



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

William G. Holland, Auditor General

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**SUMMARY REPORT DIGEST**

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**WESTERN ILLINOIS UNIVERSITY**

**FINANCIAL AUDIT, SINGLE AUDIT AND  
STATE COMPLIANCE EXAMINATION  
For the One Year Ended: June 30, 2012  
Release Date: March 28, 2013**

<b>Summary of Findings:</b>	
<b>Total this audit:</b>	<b>9</b>
<b>Total last audit:</b>	<b>7</b>
<b>Repeated from last audit:</b>	<b>4</b>

**SYNOPSIS**

- The University needs to enhance internal controls over property records to ensure proper calculation and recording of depreciation expense.
- The University's internal controls over contracts should be enhanced to ensure the agreements contain all necessary provisions and were timely filed.
- The University subsidized operations of University activities between accounting entities.

{Expenditures and Activity Measures are summarized on the reverse page.}

**WESTERN ILLINOIS UNIVERSITY**  
**FINANCIAL AUDIT, SINGLE AUDIT, AND COMPLIANCE EXAMINATION**  
**For the Year Ended June 30, 2012**

STATEMENT OF NET ASSETS (In Thousands)	2012	2011
<b>Assets</b>		
Cash and cash equivalents.....	\$ 84,475	\$ 54,902
Investments.....	13,021	28,005
Accounts and student loans receivable, net.....	11,187	10,052
Due from primary government.....	14,478	25,360
Capital assets, net.....	210,480	173,565
Other.....	5,464	4,276
Total.....	339,105	296,160
<b>Liabilities</b>		
Accounts payable, accrued liabilities, accrued payroll.....	19,695	21,302
Compensated absences.....	12,070	13,954
Revenue bonds, certificates of participation.....	111,206	88,940
Other.....	6,596	7,038
Total.....	149,567	131,234
<b>Net Assets</b>		
Invested in capital assets, net of related debt.....	136,055	122,137
Restricted.....	1,987	2,047
Unrestricted.....	51,496	40,742
Total.....	\$ 189,538	\$ 164,926
REVENUES, EXPENSES AND CHANGES IN NET ASSETS (In Thousands)	2012	2011
<b>Revenues</b>		
State appropriations.....	\$ 127,386	\$ 121,976
Tuition and fees, net.....	81,496	75,988
Auxiliary enterprises.....	52,497	50,574
Grants and other contracts.....	32,448	29,816
Sales and services of educational departments.....	5,159	5,106
Other.....	5,249	4,787
Total.....	304,235	288,247
<b>Expenses</b>		
Instruction.....	62,972	61,151
Staff benefits.....	7,001	6,596
Auxilliary enterprises.....	41,014	40,884
Institutional support.....	12,988	12,815
Student services.....	19,714	20,013
Academic support.....	17,794	17,269
Operation and maintenance of plant.....	16,463	15,463
Student aid expense.....	8,829	9,533
On-behalf payments.....	62,873	54,314
Other.....	29,974	26,076
Total.....	279,622	264,114
Change in net assets.....	\$ 24,613	\$ 24,133
SUPPLEMENTARY INFORMATION (UNAUDITED)	2012	2011
<b>Employment Statistics</b>		
Faculty and Administrative.....	1,136	1,138
Civil Service.....	826	823
Student Employees.....	283	275
Total Employees.....	2,245	2,236
<b>Enrollment Statistics</b>		
Annual Full-time Equivalent Students.....	10,468	10,579
<b>Institutional cost per student.....</b>	\$ 10,899	\$ 10,453
<b>PRESIDENT</b>		
During Audit Period and Current: Dr. Jack Thomas		

**FINDINGS, CONCLUSIONS, AND  
RECOMMENDATIONS**

**INADEQUATE CONTROLS OVER UNIVERSITY  
PROPERTY AND EQUIPMENT**

The University had not established adequate internal controls over property records to ensure proper calculation and recording of depreciation expense and accountability for property. The auditors noted:

**Capital asset depreciation was overstated by a total of \$424,675**

- Nine of 25 (36%) assets examined were not accurately depreciated during Fiscal Year 2012. Further, examination of all capital assets identified a net overstatement of depreciation expense and accumulated depreciation by approximately \$76,675 for the fiscal year.

**Equipment was not timely reported**

- Donated equipment was incorrectly recorded, resulting in a \$348,000 overstatement of depreciation expense and accumulated depreciation.

**New furniture was purchased without certifying a need**

- Equipment totaling \$1,724,308 was not timely reported on the quarterly property report.
- Furniture purchases totaling \$69,943 were not supported by required affidavits stating why surplus property could not be used. (Finding 1, pages 16-19)

We recommended the University make the necessary adjustments to correct its capital asset and depreciation records. In addition, the University should update values in the fixed assets inventory system to prevent future miscalculations. Further, the University should seek necessary reporting guidance and strengthen controls to ensure equipment is timely and accurately recorded and reported. We also recommended internal controls be implemented to ensure affidavits are filed and approval is obtained prior to purchasing new furniture exceeding \$500.

**University agrees with auditors**

University officials agreed with the finding and stated corrective action has been or will be taken to address each of our recommendations.

**NEED TO IMPROVE COMPLIANCE WITH  
CONTRACTING PROCEDURES**

The University had not established adequate internal controls over contracts to ensure they contained all necessary provisions and were timely filed. We noted:

**Contracts lacked proof of compliance with bidder requirements**

- The University did not ensure that contractors selected for 6 of 9 (67%) construction contracts tested adequately complied with bidder requirements in the Illinois Procurement Code regarding training and primary office of employment.

**Contracts lacked required approvals**

- Twenty of 25 (80%) large contracts tested were not approved by all three required top administrators.
- Two of 21 (10%) contracts tested were filed with the State Comptroller 6 to 106 days prior to full management approval.
- One contract for \$1.25 million was filed 24 days late. (Finding 7, pages 33-35) **This finding was first reported in 2010.**

**Contracts filed with the State Comptroller before approval**

We recommended the University establish appropriate procedures to ensure all contracts and related forms are properly completed, approved, and timely filed. Further, the University should obtain satisfactory evidence from bidders to ensure only qualified contractors are awarded construction contracts.

**University agrees with auditors**

University officials agreed with the finding and stated corrective action will be taken. (For the previous University response, see Digest footnote #1.)

**SUBSIDIES BETWEEN ACCOUNTING ENTITIES**

The University subsidized operations of University activities between accounting entities.

**Subsidies totaled \$1.5 million and \$1.7 million**

The University Stores and Service Centers accounting entity had negative cash balances at the beginning and the end of the fiscal year totaling \$1.5 million and \$1.7 million, respectively. A negative cash balance is, in effect, an unrecorded interfund payable/receivable, thereby causing a subsidy between funds to occur. (Finding 9, page 38)

We recommended the University annually review the activities of each accounting entity and ensure that fees charged for services are sufficient to cover expenditures and prevent subsidies.

**University agrees with auditors**

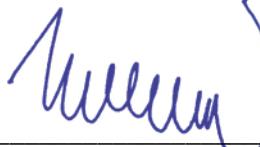
University officials agreed with the finding and stated a review of accounting entity activities, chargeback processes, and pricing levels is in process.

**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**

The auditors stated the financial statements of Western Illinois University as of and for the year ended June 30, 2012 are fairly stated in all material respects.



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WILLIAM G. HOLLAND  
Auditor General

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## **AUDITORS ASSIGNED**

Our special assistant auditors for this examination were E. C. Ortiz & Co., LLP.

## **DIGEST FOOTNOTES**

### **#1 NONCOMPLIANCE WITH REQUIRED CONTRACTING PROCEDURES - Previous University Response**

The University agrees with the finding. The University will take the necessary corrective action to address the recommendation in the finding.