



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

ILLINOIS STATE UNIVERSITY

**Single Audit and Compliance Examination
For the One Year Ended June 30, 2013**

Release Date: March 26, 2014

Summary of Findings:

• Compliance	6
• Financial Audit (released 11-14-13)	<u>1</u>
Total findings:	7
Total last audit:	6
Repeated from last audit:	4

SYNOPSIS

This digest covers our Single Audit and compliance examination of the Illinois State University for the year ended June 30, 2013. A financial audit as of and for the year ending June 30, 2013, was previously released on November 14, 2013. In total, this report contains seven findings, one of which was also reported in the financial audit released on November 14, 2013.

- The University lacked sufficient internal control over its computer inventories.
- The University's internal controls over compliance with the College Student Immunization Act need to be improved.
- The University needs to improve compliance with the University Faculty Research and Consulting Act and University policies regarding outside employment.

{Financial data is summarized on the reverse page.}

ILLINOIS STATE UNIVERSITY
SINGLE AUDIT AND COMPLIANCE EXAMINATION
For the Year Ended June 30, 2013

STATEMENT OF NET POSITION - INCOME FUND (in thousands)	2013	2012
Assets		
Cash and cash equivalents.....	\$ 13,793	\$ 6,165
Restricted cash and cash equivalents.....	4,518	3,835
Investments.....	47,692	42,353
Receivables.....	25,880	28,179
Capital assets, net.....	213,794	216,797
Other.....	3,359	7,497
Total assets.....	<u>309,036</u>	<u>304,826</u>
Liabilities		
Accounts payable and accrued liabilities.....	4,923	5,250
Deferred revenue.....	4,162	3,626
Obligations payable.....	21	22
Current portion of long-term liabilities.....	3,468	3,309
Long-term liabilities.....	43,542	46,111
Total liabilities.....	<u>56,116</u>	<u>58,318</u>
Net Position		
Net investment in capital assets.....	185,491	186,298
Unrestricted.....	67,429	60,210
Total net position.....	<u>252,920</u>	<u>246,508</u>
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - INCOME FUND (in thousands)	2013	2012
Operating Revenues		
Tuition and fees, net.....	\$ 159,686	\$ 152,364
Other.....	505	1,101
Total operating revenues.....	<u>160,191</u>	<u>153,465</u>
Operating Expenses		
Instruction.....	60,339	55,332
Research.....	726	422
Public Service.....	753	845
Academic support.....	8,066	11,604
Student services.....	3,550	3,037
Institutional support.....	24,490	22,551
Operation and maintenance of plant.....	26,515	20,377
Depreciation.....	13,763	13,486
Other.....	18,593	16,555
Total operating expenses.....	<u>156,795</u>	<u>144,209</u>
Nonoperating Revenues (Expenses).....	1,791	3,612
Capital appropriations, grants, and gifts.....	1,225	192
Change in net position.....	<u>\$ 6,412</u>	<u>\$ 13,060</u>
EMPLOYMENT STATISTICS (UNAUDITED)	FY 2013	FY 2012
Faculty and Administrative.....	2,010	2,005
Civil Service.....	1,218	1,255
Student Employees.....	553	554
Miscellaneous Contractual.....	91	72
Total Employees.....	<u>3,872</u>	<u>3,886</u>
ENROLLMENT STATISTICS (UNAUDITED)	FY 2013	FY 2012
Annual full-time equivalent students.....	18,675	19,235
Cost per full-time equivalent student.....	\$ 12,019	\$ 11,163
UNIVERSITY PRESIDENT		
During Examination Period: Dr. C. Alvin Bowman (07/01/12 - 05/15/13), Dr. Sheri Noren Everts (Interim, 05/15/13 - 08/14/13), and Dr. Timothy Flanagan (08/15/13 - Current)		
Currently: Dr. Timothy Flanagan		

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**NEED TO ENHANCE CONTROLS OVER THE
UNIVERSITY'S COMPUTER INVENTORY**

Illinois State University (University) did not have sufficient internal control over its computer inventories.

The auditors noted the following:

- During Fiscal Year 2013, the University reported five laptop computers, two desktop computers, four iPads, and an iPod as stolen, totaling \$9,269.
- During the University's Fiscal Year 2013 physical inventory count, the University reported 35 laptop computers, 21 desktop computers, and one server as lost, totaling \$76,826.

Computers not protected with encryption software

During testing, the auditors noted the University had not protected its computers with encryption software, thus increasing the risk that confidential information could be exposed. Confidential information routinely collected and maintained by the University includes education records, health records, personal information, and sensitive information.

At the time of our review, the University had not performed a detailed assessment and therefore was unable to assess whether the missing computers contained confidential information.

According to University officials, this resulted from the lack of a cohesive IT Governance structure including a common, formal, and disciplined approach for managing IT. (Finding 2, pages 19-20)

We recommended the University review current practices to determine if enhancements can be implemented to prevent the theft or loss of computers, establish procedures to immediately notify security personnel of any missing or stolen computers to allow them to assess if a computer may have contained confidential information and document the results of the assessment, and ensure confidential information is adequately secured with methods such as encryption or redaction.

University officials agree with the auditors

University officials agreed with the recommendation, indicating they will review their current practices to identify enhancements to better safeguard against the theft or loss of computers.

NEED TO IMPROVE INTERNAL CONTROLS OVER COMPLIANCE WITH THE COLLEGE STUDENT IMMUNIZATION ACT

The University had weaknesses in internal controls over compliance with the College Student Immunization Act (Act).

During testing, the auditors noted the following internal control weaknesses:

Lack of documentation

- The University did not maintain documentation supporting the classification of students (medical exemption, religious exemption, total immune/not immune to individual communicable diseases, and total compliant/noncompliant with the Act) as of the date the University prepared its report to the Department of Public Health.

Reconciliation differences

- The University was unable to provide the auditors with a reconciliation between new students enrolled at the University in Fall 2012 and the number of new covered students first enrolled in Fall 2012 and reported to the Department of Public Health.

Reported data contains discrepancies

- The data reported for noncompliant covered students contained discrepancies. Specifically, the auditors noted a difference of 127 noncompliant new students and 249 total students across campus between the auditor's calculation of noncompliant students and the number of noncompliant students reported by the University to the Department of Public Health.

In response to the auditors' notification to the University of these conditions, the University performed a review of students enrolled and attending classes in Fall 2013 who were identified as likely to have been included in the population of noncompliant students who should have been precluded from enrolling in classes during Fiscal Year 2013. The University's review indicated the following:

Some students should not have been able to enroll in classes

- 16 students were enrolled and attending classes when they should have been blocked from registration.
- Five students were erroneously coded as "on campus" when they were actually "off campus" students.

Computer system problems

- The University's computer system was identifying students as noncompliant when the student was actually either in compliance or deferred by the University for medical reasons, such as a pregnancy.

According to University officials, these errors were due to oversight and computer coding problems. (Finding 3, pages 21-23)

We recommended the University review, improve, and maintain a system of internal controls to monitor covered student compliance, identify noncompliant students and preclude them from enrolling in subsequent academic terms, accurately report summary information to the Department of Public Health, and provide sufficient audit trails for accountability.

University officials agree with the auditors

University officials agreed with the recommendation, indicating they will review and improve the University's current internal controls for monitoring compliance.

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

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

During testing, the auditors noted the following:

Approvals to perform outside consulting, research, and employment were performed late

- 52 of 113 (46%) *Request for Approval of Secondary/Outside Employment Forms* were submitted to the University Provost and approved between one and 140 days late.
- Six of 113 (5%) *Request for Approval of Secondary/Outside Employment Forms* were not submitted by the faculty member to the University's Provost for approval prior to the completion of the employee's outside employment.

Faculty members did not disclose time spent on outside consulting, research, and employment

- 76 of 113 (67%) faculty members approved for secondary/outside employment tested did not file their *Annual Report of Secondary/Outside Employment Form* with the University's Provost by the deadline of August 31, 2013.

According to University officials, the failure to seek timely approval and file reports was due to oversight. (Finding 5, pages 27-28)

We recommended the University Provost implement internal controls to ensure faculty members with outside research, consulting services, or employment receive written pre-approval to conduct the requested activity and annually disclose the time spent on these activities in accordance with State law and University policy.

University officials agree with the auditors

University officials agreed with the recommendation and stated they will continue to assess the process and implement modifications to improve compliance.

OTHER FINDINGS


The remaining findings are reportedly being given attention by the University. We will review the University's progress towards the implementation of our recommendations in our next audit.

AUDITORS' OPINION

Our auditors conducted a Single Audit of the University as required by OMB Circular A-133. Our auditors stated the University complied, in all material respects, with the types of compliance requirements that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2013.

Our auditors also conducted a compliance examination of the University for the year ended June 30, 2013, as required by the Illinois State Auditing Act. The auditors qualified their report on State Compliance for Findings 2013-001, 2013-002, and 2013-003. Except for the noncompliance described in these findings, the auditors stated the University complied, in all material respects, with the requirements described in the report.

A financial audit of the University as of and for the year ended June 30, 2013, was previously released.



WILLIAM G. HOLLAND
- Auditor General

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SPECIAL ASSISTANT AUDITORS

Our special assistant auditors for this engagement were BKD, LLP.