



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

WESTERN ILLINOIS UNIVERSITY

**Financial Audit
 For the Year Ended June 30, 2021**

Release Date: June 22, 2022

FINDINGS THIS AUDIT: 2				AGING SCHEDULE OF REPEATED FINDINGS			
	<u>New</u>	<u>Repeat</u>	<u>Total</u>	Repeated Since	Category 1	Category 2	Category 3
Category 1:	1	1	2	2020	1		
Category 2:	0	0	0				
Category 3:	0	0	0				
TOTAL	1	1	2				
FINDINGS LAST AUDIT: 1							

INTRODUCTION

This digest covers Western Illinois University's Financial Audit as of and for the year ended June 30, 2021. The Western Illinois University's Single Audit and State compliance examination covering the year ended June 30, 2021, were separately released.

SYNOPSIS

- **(21-01)** 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.
- **(21-02)** The University did not properly records several transactions and, as a result, did not properly apply appropriate generally accepted accounting principles (GAAP) to their financial statement reporting process.

Category 1:	Findings that are material weaknesses in internal control and/or a qualification on compliance with State laws and regulations (material noncompliance).
Category 2:	Findings that are significant deficiencies in internal control and noncompliance with State laws and regulations.
Category 3:	Findings that have no internal control issues but are in noncompliance with State laws and regulations.

WESTERN ILLINOIS UNIVERSITY
FINANCIAL AUDIT
For the Year Ended June 30, 2021

STATEMENT OF NET POSITION	2021	2020
Assets		
Cash and cash equivalents.....	\$ 39,094,623	\$ 40,737,746
Accounts and student loans receivable, net.....	16,129,403	8,779,537
Due from primary government.....	1,315,258	10,861,854
Capital assets, net.....	185,561,721	194,077,102
Other.....	3,377,154	2,934,015
Total Assets.....	245,478,159	257,390,254
Deferred Outflow of Resources.....	2,412,843	2,985,803
Liabilities		
Accounts payable, accrued liabilities, accrued payroll.....	15,062,217	13,799,521
Compensated absences.....	7,795,106	8,074,286
Revenue bonds, certificates of participation.....	55,043,636	61,996,625
Other.....	24,079,999	24,959,730
Total Liabilities.....	101,980,958	108,830,162
Deferred Inflow of Resources.....	2,478,955	3,721,665
Net Position		
Net investment in capital assets.....	130,900,204	132,535,824
Restricted.....	23,605,099	27,980,625
Unrestricted.....	(11,074,214)	(12,692,219)
Total Net Position.....	\$ 143,431,089	\$ 147,824,230
REVENUES, EXPENSES AND CHANGES IN NET POSITION	2021	2020
Revenues		
State appropriations and on-behalf payments.....	\$ 65,141,427	\$ 61,030,243
Tuition and fees, net.....	40,411,945	44,389,454
Auxiliary enterprises.....	19,970,472	22,958,782
Special funding situation for pension and OPEB.....	66,449,380	39,878,990
Grants and other contracts.....	16,122,078	43,061,425
Sales and services of educational departments.....	2,467,081	3,304,672
Other.....	39,668,122	4,855,763
Total Revenues.....	250,230,505	219,479,329
Expenses		
Instruction.....	88,720,740	76,466,024
Public service.....	14,098,066	12,690,574
Academic support.....	20,000,144	15,726,456
Student services.....	23,700,521	20,376,779
Institutional support.....	20,590,727	16,894,483
Operation and maintenance of plant.....	18,549,554	15,161,762
Scholarships and fellowships.....	20,035,218	17,116,570
Auxiliary enterprises.....	31,865,483	29,084,352
Other.....	22,185,373	21,605,276
Total Expenses.....	259,745,826	225,122,276
Income (Loss) Before Capital Items.....	(9,515,321)	(5,642,947)
Capital State appropriations.....	2,583,419	1,800,531
Increase (Decrease) in net position.....	(6,931,902)	(3,842,416)
Prior Period Adjustment.....	2,538,761	-
Net Position, Beginning of Year as previously reported.....	147,824,230	151,666,646
Net Position, End of Year.....	\$ 143,431,089	\$ 147,824,230
PRESIDENT		
During Audit Period: Dr. Martin Abraham (07/01/2020 - 12/31/2020), Dr. Guiyou Huang (effective 01/01/2021)		
Currently: Dr. Guiyou Huang		

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**INADEQUATE INTERNAL CONTROLS OVER
CENSUS DATA**

The University did not have a reconciliation process to provide assurance that census data submitted to pension and OPEB plans was complete and accurate.

The Western Illinois University (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, we noted the following:

- The University had not performed an initial complete reconciliation of its census data recorded by SURS to its internal records to establish a base year of complete and accurate data.
- After establishing a base year, the University had not developed a process to annually obtain from SURS the incremental changes recorded by SURS in their census data records and reconcile these changes back to the University's internal supporting records.

In addition, we noted errors within CMS' allocation of OPEB-related balances across the State's funds, public universities, and the Illinois State Toll Highway Authority related to a failure by CMS to account for a separately financed specific OPEB liability for certain groups of employees at one component unit of the State. The impact of these errors resulted in the University restating its beginning net position by \$2,538,761 as of July 1, 2020.

Even given these exceptions, we performed detail testing of a sample of employees and certain data analysis tests of the total population of the University's census data transactions reported to SURS and noted the following:

- Two of 60 (3.33%) employees tested had status changes that were not reported to SURS at the occurrence of the event. One employee went on a leave of absence and another employee changed status from leave of absence to active status. (Finding 1, pages 71-74)

Employees' status changes were not reported to SURS.

We recommended the University implement controls to ensure census data events are timely and accurately reported to SURS. Further, we recommended the University work with SURS to annually reconcile its active members' census data from its underlying records to a report of census data submitted to the SURS' actuary and CMS' actuary, and after completing an initial full reconciliation, the University may limit the annual reconciliations to focus on the incremental changes to the

census data file from the prior actuarial valuation, provided no risks are identified that incomplete or inaccurate reporting of census data may have occurred during prior periods. Any errors identified during this process should be promptly corrected by either the University or SURS, with the impact of these errors communicated to both SURS's actuary and CMS' actuary. Finally, 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.

The University agreed with the finding

The University agreed with the finding and stated they have submitted all data to SURS as part of a baseline reconciliation process and once this baseline is established and complete, an annual reconciliation process will be created and enacted moving forward.

FAILURE TO APPLY APPROPRIATE GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The University did not properly records several transactions and, as a result, did not properly apply appropriate generally accepted accounting principles (GAAP) to their financial statement reporting process.

We noted the following in our review of the financial statements submitted by the University with the GAAP Package to the Office of the Comptroller:

The University did not capitalize \$283,367 of application development costs incurred.

- The University acquired an ERP system from a third-party vendor and was involved in some development activities related to the ERP system for implementation. The University did not capitalize \$283,367 of application development costs incurred.

The University did not properly conduct an evaluation of all the agency funds in relation to the implementation of GASB Statement No. 84.

- The University did not properly conduct an evaluation of all the agency funds in relation to the implementation of GASB Statement No. 84, *Fiduciary Activities*. We noted the University initially did not report any fiduciary funds financial statements and did not have related disclosures on fiduciary funds in the notes to the financial statements. We requested the University provide their documentation on their determination of which funds are to be reported as fiduciary funds. The University reperformed their evaluation and identified thirty-two (32) agency funds previously accounted for in governmental activities that should be reported as custodial funds. These custodial funds have assets totaling \$394,245, liabilities totaling \$75,213, and net position totaling \$319,032 that were not properly reported in a Statement of Fiduciary Net Position. In addition, total beginning net position of \$286,885, additions totaling \$166,730 and deductions totaling

\$134,583 were not reported in a Statement of Changes in Fiduciary Net Position.

The University did not recognize an additional \$2,056,678 of institutional portion of the total HEERF II award amount it is entitled to.

- The University did not properly calculate and report the institutional portion revenue on Higher Education Emergency Relief Fund (HEERF) II grants. The University met the eligibility requirements for student financial aid expenditures, institutional expenditures and lost revenues but did not recognize an additional \$2,056,678 of institutional portion to the total HEERF II award amount it is entitled to in accordance with the HEERF II grant provisions. A revision was made to the Schedule of Expenditures and Federal Awards to reflect the changes.

The University subsequently adjusted the financial statements to correct these errors, including the required disclosures in the notes to the financial statements (Finding 2, pages 75-76).

We recommended the University establish procedures to ensure that transactions which include special terms and reporting be carefully reviewed for proper accounting and recognition of related transactions, and, if necessary, accounting and reporting guidance should be obtained from technical resources to be in conformity with generally accepted accounting principles.

The University agreed with the finding

The University agreed with the finding and confirmed that all adjustments are reflected in the financial statements.

AUDITOR'S OPINION

The auditors stated the financial statements of Western Illinois University as of and for the year ended June 30, 2021, are fairly stated in all material respects.

This financial audit was conducted by Adelfia LLC.

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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