



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

EASTERN ILLINOIS UNIVERSITY

**Financial Audit and Compliance Examination
For the Year Ended: June 30, 2010**

Release Date: April 28, 2011

Summary of Findings:

Total this audit:	5
Total last audit:	5
Repeated from last audit:	1

SYNOPSIS

- Eastern Illinois University (University) did not properly classify costs associated with the construction of a building that was substantially completed as a depreciable asset in accordance with generally accepted accounting principles.
- The University did not timely submit reports as required by the federal granting agency.
- The University did not ensure newly hired employees completed ethics training within the required timeframe in accordance with the State Officials and Employee Ethics Act.

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

EASTERN ILLINOIS UNIVERSITY
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
For The Year Ended June 30, 2010

STATEMENT OF NET ASSETS (in thousands)	2010	2009
Assets		
Cash and cash equivalents.....	\$ 11,142	\$ 10,067
Restricted cash and cash equivalents.....	59,296	25,753
Receivables.....	31,983	24,597
Capital assets, net.....	269,603	212,852
Other.....	5,865	3,892
Total.....	<u>\$377,889</u>	<u>\$277,161</u>
Liabilities		
Accounts payable and accrued liabilities.....	\$ 19,737	\$ 11,745
Deferred revenue.....	3,855	3,839
Current portion of long-term liabilities.....	8,930	9,081
Long-term liabilities.....	147,406	69,164
Total.....	<u>\$ 179,928</u>	<u>\$ 93,829</u>
Net Assets		
Invested in capital assets, net of related debt.....	\$ 161,922	\$ 160,214
Restricted.....	6,034	3,897
Unrestricted.....	30,005	19,221
Total.....	<u>\$ 197,961</u>	<u>\$ 183,332</u>
REVENUES, EXPENSE AND CHANGES IN NET ASSETS (in thousands)	2010	2009
Revenues		
Tuition and fees, net.....	\$ 75,349	\$ 69,339
State appropriations.....	50,571	51,378
Auxiliary enterprises.....	46,249	46,706
Payment on behalf of the University.....	44,755	34,842
Federal, state, and private grants and gifts.....	25,831	23,047
Other.....	8,099	7,414
Total.....	<u>\$ 250,854</u>	<u>\$ 232,726</u>
Expenses		
Instruction.....	\$ 93,706	\$ 85,652
Auxilliary enterprises.....	35,717	35,390
Student services.....	19,322	19,486
Institutional support.....	18,943	18,494
Academic support.....	16,095	16,586
Depreciation.....	14,868	12,675
Operation and maintenance of plant.....	14,594	13,604
Other.....	22,980	18,550
Total.....	<u>\$ 236,225</u>	<u>\$ 220,437</u>
Change in net assets.....	\$ 14,629	\$ 12,289
EMPLOYMENT STATISTICS	FY 2010	FY 2009
Faculty and Administrative.....	961	912
Civil Service.....	798	919
Student Employees.....	249	273
Total Employees.....	<u>2,008</u>	<u>2,104</u>
ENROLLMENT STATISTICS (UNAUDITED)	FY 2010	FY 2009
Annual full-time equivalent students.....	10,152	10,240
COST PER STUDENT (UNAUDITED)	FY 2010	FY 2009
Cost per full time equivalent student.....	\$ 15,907	\$ 14,618
AGENCY DIRECTOR		
During Examination Period: Dr. William L. Perry		
Currently: Dr. William L. Perry		

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

COMPLETED BUILDING NOT DEPRECIATED

Building cost not properly classified and not depreciated

Eastern Illinois University (University) did not properly classify costs associated with the construction of a building that was substantially completed as a depreciable asset in accordance with generally accepted accounting principles.

Building was occupied and in use beginning in September 2008

In January 2001, the University through the Capital Development Board (CDB) entered into various construction contracts for the renovation and expansion of the Doudna Fine Arts Building funded through direct appropriation to CDB. The construction project estimated cost was \$56 million. CDB turned over the building to the University upon substantial completion in September 2008 at which time the University occupied and used the building for its intended purpose. From the time of substantial completion until June 30, 2010, the University continued to account for the costs of the construction of the building in a construction in progress account. As a result, no depreciation was allocated to the asset and an adjustment to depreciation expense and accumulated depreciation totaling \$1.7 million was necessary at year-end. In addition, a reclassification entry was made to reclassify related construction costs from construction in progress to building account.

\$1.7 million in depreciation was not recorded in the accounting records

University reluctantly agreed to substantial completion of the building

According to University personnel, the University reluctantly agreed to substantial completion of the building. The University still had a significant work and various safety issues that prevented full and complete use of the building at the time when the building was turned over to the University. (Finding 1, pages 18-20)

Auditors recommended review of accounting policy for completed capital asset projects

We recommended the University review its policies and procedures related to accounting for completed capital asset projects. Projects substantially complete and put into service should be capitalized and depreciated in accordance with Generally Accepted Accounting Principles.

University disagrees with auditors

University officials responded that in June, 2008 CDB gave the University notice of substantial completion. However, numerous issues still existed with the building and the University refused to provide final acceptance of the building. Since the University no

longer had the option of going back to rental facilities, it agreed to sign the notice of substantial completion but with the understanding that additional work had to be done before the University would accept the building. Based upon conversations with the University's engineer and architect, the University made a professional decision that the building was not done and should not be depreciated.

Auditors' comment

In an auditors' comment, we noted that the University has some ongoing construction items which are needed to completely finish the Doudna Fine Arts Center. The University, however, occupied and began using the building in September 2008. Accounting rules use the concept and criteria of "substantial completion" to delineate the time depreciation should begin. It's important to note that the accounting standard for beginning depreciation is "substantial completion" and not "absolute completion". By any reasonable standard, once the University decided to occupy and use the building, the building was effectively substantially complete and depreciation should have begun.

NONCOMPLIANCE WITH FEDERAL REPORTING REQUIREMENT

Federal reports not submitted timely

Eastern Illinois University (University) did not timely submit reports as required by federal granting agencies.

During our testing, we noted the following:

Report was submitted 132 days late

- The University was a recipient of a grant from the Department of Commerce. The Federal Financial Report SF-425 for the semi-annual period ended March 31, 2010 was not submitted. Upon notification from the auditors, the University submitted the SF-425 132 days after the report was due.

Report was submitted on the wrong form

- The University received a grant from the National Science Foundation (NSF). In fiscal year 2010, the annual progress report was submitted 21 days late.
- The University also received a grant from the Department of Energy (DOE). For the quarters ended September 30, 2009 and

December 31, 2009, the University submitted a quarterly Financial Status Report SF-269A instead of the revised form SF-425 as required by the grant.

According to University personnel, the delays in filing the reports were due to miscommunications. (Finding 2, pages 21-23)

We recommended management monitor submission of required reports to awarding entities to ensure compliance with the reporting requirement of the grant.

University agrees with auditors

University officials agreed with our recommendation and stated they have established a system that will help them track all reports that are due.

NONCOMPLIANCE WITH ETHICS TRAINING

New hires did not complete ethics training within required timeframe

Eastern Illinois University (University) did not ensure newly hired employees completed the ethics training within the required timeframe in accordance with the State Officials and Employees Ethics Act.

Ethics training completed 15 to 129 days late

During our testing, we noted 4 of 25 (16%) new hires tested did not complete the required ethics training within 30 days after commencement of employment with the University. The ethics training of the referenced employees were completed 15 to 129 days after they were due.

According to University personnel, the change in the requirement for completion of the Ethics training from 6 months to 30 days took a while for the entire campus to grow accustomed to resulting in the delay in the completion of the ethics training. (Finding 4, page 26)

We recommended the University's Ethics Officer reinforce the effort to monitor new hires completion of ethics training to ensure compliance with the Act.

University agrees with auditors

University officials agreed with our recommendation and stated they are investigating the establishment of a policy that will require new employees to report to the employment office on the first day of employment and require them to take the ethics test at that time.

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 stated the financial statements of Eastern Illinois University as of and for the year ended June 30, 2010 are fairly stated in all material respects.



WILLIAM G. HOLLAND
Auditor General

WGH:jaf:pp

SPECIAL ASSISTANT AUDITORS

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