



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

WESTERN ILLINOIS UNIVERSITY

**Financial Audit
 For the Year Ended June 30, 2014**

Release Date: January 15, 2015

FINDINGS THIS AUDIT: 2	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	0	0	2013		14-1	
Category 2:	1	1	2				
Category 3:	0	0	0				
TOTAL	1	1	2				
FINDINGS LAST AUDIT: 1							

INTRODUCTION

This digest covers the Western Illinois University Financial Audit as of and for the year ended June 30, 2014. Western Illinois University's Compliance Examination and Federal Single Audit covering the year ended June 30, 2014 will be issued in a separate report at a later date.

SYNOPSIS

- (14-1) The University had inadequate controls over its journal entries to ensure that journal entry transactions were properly prepared, supported and approved.
- (14-2) The University improperly capitalized interest on completed capital projects and overstated capitalized interest by \$800,000 in the financial statements.

- Category 1:** Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with State laws and regulations (material noncompliance).
- Category 2:** Findings that are **significant deficiencies** in internal control and **noncompliance** with State laws and regulations.
- Category 3:** Findings that have **no internal control issues but are in noncompliance** with State laws and regulations.

{Financial information is summarized on the reverse page.}

WESTERN ILLINOIS UNIVERSITY
FINANCIAL AUDIT
For the Year Ended June 30, 2014

STATEMENT OF NET POSITION (In Thousands)	2014	2013
Assets		
Cash and cash equivalents.....	\$ 57,186	\$ 70,353
Accounts and student loans receivable, net.....	11,504	12,422
Due from primary government.....	13,915	14,271
Capital assets, net.....	270,221	244,023
Other.....	4,065	3,800
Total.....	<u>356,891</u>	<u>344,869</u>
Deferred Outflow of Resources - Unamortized losses on bond refundings....	<u>548</u>	<u>629</u>
Liabilities		
Accounts payable, accrued liabilities, accrued payroll.....	21,373	26,423
Compensated absences.....	12,547	13,103
Revenue bonds, certificates of participation.....	100,665	106,325
Other.....	6,902	6,685
Total.....	<u>141,487</u>	<u>152,536</u>
Net Position		
Net investment in capital assets.....	169,897	140,096
Restricted.....	1,877	1,922
Unrestricted.....	44,178	50,944
Total.....	<u>\$ 215,952</u>	<u>\$ 192,962</u>
REVENUES, EXPENSES AND CHANGES IN NET POSITION		
(In Thousands)		
	2014	2013
Revenues		
State appropriations.....	\$ 156,474	\$ 138,758
Tuition and fees, net.....	70,658	71,342
Auxiliary enterprises.....	48,009	50,625
Grants and other contracts.....	42,093	39,697
Sales and services of educational departments.....	5,157	5,475
Other.....	5,771	4,680
Total.....	<u>328,162</u>	<u>310,577</u>
Expenses		
Instruction.....	63,852	62,799
Staff benefits.....	8,281	9,358
Auxilliary enterprises.....	40,560	47,018
Institutional support.....	13,811	13,321
Student services.....	23,698	19,998
Academic support.....	17,402	17,713
Operation and maintenance of plant.....	17,459	16,438
Student aid expense.....	9,008	8,504
On-behalf payments.....	77,331	80,402
Other.....	33,770	29,822
Total.....	<u>305,172</u>	<u>305,373</u>
Increase in net position.....	<u>\$ 22,990</u>	<u>\$ 5,204</u>
PRESIDENT		
During Audit Period and Current: Dr. Jack Thomas		

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

INADEQUATE CONTROLS OVER JOURNAL ENTRIES

The University had not established adequate controls over its journal entries. During our review of 25 batches of journal entries, we noted the following:

Journal entries totaling over \$816,000 were not supported

- One of 25 (4%) batches of journal entries totaling \$816,062 was approved but not supported.

Over \$13 million in journal entries were not independently reviewed and/or approved as required

- No independent review and/or approval was noted for 2 of 25 (8%) batches of journal entries, totaling \$13,078,569.
- One journal entry was needed to correct a \$1,383,438 prior error for an unreviewed prior journal entry.

Manual journal entries totaling \$29.2 million which fell under the threshold were not reviewed

- Seven of 25 (28%) batches of journal entries tested, totaling \$656,649, were not reviewed by the University at all. In total, over 2,700 manual batches of journal entries totaling about \$29.2 million were not reviewed because they fell under the University's \$100,000 review threshold. (Finding 1, pages 44-46).

We recommended the University establish formal policies and procedures to ensure that all journal entries are adequately supported and properly reviewed by an independent person prior to posting to the general ledger.

University agrees with auditors

University officials agreed with the finding and responded they would review its existing policy and procedures and consider policy revisions that will strengthen controls.

INACCURATE RECORDING OF TRANSACTIONS

The University did not properly record certain transactions in the general ledger.

The financial statements were overstated by \$800,000

The University erroneously capitalized interest on completed capital projects, resulting in an \$800,000 overstatement of the financial statements. (Finding 2, pages 47-48)

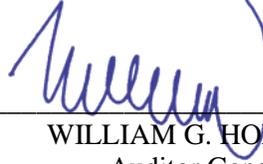
We recommended the University review its recording and accounting for interest capitalization and ensure staff receive appropriate training.

University agrees with auditors

University officials agreed with the finding and stated they will review and adjust existing procedures to ensure capitalized interest is accurately recorded.

AUDITOR'S OPINION

Our auditors stated the financial statements of Western Illinois University as of June 30, 2014, and for the year then ended, are fairly stated in all material respects.

A handwritten signature in blue ink, appearing to read "William G. Holland", is written over a horizontal line. The signature is stylized and cursive.

WILLIAM G. HOLLAND
Auditor General

WGH:LW

SPECIAL ASSISTANT AUDITORS

E.C. Ortiz & Co., LLP were our Special Assistant Auditors.