculty member:

- 1) has submitted a request to the University President, or designee, which includes an estimate of the amount of time involved;
- 2) received the prior written approval of the University President, or designee, to perform the outside research or consulting services; and,
- 3) submits to the University President, or designee, an annual statement of the amount of time actually spent on outside research or consulting services.

**State of Illinois
Illinois State University**

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2020**

Current Findings – State Compliance

**Finding 2020-011 Noncompliance with the University Faculty Research and Consulting Act
(Continued)**

The University's Provost has been designated as the University President's designee for approvals and recordkeeping.

In accordance with University Policy 3.3.7, all forms of secondary/outside employment by a faculty member require the prior written approval of the faculty member's department chairperson, dean, and the University Provost before the faculty member can accept outside employment. Further, the instructions for the Form PERS 928 require faculty members with secondary/outside employment submit the Form PERS 928 "no later than August 31 of the following fiscal year for timely routing to the Office of the Provost."

In addition, good internal controls over compliance include establishing and maintaining a system, or systems, of internal administrative controls to provide assurance the University's operations comply with applicable laws, rules, and regulations.

Finally, the University's management team is responsible for implementing timely corrective action on all of the findings identified during a State compliance examination.

University officials indicated, as they did during prior years, these conditions were due to employee errors and oversight.

Failure to ensure faculty members with outside research, consulting services, or employment obtain written pre-approval from the University's Provost and file annual reports with the University's Provost about the amount of time spent during the preceding fiscal year on outside research, consulting services, or employment represents noncompliance with State law and University Policy 3.3.7 and hinders the oversight of outside activities by the University as intended by the General Assembly. (Finding Code No. 2020-011, 2019-008, 2018-007, 2017-005, 2016-003, 2015-002, 2014-003, 2013-005, 12-5)

Recommendation

We recommend the University's Provost take appropriate corrective action and 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 Response

Effective July 1, 2020, the University has implemented an online application and approval process to enhance compliance with the Act. Electronic communications were distributed, and the website updated directing faculty to the online application and reporting forms. The automated process appears to have reduced approval delays and enhanced record-keeping. At the end of the first year of implementation, the University will assess the effectiveness of this online system and continue to modify forms to further meet compliance.

**State of Illinois
Illinois State University**

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2020**

Current Findings – State Compliance

Finding 2020-012 Noncompliance with the Civil Service Requirements

The Illinois State University (University) did not comply with provisions of the State Universities Civil Service Act (Act).

During testing, we noted the following:

- The University did not notify the Executive Director of the University Civil Service Merit Board (Board) of a position to be filled covered by the State Universities Civil Service System (System).

The Act (110 ILCS 70/36h) requires the University, when it has a position to be filled covered by the System, inform the Executive Director of the Board.

- The University did not notify the Executive Director of the Board of the individual selected among three potential candidates for a position to be filled covered by the System.

The Act (110 ILCS 70/36h) requires the University, after selecting one of the three candidates provided by the Executive Director of the Board, notify the Executive Director of the Board of the selection.

In addition, good internal controls over compliance include establishing and maintaining a system, or systems, of internal administrative controls to provide assurance the University's operations comply with applicable laws, rules, and regulations.

In response to this finding from last year, the University sought the perspective of the Board's Executive Director on whether the University was in compliance with Section 36h of the Act by both (1) not informing the Executive Director when a position covered by the System needed to be filled and (2) not notifying the Executive Director when a candidate had been selected from the pool of candidates. In response, the Executive Director indicated, pursuant to the Act (110 ILCS 70/36d(12)), that the Board had previously granted the Executive Director the authority to appoint a Designated Employer Representative at the University (DER) who was authorized to "give examinations and to certify names from the regional registers provided in Section 36k [of the Act]." Continuing, the Executive Director wrote a DER had been designated by the Executive Director and was, in the Executive Director's opinion, authorized to perform the functions established under Section 36h of the Act on the Executive Director's behalf.

We reviewed Section 36k of the Act and noted the DER, on the Executive Director's behalf, is authorized to place applicants who receive a passing grade on an examination on any register of potential candidates across the System in an appropriate classification or classifications. This function is separate and distinct from the Executive Director's role in Section 36h of the Act to certify the top three candidates from the register and ensure the employer selects one of the, up to, three candidates from the appropriate register. Under the Act, the Executive Director is solely responsible for performing this duty.

University officials indicated the Board's Executive Director does not concur with this finding.

Failure to comply with the statutory process for hiring employees in a position to be filled under the jurisdiction of the System represents noncompliance with State law and hinders the oversight functions of the Board as intended by the General Assembly. (Finding Code No. 2020-012, 2019-009)

**State of Illinois
Illinois State University**

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2020**

Current Findings – State Compliance

Finding 2020-012 Noncompliance with the Civil Service Requirements (Continued)

Recommendation

We recommend the University notify the Board's Executive Director of each position needed to be filled and the individual ultimately selected for the position, or work with the Board to seek a legislative remedy.

University Response

On February 14, 2020, the State University Civil Service System (SUCSS) Executive Director informed the University in writing that the Designated Employer Representative at Illinois State University (Associate Vice President of Human Resources) has the authority to administer Sections 36(b) – 36(q), inclusive, of the State Universities Civil Service Act. Accordingly, all applicable employee notices above are managed and administered at the University level.

The University will continue to work with the Board's Executive Director to maintain communication and compliance with the authorities delegated to the University.

The University has had additional conversations with the Executive Director and General Counsel for the SUCSS regarding this finding. They are reviewing the information and may provide an independent response to the Office of the Auditor General regarding these concerns.

**State of Illinois
Illinois State University**

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2020**

Current Findings – State Compliance

Finding 2020-013 Failure to Appoint a Sustainability Committee

The President of Illinois State University (University) did not appoint members to the University's Sustainability Committee (Committee), which must then prepare the University's Sustainability Plan (Plan) and annually report on the University's progress on implementing the Plan.

During testing, we noted the following:

- The University's President, or designee, did not appoint staff members with skills, knowledge, and ability in each of the University's areas of operation addressed by the University's Plan to the University's Committee. Further, the University's President did not appoint one member of the University's Committee who was a senior member of management as the University's liaison to the Illinois Green Governments Coordinating Council (Council).

The Illinois Administrative Code (Code) (71 Ill. Admin. Code 2500.30(a) and 71 Ill. Admin. Code 2500.30(c)) requires the University's President, or designee, to appoint staff persons with knowledge, skills, and abilities in each of the areas of operation contained within the University's Plan to the Committee. Further, the Code (71 Ill. Admin. Code 2500.30(d)) requires the University's President, or designee, to appoint a member of the Committee who is a senior member of the University's management team to serve as the University's liaison to the Council.

- The University, as the Committee did not function, has not prepared a Plan, filed the latest version of the Plan with the Council, or prepared an annual report for the Council on the University's progress in implementing the Plan.

The Code (71 Ill. Admin. Code 2500.30(b)) requires the Committee prepare the University's Plan. Further, the Code (71 Ill. Admin. Code 2500.40) requires the Committee prepare the Plan, and then revise the Plan no later than three years after adoption, which must include:

- 1) an assessment of the University's environmental impact, focusing on transportation, purchasing of goods and services, construction and renovation, facility management, and office operations;
- 2) sustainability goals, objectives, strategies, and assessment measures of progress in each area noted above;
- 3) an assessment of, at least, one goal and related objective, strategies, and related measurements.

Finally, the Code (71 Ill. Admin. Code 2500.40) requires the submission of an annual progress report to the Council, in care of the Lieutenant Governor, on June 1.

In addition, good internal controls over compliance include establishing and maintaining a system, or systems, of internal administrative controls to provide assurance the University's operations comply with applicable laws, rules, and regulations.

University officials indicated these conditions were due to oversight.

**State of Illinois
Illinois State University**

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2020**

Current Findings – State Compliance

Finding 2020-013 Failure to Appoint a Sustainability Committee (Continued)

Failure to have a functioning Committee resulted in the University not focusing on reducing its overall environmental impact – particularly those impacts arising from transportation, purchasing, construction and renovation activities, facility management, and office operations – as intended by the General Assembly and represents noncompliance with State regulations. (Finding Code No. 2020-013)

Recommendation

We recommend the University’s President establish and appoint qualified members to the Committee and designate a member of the Committee who is a senior member of the University’s management team to serve as a liaison to the Council. Then, the Committee should develop, and update when needed, the University’s Plan. Finally, the University should timely prepare and submit an annual progress report to the Council through filing the report with the Lieutenant Governor.

University Response

While the outgoing University President has not yet established a formal Sustainability Committee in accordance with the Code, the University has taken steps to enhance the University’s environmental sustainability efforts over many years. The University’s Office of Sustainability, working with the University’s Office of Energy Management, has drafted a sustainability master plan working with the campus community and community groups. This draft master plan will be the starting point for when the new University President appoints the formal Sustainability Committee and it begins to perform its functions in accordance with the Code.

**State of Illinois
Illinois State University**

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2020**

Current Findings – State Compliance

Finding 2020-014 Noncompliance with the State Officials and Employees Ethics Act

The Illinois State University (University) did not require positive time reporting for all employees in compliance with the State Officials and Employees Ethics Act (Act).

During testing, we noted University Policy 1.12 only requires positive time reporting for non-faculty employees. The faculty and graduate students within academic positions, academic/professional employees and some civil service employees do not report actual hours worked and are only required to report benefit usage time (vacation, sick, etc.) used to the nearest quarter hour.

Further, this finding was first noted during the University’s Fiscal Year 2005 State compliance examination, **16 years ago**. As such, University management has unsuccessful in implementing a corrective action plan to remedy this deficiency.

The Act requires the Board of Higher Education (Board), with respect to State employees of public universities, to adopt and implement personnel policies. The Act (5 ILCS 430/5-5(c)) states, “The policies shall require State employees to periodically submit time sheets documenting the time spent each day on official State business to the nearest quarter hour.” The Board adopted personnel policies for public universities on February 3, 2004, in accordance with the Act. The University has not fully incorporated these policies into the University’s policies.

In addition, good internal controls over compliance include establishing and maintaining a system, or systems, of internal administrative controls to provide assurance the University’s operations comply with applicable laws, rules, and regulations.

Finally, the University’s management team is responsible for implementing timely corrective action on all of the findings identified during a State compliance examination.

University officials indicated, as they did during prior years, they continue to work with faculty to bring the University into compliance with the Act.

By not requiring time sheets from all of its employees, the University does not have complete documentation of time spent by employees on official State business as contemplated by the Act. (Finding Code No. 2020-014, 2019-013, 2018-009, 2017-007, 2016-004, 2015-003, 2014-005, 2013-007, 12-6, 11-5, 10-2, 09-1, 08-1, 07-1, 06-2, 05-4)

Recommendation

We recommend the University revise its policy and require all employees submit time sheets in compliance with State law.

University Response

The University will continue to work towards a feasible solution to incorporate compliance.

**State of Illinois
Illinois State University**

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2020**

Prior Findings Not Repeated

A. Finding - Noncompliance with Special Tests and Provisions – Student Financial Aid Information Security

During the prior examination, the Illinois State University (University) did not meet federal risk assessment requirements for its student financial aid information.

During the current examination, the University implemented a risk assessment process for its student financial aid information which met the requirements established by the Code of Federal Regulations (16 C.F.R. § 314.4). (Finding Code No. 2019-003)

B. Finding - Failure to Conduct Performance Evaluations

During the prior examination, the Illinois State University (University) did not consistently conduct performance evaluations of its civil service employees.

During the current examination, we noted the University revised University Policy 3.6.4 to only “strongly encourage” a performance evaluation once during an employee’s probationary period and annually thereafter on the employee’s anniversary date in their classification in November 2020. As such, this finding was not repeated. (Finding Code No. 2019-010)

C. Finding - Untimely Report Submission to the Legislative Audit Commission

During the prior examination, the Illinois State University (University) did not timely file its travel headquarters report (Form TA-2) with the Legislative Audit Commission (LAC).

During the current examination, our testing indicated the University timely filed its Form TA-2s with the LAC. (Finding Code No. 2019-011)

D. Finding - Inadequate Control over Automobile Certifications

During the prior examination, the Illinois State University (University) did not always require an annual certification from its employees who are allowed personal use of a University-sponsored vehicle.

During the current examination, our sample testing indicated the University had the annual certifications on file for each tested employee. (Finding Code No. 2019-012)

Schedule 1

STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
July 1, 2019 thru June 30, 2020

| Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title | | Federal Assistance Listing Number | Pass-Through Entity Identifying Number | Total Federal Expenditures | Passed- Through to Subrecipients |
|---|-----|---|---|-------------------------------|--|
| STUDENT FINANCIAL ASSISTANCE CLUSTER | | | | | |
| U.S. Department of Education | | | | | |
| Federal Supplemental Educational Opportunity Grants | (M) | 84.007 | | \$ 661,943 | \$ - |
| Federal Work-Study Program | (M) | 84.033 | | 752,306 | - |
| Federal Perkins Loan Program - Beginning Loan Balance | (M) | 84.038 | | 7,040,862 | - |
| Federal Perkins Loan Program - New Loans | (M) | 84.038 | | - | - |
| Federal Perkins Loan Program - Administrative Cost Allowance | (M) | 84.038 | | - | - |
| Federal Pell Grant Program | (M) | 84.063 | | 27,070,027 | - |
| Federal Direct Student Loans | (M) | 84.268 | | 103,879,246 | - |
| Teacher Education Assistance for College and Higher Education Grants (TEACH Grants) | (M) | 84.379 | | 516,371 | - |
| <i>Total U.S. Department of Education Student Financial Assistance Cluster</i> | | | | <u>139,920,755</u> | <u>-</u> |
| U.S. Department of Health and Human Services | | | | | |
| Nursing Student Loans, Beginning Loan Balance | (M) | 93.364 | | 612,317 | - |
| Nursing Student Loans, New Loans | (M) | 93.364 | | 196,445 | - |
| <i>Total U.S. Department of Health and Human Services Student Financial Assistance Cluster</i> | | | | <u>808,762</u> | <u>-</u> |
| TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER | | | | <u>140,729,517</u> | <u>-</u> |
| RESEARCH & DEVELOPMENT CLUSTER | | | | | |
| U.S. Department of Agriculture | | | | | |
| Agriculture and Food Research Initiative (AFRI) | | 10.310 | | 214,500 | 90,664 |
| Agriculture and Food Research Initiative (AFRI) (Passed through University of Illinois Urbana-Champaign) | | 10.310 | 2017-67013-26536;078863-15736 | 29,533 | - |
| Agriculture and Food Research Initiative (AFRI) (Passed through Western Illinois University) | | 10.310 | 2019-69012-29851-01 | 103,242 | - |
| Agriculture and Food Research Initiative (AFRI) (Passed through University of Minnesota) | | 10.310 | H007164901 | 38,858 | - |
| <i>Total R&D</i> | | 10.310 | | <u>386,133</u> | <u>90,664</u> |
| Capacity Building for Non-Land Grant Colleges of Agriculture (NLGCA) | | 10.326 | | 1,973 | - |
| <i>Total U.S. Department of Agriculture R&D</i> | | | | <u>388,106</u> | <u>90,664</u> |
| U.S. Geological Survey | | | | | |
| Assistance to State Water Resources Research Institutes (Passed through University of Illinois Urbana-Champaign) | | 15.805 | 079901-16315 | 4,667 | - |
| National Cooperative Geologic Mapping Program | | 15.810 | | 5,958 | - |
| <i>Total U.S. Geological Survey R&D</i> | | | | <u>10,625</u> | <u>-</u> |
| U.S. Department of Justice | | | | | |
| National Institute of Justice Research, Evaluation, and Development Project Grants | | 16.560 | | 76,677 | - |
| <i>Total U.S. Department of Justice R&D</i> | | | | <u>76,677</u> | <u>-</u> |
| National Aeronautics and Space Administration | | | | | |
| Education (Passed through Orlando Science Center, Inc.) | | 43.008 | 964-2 | 27,434 | - |
| <i>Total National Aeronautics and Space Administration R&D</i> | | | | <u>27,434</u> | <u>-</u> |

Schedule 1

STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
July 1, 2019 thru June 30, 2020

| Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title | Federal Assistance Listing Number | Pass-Through Entity Identifying Number | Total Federal Expenditures | Passed- Through to Subrecipients |
|---|---|---|-------------------------------|--|
| National Science Foundation | | | | |
| Engineering Grants | 47.041 | | \$ 42,064 | \$ - |
| Mathematical and Physical Sciences | 47.049 | | 502,952 | - |
| Computer and Information Science and Engineering | 47.070 | | 70,294 | - |
| Computer and Information Science and Engineering (Passed through University of North Carolina at Charlotte) | 47.070 | | 23,239 | - |
| | Total R&D 47.070 | 20190406-01-ISU | 93,533 | - |
| Biological Sciences | 47.074 | | 430,554 | - |
| Education and Human Resources | 47.076 | | 1,040,704 | 268,106 |
| Education and Human Resources (Passed through Embry-Riddle Aeronautical University) | 47.076 | 63019-02 | 34,427 | - |
| Education and Human Resources (Passed through Chicago State University) | 47.076 | 53953 | 7,357 | - |
| Education and Human Resources (Passed through Illinois Wesleyan University) | 47.076 | 1742224 | 139,018 | - |
| | Total R&D 47.076 | | 1,221,506 | 268,106 |
| | | | <u>2,290,609</u> | <u>268,106</u> |
| US Environmental Protection Agency | | | | |
| P3 Award: National Student Design Competition for Sustainability | 66.516 | | 5,946 | - |
| | | | <u>5,946</u> | <u>-</u> |
| U.S. Department of Education | | | | |
| Special Education - State Personnel Development (Passed through Southern Illinois University at Edwardsville) | 84.323 | 01 762228-003 | 1,500 | - |
| School Leader Recruitment and Support | 84.363 | | 67,488 | 52,969 |
| Education Innovation and Research (Passed through DuPage Regional Office of Education) | 84.411 | EIR | 86,295 | - |
| Preschool Development Grants (Passed through State of Illinois, State Board of Education) | 84.419 | MY15446 | 41,272 | - |
| Supporting Effective Educator Development Program | 84.423 | | 4,128,742 | 3,291,260 |
| | | | <u>4,325,297</u> | <u>3,344,229</u> |
| U.S. Department of Health and Human Services | | | | |
| Healthy Marriage Promotion and Responsible Fatherhood Grants | 93.086 | | 864,560 | - |
| Area Health Education Centers (Passed through University of Illinois Chicago) | 93.107 | 16930 | 191,842 | - |
| Nurse Education, Practice Quality and Retention Grants | 93.359 | | 683,589 | 182,527 |
| State Court Improvement Program (Passed through State of Illinois, Administrative Office of the Illinois Courts) | 93.586 | CIPData-G-1801 | 20,803 | - |
| Arthritis, Musculoskeletal and Skin Diseases Research | 93.846 | | 103,505 | - |
| Extramural Research Programs in the Neurosciences and Neurological Disorders (Passed through University of Michigan) | 93.853 | SUBK00008389 | 2,042 | - |
| Allergy and Infectious Diseases Research | 93.855 | | 319,154 | 23,458 |
| Biomedical Research and Research Training | 93.859 | | 233,091 | - |
| Child Health and Human Development Extramural Research | 93.865 | | 89,245 | 19,535 |
| Aging Research | 93.866 | | 73,435 | - |
| Aging Research (Passed through Emory University) | 93.866 | A062507 | 21,312 | - |
| | Total R&D 93.866 | | 94,747 | - |
| | | | <u>2,602,578</u> | <u>225,520</u> |
| TOTAL RESEARCH & DEVELOPMENT CLUSTER | | | <u>9,727,272</u> | <u>3,928,519</u> |

Schedule 1

STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
July 1, 2019 thru June 30, 2020

| Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title | Federal Assistance Listing Number | Pass-Through Entity Identifying Number | Total Federal Expenditures | Passed- Through to Subrecipients |
|--|---|--|-------------------------------|--|
| WIOA CLUSTER | | | | |
| U.S. Department of Labor | | | | |
| WIOA Adult Program (Passed through State of Illinois, Department of Commerce and Economic Opportunity) | 17.258 | AA-32193-18-55-A-17 | 394,848 | 74,593 |
| TOTAL WIOA CLUSTER | | | <u>394,848</u> | <u>74,593</u> |
| SPECIAL EDUCATION CLUSTER (IDEA) | | | | |
| U.S. Department of Education | | | | |
| Special Education Grants to States (Passed through State of Illinois, State Board of Education) | 84.027 | 586-64-0417-4630-F | 30,932 | - |
| Special Education Grants to States (Passed through State of Illinois, State Board of Education) | 84.027 | 20-4630-LA17-064-5450-51 | 89,206 | - |
| TOTAL SPECIAL EDUCATION CLUSTER (IDEA) | | | <u>120,138</u> | <u>-</u> |
| TRIO CLUSTER | | | | |
| U.S. Department of Education | | | | |
| TRIO Student Support Services | 84.042 | | 302,006 | - |
| TOTAL TRIO CLUSTER | | | <u>302,006</u> | <u>-</u> |
| OTHER PROGRAMS | | | | |
| Career and Technical Education -- Basic Grants to States (Passed through State of Illinois, Illinois Community College Board) | 84.048 | -15318 / CTE-ISU-20, CTE-ISU-19 | 259,973 | - |
| Career and Technical Education -- Basic Grants to States (Passed through State of Illinois, State Board of Education) | 84.048 | 586-18-1014-4720-F, 20-4720-00-17-064-5450-51 | 593,536 | - |
| Total Non R&D | 84.048 | | 853,509 | - |
| Special Education - Personnel Development to Improve Services and Results for Children with Disabilities | 84.325 | | 277,016 | - |
| Special Education - Personnel Development to Improve Services and Results for Children with Disabilities (Passed through Salus University) | 84.325 | 88405-19-20 | 69,771 | - |
| Total Non R&D | 84.325 | | 346,787 | - |
| Teacher Quality Partnership Grants | 84.336 | | 1,591,914 | 357,990 |
| Supporting Effective Instruction State Grants (Passed through State of Illinois, State Board of Education) | (M) 84.367 | MY13625 | 1,616,381 | - |
| COVID-19: Higher Education Emergency Relief Fund (HEERF) Student Aid Portion | (M) 84.425E | | 3,848,500 | - |
| COVID-19: HEERF Institutional Portion | (M) 84.425F | | 3,848,500 | - |
| Total Non R&D | 84.425 | | 7,697,000 | - |
| <i>Total U.S. Department of Education Non-R&D</i> | | | <u>12,105,591</u> | <u>357,990</u> |
| U.S. Department of Health and Human Services | | | | |
| Nursing Workforce Diversity | 93.178 | | 399,001 | - |
| Substance Abuse and Mental Health Services Projects of Regional and National Significance | 93.243 | | | - |
| Advanced Nursing Education Workforce Grant Program | 93.247 | | 533,537 | - |
| <i>Total U.S. Department of Health and Human Services Non-R&D</i> | | | <u>932,538</u> | <u>-</u> |
| TOTAL OTHER PROGRAMS NON-R&D | | | <u>13,038,129</u> | <u>357,990</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <u>\$ 164,311,910</u> | <u>\$ 4,361,102</u> |

(M) - Program was audited as a major program

**State of Illinois
Illinois State University**

**Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020**

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity for the year ended June 30, 2020, and is presented on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Because the schedule presents only a selected portion of the operations, it is not intended to and does not present the financial position, changes in net position, or cash flows of the University. The University has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 2. Assistance Listing Numbers (ALNs)

The University agreed the ALNs and program names as of September 15, 2020, as they are currently listed on the Schedule of Expenditures of Federal Awards, to the listing at <https://catalog.data.gov/dataset/catalog-of-federal-domestic-assistance-cfda>.

Note 3. Loans Outstanding at Fiscal Year-End

The University had the following loan balances outstanding at June 30, 2020, for programs that are administered directly. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the schedule.

| | Outstanding Balance at June 30, 2020 |
|-----------------------------------|--|
| Nursing Student Loans, ALN 93.364 | \$ 604,908 |
| Perkins Loan Program, ALN 84.038 | <u>6,226,638</u> |
| Total loans outstanding | <u>\$ 6,831,546</u> |

There were no administrative costs charged to the Perkins Loan Program. The Federal Perkins Program was ended on September 30, 2017 with final allowable disbursements being made on June 30, 2018.

**State of Illinois
Illinois State University**

**Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020**

Note 4. Total New Federal Student Loans

During the audit period, the University processed the following amounts of new loans under the Federal Direct Student Loans Program:

| | |
|---|------------------------------|
| Direct Student Loans Program, ALN 84.268 | \$ 73,283,940 |
| Direct Parent Loan for Undergraduate Students Program (PLUS), ALN 84.268 | <u>30,595,306</u> |
| Total | <u>\$ 103,879,246</u> |

There were no administrative costs charged to the loan program. During the fiscal year ended June 30, 2020, the University issued new loans under the Federal Direct Student Loan Program (FDLP). The loan program includes subsidized and unsubsidized Stafford Loans and PLUS Loans for undergraduate and graduate students. The value of the loans issued for the FDLP is based on disbursed amounts. The University is responsible only for the performance of certain administrative duties with respect to federally guaranteed student loan programs and, accordingly, balances and transactions relating to these loan programs and not included in the University's financial statements. Therefore, it is not practicable to determine the balance of loans outstanding to students and former students of the University as of June 30, 2020.

Note 5. Insurance Disclosure

During the audit period, there was no federally funded insurance in effect.

Note 6. Depository Library

The University's Milner Library serves as a depository library in the U.S. Government Publishing Office's Federal Depository Library Program (ALN 40.001, Depository Libraries for Government Publications). The University is the legal custodian of government publications received under this program; however, these publications remain the property of the federal government.

Schedule of Appropriations, Expenditures and Lapsed Balances
Expenditure Authority for Fiscal Year 2020
For the Sixteen Months Ended October 31, 2020

| Public Act 101-0007 Fiscal Year 2020 | Expenditure Authority (Net After Transfers) | Expenditures through June 30, 2020 | Approximate Lapse Period Expenditures July 1 to October 31, 2020 | Approximate Total Expenditures 16 Months Ended October 31, 2020 | Approximate Balances Lapsed, October 31, 2020 |
|--|--|--|--|---|--|
| EDUCATION ASSISTANCE FUND - 007 | | | | | |
| Personal Services | \$ 69,619,300 | \$ 69,609,300 | \$ 10,000 | \$ 69,619,300 | - |
| Total | <u>\$ 69,619,300</u> | <u>\$ 69,609,300</u> | <u>\$ 10,000</u> | <u>\$ 69,619,300</u> | <u>\$ -</u> |
| STATE COLLEGE AND UNIVERSITY TRUST FUND - 417 | | | | | |
| Scholarship Grant Awards | \$ 150,000 | \$ 150,000 | \$ - | \$ 150,000 | \$ - |
| Total | <u>\$ 150,000</u> | <u>\$ 150,000</u> | <u>\$ -</u> | <u>\$ 150,000</u> | <u>\$ -</u> |
| GRAND TOTAL - ALL FUNDS | <u>\$ 69,769,300</u> | <u>\$ 69,759,300</u> | <u>\$ 10,000</u> | <u>\$ 69,769,300</u> | <u>\$ -</u> |

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the University's records and have been reconciled to the State Comptroller's records as of October 31, 2020.

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

**Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances
For the Years Ended June 30,**

| | 2020 | 2019 |
|--|---------------|---------------|
| EDUCATION ASSISTANCE FUND - 007 | | |
| Expenditure Authority | \$ 69,619,300 | \$ 66,304,100 |
| Expenditures | | |
| Operational Expenses | - | 66,304,100 |
| Personal Services | 69,619,300 | - |
| Total expenditures | 69,619,300 | 66,304,100 |
| Balances Lapsed | \$ - | \$ - |
| STATE COLLEGE AND UNIVERSITY TRUST FUND - 417 | | |
| Expenditure Authority | \$ 150,000 | \$ 50,000 |
| Expenditures | | |
| Scholarship Grant Awards | 150,000 | 50,000 |
| Balances Lapsed | \$ - | \$ - |
| GRAND TOTAL, ALL FUNDS | | |
| Expenditure Authority | \$ 69,769,300 | \$ 66,354,100 |
| Expenditures | 69,769,300 | 66,354,100 |
| Balances Lapsed | \$ - | \$ - |

Note 1: Expenditure authority, appropriations, expenditures and lapsed balances were obtained from the University's records and have been reconciled to the State Comptroller's records as of October 31, 2020, and August 31, 2019.

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

Note 3: The University received appropriations during Fiscal Year 2020 from Public Act 101-0007. In addition, the University received appropriations during Fiscal Year 2019 from Public Act 100-0586.

**Comparative Schedule of Net Expenditures by Major Activity
 For the Years Ended June 30,**

| EXPENDITURE STATISTICS | 2020 | 2019 |
|---------------------------------------|----------------------|----------------------|
| All State Treasury Funds | | |
| Total Operation Expenditures | \$ 69,619,300 | \$ 66,304,000 |
| Percentage of Total Expenditures | 99.8% | 99.9% |
| Personal Services | 69,619,300 | 66,304,000 |
| Total Awards and Grants Expenditures | \$ 150,000 | \$ 50,000 |
| Percentage of Total Expenditures | 0.2% | 0.1% |
| GRAND TOTAL - ALL EXPENDITURES | \$ 69,769,300 | \$ 66,354,000 |

Note 1: Expenditures were obtained from the University's records and have been reconciled to the State Comptroller's records as of October 31, 2020, and August 31, 2019.

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

**Comparative Schedule of Income Fund Revenues and Expenses
For the Years Ended June 30,**

| | 2020 | 2019 |
|---|-----------------------|-----------------------|
| Revenues | | |
| Registration fees | \$ 185,851,246 | \$ 178,957,703 |
| Registration - extension | 492,340 | 434,558 |
| Enrollment deposit fee forfeitures | 8,505 | 10,647 |
| Tuition and fees waived | 8,145,735 | 8,374,995 |
| Library fines | 5,927 | 10,078 |
| Instructional support fee | 5,613,775 | 1,269,463 |
| Investment income | 2,275,238 | 2,523,672 |
| Net increase (decrease) in fair market value of investments | (222,510) | 2,227,040 |
| Payments on behalf of University - State | 22,385,166 | 27,457,085 |
| Special funding situation - Pension and OPEB | 51,540,326 | 36,455,528 |
| Payments on behalf of University | 3,355,218 | 4,107,025 |
| Gifts and donations | 1,591,438 | 1,476,243 |
| Other | 5,539,214 | 6,489,754 |
| | <u>\$ 286,581,618</u> | <u>\$ 269,793,791</u> |
| Expenses | | |
| Personal services | \$ 102,220,619 | \$ 96,257,753 |
| SURS retirement | 104,677,913 | 89,845,123 |
| Medicare | 2,738,446 | 2,662,788 |
| Group insurance | (30,274,824) | (27,207,613) |
| Contractual services | 33,564,369 | 35,730,865 |
| Travel | 1,573,795 | 2,212,139 |
| Commodities | 2,883,365 | 3,200,539 |
| Equipment and library books | 7,503,072 | 9,549,811 |
| Telecommunications services | 828,987 | 842,072 |
| Operation of automotive equipment | 460,952 | 554,918 |
| Refunds | 125,035 | 912 |
| Tuition and fees waived | 8,145,735 | 8,374,995 |
| Awards, grants, and matching funds | 32,550,958 | 27,771,624 |
| Permanent improvements | 4,707,425 | 6,637,401 |
| | <u>271,705,847</u> | <u>256,433,327</u> |
| Subtotal | | |
| GASB No. 35 Adjustments: | | |
| Depreciation | 15,536,266 | 14,740,155 |
| Capital asset additions/disposals | (4,942,555) | (8,900,485) |
| | <u>\$ 282,299,558</u> | <u>\$ 262,272,997</u> |

Note 1: Pursuant to the State Finance Act (30 ILCS 105/6a-1b), responsibility and control of the Illinois State University Income Fund was transferred directly to the University. It is now a non-appropriated, local fund maintained by the University.

Statement of Net Position - Local Funds
For the Year Ended June 30, 2020

| | Indirect Cost Support | Continuing Education & Public Service | Sales & Service of Educational Activities | Student Programs & Services - University | Student Programs & Services - Laboratory Schools | Field Trip & Foreign Study Activities | Income Fund | Subtotal |
|---|-----------------------------|---|---|---|--|---|-----------------------|-----------------------|
| Assets | | | | | | | | |
| Current Assets: | | | | | | | | |
| Cash and cash equivalents | \$ 1,252,183 | \$ - | \$ 1,864,066 | \$ 4,485,843 | \$ 471,801 | \$ 591,031 | \$ 109,592,692 | \$ 118,257,616 |
| Cash and cash equivalents - restricted | - | - | - | - | - | - | 14 | 14 |
| Accrued interest receivable | - | 9,755 | - | 23,545 | - | - | 32,405 | 65,705 |
| Accounts receivable, net | - | 86,314 | 88,350 | 2,390,494 | - | 27,806 | 8,322,031 | 10,914,995 |
| Appropriations receivable from State | - | - | - | - | - | - | 13,454,058 | 13,454,058 |
| Inventories | - | 244,529 | 43,027 | 208,976 | - | - | 296,313 | 792,845 |
| Prepaid expenses and deposits | 59,742 | 258,943 | 29,176 | 264,875 | - | 35,749 | 1,961,962 | 2,610,447 |
| Total current assets | <u>1,311,925</u> | <u>599,541</u> | <u>2,024,619</u> | <u>7,373,733</u> | <u>471,801</u> | <u>654,586</u> | <u>133,659,475</u> | <u>146,095,680</u> |
| Noncurrent Assets: | | | | | | | | |
| Investments | - | 1,843,980 | - | 4,450,704 | - | - | 6,125,277 | 12,419,961 |
| Bond issuance costs | - | - | - | - | - | - | 17,019 | 17,019 |
| Capital assets, net | 174,106 | 729,409 | 3,896,157 | 3,643,023 | 4,205 | - | 194,104,110 | 202,551,010 |
| Other noncurrent assets | - | - | - | - | - | - | 2,960,245 | 2,960,245 |
| Total noncurrent assets | <u>174,106</u> | <u>2,573,389</u> | <u>3,896,157</u> | <u>8,093,727</u> | <u>4,205</u> | <u>-</u> | <u>203,206,651</u> | <u>217,948,235</u> |
| Deferred outflows of resources | | | | | | | | |
| Loss on refunding | - | - | - | - | - | - | 176,154 | 176,154 |
| OPEB | - | - | - | - | - | - | 4,255,334 | 4,255,334 |
| Pension | - | - | - | - | - | - | 780,866 | 780,866 |
| Total deferred outflow of resources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>5,212,354</u> | <u>5,212,354</u> |
| Total assets and deferred outflows of resources | <u>1,486,031</u> | <u>3,172,930</u> | <u>5,920,776</u> | <u>15,467,460</u> | <u>476,006</u> | <u>654,586</u> | <u>342,078,480</u> | <u>369,256,269</u> |
| Liabilities | | | | | | | | |
| Current Liabilities: | | | | | | | | |
| Accounts payable and accrued liabilities | 20,701 | 155,017 | 79,040 | 2,106,122 | 16,171 | 17,588 | 4,694,626 | 7,089,265 |
| Assets held in custody for others and deposits | - | 9,257 | - | 200,767 | - | - | - | 210,024 |
| Unearned revenue | - | 271,017 | 68,176 | 920,600 | - | 6,944 | 5,902,207 | 7,168,944 |
| Accrued compensated absences | 1,715 | 10,280 | 2,984 | 107,810 | 371 | 546 | 1,028,340 | 1,152,046 |
| OPEB liability | - | - | - | - | - | - | 658,620 | 658,620 |
| Certificates of participation | - | - | - | - | - | - | 3,213,248 | 3,213,248 |
| Total current liabilities | <u>22,416</u> | <u>445,571</u> | <u>150,200</u> | <u>3,335,299</u> | <u>16,542</u> | <u>25,078</u> | <u>15,497,041</u> | <u>19,492,147</u> |
| Noncurrent Liabilities: | | | | | | | | |
| Accrued compensated absences | 14,077 | 84,411 | 24,505 | 885,237 | 3,048 | 4,486 | 12,073,295 | 13,089,059 |
| OPEB liability | - | - | - | - | - | - | 29,010,458 | 29,010,458 |
| Certificates of participation | - | - | - | - | - | - | 36,488,032 | 36,488,032 |
| Total noncurrent liabilities | <u>14,077</u> | <u>84,411</u> | <u>24,505</u> | <u>885,237</u> | <u>3,048</u> | <u>4,486</u> | <u>77,571,785</u> | <u>78,587,549</u> |
| Deferred inflows of resources - OPEB | - | - | - | - | - | - | 6,584,366 | 6,584,366 |
| Total liabilities and deferred inflows of resources | <u>36,493</u> | <u>529,982</u> | <u>174,705</u> | <u>4,220,536</u> | <u>19,590</u> | <u>29,564</u> | <u>99,653,192</u> | <u>104,664,062</u> |
| Net Position | | | | | | | | |
| Net investment in capital assets | 174,106 | 729,409 | 3,896,157 | 3,643,023 | 4,205 | - | 154,402,844 | 162,849,744 |
| Unrestricted | 1,275,432 | 1,913,539 | 1,849,914 | 7,603,901 | 452,211 | 625,022 | 88,022,444 | 101,742,463 |
| Total net position | <u>\$ 1,449,538</u> | <u>\$ 2,642,948</u> | <u>\$ 5,746,071</u> | <u>\$ 11,246,924</u> | <u>\$ 456,416</u> | <u>\$ 625,022</u> | <u>\$ 242,425,288</u> | <u>\$ 264,592,207</u> |

Statement of Revenues, Expenses and Changes in Net Position - Local Funds
For the Year Ended June 30, 2020

| | Indirect Cost Support | Continuing Education & Public Service | Sales & Service of Educational Activities | Student Programs & Services - University | Student Programs & Services - Laboratory Schools | Field Trip & Foreign Study Activities | Income Fund | Local Funds Total |
|---|-----------------------------|---|---|---|--|---|-----------------------|-------------------------|
| Operating revenues | | | | | | | | |
| Student tuition and fees, net | \$ - | \$ 150 | \$ - | \$ 31,499,256 | \$ - | \$ 1,120,479 | \$ 174,261,226 | \$ 206,881,111 |
| Sales and services of educational activities | - | - | 2,952,839 | - | 5,595 | - | - | 2,958,434 |
| Other operating revenues | 1,680,614 | 5,895,196 | 49,451 | 8,099,139 | 152,080 | 1,153,619 | 5,383,080 | 22,413,179 |
| Total operating revenues | <u>1,680,614</u> | <u>5,895,346</u> | <u>3,002,290</u> | <u>39,598,395</u> | <u>157,675</u> | <u>2,274,098</u> | <u>179,644,306</u> | <u>232,252,724</u> |
| Operating expenses | | | | | | | | |
| Educational and general | | | | | | | | |
| Instruction | - | 118,476 | 2,378,018 | 529,884 | - | 2,114,191 | 126,713,673 | 131,854,242 |
| Research | 1,992,966 | 1,323 | 102,950 | - | 699,011 | - | 3,981,604 | 6,777,854 |
| Public service | - | 6,443,949 | 812,368 | 3,208 | - | 8,587 | 3,954,073 | 11,222,185 |
| Academic support | 28,498 | 15,781 | 174,562 | - | - | - | 23,263,661 | 23,482,502 |
| Student services | - | 142,751 | 82,045 | 43,565,809 | - | - | 8,229,725 | 52,020,330 |
| Institutional support | 1,232,889 | 261,121 | - | - | - | - | 36,131,099 | 37,625,109 |
| Operation and maintenance of plant | - | 236,187 | - | 178,475 | - | - | 32,331,347 | 32,746,009 |
| Depreciation | 108,293 | 41,472 | 246,198 | 338,210 | 2,119 | 536 | 15,536,266 | 16,273,094 |
| Student aid | 3,233 | 12,431 | 4,000 | 2,492,903 | - | 16,640 | 32,413,878 | 34,943,085 |
| Total operating expenses | <u>3,365,879</u> | <u>7,273,491</u> | <u>3,800,141</u> | <u>47,108,489</u> | <u>701,130</u> | <u>2,139,954</u> | <u>282,555,326</u> | <u>346,944,410</u> |
| Operating income (loss) | <u>(1,685,265)</u> | <u>(1,378,145)</u> | <u>(797,851)</u> | <u>(7,510,094)</u> | <u>(543,455)</u> | <u>134,144</u> | <u>(102,911,020)</u> | <u>(114,691,686)</u> |
| Nonoperating revenues (expenses) | | | | | | | | |
| Payments on behalf of the University - State | 31,325 | 181,573 | 63,791 | 1,907,718 | 6,331 | 32,978 | 22,385,166 | 24,608,882 |
| Special funding situation - Pension and OPEB | 70,248 | 409,315 | 147,744 | 4,228,379 | 14,508 | 74,669 | 51,540,326 | 56,485,189 |
| Payments on behalf of the University - Foundation | - | - | - | - | - | - | 3,355,218 | 3,355,218 |
| Laboratory schools | - | - | - | - | 539,357 | - | - | 539,357 |
| Gifts and donations | - | - | - | 574 | 200 | - | 1,847,206 | 1,847,980 |
| Investment income, net of investment expenses | 5,315 | 50,390 | - | 232,745 | 1,260 | 6,057 | 2,052,883 | 2,348,650 |
| Interest expense | - | - | - | - | - | - | (1,670,874) | (1,670,874) |
| Other nonoperating revenues | - | 80,701 | 418,889 | 1,355,277 | 478 | - | 26,028,668 | 27,884,013 |
| Net nonoperating revenues | <u>106,888</u> | <u>721,979</u> | <u>630,424</u> | <u>7,724,693</u> | <u>562,134</u> | <u>113,704</u> | <u>105,538,593</u> | <u>115,398,415</u> |
| Income (loss) before capital items | <u>(1,578,377)</u> | <u>(656,166)</u> | <u>(167,427)</u> | <u>214,599</u> | <u>18,679</u> | <u>247,848</u> | <u>2,627,573</u> | <u>706,729</u> |
| Capital appropriations | - | - | - | - | - | - | 708,658 | 708,658 |
| Capital grants and gifts | - | - | - | - | - | - | 3,714,634 | 3,714,634 |
| Total capital items | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,423,292</u> | <u>4,423,292</u> |
| Increase (decrease) in net position | <u>(1,578,377)</u> | <u>(656,166)</u> | <u>(167,427)</u> | <u>214,599</u> | <u>18,679</u> | <u>247,848</u> | <u>7,050,865</u> | <u>5,130,021</u> |
| Net position | | | | | | | | |
| Net position - beginning of year | <u>3,027,915</u> | <u>3,299,114</u> | <u>5,913,498</u> | <u>11,032,325</u> | <u>437,737</u> | <u>377,174</u> | <u>235,374,423</u> | <u>259,462,186</u> |
| Net position - end of year | <u>\$ 1,449,538</u> | <u>\$ 2,642,948</u> | <u>\$ 5,746,071</u> | <u>\$ 11,246,924</u> | <u>\$ 456,416</u> | <u>\$ 625,022</u> | <u>\$ 242,425,288</u> | <u>\$ 264,592,207</u> |

Statement of Net Position - Service Departments
For the Year Ended June 30, 2020

| | <u>Service Departments</u> |
|--|--------------------------------|
| Assets | |
| Current Assets: | |
| Cash and cash equivalents | \$ 5,358,216 |
| Accounts receivable, net | 251,605 |
| Inventories | 1,507,314 |
| Prepaid expenses and deposits | <u>1,075,633</u> |
| Total current assets | <u>8,192,768</u> |
| Noncurrent Assets: | |
| Capital assets, net | <u>1,114,882</u> |
| Total assets | <u>9,307,650</u> |
| Liabilities | |
| Current Liabilities: | |
| Accounts payable and accrued liabilities | 1,598,866 |
| Unearned revenue | 179,231 |
| Accrued compensated absences | <u>60,504</u> |
| Total current liabilities | <u>1,838,601</u> |
| Noncurrent Liabilities: | |
| Accrued compensated absences | <u>794,393</u> |
| Total liabilities | <u>2,632,994</u> |
| Net Position | |
| Net investment in capital assets | 1,114,882 |
| Unrestricted | <u>5,559,774</u> |
| Total net position | <u>\$ 6,674,656</u> |

Statement of Revenues, Expenses and Changes in Net Position -
Service Departments
For the Year Ended June 30, 2020

| | Service Departments |
|---|----------------------------|
| Operating revenues | |
| Other operating revenues | <u>\$ 20,373,205</u> |
| Operating expenses | |
| Educational and general: | |
| Instruction | 349,925 |
| Institutional support | 8,506,032 |
| Operation and maintenance of plant | 17,867,333 |
| Depreciation | <u>653,870</u> |
| Total operating expenses | <u>27,377,160</u> |
| Operating loss | <u>(7,003,955)</u> |
| Nonoperating revenues | |
| Payments on behalf of the University - State | 1,309,887 |
| Special funding situation - Pension and OPEB | 2,988,035 |
| Investment income, net of investment expenses | 1,193,301 |
| Other nonoperating revenues | <u>7,583</u> |
| Decrease in net position | <u>(1,505,149)</u> |
| Net position | |
| Beginning of year | <u>8,179,805</u> |
| End of year | <u><u>\$ 6,674,656</u></u> |

Statement of Net Position - Auxiliary Facilities
For the Year Ended June 30, 2020

| | Housing | Student Activities | Parking | Auxiliary Facilities Total |
|--|-----------------------|-----------------------|----------------------|----------------------------------|
| Assets | | | | |
| Current Assets: | | | | |
| Cash and cash equivalents | \$ 1,227,471 | \$ 1,364,762 | \$ 1,636,143 | \$ 4,228,376 |
| Investments | 24,966,915 | 5,536,635 | - | 30,503,550 |
| Accrued interest receivable | 473,398 | 74,360 | 29,137 | 576,895 |
| Accounts receivable, net | 4,443,285 | 653,103 | 129,868 | 5,226,256 |
| Inventories | 190,240 | 74,927 | - | 265,167 |
| Prepaid expenses and deposits | 164,510 | 18,766 | 13,718 | 196,994 |
| Deferred charges and obligations | 31,050 | 12,697 | 2,361 | 46,108 |
| Total current assets | <u>31,496,869</u> | <u>7,735,250</u> | <u>1,811,227</u> | <u>41,043,346</u> |
| Noncurrent Assets: | | | | |
| Investments | 78,802,800 | 11,687,139 | 5,507,600 | 95,997,539 |
| Bond issuance costs | 441,232 | 146,435 | 23,023 | 610,690 |
| Capital assets, net | 192,418,221 | 107,600,535 | 22,135,328 | 322,154,084 |
| Total noncurrent assets | <u>271,662,253</u> | <u>119,434,109</u> | <u>27,665,951</u> | <u>418,762,313</u> |
| Deferred Outflow - Loss on Refunding | <u>308,751</u> | <u>213,024</u> | <u>59,782</u> | <u>581,557</u> |
| Total assets | <u>303,467,873</u> | <u>127,382,383</u> | <u>29,536,960</u> | <u>460,387,216</u> |
| Liabilities | | | | |
| Current Liabilities: | | | | |
| Accounts payable and accrued liabilities | 3,870,077 | 2,004,291 | 292,185 | 6,166,553 |
| Assets held in custody for others and deposits | 702,376 | 53,563 | - | 755,939 |
| Unearned revenue | 13,959 | 442,789 | 93,233 | 549,981 |
| Accrued compensated absences | 74,298 | 18,039 | 5,605 | 97,942 |
| Revenue bonds payable | 3,537,141 | 3,115,025 | 406,650 | 7,058,816 |
| Total current liabilities | <u>8,197,851</u> | <u>5,633,707</u> | <u>797,673</u> | <u>14,629,231</u> |
| Noncurrent Liabilities: | | | | |
| Accrued compensated absences | 1,279,899 | 310,746 | 96,560 | 1,687,205 |
| Revenue bonds payable | 58,885,534 | 41,430,591 | 3,574,277 | 103,890,402 |
| Total noncurrent liabilities | <u>60,165,433</u> | <u>41,741,337</u> | <u>3,670,837</u> | <u>105,577,607</u> |
| Total liabilities | <u>68,363,284</u> | <u>47,375,044</u> | <u>4,468,510</u> | <u>120,206,838</u> |
| Net Position | | | | |
| Net investment in capital assets | 129,995,546 | 65,760,362 | 18,154,401 | 213,910,309 |
| Restricted | 105,109,043 | 14,246,977 | 6,914,049 | 126,270,069 |
| Total net position | <u>\$ 235,104,589</u> | <u>\$ 80,007,339</u> | <u>\$ 25,068,450</u> | <u>\$ 340,180,378</u> |

**Statement of Revenues, Expenses and Changes in Net Position -
Auxiliary Facilities
For the Year Ended June 30, 2020**

| | Housing | Student Activities | Parking | Auxiliary Facilities Total |
|--|-----------------------|-----------------------|----------------------|----------------------------------|
| Operating Revenues | | | | |
| Auxiliary facilities | \$ 54,527,760 | \$ 22,510,636 | \$ 3,911,617 | \$ 80,950,013 |
| Total operating revenues | <u>54,527,760</u> | <u>22,510,636</u> | <u>3,911,617</u> | <u>80,950,013</u> |
| Operating Expenses | | | | |
| Depreciation | 6,181,892 | 3,774,343 | 680,968 | 10,637,203 |
| Auxiliary facilities: | | | | |
| Student housing, activity, facilities, and parking | 48,854,555 | 13,908,336 | 2,566,487 | 65,329,378 |
| Total operating expenses | <u>55,036,447</u> | <u>17,682,679</u> | <u>3,247,455</u> | <u>75,966,581</u> |
| Operating income (loss) | <u>(508,687)</u> | <u>4,827,957</u> | <u>664,162</u> | <u>4,983,432</u> |
| Nonoperating Revenues (Expenses) | | | | |
| Payments on behalf of the University - State | 1,554,369 | 323,734 | 114,357 | 1,992,460 |
| Special funding situation - Pension and OPEB | 3,560,269 | 730,326 | 253,846 | 4,544,441 |
| Investment income, net of investment expenses | 3,563,516 | 552,699 | 219,377 | 4,335,592 |
| Interest expense | (2,570,363) | (1,777,462) | (146,553) | (4,494,378) |
| Other nonoperating income | 293,347 | 29,200 | 4,067 | 326,614 |
| Net nonoperating expenses | <u>6,401,138</u> | <u>(141,503)</u> | <u>445,094</u> | <u>6,704,729</u> |
| Increase in net position | <u>5,892,451</u> | <u>4,686,454</u> | <u>1,109,256</u> | <u>11,688,161</u> |
| Net Position | | | | |
| Beginning of year | <u>229,212,138</u> | <u>75,320,885</u> | <u>23,959,194</u> | <u>328,492,217</u> |
| End of year | <u>\$ 235,104,589</u> | <u>\$ 80,007,339</u> | <u>\$ 25,068,450</u> | <u>\$ 340,180,378</u> |

**Schedule of Sources and Applications
Indirect Cost Reimbursements
For the Year Ended June 30, 2020**

| | |
|--|----------------------------|
| Balance, July 1, 2019 | <u>\$ 3,027,915</u> |
| Sources: | |
| Private Gifts, Grants, and Contracts | 138,426 |
| United States Government Grants and Contracts | 1,500,651 |
| State of Illinois and Local Grants and Contracts | 41,204 |
| Payments on behalf of the University - State | 31,325 |
| Special funding situation - Pension and OPEB | 70,248 |
| Investment income, net of investment expense | 5,315 |
| Other Administrative Allowances | <u>333</u> |
| Total Additions | <u>1,787,502</u> |
| Applications: | |
| Educational and general: | |
| Research | 1,992,966 |
| Academic Support | 28,498 |
| Institutional Support | 1,232,889 |
| Depreciation | 108,293 |
| Student Aid | <u>3,233</u> |
| Total Deductions | <u>3,365,879</u> |
| Decrease in net assets | <u>(1,578,377)</u> |
| Balance at June 30, 2020 | <u><u>\$ 1,449,538</u></u> |

Note: The information above is prepared on an accrual basis.

Indirect cost reimbursements are expended, pursuant to allocations of funds within the University's budget as adopted by the Board of Trustees, to pay for the costs of grants and contracts operations and to pay for overhead expenses of the University. Indirect cost reimbursements are expended in a manner consistent with the formula under which such reimbursements are determined.

Based on the requirements of the *University Guidelines*, patents and royalties do not meet the definition of indirect cost reimbursements and are excluded from this calculation as well as the indirect cost carryforward.

**Schedule of Federal and Nonfederal Financial Activity
For the Year Ended June 30, 2020**

These schedules are used to determine the University's Single Audit costs in accordance with the Uniform Guidance (2 C.F.R. § 200.425).

Schedule A: Federal Financial Component

| | |
|---|------------------------------|
| Total federal expenditures ¹ | <u>\$ 164,311,910</u> |
| Total Schedule A | <u><u>\$ 164,311,910</u></u> |

Schedule B: Total Financial Component

| | |
|---|------------------------------|
| Total operating expenses ² | \$ 559,236,166 |
| Total nonoperating expenses ² | 6,165,252 |
| Federal loan balances: ^{1,4} | |
| Federal Perkins Loans Program | 7,040,862 |
| Nursing Student Loans | 612,317 |
| Total value of new federal loans: ^{1,5} | |
| Federal Perkins Loans Program | - |
| Nursing Student Loans | 196,445 |
| Federal Direct Student Loans | 103,879,246 |
| Other noncash federal award expenditures ³ | <u>-</u> |
| Total Schedule B | <u><u>\$ 677,130,288</u></u> |

Schedule C: Computation of Nonfederal Expenses

| | | <u>Percent</u> |
|---------------------------|------------------------------|----------------|
| Total, Schedule B | \$ 677,130,288 | 100.00% |
| Total, Schedule A | 164,311,910 | 24.27% |
| Total nonfederal expenses | <u><u>\$ 512,818,378</u></u> | <u>75.73%</u> |

¹ Obtained from the Schedule of Expenditures of Federal Awards

² Obtained from the Statement of Revenues, Expenses, and Changes in Net Position

³ Obtained from the Notes to the Schedule of Expenditures of Federal Awards

⁴ Balance at the beginning of the fiscal year with continuing compliance requirements

⁵ Balance of loans issued during the fiscal year

**State of Illinois
Illinois State University**

**Analysis of Operations
For the Year Ended June 30, 2020
(Unaudited)**

Functions

The Illinois State University was founded in 1857 as the first public institution of higher education in the State. The documents establishing the University as a teacher education institution were drafted by Abraham Lincoln. The University is a multi-purpose institution with degree programs at the bachelor's, master's, and doctoral levels.

| | Fiscal Year | |
|----------------------------------|---------------|---------------|
| | 2020 | 2019 |
| Total Headcount Enrollment | | |
| Undergraduate | | |
| Freshmen | 3,440 | 3,357 |
| Sophomores | 3,603 | 3,256 |
| Juniors | 4,449 | 4,668 |
| Seniors | 5,460 | 5,498 |
| Unclassified | 44 | 49 |
| Total Undergraduate | <u>16,996</u> | <u>16,828</u> |
| Graduate | | |
| Masters | 1,891 | 1,824 |
| Certificate | 94 | 95 |
| Doctoral | 432 | 385 |
| Non-Degree Seeking Graduate | 119 | 155 |
| Total Graduate | <u>2,536</u> | <u>2,459</u> |
| Total Headcount Enrollment | <u>19,532</u> | <u>19,287</u> |
| Percentage of Full-Time Students | 94.22% | 93.93% |
| | | |
| | Fiscal Year | |
| | 2020 | 2019 |
| Degrees Conferred | | |
| Undergraduate | 4,512 | 4,472 |
| Graduate | 1,012 | 931 |

*Headcount enrollment is being reported using Spring Term data for the fiscal years presented.

Planning

The basic purpose and function of academic programming at the University is stated in the *Mission Statements* portion of the University's *Academic Plan*, which is updated and submitted annually to the State of Illinois, Board of Higher Education. The *Mission Statements* include:

1. the *Illinois State University Mission Statement*;
2. *Board of Trustees Statement of Goals for 2020*; and,
3. *College Mission Statements*.

The *Academic Plan* includes:

1. an identification of institutional priorities;
2. the University's strategic plan, *Educate·Connect·Elevate: Illinois State – The Strategic Plan for Illinois' First Public University 2019-2024*; and,
3. specific curricular initiatives set forth by those responsible for academic planning within the University.

**State of Illinois
Illinois State University**

**Analysis of Operations (Continued)
For the Year Ended June 30, 2020
(Unaudited)**

The *Academic Plan* also includes academic unit (college) objectives for Fiscal Year 2020 and program reviews for the departments in the University being reviewed in the most recent review cycle. Program reviews contain recommendations for enhancing the programs being examined as well as plans for monitoring progress toward the fulfillment of these recommendations. During Fiscal Year 2019, program reviews were completed on the following programs: B.S. in Athletic Training, B.S. in Exercise Science, B.S., B.S.ED. in Physical Education, M.S. in Kinesiology and Recreation, B.S., B.S.ED. in Health Promotion and Education, B.S. in Medical Laboratory Science, B.S. in Safety, B.S. in Sustainable and Renewable Energy, B.A. in English, M.A., M.S. in English, Post-Baccalaureate Graduate Certificate for Teaching of Writing in High School/Middle School, PH.D. in English Studies, B.A., B.S. in Mathematics, M.S. in Mathematics, PD.D. in Mathematics Education, Post-Baccalaureate Library Information Specialist Certificate, B.A., B.S. in Interdisciplinary Studies, and B.A., B.S. in University Studies.

Compilation of the University's *Academic Plan* is coordinated through the Office of the Associate Provost, whose functions also ensure cohesion between the *Academic Plan* and the University's strategic plan: *Educate·Connect·Elevate: Illinois State – The Strategic Plan for Illinois' First Public University 2019-2024*.

Educate·Connect·Elevate is the University's multi-year strategic plan. It has articulated seven core values (learning and scholarship, individualized attention, diversity and inclusion, integrity, civic engagement, respect, and collaboration) that support four goals and thirteen corresponding action items addressed by the campus community.

Other university-wide planning documents and processes include the following:

- *Resource Allocation and Management Program (RAMP) for Operations and Grants Resource Requirements* is a five-year plan that includes a comparison to the preceding two fiscal years. Among the data included are a summary of operations costs by function and source of funds, summary of staff requirements and earnings, projected enrollments, and tuition and fees. Detailed information by various departments and programs is included.
- *Resource Allocation and Management Program (RAMP) Capital Requirements Plan* is also a five-year planning program that includes a summary of capital requirements by budget category. These requirements are detailed as to building or components of buildings, as well as other capital projects, planned for the University.
- *Master Plan: 2010-2030 Looking to the Future* defines the future physical development of facilities, grounds, technology, and infrastructure. This plan is the basis for those recommendations in *Resource Allocation and Management Program (RAMP) Capital Requirements Plan*.
- Additionally, the Facilities Condition Assessment provides quantitative information on the condition of physical structures and current and projected maintenance needs. The results from this assessment are used to inform the Master Plan and Capital RAMP.

Significant Challenges

The University noted no significant challenges for disclosure for Fiscal Year 2020.

**State of Illinois
Illinois State University**

**Analysis of Significant Variations in Account Balances
For the Year Ended June 30, 2020
(Unaudited)**

Fiscal Year 2020 Compared to Fiscal Year 2019

The University's Fiscal Year 2020 Statement of Net Position and Statement of Revenue, Expenses, and Changes in Net Position can be found on pages 18-19 and 20-21, respectively, within its previously separately released Fiscal Year 2020 financial audit report. Additionally, the University's Fiscal Year 2019 Statement of Net Position and Statement of Revenue, Expenses, and Changes in Net Position can be found on pages 18-19 and 20-21, respectively, within its previously released Fiscal Year 2019 financial audit report.

Statement of Net Position

Cash, Restricted cash and cash equivalents and Investments - Overall balances have decreased due to capital projects on campus. As a whole, the University is maintaining a higher balance in cash to provide for liquidity as the interest rate difference is negligible. In addition, students received a \$12/credit hour refund related to the COVID-19 Pandemic, as well as the University issuing housing and dining refunds.

Accounts receivable, net - The increase was attributable to a delay in receiving cost-reimbursable awards.

Appropriations from the State - The State was slower to pay appropriations, leaving the University with an increased balance at year-end.

Capital assets not depreciated - The decrease is attributable to the University completing a large portion of construction projects during Fiscal Year 2020 that were in progress at Fiscal Year 2019.

OPEB liability and deferred inflow/outflow of OPEB - The changes are a result of fluctuations in the actuarial valuations.

Statement of Revenue, Expenses, and Changes in Net Position

Auxiliary facilities - Due to the COVID-19 Pandemic, the University closed all housing and dining facilities as of March 14, 2020 and refunded pro-rated charges.

Student aid, non-operating federal grants and non-operating state grants - The University awarded more aid during Fiscal Year 2020 due to an additional \$8 million of the aid from the Aim High Program and the federal CARES Act. Additionally, aid increased in order to meet match requirements.

Payments on behalf of the University - State and Special funding situation - These amounts are based on actuarial calculations that fluctuate each year.

Investment income - The decrease was due to a stronger market performance in Fiscal Year 2019 compared to Fiscal Year 2020.

Capital gifts - The Foundation received a large donation of software during Fiscal Year 2020, which comprised the majority of the balance.

**State of Illinois
Illinois State University**

**Analysis of Significant Variations in Expenditures
For the Year Ended June 30, 2020
(Unaudited)**

Education Assistance Fund – 007

Operational Expenses

The decrease was due to the University being appropriated \$69,619,300 in Fiscal Year 2020 for personal services in comparison to \$66,304,100 in Fiscal Year 2019 for ordinary and contingent expenses.

Personal Services

The increase was due to the University being appropriated \$69,619,300 in Fiscal Year 2020 for personal services in comparison to \$66,304,100 in Fiscal Year 2019 for ordinary and contingent expenses.

State College and University Trust – 417

Scholarship Grant Awards

The University was appropriated \$150,000 and \$50,000 in Fiscal Year 2020 and Fiscal Year 2019, respectively, for scholarship grant awards from the sale of collegiate license plates. The increased appropriation reflects the University's efforts to draw down previously unexpended balances within the fund.

**State of Illinois
Illinois State University**

**Analysis of Significant Lapse Period Spending
For the Year Ended June 30, 2020
(Unaudited)**

Education Assistance Fund – 007

Personal Services

There was no significant Lapse Period spending during the Lapse Period.

State College and University Trust – 417

Scholarship Grant Awards

There was no significant Lapse Period spending during the Lapse Period.

**State of Illinois
Illinois State University**

**Auxiliary Facilities, Activities, and Accounting Entities
For the Year Ended June 30, 2020
(Unaudited)**

A listing of the University's auxiliary facilities, activities, accounting entities, their purposes, and their sources of revenue for the year ended June 30, 2020, are provided below.

Indirect Cost Support

These accounts are supported by indirect cost reimbursements or accounts that receive funding as a by-product of federal, State, and private grants. The funds pay for administrative costs, physical plant cost (including utilities), and grant proposals.

Unrestricted Local Funds

Continuing Education and Public Services

These activities are established primarily to provide noncredit services to individuals and groups external to the institution. These activities include community services programs and cooperative extension services. Included in this category are conferences, institutes, general advisory services, reference bureaus, radio and television, consulting, alumni activities, and similar non-instructional services to particular sectors of the community.

Sales and Services of Educational Activities

Sales and services of educational activities support instruction and help demonstrate classroom or related educational techniques to students. Revenue is from services and materials furnished which are incidental to the department. Receipts are from testing, cartographic services, book sales, sales of instructional materials, and public opinion services.

Student Programs and Services – University

These programs are supported by student activity fees, gate receipts from athletic events, and income from concerts and performances sponsored by the students.

In addition to the intercollegiate athletics programs, the funds sponsor a variety of student functions including speakers, acquisition of art objects, legal assistance, and grants-in-aid.

Student Programs and Services – Laboratory Schools

These programs are supported by student activity fees, gate receipts from athletic events, and participation fees for clubs and camps.

**State of Illinois
Illinois State University**

**Auxiliary Facilities, Activities, and Accounting Entities (Continued)
For the Year Ended June 30, 2020
(Unaudited)**

Field Trips and Foreign Study

These activities are supporting program costs for primarily credit courses at an off-campus site or at a foreign educational institution. The supporting costs include housing, transportation, printing, advertising, admissions, and other related program costs.

Income Fund

The income fund is supported by tuition, registration fees, academic support fees, library fines, and other miscellaneous income.

Service Departments

These departments provide services to various University departments on a charge-back basis. Rates are established and reviewed periodically to operate each service department on a break-even basis.

Restricted Auxiliary Facilities Funds

Student Housing

Accounts for the University's student residence halls and dining facilities whose construction was financed through the issuance of revenue bonds. The primary sources of revenue are room and board income, interest, food stores' sales, bakery sales, and laundry and vending machine commissions.

Student Activities

Accounts for the University's student union, athletic facilities, golf course, center for performing arts, and related facilities whose construction was financed through the issuance of revenue bonds. The primary sources of revenue are student fees and merchandise and service sales.

Parking Services

This account supports the development and maintenance of campus parking lots and decks. The source of funds is from parking permits, meters, fines, and rentals.

State of Illinois
 Illinois State University

Current Unrestricted Local Funds
 Continuing Education and Public Services
 Calculation Sheet for Current Excess Funds
 June 30, 2020
 (Unaudited)

| | | |
|--|----|-------------------|
| 1. Current Available Funds | | |
| Add: | | |
| Cash | \$ | - |
| Cash Equivalents | | |
| Bank Deposits | | - |
| Marketable Securities | | 1,781,943 |
| Certificates of Deposit | | - |
| Repurchase Agreements | | - |
| Other cash equivalent items | | - |
| Interfund receivables | | - |
| Total Current Available Funds | A. | <u>1,781,943</u> |
| 2. Working Capital Allowance | | |
| Add: | | |
| Highest month's expenditures | | 920,348 |
| Encumbrances and current liabilities paid in lapse period | | 155,017 |
| Deferred income | | 271,017 |
| Refundable deposits | | 9,257 |
| Allowance for Restoring Inventory to Normal Level | | - |
| Allowance for Sick Leave/Vacation Payouts | | <u>10,280</u> |
| Working Capital Allowance | B. | <u>1,365,919</u> |
| 3. Current Excess Funds | | |
| Deduct B from A and enter here | C. | 416,024 |
| 4. Calculation of Income Fund Remittance | | |
| An entity may offset excess capital or current funds within the entity. Enter the amount to be offset, if any here | D. | <u>(125,265)</u> |
| Enter the algebraic sum of C and D and remit the amount due, if any, for deposit in the Income Fund. | | <u>\$ 290,759</u> |

**State of Illinois
Illinois State University**

**Current Unrestricted Local Funds
Sales and Services of Educational Activities
Calculation Sheet for Current Excess Funds
June 30, 2020
(Unaudited)**

1. Current Available Funds

Add:

| | | |
|-------------------------------------|----|------------------|
| Cash | \$ | - |
| Cash Equivalents | | |
| Bank Deposits | | 1,864,066 |
| Marketable Securities | | - |
| Certificates of Deposit | | - |
| Repurchase Agreements | | - |
| Other cash equivalent items | | - |
| Interfund receivables | | - |
| Total Current Available Funds | A. | <u>1,864,066</u> |

2. Working Capital Allowance

Add:

| | | |
|---|----|----------------|
| Highest month's expenditures | | 340,078 |
| Encumbrances and current liabilities paid in lapse period | | 79,040 |
| Deferred income | | 68,176 |
| Refundable deposits | | - |
| Allowance for Restoring Inventory to Normal Level | | 30,161 |
| Allowance for Sick Leave/Vacation Payouts | | <u>2,984</u> |
| Working Capital Allowance | B. | <u>520,439</u> |

3. Current Excess Funds

Deduct B from A and enter here C. 1,343,627

4. Calculation of Income Fund Remittance

An entity may offset excess capital or current funds within the entity. Enter the amount to be offset, if any here D. (717,423)

Enter the algebraic sum of C and D and remit the amount due, if any, for deposit in the Income Fund. \$ 626,204

State of Illinois
 Illinois State University

Current Unrestricted Local Funds
 Student Programs and Services
 Calculation Sheet for Current Excess Funds
 June 30, 2020
 (Unaudited)

1. Current Available Funds

Add:

| | |
|-------------------------------------|---------------------|
| Cash | \$ - |
| Cash Equivalents | |
| Bank Deposits | 4,957,644 |
| Marketable Securities | 4,301,245 |
| Certificates of Deposit | - |
| Repurchase Agreements | - |
| Other cash equivalent items | - |
| Interfund receivables | - |
| Total Current Available Funds | A. <u>9,258,889</u> |

2. Working Capital Allowance

Add:

| | |
|---|---------------------|
| Highest month's expenditures | 6,531,977 |
| Encumbrances and current liabilities paid in lapse period | 2,122,293 |
| Deferred income | 920,600 |
| Refundable deposits | 200,767 |
| Allowance for Restoring Inventory to Normal Level | - |
| Allowance for Sick Leave/Vacation Payouts | 108,181 |
| Working Capital Allowance | B. <u>9,883,818</u> |

3. Current Excess Funds

| | |
|--------------------------------------|--------------|
| Deduct B from A and enter here | C. (624,929) |
|--------------------------------------|--------------|

4. Calculation of Income Fund Remittance

| | |
|--|---------------------|
| An entity may offset excess capital or current funds within the entity. Enter the amount to be offset, if any here | D. <u>(713,727)</u> |
|--|---------------------|

| | |
|--|-----------------------|
| Enter the algebraic sum of C and D and remit the amount due, if any, for deposit in the Income Fund. | <u>\$ (1,338,656)</u> |
|--|-----------------------|

State of Illinois
 Illinois State University

Current Unrestricted Local Funds
 Field Trips and Foreign Study
 Calculation Sheet for Current Excess Funds
 June 30, 2020
 (Unaudited)

1. Current Available Funds

Add:

| | |
|-------------------------------------|-------------------|
| Cash | \$ - |
| Cash Equivalents | |
| Bank Deposits | 591,031 |
| Marketable Securities | - |
| Certificates of Deposit | - |
| Repurchase Agreements | - |
| Other cash equivalent items | - |
| Interfund receivables | - |
| Total Current Available Funds | A. <u>591,031</u> |

2. Working Capital Allowance

Add:

| | |
|---|-------------------|
| Highest month's expenditures | 480,609 |
| Encumbrances and current liabilities paid in lapse period | 17,588 |
| Deferred income | 6,944 |
| Refundable deposits | - |
| Allowance for Restoring Inventory to Normal Level | - |
| Allowance for Sick Leave/Vacation Payouts | <u>546</u> |
| Working Capital Allowance | B. <u>505,687</u> |

3. Current Excess Funds

| | |
|--------------------------------------|-----------|
| Deduct B from A and enter here | C. 85,344 |
|--------------------------------------|-----------|

4. Calculation of Income Fund Remittance

| | |
|--|-------------------|
| An entity may offset excess capital or current funds within the entity. Enter the amount to be offset, if any here | D. <u>(2,142)</u> |
|--|-------------------|

| | |
|--|------------------|
| Enter the algebraic sum of C and D and remit the amount due, if any, for deposit in the Income Fund. | <u>\$ 83,202</u> |
|--|------------------|

State of Illinois
 Illinois State University

Service Departments
 Calculation Sheet for Current Excess Funds
 June 30, 2020
 (Unaudited)

1. Current Available Funds

Add:

| | |
|-------------------------------------|---------------------|
| Cash | \$ 45,796 |
| Cash Equivalents | |
| Bank Deposits | 5,042,061 |
| Marketable Securities | - |
| Certificates of Deposit | - |
| Repurchase Agreements | - |
| Other cash equivalent items | - |
| Interfund receivables | <u>-</u> |
| Total Current Available Funds | A. <u>5,087,857</u> |

2. Working Capital Allowance

Add:

| | |
|---|---------------------|
| Highest month's expenditures | 4,314,128 |
| Encumbrances and current liabilities paid in lapse period | 1,598,865 |
| Deferred income | 179,231 |
| Refundable deposits | - |
| Allowance for Restoring Inventory to Normal Level | - |
| Allowance for Sick Leave/Vacation Payouts | <u>60,504</u> |
| Working Capital Allowance | B. <u>6,152,728</u> |

3. Current Excess Funds

Deduct B from A and enter here C. (1,064,871)

4. Calculation of Income Fund Remittance

An entity may offset excess capital or current funds within the entity. Enter the amount to be offset, if any here D. (4,958,589)

Enter the algebraic sum of C and D and remit the amount due, if any, for deposit in the Income Fund. \$ (6,023,460)

State of Illinois
 Illinois State University

Auxiliary Facilities - Revenue Bonds
 Student Housing
 Calculation Sheet for Current Excess Funds
 June 30, 2020
 (Unaudited)

1. Current Available Funds

Add:

| | |
|-------------------------------------|----------------------|
| Cash | \$ - |
| Cash Equivalents | |
| Bank Deposits | 537,729 |
| Marketable Securities | 12,293,294 |
| Certificates of Deposit | - |
| Repurchase Agreements | - |
| Other cash equivalent items | - |
| Interfund receivables | - |
| Total Current Available Funds | A. <u>12,831,023</u> |

2. Working Capital Allowance

Add:

| | |
|---|---------------------|
| Highest month's expenditures | 6,601,543 |
| Encumbrances and current liabilities paid in lapse period | 1,712,447 |
| Deferred income | 13,960 |
| Refundable deposits | 702,376 |
| Allowance for Restoring Inventory to Normal Level | - |
| Allowance for Sick Leave/Vacation Payouts | <u>74,298</u> |
| Working Capital Allowance | B. <u>9,104,624</u> |

3. Current Excess Funds

| | |
|--------------------------------------|--------------|
| Deduct B from A and enter here | C. 3,726,399 |
|--------------------------------------|--------------|

4. Calculation of Income Fund Remittance

| | |
|--|------------------------|
| An entity may offset excess capital or current funds within the entity. Enter the amount to be offset, if any here | D. <u>(24,235,379)</u> |
|--|------------------------|

| | |
|--|------------------------|
| Enter the algebraic sum of C and D and remit the amount due, if any, for deposit in the Income Fund. | <u>\$ (20,508,980)</u> |
|--|------------------------|

**State of Illinois
Illinois State University**

**Auxiliary Facilities - Revenue Bonds
Student Activities
Calculation Sheet for Current Excess Funds
June 30, 2020
(Unaudited)**

1. Current Available Funds

Add:

| | |
|-------------------------------------|---------------------|
| Cash | \$ 900 |
| Cash Equivalents | |
| Bank Deposits | - |
| Marketable Securities | 5,453,383 |
| Certificates of Deposit | - |
| Repurchase Agreements | - |
| Other cash equivalent items | - |
| Interfund receivables | - |
| Total Current Available Funds | A. <u>5,454,283</u> |

2. Working Capital Allowance

Add:

| | |
|---|---------------------|
| Highest month's expenditures | 2,115,746 |
| Encumbrances and current liabilities paid in lapse period | 426,346 |
| Deferred income | 442,788 |
| Refundable deposits | 53,563 |
| Allowance for Restoring Inventory to Normal Level | 4,534 |
| Allowance for Sick Leave/Vacation Payouts | <u>18,039</u> |
| Working Capital Allowance | B. <u>3,061,016</u> |

3. Current Excess Funds

| | |
|--------------------------------------|--------------|
| Deduct B from A and enter here | C. 2,393,267 |
|--------------------------------------|--------------|

4. Calculation of Income Fund Remittance

| | |
|--|------------------------|
| An entity may offset excess capital or current funds within the entity. Enter the amount to be offset, if any here | D. <u>(14,774,554)</u> |
|--|------------------------|

| | |
|--|-------------------------------|
| Enter the algebraic sum of C and D and remit the amount due, if any, for deposit in the Income Fund. | <u><u>\$ (12,381,287)</u></u> |
|--|-------------------------------|

State of Illinois
 Illinois State University

Auxiliary Facilities - Revenue Bonds
 Parking Services
 Calculation Sheet for Current Excess Funds
 June 30, 2020
 (Unaudited)

1. Current Available Funds

Add:

| | |
|-------------------------------------|---------------------|
| Cash | \$ - |
| Cash Equivalents | |
| Bank Deposits | 1,215,804 |
| Marketable Securities | - |
| Certificates of Deposit | - |
| Repurchase Agreements | - |
| Other cash equivalent items | - |
| Interfund receivables | - |
| Total Current Available Funds | A. <u>1,215,804</u> |

2. Working Capital Allowance

Add:

| | |
|---|-------------------|
| Highest month's expenditures | 534,175 |
| Encumbrances and current liabilities paid in lapse period | 164,621 |
| Deferred income | 93,233 |
| Refundable deposits | - |
| Allowance for Restoring Inventory to Normal Level | - |
| Allowance for Sick Leave/Vacation Payouts | <u>5,605</u> |
| Working Capital Allowance | B. <u>797,634</u> |

3. Current Excess Funds

| | |
|--------------------------------------|------------|
| Deduct B from A and enter here | C. 418,170 |
|--------------------------------------|------------|

4. Calculation of Income Fund Remittance

| | |
|--|-----------------------|
| An entity may offset excess capital or current funds within the entity. Enter the amount to be offset, if any here | D. <u>(2,608,043)</u> |
|--|-----------------------|

| | |
|--|-----------------------|
| Enter the algebraic sum of C and D and remit the amount due, if any, for deposit in the Income Fund. | <u>\$ (2,189,873)</u> |
|--|-----------------------|

**State of Illinois
Illinois State University**

**Calculation Sheet for Indirect Cost Carryforward
June 30, 2020
(Unaudited)**

1. Current Available Funds

Add:

| | |
|-----------------------------------|------------------|
| Cash | \$ - |
| Cash Equivalents | |
| Bank Deposits | 1,244,026 |
| Marketable Securities | - |
| Certificates of Deposit | - |
| Repurchase Agreements | - |
| Other cash equivalent items | <u>8,157</u> |
| Interfund receivables | <u>1,252,183</u> |

2. Allocated Reimbursements

Enter the total indirect cost reimbursements allocated for
expenditure for the fiscal year completed:
\$1,891,827; enter 30% of this amount

567,548

3. Unallocated Reimbursements

Enter the lesser of the actual unallocated indirect cost
reimbursements for the year completed OR 10% of
total indirect cost allocations for the year completed

-

**4. Encumbrances and Current Liabilities
Paid in the Lapse Period**

Enter the amount of:

| | |
|---------------------------|---------------|
| Current Liabilities | 22,415 |
| Encumbrances | <u>-</u> |
| Total | <u>22,415</u> |

5. Indirect Cost Carry-forward

| | |
|---|-------------------|
| a. Enter the total of items 2, 3 and 4 | <u>589,963</u> |
| b. Subtract from item 1 | <u>\$ 662,220</u> |
| If a positive number results, enter here and remit for deposit in the Income Fund. | <u>\$ 662,220</u> |

**State of Illinois
Illinois State University**

**Number of Employees
For the Years Ended June 30,
(Unaudited)**

| AVERAGE FULL-TIME EMPLOYEES | 2020 | 2019 |
|--------------------------------------|-------|-------|
| Instruction | 1,491 | 1,444 |
| Research | 198 | 196 |
| Public Service | 95 | 110 |
| Academic Support | 174 | 191 |
| Student Services | 397 | 414 |
| Institutional Support | 381 | 378 |
| Operation and Maintenance of Plant | 263 | 337 |
| Auxiliary Facilities | 498 | 503 |
| Total Full-Time Equivalent Employees | 3,497 | 3,573 |

Note 1: This schedule presents the average number of employees, by function, at the University.

Note 2: Full-time equivalents were prepared in accordance with the State of Illinois, Board of Higher Education's methodology where (1) each employee with a full-time contract is counted as a full-time equivalent and (2) each part-time employee is multiplied by the number of months worked and then divided by 12 to derive their full-time equivalency.

**State of Illinois
Illinois State University**

**Number of Employees
For the Years Ended June 30,
(Unaudited)**

| AVERAGE FULL-TIME EMPLOYEES | 2020 | 2019 |
|--------------------------------------|-------|-------|
| By Type | | |
| Faculty/Administrative | 1,888 | 1,907 |
| Civil Service | 1,217 | 1,198 |
| Student Employees | 349 | 420 |
| Miscellaneous Contracts | 43 | 48 |
| Total Full-Time Equivalent Employees | 3,497 | 3,573 |

Note 1: This schedule presents the average number of employees, by type, at the University.

Note 2: The Miscellaneous Contracts category includes

Note 3: Full-time equivalents were prepared in accordance with the State of Illinois, Board of Higher Education's methodology where (1) each employee with a full-time contract is counted as a full-time equivalent and (2) each part-time employee is multiplied by the number of months worked and then divided by 12 to derive their full-time equivalency.

**State of Illinois
Illinois State University**

**Cost Statistics
For the Years Ended June 30, 2020 and 2019
(Unaudited)**

Following is a computation of cost per full-time equivalent student:

| | <u>2020</u> | <u>2019</u> |
|---------------------------------------|-----------------|-----------------|
| Appropriations Method | | |
| Total Costs | \$ 69,619,300 | \$ 66,304,000 |
| Full-Time Equivalent Students | 18,403 | 18,116 |
| Cost Per Full-Time Equivalent Student | <u>\$ 3,783</u> | <u>\$ 3,660</u> |
| Instructional Expenses Method | | |
| Total Costs | \$ 171,157,884 | \$ 164,879,992 |
| Full-Time Equivalent Students | 18,403 | 18,116 |
| Cost Per Full-Time Equivalent Student | <u>\$ 9,301</u> | <u>\$ 9,101</u> |

- Note 1: The total cost for the appropriations method is calculated by taking (1) the total State appropriated costs for all credit hours and instructional operating costs (except costs related to the College of Medicine and College of Dentistry), (2) less costs for public service, organized research, student financial aid, independent operations, auxiliary enterprises, hospitals, appropriations for the State Universities Retirement System, and appropriations for workers' compensation, allocated by campus.
- Note 2: The total cost for the instructional expenses method is total operating expenses related to instruction from the University's Statement of Revenues, Expenses, and Changes in Net Position, allocated by campus.
- Note 3: Full-time equivalent students is calculated by taking (1) the total undergraduate student hours divided by 30 and adding (2) the total graduate and professional student hours divided by 24.

**State of Illinois
Illinois State University**

**Disclosure of Emergency Purchases
For the Year Ended June 30, 2020
(Unaudited)**

The University had three emergency purchases during Fiscal Year 2020.

Immediate Repairs Needed to Protect Against Loss or Further Destruction of Property

Redbird Arena

Two emergency purchases are related to the University experiencing extreme building flooding conditions at Redbird Arena which was made worse by a recently completed exterior civil construction drainage project. This project was designed to improve site drainage conditions and mitigate flooding of Redbird Arena during heavy rain and stormwater drainage events. However, it could not be foreseen that the storm water system had exceeded capacity and flooding was due to water back-ups during significant water events. Current storm sewer flow volumes exceed storm sewer current capacity during each "significant rain event." The recent project made the situation much worse and provided a short-cut relief valve for backed up storm sewer water to be expedited directly back into Redbird Arena, exacerbating the problem. The University ultimately paid its vendors, Core Construction and Hanson Professional Services, \$175,675 and \$23,122, respectively, to mitigate flood damage.

Prevent or Minimize Disruption to Critical State Services

Campus Wide Classrooms

Due to the COVID-19 Pandemic, the University needed to evaluate classroom space so that the University could hold in-person classes safely starting in the Fall of 2020. As a result, the University developed a campus-wide plan for classroom teaching to follow the Centers for Disease Control (CDC) and State of Illinois, Department of Public Health (IDPH) protocols beginning with the 2020 Fall semester. The University utilized SmithGroup to survey and evaluate 358 classroom spaces in 29 University buildings to assist the University in determining ideal occupancy. This survey and evaluation resulted in necessary data and a set of drawings that will show new COVID-19 classroom seating layouts which met the CDC's and IDPH's safety protocols. The University ultimately paid its vendor, SmithGroup, \$306,634 to complete this evaluation.

**State of Illinois
Illinois State University**

**Housing Benefits
For the Year Ended June 30, 2020
(Unaudited)**

Qualified Campus Lodging

The University provides a residence for the University President located at 1000 Gregory Street in Normal, Illinois, in which the University President maintains their official residence. All utilities, maintenance, and repairs on the house are paid for by the University.

The Internal Revenue Service (IRS) ruled the value of the University Residence provided to the President should be part of the President's eligible compensation and subject to income and payroll taxes. The ruling was based upon failing to meet the 'convenience of employer' and located on the business premises of the employer test. Although the University Residence is located on the University's campus, the revenue agent stated there did not appear to be a significant relationship to the University's business activities. In *Winchell v. United States* (564 F. Supp. 131) the court indicated the president conducted "only limited college business in his home, such as sometimes using his home office and telephone for work purposes, meeting with students or faculty, and hosting certain social events," and this was not sufficient business activity to meet the test. As a result, a portion of the residence was deemed public space while the remaining portion was deemed private and subject to reporting as compensation, taxable fringe benefit. The reported amount in Calendar Year 2019 was \$31,433.23.

Lodging Provided for the Convenience of the Employer

The University provides housing for the following University Housing personnel:

- (4) Area Coordinators
 - (3) Residential Case Managers
 - (11) Residence Hall Coordinators
 - (4) Service Area Coordinators
- 22 total staff members*

*total staff members may fluctuate

The University, as a condition of employment with each of these individuals, provides a small apartment within the dormitory so they can immediately respond to emergencies occurring during the term.

All maintenance, repairs, and utilities are paid for by the University. A security deposit of \$250 is required of staff members housing a pet. The University has deemed this housing as a fringe benefit excluded from taxable income.

**State of Illinois
Illinois State University**

**Housing Benefits
For the Year Ended June 30, 2020
(Unaudited)**

Other Lodging

In previous years, the University provided housing to Illinois Shakespeare Festival employees. The University did not require a security deposit. However, the Illinois Shakespeare Festival was cancelled in Fiscal Year 2020 due to the COVID-19 Pandemic.

**State of Illinois
Illinois State University**

**Analysis of Overtime and Compensatory Time
For the Year Ended June 30, 2020
(Unaudited)**

| Operational Function | <u>2020</u> | <u>2019</u> |
|-------------------------------------|------------------|-------------------|
| Instruction | | |
| Overtime Hours Paid | 1,788 | 2,613 |
| Compensatory Hours Granted | 1,181 | 1,135 |
| Total | <u>2,969</u> | <u>3,748</u> |
| Value of Overtime Hours Paid | \$ 60,199 | \$ 81,787 |
| Value of Compensatory Hours Granted | 23,349 | 22,127 |
| Total Costs | <u>\$ 83,548</u> | <u>\$ 103,914</u> |
| Research | | |
| Overtime Hours Paid | 1,245 | 1,398 |
| Compensatory Hours Granted | - | 2 |
| Total | <u>1,245</u> | <u>1,400</u> |
| Value of Overtime Hours Paid | \$ 32,152 | \$ 34,026 |
| Value of Compensatory Hours Granted | - | 48 |
| Total Costs | <u>\$ 32,152</u> | <u>\$ 34,074</u> |
| Public Service | | |
| Overtime Hours Paid | 802 | 608 |
| Compensatory Hours Granted | 56 | 131 |
| Total | <u>858</u> | <u>739</u> |
| Value of Overtime Hours Paid | \$ 37,271 | \$ 28,177 |
| Value of Compensatory Hours Granted | 1,173 | 2,891 |
| Total Costs | <u>\$ 38,444</u> | <u>\$ 31,068</u> |
| Academic Support | | |
| Overtime Hours Paid | 477 | 526 |
| Compensatory Hours Granted | 60 | 84 |
| Total | <u>537</u> | <u>610</u> |
| Value of Overtime Hours Paid | \$ 13,530 | \$ 13,975 |
| Value of Compensatory Hours Granted | 1,238 | 1,730 |
| Total Costs | <u>\$ 14,768</u> | <u>\$ 15,705</u> |
| Student Services | | |
| Overtime Hours Paid | 668 | 674 |
| Compensatory Hours Granted | 193 | 349 |
| Total | <u>861</u> | <u>1,023</u> |
| Value of Overtime Hours Paid | \$ 20,580 | \$ 20,927 |
| Value of Compensatory Hours Granted | 5,143 | 8,438 |
| Total Costs | <u>\$ 25,723</u> | <u>\$ 29,365</u> |

**State of Illinois
Illinois State University**

Analysis of Overtime and Compensatory Time (Continued)

**For the Year Ended June 30, 2020
(Unaudited)**

| Operational Function | <u>2020</u> | <u>2019</u> |
|---|---------------------|---------------------|
| Institutional Support | | |
| Overtime Hours Paid | 1,687 | 2,429 |
| Compensatory Hours Granted | 451 | 620 |
| Total | <u>2,138</u> | <u>3,049</u> |
| Value of Overtime Hours Paid | \$ 53,967 | \$ 78,916 |
| Value of Compensatory Hours Granted | 9,918 | 12,347 |
| Total Costs | <u>\$ 63,885</u> | <u>\$ 91,263</u> |
| Operation and Maintenance of Plant | | |
| Overtime Hours Paid | 22,537 | 24,550 |
| Compensatory Hours Granted | 4,521 | 4,807 |
| Total | <u>27,058</u> | <u>29,357</u> |
| Value of Overtime Hours Paid | \$ 1,030,254 | \$ 1,028,032 |
| Value of Compensatory Hours Granted | 147,825 | 151,946 |
| Total Costs | <u>\$ 1,178,079</u> | <u>\$ 1,179,978</u> |
| Student Housing, Auxiliary Facilities, and Parking | | |
| Overtime Hours Paid | 17,412 | 18,147 |
| Compensatory Hours Granted | 3,600 | 4,053 |
| Total | <u>21,012</u> | <u>22,200</u> |
| Value of Overtime Hours Paid | \$ 425,387 | \$ 426,316 |
| Value of Compensatory Hours Granted | 58,948 | 64,717 |
| Total Costs | <u>\$ 484,335</u> | <u>\$ 491,033</u> |
| Grand Total - Entire University | | |
| Overtime Hours Paid | 46,616 | 50,945 |
| Compensatory Hours Granted | 10,062 | 11,181 |
| Total | <u>56,678</u> | <u>62,126</u> |
| Value of Overtime Hours Paid | \$ 1,673,340 | \$ 1,712,156 |
| Value of Compensatory Hours Granted | 247,594 | 264,244 |
| Total Costs | <u>\$ 1,920,934</u> | <u>\$ 1,976,400</u> |

State of Illinois
Illinois State University

Assaults on Staff
For the Year Ended June 30, 2020
(Unaudited)

| | <u>2020</u> | <u>2019</u> |
|-------------------------|-------------|-------------|
| Operational Unit | | |
| Police Department | 2 | - |
| Other Faculty and Staff | - | 1 |
| Total | <u>2</u> | <u>1</u> |

Note 1: Other Faculty and Staff includes all University employees that are not within the Police Department.

**State of Illinois
Illinois State University**

**Major Construction Projects
For the Year Ended June 30, 2020
(Unaudited)**

Watterson HVAC Upgrade

The University finished a \$31.2 million project to upgrade the air ventilation system in Watterson Towers to provide additional fresh air delivery to each student room. The upgrade of the HVAC was necessary as recent energy efficiency upgrades in Watterson Towers that increased the buildings “air tightness” (i.e. new building coatings, sealants, and windows), resulted in a decreased internal air flow that needed to be improved. The project began in April 2019 and was finished in August 2019.

Bone Student Center Revitalization

The University continued progress on the approximately \$32.9 million revitalization project of the Bone Student Center. Since the facility was constructed in 1973, only minor upgrades had been completed. As the facility that serves as the gateway for many campus visitors, including prospective students and their families, revitalization of the Bone Student Center is important to enhancing the appearance of the campus as well as enhancing services for students, faculty, staff, and others. The project began in October 2013 and is currently expected to be finished in June 2021.

Bone Student Center Concourse Improvements

The University continued progress on the approximately \$7.6 million revitalization project of the Bone Student Center. Since the facility was constructed in 1973, only minor upgrades had been completed. As the facility that serves as the gateway for many campus visitors, including prospective students and their families, revitalization of the Bone Student Center is important to enhancing the appearance of the campus as well as enhancing services for students, faculty, staff, and others. The project began in July 2018 and is currently expected to be finished in June 2021.

Watterson Dining Commons

The University continued progress on the approximately \$11 million expansion of Watterson Dining Commons. Bakery operations were utilizing Watterson Dining Common’s kitchen space and equipment during nighttime shift hours, as there was no designated space for the bakery to occupy on a permanent basis. The sharing of space and equipment limited the amount of production that could occur, which in turn required the purchase of pre-packaged baked goods and increased food costs. As such, the expansion of Watterson Dining Commons to include a two-story addition was necessary. The project began in July 2014 and was finished in July 2020.

**State of Illinois
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**Disclosure of Emergency Purchases Under the Gubernatorial COVID-19 Disaster Proclamations
For the Year Ended June 30, 2020
(Unaudited)**

The Governor, in response to the COVID-19 pandemic, issued sequential Gubernatorial Disaster Proclamations from March 12, 2020, through June 30, 2020. These proclamations allowed the University to waive the requirements of the Illinois Procurement Code to the extent the requirement (1) would have, in any way, prevented, hindered, or delayed necessary action to cope with the COVID-19 pandemic and (2) was not required by federal law. The following procurement was processed under this waiver granted by the Governor.

Fiscal Year 2020

The University had one emergency purchase related to the COVID-19 Pandemic in Fiscal Year 2020.

Modular Building

The University identified a need for a modular building to conduct COVID-19 testing. The University ultimately paid its vendor, JMO Modular, LLC, \$34,000 to acquire the modular building.

**State of Illinois
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**Special Data Requirements for University Audits
For the Years Ended June 30, 2020 and 2019
(Unaudited)**

In accordance with an Office of the Auditor General, July 25, 2000, memorandum entitled "Matters Regarding University Audits" (Memorandum), certain supplemental data is required to be reported for University audits. The table below cross references the memorandum requirements (indicated by number and letter paragraph references) to the University's financial audit and compliance examination reports for the year ended June 30, 2020, where such special data is found.

Compliance Findings

- 13(a) There were no violations of the compliance requirements of the University Guidelines identified during the financial audit and compliance examination of the University for the year ended June 30, 2020.

Indirect Cost Reimbursements

- 13(b) A statement of the sources and application of indirect cost recoveries is presented on Schedule 12 within this report on page 65.
- 13(c) The University's calculation sheet for indirect cost carryforward and any required remittance to the University's Income Fund is presented within this report on page 82.

Tuition Diversion to Auxiliary Enterprise Operations

- 13(d) There were no diversions of tuition revenues to auxiliary enterprise operations identified during the financial audit and compliance examination of the University for the year ended June 30, 2020.

Auxiliary Facilities, Activities, and Accounting Entities

- 13(e) An identification of each specific accounting entity and a description of each entity's sources of revenues and purpose are presented within this report on pages 72-73.
- 13(f) The present financial statements for each accounting entity are presented on Schedules 6 through 11 within this report on pages 58-64. These entity financial statements should be read in conjunction with the University's audited financial statements for the year ended June 30, 2020.
- 13(g) The University's calculation sheets for current excess funds within each accounting entity and any required remittance to the University's Income Fund are presented within this report on pages 74-81.

**State of Illinois
Illinois State University**

**Special Data Requirements for University Audits (Continued)
For the Years Ended June 30, 2020 and 2019
(Unaudited)**

Auxiliary Facilities, Activities, and Accounting Entities (Continued)

- 13(h) Support received by auxiliary enterprises from State appropriated funds for retirement and group insurance benefits is disclosed in the financial audit report in the Schedule of Operating Expenses on page 79.
- 13(i) The revenues and expenses for various bond indenture accounts are presented within the University's Condensed Statements of Net Position, Condensed Statements of Revenues, Expenses and Changes in Net Position, and Condensed Statements of Cash Flows for the University's Auxiliary Facilities System within the financial audit report in Note 23 on pages 69-70.
- Further, the present financial statements for Housing, Student Activities, and Parking entities are presented in Schedules 10-11 within this report on pages 63-64. A description of the Housing, Student Activities, and Parking entities' sources of revenues and purpose are presented within this report on pages 72-73.
- 13(j) There were no violations of the bond covenants identified during the financial audit and compliance examination of the University for the year ended June 30, 2020.
- 13(k) The University does not currently have any non-instructional facilities reserves established by the University's Board of Trustees.

University Related Organizations (UROs)

- 13(l) The University has two UROs, the Illinois State University Foundation and INTO ISU. The University does not have any "Independent Organizations" under Section VII of the University Guidelines.
- 13(m) A summary of Illinois State University Foundation and INTO ISU payments to the University for services provided by the University is presented within this report on pages 97-101.
- 13(n) A summary of University payments to the Illinois State University Foundation and INTO ISU for services provided by the Illinois State University Foundation is presented within this report on pages 97-101.
- 13(o) A disclosure of the cumulative amount of unreimbursed subsidies to the Illinois State University Foundation is presented within this report on page 97.

**State of Illinois
Illinois State University**

**Special Data Requirements for University Audits (Continued)
For the Years Ended June 30, 2020 and 2019
(Unaudited)**

University Related Organizations (UROs) (Continued)

- 13(p) A disclosure and description of debt financed by the Illinois State University Foundation and INTO ISU, along with other University long-term liabilities, is disclosed within the financial audit report in Note 10 on pages 42-48.

Other Topics

- 13(q) The University's cash and cash equivalents are disclosed within the financial audit report in Note 2 on page 34. The University's investments are disclosed within the financial audit report in Note 3 on pages 34-38.
- 13(r) The University's income from investments of pooled funds has been allocated and credited to the original sources of the funds, to the extent practical. There was no unallocated investment income required to be paid into the University's Income Fund.
- 13(s) The cost per full-time equivalent student, prepared in accordance with requirements of the State of Illinois, Board of Higher Education, is presented within this report on page 85.
- 13(t) The University did not purchase any real estate with an acquisition cost in excess of \$250,000 that was not funded by a separate, specific appropriation from the General Assembly.
- 13(u) The University's Certificate of Participation issuances, along with other University and Illinois State University Foundation long-term liabilities, are disclosed within the financial audit report in Note 10 on pages 42-48.

Other Schedules for Universities

- 13(1) An analysis of State appropriations to the University is presented in Schedules 2-4 within this report on pages 55-57. In addition, the University's analysis of significant variations in expenditures and significant spending during the Lapse Period is presented within this report on pages 70-71.
- 13(2) A Comparative Schedule of Revenues and Expenses for the University's Income Fund is presented in Schedule 5 within this report on page 58.
- 13(3) Separate schedules of tuition and fee waivers for undergraduate and graduate students, respectively, are presented within this report on pages 102-103.

**State of Illinois
Illinois State University**

**Summary of Foundation Transactions with the University
For the Years Ended June 30, 2020 and 2019
(Unaudited)**

The University recognizes Illinois State University Foundation as a University-Related Organization as defined in the University Guidelines. The Foundation was formed to support in various ways the University's instructional, research and public service missions.

Effective July 1, 2018, the Foundation renewed the Support Agreement, for an additional one year, with the University Board of Trustees (acting for and on behalf of the University) whereby the University agrees to provide to the Foundation fair and reasonable compensation in exchange for development and fundraising services up to a maximum value. The maximum value under the agreement was \$2,760,000 and \$2,675,000, respectively, for the years ended June 30, 2020 and 2019. The University contributed services and expenditures in the form of personnel, office space, office equipment, computer support and communication services estimated at \$2,539,487 and \$2,513,254 during fiscal years 2020 and 2019, respectively. As required by contract, the Foundation fully repaid the University using funds considered unrestricted for purposes of the computations per University Guidelines. There was no cumulative unreimbursed subsidy for fiscal years 2020 and 2019.

During fiscal years 2020 and 2019, the Foundation contributed services and expenditures of \$12,697,314 and \$9,688,480, respectively, that were for the direct and/or indirect support of the University. These amounts included \$3,378,514 and \$2,893,317, respectively, in student aid, scholarships, and awards to the University. These amounts were applied directly to the students' University accounts. During these years, the direct and/or indirect support of the University, as well as the scholarships provided by the Foundation, exceeded the value provided by the University under the agreement.

As of June 30, 2020 and 2019, the Foundation had payables to the University of \$200,895 and \$262,579, respectively. In addition, at June 30, 2020 and 2019, the Foundation had no receivables from the University.

In fiscal year 2009, Launching Futures, LLC acquired real estate for approximately \$6.3 million that was being leased by the University from an outside party. Once the sales contract was signed, the University continued to lease the property from the seller until the initial closing. The acquired real estate serves as the University's Alumni Center. To assist with construction improvement costs, the University made a \$3 million prepaid rent payment in July 2008. Launching Futures, LLC leases the property to the University at \$19,167 per month. Also, the University and Foundation are amortizing the \$3 million prepaid rent over a ten-year period at \$300,000 per year. The prepaid rent was fully amortized as of June 30, 2018.

**State of Illinois
Illinois State University**

**Summary of Foundation Transactions with the University (Continued)
For the Years Ended June 30, 2020 and 2019
(Unaudited)**

As of and during the year ended June 30, 2020, the University and Foundation had the following inter-entity transactions:

| Illinois State University | Illinois State University Foundation | |
|-----------------------------|--------------------------------------|---------------------|
| | Accounts Payable | Operating Expense |
| Accounts receivable, net | \$ 200,895 | \$ - |
| Other operating revenues | - | 576,306 |
| Other nonoperating revenues | - | 5,027,860 |
| Capital gifts and grants | - | 3,714,634 |
| Total | <u>\$ 200,895</u> | <u>\$ 9,318,800</u> |

As of and during the year ended June 30, 2019, the University and Foundation had the following inter-entity transactions:

| Illinois State University | Illinois State University Foundation | |
|-----------------------------|--------------------------------------|---------------------|
| | Accounts Payable | Operating Expense |
| Accounts receivable, net | \$ 222,515 | \$ - |
| Prepaid expense | 40,064 | - |
| Other operating revenues | - | 530,842 |
| Other nonoperating revenues | - | 5,616,558 |
| Capital gifts and grants | - | 647,763 |
| Total | <u>\$ 262,579</u> | <u>\$ 6,795,163</u> |

Note: There was an additional \$9,498 of on-behalf support from the Foundation on the University's for the fair market value of gifts in-kind that were not included on the Foundation's books.

**State of Illinois
Illinois State University**

**Summary of INTO NA Transactions with the University
For the Years Ended June 30, 2020 and 2019
(Unaudited)**

The Illinois State University Global, LLC (Global) was established on March 8, 2018. Global is a University Related Organization (URO) as defined under the University Guidelines adopted by the State of Illinois' Legislative Audit Commission in 1982, as amended. Global was formed as a single member LLC of which the University is the sole owner. The University contributed \$25,000 to Global. Based on this financial relationship, Global is blended into the University's financial information (see page 101 for the diagram of the INTO/ISU Corporate structure).

Global exists for the purpose of promoting the development of the Illinois State University's efforts to promote global engagement and internationalization, so that the University can impart the necessary knowledge and skills students will need to effectively engage in the global community and support the University's distinctive excellence in teaching, learning, scholarship, creativity, research, and public service.

Global's June 30, 2018 activity on the Statement of Revenues, Expenses and Changes in Net Position reflected the \$25,000 loss from INTO ISU. Global's initial \$25,000 investment in INTO ISU was reduced to \$0 on its balance sheet at year-end based on its equity investment. There are no other balances at year-end.

On March 22, 2018, Global entered into a joint venture with INTO North America, Inc. (INTO NA) to establish INTO Illinois State University, LLC (INTO ISU). Each member contributed \$25,000 towards the members' capital account, appointed three members to the INTO ISU Board, and holds an equal (50%) equity stake in INTO ISU. The Joint Venture agreement specifically applies the \$50,000 towards partnership equity. INTO ISU is discretely presented on the University's financial statements.

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The pandemic has impacted virtually all international students and programs. INTO ISU's recurring losses and negative cash flows, including the impact of the COVID-19 pandemic, has raised substantial doubt regarding INTO's ability to continue as a going concern.

In response to this, on August 1, 2020, the University and INTO NA executed amendments to the International Student Center Services Agreement, the IT Services Agreement, the Deferral Letter, the Teaching/Administration Building(s) Facilities License Agreement and the Promissory Note, reflecting the intent for INTO ISU to cease operations for a period of up to 23 months, effective August 1, 2020 (the "Deferment Term"). During the period, INTO ISU will not receive any revenue, will terminate all employees, will have minimal expenditures and all parties agree to defer payment on any outstanding payables/loans.

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**Summary of INTO NA Transactions with the University (Continued)
For the Years Ended June 30, 2020 and 2019
(Unaudited)**

INTO ISU is an independent organization and is required to report in a separate column to emphasize that it is an entity legally separate from the University. INTO ISU serves as the primary entity to implement the partnership with INTO NA. INTO ISU is responsible, in partnership with INTO NA and the University, with recruiting international students, offering English language instruction courses that serve as a pathway to University degree programs, and serving our new international students. INTO ISU provides continuous support by managing the areas of the students' cultural experience, English language courses, and eventual matriculation to the University.

INTO NA supports INTO ISU by providing management, marketing, and administrative services to INTO ISU. By partnering with INTO ISU, the University can support the recruitment of the best and brightest international student talent to the University, enhance the diversity of our University community, inspire our students to become global citizens, extend the University's global reach, broaden the University's global brand identity and recognition, provide an economic stimulus for the broader community, and contribute to the growth of the University. INTO NA is a wholly owned subsidiary of INTO University Partnership Limited (IUP), a British limited liability partnership.

As of and during the year ended June 30, 2020, the University and INTO NA had the following inter-entity transactions:

| Illinois State University | INTO Illinois State University | | | | | | |
|---------------------------|--------------------------------|---------------------|---------------------|-------------------------|---------|----------------------------------|---------|
| | Accounts Payable | Accounts Receivable | Cost of Instruction | Compensation & Benefits | Rent | Administrative & Service Charges | Other |
| Accounts receivable, net | \$ 2,952,288 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Accounts payable* | - | 47,065 | - | - | - | - | - |
| Operating revenues | - | - | 1,498,364 | 239,102 | 278,126 | 220,500 | 199,645 |

*The University does not have a payable of \$47,065 for the period ending June 30, 2020. This was paid prior to June 30, 2020 and is an in-transit item between INTO ISU and the University.

As of and during the year ended June 30, 2019, the University and INTO NA had the following inter-entity transactions:

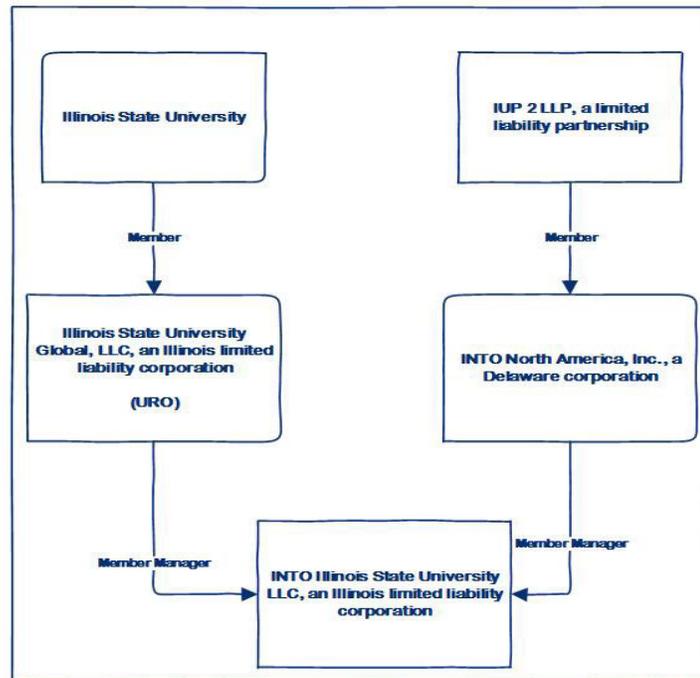
| Illinois State University | INTO Illinois State University | | | | | | |
|---------------------------|--------------------------------|---------------------|---------------------|-------------------------|---------|------------------------------------|--------|
| | Accounts Payable | Accounts Receivable | Cost of Instruction | Compensation & Benefits | Rent | Administrative and Service Charges | Other |
| Accounts receivable, net | \$ 673,754 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Accounts payable | - | 4,715 | - | - | - | - | - |
| Operating revenues | - | - | 683,528 | 509,981 | 116,595 | 209,486 | 80,397 |

**State of Illinois
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**Summary of INTO NA Transactions with the University (Continued)
For the Years Ended June 30, 2020 and 2019
(Unaudited)**

Below is a diagram representing the INTO/ISU Corporate Structure.

INTO/ISU Corporate Structure



**State of Illinois
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**Undergraduate Tuition and Fee Waivers
For the Year Ended June 30, 2020
(Unaudited)**

| | Total Number of Recipients* | Tuition Waived | | Fees Waived | |
|--|-----------------------------------|----------------------------|---------------------|----------------------------|---------------------|
| | | Number of Recipients | Value of Waivers | Number of Recipients | Value of Waivers |
| Mandatory Waivers | | | | | |
| Teacher Special Education | 398 | 398 | \$ 4,282.0 | 398 | \$ 1,141.0 |
| Reserve Officers' Training Corps | 48 | 48 | 467.0 | 44 | 8.0 |
| Wards of the Department of Children and Family Services | 39 | 39 | 348.0 | 39 | 52.0 |
| Veterans Grants and Scholarships | 272 | 272 | 2,287.0 | 256 | 138.0 |
| Children of Employees | 360 | 360 | 1,865.0 | - | - |
| Subtotal* | 1,117 | 1,117 | 9,249.0 | 737 | 1,339.0 |
| Discretionary Waivers | | | | | |
| Faculty/Administrators (Non-Civil Service) | 1 | 1 | 1.0 | 1 | - |
| Civil Service | 67 | 67 | 248.0 | 66 | 55.0 |
| Children of Deceased Employees | 5 | 5 | 31.0 | 4 | 6.0 |
| Gender Equity in Intercollegiate Athletics | 362 | 362 | 3,535.0 | - | - |
| Academic/Other Talent | 544 | 544 | 2,015.0 | 6 | 8.0 |
| Foreign Exchange Students | 37 | 37 | 211.0 | - | - |
| Student Need-Financial Aid | 118 | 118 | 340.0 | - | - |
| Graduate Assistants | 18 | 18 | 115.0 | - | - |
| Retired University Employees | 1 | 1 | 5.0 | 1 | 1.0 |
| Subtotal* | 1,153 | 1,153 | 6,501.0 | 78 | 70.0 |
| Total * | 2,270 | 2,270 | \$ 15,750.0 | 815 | \$ 1,409.0 |

*Recipients are only counted once in the number of recipients for total waivers. Therefore, the sum of mandatory waiver and discretionary waiver recipients may not equal the total waivers reported. The total waiver value of waivers is cumulative; therefore, the values should equal together.

**State of Illinois
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**Graduate Tuition and Fee Waivers
For the Year Ended June 30, 2020
(Unaudited)**

| | Total Number of Recipients* | Tuition Waived | | Fees Waived | |
|--|-----------------------------------|----------------------------|---------------------|----------------------------|---------------------|
| | | Number of Recipients | Value of Waivers | Number of Recipients | Value of Waivers |
| (In Thousands of Dollars) | | | | | |
| Mandatory Waivers | | | | | |
| Teacher Special Education | 21 | 21 | \$ 167.0 | 21 | \$ 43.0 |
| Veterans Grants and Scholarships | 22 | 22 | 87.0 | 22 | 18.0 |
| Subtotal* | 43 | 43 | 254.0 | 43 | 61.0 |
| Discretionary Waivers | | | | | |
| Faculty/Administrators (Non-Civil Service) | 148 | 148 | 531.4 | 148 | 114.1 |
| Civil Service | 79 | 79 | 283.6 | 79 | 60.9 |
| Cooperating Professionals | 358 | 358 | 1,221.0 | - | - |
| Gender Equity in Intercollegiate Athletics | 13 | 13 | 102.0 | - | - |
| Academic/Other Talent | 378 | 378 | 826.0 | - | - |
| Foreign Exchange Students | 12 | 12 | 43.0 | - | - |
| Graduate Assistants | 1,007 | 1,007 | 8,005.0 | - | - |
| Subtotal* | 1,995 | 1,995 | 11,012.0 | 227 | 175.0 |
| Total * | 2,038 | 2,038 | \$ 11,266.0 | 270 | \$ 236.0 |

*Recipients are only counted once in the number of recipients for total waivers. Therefore, the sum of mandatory waiver and discretionary waiver recipients may not equal the total waivers reported. The total waiver value of waivers is cumulative; therefore, the values should equal together.