

**BOARD OF HIGHER EDUCATION
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2019**

| EXPENDITURE STATISTICS | 2019 | 2018 | 2017 |
|---|----------------------|----------------------|----------------------|
| Total Expenditures..... | \$ 10,816,559 | \$ 13,881,285 | \$ 29,941,156 |
| OPERATIONS TOTAL..... | \$ 3,723,152 | \$ 3,637,052 | \$ 24,174,042 |
| % of Total Expenditures..... | 34.4% | 26.2% | 80.7% |
| Personal Services..... | 2,487,925 | 2,336,993 | 2,335,564 |
| Other Payroll Costs (FICA, Retirement)..... | 268,660 | 172,638 | 155,932 |
| All Other Operating Expenditures..... | 966,567 | 1,127,421 | 21,682,546 |
| AWARDS AND GRANTS..... | \$ 7,088,387 | \$ 10,235,779 | \$ 5,761,333 |
| % of Total Expenditures..... | 65.5% | 73.7% | 19.3% |
| REFUNDS..... | \$ 5,020 | \$ 8,454 | \$ 5,781 |
| % of Total Expenditures..... | 0.1% | 0.1% | 0.0% |
| Total Receipts..... | \$ 1,837,525 | \$ 3,690,683 | \$ 4,156,599 |
| Average Number of Employees..... | 35 | 34 | 36 |

| AGENCY DIRECTOR | |
|----------------------------|---|
| During Examination Period: | Tom Cross (7/1/17 - 10/31/17), Al Bowman (11/1/17 - 12/31/18), Nyle Robinson (Interim) (1/1/19 - 1/31/20) |
| Currently: | Ginger Ostro (effective 2/1/20) |

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**INADEQUATE CONTROLS OVER THE RECORDING
AND REPORTING OF STATE PROPERTY**

The Board of Higher Education (Board) did not exercise adequate controls over the recording and reporting of State property.

During testing, we noted the following:

**Item locations did not match
inventory listing**

- Fourteen of 120 (12%) items tested, totaling \$10,022, were found in locations that did not match the locations listed on the Board's inventory listing.

**Items did not have visible property
tags**

- Three of 60 (5%) items tested, totaling \$35,424, did not have visible property tags.

**Freight and installation charges not
added**

- Freight and installation charges, totaling \$12, were not added to the value of one equipment item purchased during the examination period.

Item not reported as an addition

- One item purchased, totaling \$1,067, was not added to the Board's inventory records or reported on the Board's Agency Report of State Property (Form C-15). (Finding 2019-001, pages 12-13). **This finding has been repeated since 2013.**

We recommended the Board strengthen its internal controls over the recording and reporting of State property, including:

- updating property records to reflect changes in equipment locations;
- marking property with visible property tags;
- capitalizing freight and installation charges in accordance with SAMS; and,
- timely adding purchased property to inventory records and the Board's Form C-15.

Board officials agree

The Board agreed with the finding and stated it will work with staff to ensure the strengthening of its property control records.

**FAILURE TO ENFORCE COMPLIANCE WITH
GRANT AGREEMENTS**

The Board did not enforce compliance with rules and regulations regarding the administration of State grants awarded.

We selected a sample of four of the Board's grant programs active during Fiscal Year 2018 and Fiscal Year 2019 to test.

The four grant programs resulted in 20 grant agreements between the Board and various entities. During our testing, we noted the following conditions:

Agreements not signed prior to the start of the grant period

- For 12 of 20 (60%) grant agreements tested, the agreements were not signed prior to the start of the grant period. The grants were signed between 1 and 159 days late.

Audit reports not submitted timely

- We noted 2 of 20 (10%) audit reports tested were not submitted timely. The audit reports were submitted 13 and 14 days late.

Close-out reports not submitted timely

- We noted 6 of 20 (30%) close-out reports tested were not submitted timely. The close-out reports were submitted 14 to 88 days late.

Quarterly reports not submitted timely

- We noted 14 of 80 (18%) quarterly reports tested were not submitted timely. The quarterly reports were submitted 1 to 69 days late.

Reports did not contain required certification

- 57 of 67 (85%) reports tested did not contain the required certification by the grantee.

Differences in expenditure reporting between the grantee's quarterly reports and close-out audit reports

- Differences in expenditure reporting between the grantee's quarterly reports and their close-out audit reports were noted for 3 of 20 (15%) grantee reports tested. As a result, we were unable to determine if the grantees maintained accounting systems or records to provide accurate, current, and complete disclosures of all financial transactions as required by the grant agreement.

Evaluation reports submitted late

In addition, we performed testing of 6 reports due during the examination period that were derived from agreements active during Fiscal Year 2017, and we noted 2 (33%) evaluation reports were submitted 2 and 10 days late. (Finding 2019-002, pages 14-16).

We recommended the Board strengthen its internal controls to enforce compliance with rules and regulations regarding the administration of State grants awarded, including:

- ensuring grant agreements are signed by all parties prior to the start of the grant periods;
- working with grantees to ensure required reports are submitted timely;
- ensuring grant reports contain all required certifications; and,
- ensuring discrepancies between grantee quarterly reports and close-out audit reports are resolved.

Board officials agree

The Board agreed with the finding and stated it will work on the timely execution of grant agreements along with continuing to work with grantees on submitting certified reports timely.

OTHER FINDING

The remaining finding pertains to the Board not being staffed as required. We will review the Board's progress towards the implementation of our recommendations in our next compliance examination.

ACCOUNTANT'S OPINION

The accountants conducted a compliance examination of the Board for the two years ended June 30, 2019, as required by the Illinois State Auditing Act. The accountants stated the Board complied, in all material respects, with the specified requirements.

This compliance examination was conducted by the Office of the Auditor General's staff.

SIGNED ORIGINAL ON FILE

JANE CLARK
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

FJM:cgr