



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

William G. Holland, Auditor General

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**SUMMARY REPORT DIGEST**

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**SOUTHERN ILLINOIS UNIVERSITY**

**FINANCIAL AUDIT**

**For the Year Ended: June 30, 2013**

**Release Date: January 23, 2014**

**Summary of Findings:**

**Total this audit: 1**

**Total last audit: 3**

**Repeated from last audit: 0**

**INTRODUCTION**

Southern Illinois University's financial audit report consists of three sets of financial statements as follows - the financial statements of Southern Illinois University (the "University"); the financial statements of the Housing and Auxiliary Facilities System (HAFS), a segment financial report of the University issued for bondholders; and the Medical Facilities System (MFS), a segment financial report of the University issued for bondholders.

This report contains only *Government Auditing Standards* findings pertaining to the Financial Statement Audit of the University, HAFS and MFS for the year ended June 30, 2013. Those findings are reported in a report under separate cover titled "Reports Required Under *Government Auditing Standards*".

**SYNOPSIS**

- The University's process to review receivables was not adequate for financial reporting purposes.

{Financial data is summarized on the reverse page.}

**SOUTHERN ILLINOIS UNIVERSITY**  
**FINANCIAL AUDIT**  
**For the Year Ended June 30, 2013**

<b>STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION</b>	<b>2013</b>	<b>2012</b>
<b>Operating Revenues</b>		
Student tuition and fees, net.....	\$ 254,664,694	\$ 256,084,347
Auxiliary enterprises.....	109,379,705	111,868,932
Grants and contracts.....	95,348,278	101,258,764
Sales and services of educational activities.....	86,414,105	81,012,744
Physicians and Surgeons practice plan.....	50,960,697	54,203,736
Other.....	333,204	317,912
Total Operating Revenues.....	<u>597,100,683</u>	<u>604,746,435</u>
<b>Operating Expenses</b>		
Instruction.....	357,711,356	335,294,851
Research.....	64,348,813	64,680,837
Public service.....	66,813,986	62,712,130
Academic support.....	189,137,814	179,607,411
Student services.....	76,152,832	74,401,013
Institutional support.....	80,591,514	77,575,317
Operation and maintenance of plant.....	88,830,154	87,292,169
Scholarships and fellowships.....	35,095,711	36,837,164
Auxiliary enterprises.....	108,226,105	104,731,554
Depreciation.....	48,209,665	46,321,372
Other.....	(2,022,681)	540,031
Total Operating Expenses.....	<u>1,113,095,269</u>	<u>1,069,993,849</u>
Operating Income (Loss).....	(515,994,586)	(465,247,414)
<b>NONOPERATING AND OTHER REVENUES (EXPENSES)</b>		
State appropriations.....	205,965,800	219,501,500
On behalf payments of the University.....	281,309,245	221,995,044
Grants and other, net.....	41,930,227	52,156,315
Capital appropriations and gifts.....	26,461,299	67,807,020
Net Nonoperating and Other Revenues.....	<u>555,666,571</u>	<u>561,459,879</u>
<b>INCREASE (DECREASE) IN NET POSITION</b>	39,671,985	96,212,465
Net position, beginning of year.....	724,605,890	628,393,425
Net position, end of year.....	<u>\$ 764,277,875</u>	<u>\$ 724,605,890</u>
<b>STATEMENT OF NET POSITION (SUMMARY)</b>	<b>2013</b>	<b>2012</b>
<b>Assets</b>		
Cash and cash equivalents.....	\$ 166,350,103	\$ 160,549,631
Investments.....	119,552,938	130,446,177
Receivables, net.....	130,551,072	143,300,729
Capital assets, net.....	840,332,955	789,422,415
Other assets.....	14,302,488	16,667,363
Total Assets.....	<u>1,271,089,556</u>	<u>1,240,386,315</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities.....	102,108,918	102,664,084
Bonds, COPS and leases payable.....	311,253,720	318,983,396
Deferred revenue, self insurance and other liabilities.....	93,449,043	94,132,945
Total Liabilities.....	<u>506,811,681</u>	<u>515,780,425</u>
<b>Total Net Position.....</b>	<u>\$ 764,277,875</u>	<u>\$ 724,605,890</u>
<b>UNIVERSITY PRESIDENT</b>		
During Audit Period: Dr. Glenn Poshard		
Currently: Dr. Glenn Poshard		

**FINDINGS, CONCLUSIONS, AND  
RECOMMENDATIONS**

**MISSTATEMENT OF ACCOUNTS RECEIVABLE**

**University needs to improve its review of receivables**

Southern Illinois University (the University) did not establish an adequate process to review receivables to ensure all amounts recorded are in conformity with accounting principles generally accepted in the United States of America.

**Fixed fringe benefit rate established**

The Carbondale campus implemented the use of a fixed fringe benefit rate negotiated with the federal Department of Health and Human Services in 2009 to facilitate the administration of grants. The fringe benefit clearing account accumulated a negative balance when actual expenses exceeded the amounts reimbursed. Those excess expenses were subsequently accounted for as a receivable. Since amounts allocated in excess of those rates may not be reimbursable until future years, this negative balance should not have been recognized as revenue earned in the current period.

**Actual expenses exceeded the amounts reimbursed**

**Excess expenses improperly accounted for as revenue and receivable**

The University's method of accounting for unrecovered fringe benefit expense resulted in the Carbondale campus overstating receivables by \$6.0 million and \$3.4 million and understating operating expenses by \$2.6 million and \$1.5 million in fiscal years ended June 30, 2013 and 2012, respectively. The University's system of internal controls failed to identify this improper revenue recognition.

**Internal controls failed to identify improper revenue recognition**

**Fiscal year 2013 financial statements were adjusted**

University management agreed to adjust the University's financial statements for fiscal year 2013. (Finding 1, pages 5-6)

**University officials agree with auditors**

University officials agreed with our recommendation that the University evaluate the adequacy of receivables to ensure revenue and expenses are properly recognized in accordance with generally accepted accounting standards.

**AUDITORS' OPINION**

Our auditors stated the June 30, 2013 financial statements of the University, HAFS and MFS are fairly stated in all material respects.

  
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WILLIAM G. HOLLAND  
Auditor General<sup>2</sup>

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**SPECIAL ASSISTANT AUDITORS**

Our special assistant auditors for this audit were  
CliftonLarsonAllen LLP.