

**ILLINOIS STATE UNIVERSITY
FINANCIAL AUDIT
For The Year Ended June 30, 2020**

STATEMENT OF NET POSITION	2020	2019
Assets and Deferred Outflows of Resources		
Unrestricted		
Cash and cash equivalents.....	\$ 137,385,710	\$ 53,171,079
Receivables.....	39,784,619	25,184,407
Investments.....	12,419,961	103,781,662
Inventories, prepaid expenses, deposits, and other.....	14,785,769	7,332,088
Restricted		
Cash and cash equivalents.....	4,228,390	10,094,795
Receivables.....	5,803,151	7,282,331
Investments.....	126,501,089	135,654,120
Inventories, prepaid expenses, deposits, and other.....	1,135,978	964,283
Capital assets, net.....	526,862,266	518,501,834
Total.....	<u>868,906,933</u>	<u>861,966,599</u>
Liabilities and Deferred Inflows of Resources		
Accounts payable and accrued liabilities.....	25,286,631	27,960,245
Bond obligations.....	150,650,498	160,251,415
Other.....	73,541,452	70,730,836
Total.....	<u>249,478,581</u>	<u>258,942,496</u>
Net Position		
Net investment in capital assets.....	378,917,225	364,358,168
Restricted, expendable.....	127,028,174	134,262,553
Unrestricted.....	113,482,953	104,403,382
Total.....	<u>\$ 619,428,352</u>	<u>\$ 603,024,103</u>
REVENUES, EXPENSES, AND CHANGES IN NET POSITION	2020	2019
Revenues		
Tuition and fees, net.....	\$ 204,881,045	\$ 199,747,193
State appropriations.....	69,769,300	66,354,100
Auxiliary enterprises.....	76,332,021	90,801,134
Payments on behalf of the University - State.....	28,914,000	35,477,000
Special funding situation - Pension and OPEB.....	66,289,971	46,816,147
Other.....	135,619,330	123,822,306
Total.....	<u>581,805,667</u>	<u>563,017,880</u>
Expenses		
Instruction.....	171,157,884	164,879,992
Student services.....	54,570,142	54,189,901
Student aid.....	69,276,687	56,152,680
Auxiliary enterprises.....	64,926,944	64,722,625
Other.....	205,469,761	194,024,304
Total.....	<u>565,401,418</u>	<u>533,969,502</u>
Change in net position.....	<u>\$ 16,404,249</u>	<u>\$ 29,048,378</u>
UNIVERSITY PRESIDENT		
During Audit Period: Dr. Larry Dietz		
Currently: Dr. Larry Dietz		

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

**INADEQUATE INTERNAL CONTROLS OVER
CENSUS DATA**

The University did not have adequate internal control over reporting its census data and did not have a reconciliation process to provide assurance census data submitted to its pension and other postemployment benefits (OPEB) plans was complete and accurate.

During testing, some of the more significant issues we noted included the following:

Complete reconciliation of census data not performed

- The University had not performed an initial complete reconciliation of its census data recorded by the State Universities Retirement System (SURS) and the State Employees Group Insurance Program sponsored by the State of Illinois, Department of Central Management Services (CMS) to its internal records to establish a base year of complete and accurate census data.
- We performed an analysis of transactions reported by the University to SURS during the census data accumulation period throughout Fiscal Year 2018, noting the following problems:

Newly hired employees reported late

- Four of 505 (1%) employees reported as hired had actually been hired in other fiscal years. SURS determined the total potential impact to each employee's total service credit was it could be off by one-half to 4.25 years.

Start date of leaves of absences untimely reported

- Two of 33 (6%) employees with a departure on a leave of absence had the start date of the leave of absence untimely reported to SURS by the University. SURS determined the total potential impact to each of these employee's total service credit was it could be off by 1 to 1.75 years.

End dates of leaves of absences untimely report

- Five of 40 (13%) employees with a return from a leave of absence had the end date of the leave of absence untimely reported to SURS by the University. SURS determined the total potential impact to each of these employee's total service credit was it could be off by one-half to three-quarters of a year. (Finding 1, *GAS Report* pages 6-10)

We recommended the University implement controls to ensure census data events are timely and accurately reported to SURS and CMS.

Further, we recommended the University work with SURS and CMS to develop an annual reconciliation process of its active members' census data from its underlying records to a report from each plan of census data submitted to the plan's actuary.

Additionally, we recommended the University work with SURS and CMS to identify and address any unremitted or erroneously remitted employee and, if applicable, employer contributions related to these events.

University officials agreed

The University agreed with our recommendation.

LACK OF ADEQUATE CONTROLS OVER THE REVIEW OF INTERNAL CONTROLS OVER SERVICE PROVIDERS

The University did not obtain or conduct timely independent internal controls reviews over its service providers.

Unable to provide a listing of service providers during the period

We requested the University provide a listing of service providers utilized in order to determine if the University had reviewed the internal controls over their service providers. However, the University was unable to provide a listing of service providers utilized during the examination period.

Unable to conclude the University's records were complete and accurate

Due to these conditions, we were unable to conclude the University's population records were complete and accurate under the Professional Standards promulgated by the American Institute of Certified Public Accountants (AU-C § 500, AU-C § 530, and AT-C § 205.35).

Even without a complete listing, the auditors identified three providers

Even though the University did not provide a listing of service providers, we determined the University utilized service providers for hosting:

- a system containing significant amounts of data and student records protected by the federal Family Education Rights and Privacy Act (FERPA);
- a system which maintains prospective and new student information; and,
- the University's payroll application with Human Resources (HR) functionality.

Reports not obtained and reviewed

University not tracking compliance with agreed-upon service levels

The University did not have a program to obtain and review System and Organization Control (SOC) reports. In addition, the University did not track compliance with service levels agreed to with the service providers. (Finding 2, *GAS Report* pages 11-12)

We recommended the University identify all service providers and determine and document if a review of internal controls is required. If required, the University should:

- obtain SOC reports or perform independent reviews of internal controls associated with outsourced systems at least annually;
- monitor and document the operation of the Complementary User Entity Controls (CUECs) relevant to the University's operations; and,
- review service level agreements with service providers to ensure applicable requirements are met.

In addition, if a SOC report indicates one or more subservice providers exist, the University should:

- either obtain and review a SOC report for each subservice organization or perform alternative procedures to satisfy the usage of each subservice organization would not impact the University's internal control environment; and,
- document its review of the SOC reports and review all significant issues with each subservice organization to ascertain if a corrective action plan exists and when it will be implemented, any impacts to the University, and any compensating controls.

University officials agreed

The University agreed with our recommendation.

OTHER FINDING

The remaining finding pertains to information security weaknesses. We will review the University's progress towards the implementation of our recommendations in our next financial audit.

AUDITOR'S OPINION

The auditors stated the financial statements of the University as of and for the year ended June 30, 2020, are fairly stated in all material respects.

This financial audit was conducted by RSM US LLP.

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

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