



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

SOUTHERN ILLINOIS UNIVERSITY

FINANCIAL AUDIT

For the Year Ended: June 30, 2012

Release Date: April 11, 2013

Summary of Findings:

Total this audit:	3
Total last audit:	0
Repeated from last audit:	0

INTRODUCTION

Southern Illinois University's financial audit report consists of three sets of financial statements as follows - the financial statements of Southern Illinois University (the "University"); the financial statements of the Housing and Auxiliary Facilities System (HAFS), a segment financial report of the University issued for bondholders; and the Medical Facilities System (MFS), a segment financial report of the University issued for bondholders.

This report contains only *Government Auditing Standards* findings pertaining to the Financial Statement Audit of the University, HAFS and MFS for the year ended June 30, 2012. Those findings are reported in a report under separate cover titled "Reports Required Under *Government Auditing Standards*".

SYNOPSIS

- The University needs to improve controls over financial reporting.
- The University needs to improve the process used to estimate the allowance for doubtful accounts.

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

SOUTHERN ILLINOIS UNIVERSITY
FINANCIAL AUDIT
For the Year Ended June 30, 2012

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS	2012	2011
Operating Revenues		
Student tuition and fees, net.....	\$ 256,084,347	\$ 242,813,334
Auxiliary enterprises.....	111,868,932	107,373,101
Grants and contracts.....	101,258,764	109,135,111
Sales and services of educational activities.....	81,012,744	78,558,753
Physicians and Surgeons practice plan.....	54,203,736	54,622,838
Other.....	317,912	263,919
Total Operating Revenues.....	604,746,435	592,767,056
Operating Expenses		
Instruction.....	335,294,851	317,152,057
Research.....	64,680,837	63,660,347
Public service.....	62,712,130	62,657,302
Academic support.....	179,607,411	161,909,517
Student services.....	74,401,013	69,031,681
Institutional support.....	77,575,317	70,058,717
Operation and maintenance of plant.....	87,292,169	84,188,302
Scholarships and fellowships.....	36,837,164	31,645,865
Auxiliary enterprises.....	104,731,554	98,759,484
Depreciation.....	46,321,372	44,134,264
Other.....	540,031	406,880
Total Operating Expenses.....	1,069,993,849	1,003,604,416
Operating Income (Loss).....	(465,247,414)	(410,837,360)
NONOPERATING REVENUES (EXPENSES)		
State appropriations.....	219,501,500	222,013,500
On behalf payments of the University.....	221,995,044	191,169,767
Grants and other, net.....	52,156,315	49,928,314
Capital appropriations and gifts.....	67,807,020	30,267,882
Net Nonoperating Revenues.....	561,459,879	493,379,463
INCREASE (DECREASE) IN NET ASSETS	96,212,465	82,542,103
Net assets, beginning of year.....	628,393,425	545,851,322
Net assets, end of year.....	\$ 724,605,890	\$ 628,393,425
STATEMENT OF NET ASSETS (SUMMARY)	2012	2011
Assets		
Cash and cash equivalents.....	\$ 160,549,631	\$ 98,251,928
Investments.....	130,446,177	115,459,886
Receivables, net.....	143,300,729	181,617,552
Capital assets, net.....	789,422,415	716,438,214
Other assets.....	16,667,363	16,383,596
Total Assets.....	1,240,386,315	1,128,151,176
Liabilities		
Accounts payable and accrued liabilities.....	102,664,084	99,025,788
Bonds, COPS and leases payable.....	318,983,396	305,684,085
Deferred revenue, self insurance and other liabilities.....	94,132,945	95,047,878
Total Liabilities.....	515,780,425	499,757,751
Total Net Assets.....	\$ 724,605,890	\$ 628,393,425
UNIVERSITY PRESIDENT		
During Audit Period: Dr. Glenn Poshard		
Currently: Dr. Glenn Poshard		

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

NEED TO IMPROVE CONTROLS OVER FINANCIAL REPORTING

Southern Illinois University (the University), the Housing and Auxiliary Facilities System (HAFS), and the Medical Facilities System (MFS) need to improve controls over financial reporting.

During our audit of the draft financial statements several errors were identified and corrected.

Cash and investments not properly classified as restricted

Part of the cash and cash equivalents, short-term investments and long-term investments were not properly classified as restricted on the Statement of Net Assets in the current and prior fiscal years. This resulted in reclassifications on the financial statements from unrestricted cash and investments to restricted cash and investments as follows:

**Financial Statement
Reclassifications**

- On the University financial statements a reclassification of \$68,870,186 in fiscal year 2012 and \$45,910,047 in fiscal year 2011,
- On the HAFS financial statements a reclassification of \$66,663,321 for fiscal year 2012 and \$43,588,363 for fiscal year 2011, and
- On the MFS financial statements a reclassification of \$1,712,233 for fiscal year 2012 and \$1,353,044 for fiscal year 2011.

This also resulted in a reclassification on the University discretely presented component unit's (University Related Organizations) financial statements of \$145,637,820 in fiscal year 2012 from unrestricted cash and investments to restricted cash and investments and of \$154,040,969 in fiscal year 2011 from unrestricted cash and investments to restricted cash and investments. (Finding 1, page 5)

Auditors' recommendation accepted

University officials accepted our recommendation to improve controls over financial reporting to ensure accurate presentation and disclosure of the University's annual financial statements.

NEED TO ENHANCE THE PROCESS TO ESTIMATE ALLOWANCE FOR DOUBTFUL ACCOUNTS

The University did not establish an adequate process to estimate the allowance for doubtful accounts for accounts and notes receivable.

Accounts receivable total \$53.7 million

Notes receivable total \$17.8 million

University could not provide auditors with substantive basis for estimate

Adjustments were identified

University officials accepted the auditors' recommendation

The Carbondale campus estimated the allowance for doubtful accounts and notes receivables to be \$9.4 million (18%) of the gross receivables of \$53.7 million and \$2.6 million (15%) of notes receivable balance of \$17.8 million at June 30, 2012. The allowance was calculated by applying historical percentages to some categories of outstanding receivables based on aging categories and by specific identification for other categories of receivables.

For student tuition and fees and auxiliary enterprise receivables the allowance percentages had not changed for several years and the University could not provide auditors with any substantive basis for the percentages used when they were initially requested. Similarly for general operating receivables, the University had difficulty with providing auditors: 1) with a complete aged listing that agreed with the financial statements; and 2) support for the allowances reserved.

The auditors requested the University to perform additional analysis on the allowance for doubtful accounts. As a result, the University determined that certain receivables from State agencies totaling \$5.0 million at June 30, 2012 and \$5.2 million at June 30, 2011 should have had an allowance for doubtful accounts of \$2.6 million and \$3.1 million, respectively. In addition, the University determined that its Perkins loans were over-reserved by \$2.3 million and \$2.0 million at June 30, 2012 and 2011, respectively. The University did not record these adjustments because they were not material to the financial statements. (Finding 2, pages 6-7)

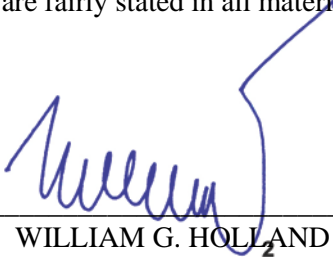
University officials accepted our recommendation to maintain documentation used to arrive at the accounting estimates for the allowance for doubtful accounts using relevant, sufficient and reliable data in accordance with generally accepted accounting principles.

OTHER FINDING

The remaining finding pertains to inadequate processes in the valuation of text book services inventory and the University accepted the auditors' recommendation. We will review the University's progress towards the implementation of our recommendations in our next engagement.

AUDITORS' OPINION

Our auditors stated the financial statements of the University, HAFS and MFS are fairly stated in all material respects.



A handwritten signature in blue ink, appearing to read 'William G. Holland', is written over a horizontal line. A long, thin blue line extends from the top of the signature towards the top right of the page.

WILLIAM G. HOLLAND
Auditor General

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SPECIAL ASSISTANT AUDITORS

Our special assistant auditors for this audit were CliftonLarsonAllen LLP.