

REPORT DIGEST

EASTERN ILLINOIS UNIVERSITY FINANCIAL AND COMPLIANCE AUDIT FOR THE YEARS ENDED JUNE 30, 1995

SYNOPSIS

- The University lacked adequate documentation to support its allocation of expenditures between State-appropriated funds, revenue bond funds and local funds. Since activities of the revenue bond fund entities are intended to be self-sufficient, subsidies may have occurred without legislative approval. **This finding has been repeated since 1991.**
- The University did not properly report the acquisition of two parcels of real estate, valued at \$244,000 and \$1,280,000. The University Guidelines require legislative oversight of financial transactions such as these.
- The University should improve security for its computer operations.

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

INTRODUCTION

This Digest summarizes information contained in the University's Compliance Audit (In Accordance with the Single Audit Act of 1984 and OMB Circular A-133) and Financial Audit.

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

NONCOMPLIANCE WITH THE 1982 UNIVERSITY GUIDELINES

Our audit presents two findings regarding noncompliance with the 1982 University Guidelines. The University Guidelines were adopted jointly in 1982 by the Legislative Audit Commission and the State university governing boards. The Guidelines were intended to codify and improve the fiscal practices at State universities.

Certain Costs Allocated to State-Appropriated Funds Were Not Supported

The University lacked adequate documentation to support its allocation of expenditures among State-appropriated funds, revenue bond funds, and local funds. **This finding has been repeated since 1991.** Cost allocations were not supported in the following areas:

- the payroll section, where appropriated funds paid 46 percent of the \$96,533 in total wages;
- the human resources department, where appropriated funds paid 83 percent of the \$352,301 in total wages;
- the business office wages, where appropriated funds paid 55 percent of the total wages in 1995, 60 percent in 1994 and 1993, and 50 percent in 1992. Total business office wages, including employee benefits, were \$843,141 in 1995.

University officials have not determined the amount of subsidy, if any, incurred by State-appropriated funds in the above areas.

In addition, square footage calculations indicate that State-appropriated funds subsidized the revenue bond funds for \$24,201 in University fire protection costs.

Subsidies are not permitted by the 1982 University Guidelines. Activities of revenue bond fund entities are intended to be self-sufficient, using bond proceeds. The above conditions indicate that subsidies may have occurred without legislative approval. **This finding has been repeated since 1991.** (Finding 1, page 10.)

University management accepted and have partially implemented our recommendation to eliminate subsidies and implement cost allocation plans which fairly distribute expenses between State-appropriated, revenue bond, and local funds. According to their response, a cost allocation plan has been developed to address this finding. Officials expect this plan to be implemented in fiscal year 1997. (For previous agency responses, see Digest Footnote 1.)

Real Estate Acquisitions Not Properly Reported to State Officials

State officials were not properly notified of two acquisitions of real estate, as follows:

- In September 1994, the University used \$244,000 in local funds to purchase real estate. This purchase was not reported to the Legislative Audit Commission, as required.
- In April 1995, the EIU Foundation received a gift of land appraised at \$1.2 million. The University did not report the Foundation's acceptance of this gift to the leadership of the General Assembly, the Illinois Board of Higher Education, or the Legislative Audit Commission, as required.

The University Guidelines require legislative oversight of financial transactions such as these. This situation was caused by a lack of communication and unfamiliarity with the reporting requirements. (Finding 2, page 12.)

According to the response, University officials concur with our recommendation to properly report all real estate acquisitions in the future.

BETTER COMPUTER SECURITY NEEDED

The University did not have an effective computer security administration function.

A review of the University's mainframe and Local Area Network (LAN) security administration procedures revealed the following areas where improvements are needed:

- Users' passwords on the mainframe were only required to be changed every 90 days. Passwords on the University's file servers were not required to be changed.
- LAN computer security policies and procedures describing specific duties of individuals responsible for security functions did not exist.
- Programmers/Analysts were not restricted from accessing production data.
- An automatic log-off feature which will log-off a user after a specified period of inactivity is available on the University's system, but has not been utilized.
- A formal security awareness program for users addressing mainframe and LAN security issues did not exist.
- Several users had improper access capabilities to critical data on mainframe systems.
- Powerful system attributes were granted to individuals who did not need these capabilities.
- Mainframe security software coordinators and LAN system administrators also performed

applications programming or systems programming duties as part of their job responsibilities. These programming responsibilities were incompatible with their security duties.

These conditions could result in unauthorized access to and misuse of the University's information systems. (Finding 3, page 13)

The University has given appropriate attention to our recommendations to improve these conditions and states it plans to take action to enhance its security policies and procedures.

OTHER FINDINGS

The remaining findings are less significant and have been given appropriate attention by University officials. We will review the University's progress toward the implementation of our recommendations during our next audit.

The University's responses were provided by Mr. J. Marlyn Finley, Director of Business Services and Treasurer.

AUDITORS' OPINION

Our auditors state the financial statements present fairly the financial position of Eastern Illinois University at June 30, 1995.

WILLIAM G. HOLLAND, Auditor General
WGH:JHL:pp

SUMMARY OF AUDIT FINDINGS

	<u>This Audit</u>	<u>1994 Audit</u>
Total Findings	7	5
Prior Recommendations Repeated	2	4
Prior Recommendations Implemented or Not Repeated	3	15

SPECIAL ASSISTANT AUDITORS

Our special assistant auditors on this engagement were Grant Thornton LLP.

DIGEST FOOTNOTES

#1: STATE APPROPRIATED FUNDS SUBSIDIZE UNIVERSITY REVENUE BOND AND LOCAL FUNDS - Previous Agency Responses.

1994:"In fiscal year 1995, the University allocated fire protection costs between appropriated and revenue bond funds. The University also filled a position that will concentrate on the allocation of expenditures among all funding sources. When a cost study is completed, an appropriate cost allocation plan will be developed."

1993:"The University concurs with the recommendation. However, development of an equitable cost allocation system requires a great deal of effort.

The University will develop a plan to identify any subsidies, to eliminate or offset subsidies, and to establish procedures for keeping and correcting any changes that could affect subsidies between entities."

1991:"The University will develop documentation to support the reasonableness of the allocations to appropriated funds and revenue bond for Business Office salaries.

"Since 1979 the University's fire protection has been fully funded in the Board of Higher Education's recommended allocation of the Governor's Budget. The University believes this to be an acceptable funding method."

EASTERN ILLINOIS UNIVERSITY
INFORMATION FROM FINANCIAL AND COMPLIANCE AUDITS
For The Period Ended June 30, 1995

FINANCIAL OPERATIONS (CURRENT FUNDS)	FY 1995	FY 1994
REVENUE		
Appropriations	\$ 38,022,346	\$ 37,006,599
Student tuition and fees	27,306,314	26,922,357
Grants, contracts, and gifts	8,685,907	9,323,591
Sales and services of educational activities	13,072,496	8,329,739
Auxiliary enterprises	19,165,274	18,925,198
Other	<u>2,880,763</u>	<u>2,356,359</u>
Total Revenue	<u>\$109,133,100</u>	<u>\$102,863,843</u>
EXPENDITURES AND MANDATORY TRANSFERS		
Instruction	\$ 34,494,822	\$ 30,702,782
Research	306,534	306,956
Public services	6,711,586	6,681,637
Academic services	6,511,471	4,991,338
Student services	8,868,637	8,208,356
Institutional support	18,243,158	12,275,232
Operation of plant	6,721,851	9,645,304
Staff benefits	*	2,848,711
Scholarships and fellowships	3,720,898	3,821,995
Auxiliary enterprises	22,495,810	18,494,398
Other	<u>476,763</u>	<u>473,889</u>
Total Expenditures and Mandatory Transfers	<u>\$108,551,530</u>	<u>\$ 98,450,598</u>
* In FY 1995, staff benefits were allocated among other expenditure categories.		
SELECTED ACCOUNT BALANCES (ALL FUNDS)	JUNE 30, 1995	JUNE 30, 1994
Cash and investments	\$19,951,954	\$ 32,117,169
Buildings, land, and equipment	150,253,295	144,817,000
Accrued compensated absences	13,575,818	12,534,947
Revenue bonds payable	36,326,555	44,022,348
Fund balances (deficit):		
Unrestricted	(10,408,221)	(9,155,116)
Restricted	1,218,152	683,990
Loan	4,038,611	3,802,155
Endowment and similar	372,785	387,699
Net investment in plant	124,760,809	122,352,962
SUPPLEMENTARY INFORMATION	FY 1995	FY 1994
<u>Employment Statistics</u>		
Faculty/administrative	779.0	738.8
Civil service	916.6	896.7
Student employees and miscellaneous contracts	<u>301.9</u>	<u>312.6</u>
Total Employees	<u>1,997.5</u>	<u>1,948.1</u>
<u>Selected Activity Measures</u>		
Annual full-time equivalent students	10,003	10,154
Full-time equivalent costs per student	\$5,728	\$5,525
Classroom utilization - fall semester daylight maximum	63.0%	60.6%
UNIVERSITY PRESIDENT		
During Audit Period: Dr. David L. Jorns		
Currently: Dr. David L. Jorns		