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EASTERN ILLINOIS UNIVERSITY

A Component Unit of the State of Illinois

STATE COMPLIANCE EXAMINATION

For the Year Ended June 30, 2022

Performed as Special Assistant Auditors for the Auditor General, State of Illinois

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EASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
STATE COMPLIANCE EXAMINATION
For the Year Ended June 30, 2022

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EASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
STATE COMPLIANCE EXAMINATION
For the Year Ended June 30, 2022

UNIVERSITY OFFICIALS

President	Dr. David M. Glassman
Provost and Vice President for Academic Affairs	Dr. Jay D. Gatrell
Vice President for Business Affairs (7/6/22 - Present)	Mr. Matthew J. Bierman
Vice President for Business Affairs (4/1/22 - 7/5/22)	Vacant
Vice President for Business Affairs (7/1/21 - 3/31/22)	Mr. Sean D. Reeder
Vice President for Student Affairs	Ms. Anne Flaherty
Vice President for University Advancement	Mr. Kenneth A. Wetstein
Director of Business Services and Treasurer	Mr. Paul A. McCann
General Counsel (3/1/23 - Present)	Vacant
General Counsel (7/1/21 - 2/28/23)	Ms. Laura McLaughlin
Director of Internal Auditing (4/4/22 - Present)	Mr. Chifundo Biliwita, CIA, CFE
Director of Internal Auditing (8/1/21 - 4/3/22)	Vacant
Director of Internal Auditing (7/1/21 - 7/31/21)	Ms. Leigh C. Moon

BOARD OF TRUSTEES (as of June 30, 2022)

Chairperson	Ms. Joyce Madigan
Vice Chairperson	Vacant
Secretary	Dr. Audrey Edwards
Member Pro-Tem	Ms. Barbara Baurer
Member	Mr. Joseph R. Dively
Member	Mr. C. Christopher Hicks
Member	Vacant
Student Member	Ms. Lucy Ade

University offices are located at:
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Charleston, Illinois 61920

EASTERN ILLINOIS UNIVERSITY

Office of the President

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MANAGEMENT ASSERTION LETTER

April 17, 2023

Sikich LLP
132 South Water Street, Suite 300
Decatur, IL 62523

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of Eastern Illinois University (University). We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the University's compliance with the following specified requirements during the one-year period ended June 30, 2022. Based on this evaluation, we assert that during the year ended June 30, 2022, the University has materially complied with the specified requirements listed below.

A. The University has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.

B. The University has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.

C. Other than what previously has been disclosed and reported in the Schedule of Findings, the University has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

D. State revenues and receipts collected by the University are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.

E. Money or negotiable securities or similar assets handled by the University on behalf of the State or held in trust by the University have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Yours truly,

Eastern Illinois University

SIGNED ORIGINAL ON FILE

Dr. David M. Glassman, President

SIGNED ORIGINAL ON FILE

Mr. Matthew J. Bierman, Vice President for Business Affairs

SIGNED ORIGINAL ON FILE

Mr. Paul A. McCann, Director of Business Services and Treasurer

SIGNED ORIGINAL ON FILE

Ms. Laura McLaughlin, General Counsel

STATE COMPLIANCE REPORT

SUMMARY

The State compliance testing performed during this examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the *Audit Guide.*

ACCOUNTANT'S REPORT

The Independent Accountant's Report on State Compliance and on Internal Control Over Compliance does not contain scope limitations or disclaimers, but does contain a modified opinion on compliance and identifies material weaknesses over internal control over compliance.

SUMMARY OF FINDINGS

Number of	**Current Report**	**Prior Report**
Findings	9	8
Repeated Findings	7	5
Prior Recommendations Implemented or Not Repeated	1	4

SCHEDULE OF FINDINGS

Item No.	Page	Last/First Reported	Description	Finding Type
			Current Findings	
2022-001	9	2021/2020	Inadequate internal controls over census data	Material Weakness and Material Noncompliance
2022-002	13	New	Weaknesses in preparation of year-end financial statements	Material Weakness and Material Noncompliance
2022-003	17	2021/2005	Timesheets not required	Significant Deficiency and Noncompliance
2022-004	18	2021/2019	Lack of adequate review of service providers' internal controls	Significant Deficiency and Noncompliance

Item No.	Page	Last/First Reported	Description	Finding Type
2022-005	20	2021/2020	Noncompliance with the Illinois Articulation Initiative Act	Significant Deficiency and Noncompliance
2022-006	21	2021/2020	Noncompliance with University Guidelines	Significant Deficiency and Noncompliance
2022-007	23	2021/2021	Weaknesses in security over computers	Significant Deficiency and Noncompliance
2022-008	25	2021/2021	Weaknesses in cybersecurity programs and practices	Significant Deficiency and Noncompliance
2022-009	27	New	Inadequate internal control over University procurement card transactions	Significant Deficiency and Noncompliance

Prior Findings Not Repeated

A	29	2021/2021	Reporting requirement not met	

EXIT CONFERENCE

Eastern Illinois University waived an exit conference in correspondence from Paul McCann, Director of Business Services and Treasurer, on April 17, 2023. The responses to the recommendations in findings 2022-001 and 2022-002 were provided by Paul McCann, Director of Business Services and Treasurer, in correspondence dated March 10, 2023. The responses to the remaining findings and recommendations appearing in this report were provided by Paul McCann, Director of Business Services and Treasurer, on April 17, 2023.

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INDEPENDENT ACCOUNTANT'S REPORT
ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Trustees
Eastern Illinois University

Report on State Compliance

As Special Assistant Auditors for the Auditor General, we have examined compliance by Eastern Illinois University (University) with the specified requirements listed below, as more fully described in the *Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide)* as adopted by the Auditor General, during the year ended June 30, 2022. Management of the University is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the University's compliance with the specified requirements based on our examination.

The specified requirements are:

A. The University has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.

B. The University has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.

C. The University has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

D. State revenues and receipts collected by the University are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.

E. Money or negotiable securities or similar assets handled by the University on behalf of the State or held in trust by the University have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, the standards applicable to attestation engagements contained in Government Auditing Standards issued by the Comptroller General of the United States, the Illinois State Auditing Act (Act), and the *Audit Guide*. Those standards, the Act, and the *Audit Guide* require that we plan and perform the examination to obtain reasonable assurance about whether the University complied with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether the University complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance with the specified requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our modified opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the University's compliance with specified requirements.

Our examination disclosed material noncompliance with the following specified requirement applicable to the University during the year ended June 30, 2022. As described in the accompanying Schedule of Findings as items 2022-001 and 2022-002, the University had not complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

In our opinion, except for the material noncompliance with the specified requirements described in the preceding paragraph, the University complied with the specified requirements during the year ended June 30, 2022, in all material respects. However, the results of our procedures disclosed instances of noncompliance with the specified requirements, which are required to be reported in accordance with criteria established by the *Audit Guide* and are described in the accompanying Schedule of Findings as items 2022-003 through 2022-009.

The University's responses to the compliance findings identified in our examination are described in the accompanying Schedule of Findings. The University's responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the responses.

The purpose of this report is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Report on Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the specified requirements (internal control). In planning and performing our examination, we considered the University's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the University's compliance with the specified requirements and to test and report on the University's internal control in accordance with the *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, we did identify certain deficiencies in internal control that we consider to be a material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the specified requirements on a timely basis. A material weakness in internal control is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items 2022-001 and 2022-002 to be material weaknesses.

A significant deficiency in internal control is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items 2022-003 through 2022-009 to be significant deficiencies.

As required by the *Audit Guide*, immaterial findings excluded from this report have been reported in a separate letter.

The University's responses to the internal control findings identified in our examination are described in the accompanying Schedule of Findings. The University's responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the responses.

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing based on the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Decatur, Illinois
April 17, 2023

2022-001. **FINDING** (Inadequate internal controls over census data)

The Eastern 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.

Census data is demographic data (date of birth, gender, years of service, etc.) of the active, inactive, or retired members of a pension or OPEB plan. The accumulation of inactive or retired members' census data occurs before the current accumulation period of census data used in the plan's actuarial valuation (which eventually flows into each employer's financial statements), meaning the plan is solely responsible for establishing internal controls over these records and transmitting the data to the plan's actuary. In contrast, responsibility for active members' census data during the current accumulation period is split among the plan and each member's current employer(s). Initially, employers must accurately transmit census data elements of their employees to the plan. Then, the plan must record and retain these records for active employees and then transmit this census data to the plan's actuary.

We noted the University's employees are members of the State Universities Retirement System (SURS) for their pensions and the State Employees Group Insurance Program sponsored by the State of Illinois, Department of Central Management Services (CMS) for their OPEB. In addition, we noted these plans have characteristics of different types of pension and OPEB plans, including single employer plans and cost-sharing multiple-employer plans. Additionally, CMS' actuary uses census data for employees of the State's public universities provided by SURS, along with census data for the other participating members provided by the State's four other pensions plans, to prepare their projection of the liabilities of CMS' plan. Finally, SURS' actuary and CMS' actuary used census data transmitted by the University during fiscal year 2020 to project pension and OPEB-related balances and activity at the plans during fiscal year 2021, which is incorporated into the University's fiscal year 2022 financial statements.

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 census 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.

- During our cut-off testing of data transmitted by the University to SURS, we noted 25 instances of an active employee becoming inactive and 1 instance of an inactive employee becoming retired were reported to SURS after the close of the fiscal year in which the event occurred. There were also 11 instances previously reported that impacted the June 30, 2020 census data.

- During our testing of instructor eligibility testing, we noted 20 of 480 instructors tested was not reported as eligible to participate in SURS by the University. SURS determined the total potential impact of this error was the instructor's service credit was off by ¾ of a year.

We provided SURS' actuary and CMS' actuary with the exceptions we identified during our testing, along with the results of census data testing at the State Employees Retirement System of Illinois, and determined the net effect of these errors, along with the errors of other plan participants, was immaterial to SURS' and CMS' pension and OPEB-related balances and activity at the plans during fiscal year 2021.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds applicable to operations are properly recorded and accounted for to permit the preparation of reliable financial reports and to maintain accountability over the State's resources.

Additionally, eligibility criteria for participation in SURS under the Illinois Pension Code (Code) (40 ILCS 5/15-134(a)) states any person who is an employee of the University becomes a participant in SURS. Under the Code (40 ILCS 5/15-107), an employee is any member of the educational, administrative, secretarial, clerical, mechanical, labor, or other staff of an employer whose employment in a position in which services are expected to be rendered on a continuous basis for at least four months or an academic term, whichever is less:

1) not a student employed on a less than full-time temporary basis;
2) not receiving a retirement or disability annuity from SURS;
3) not on military leave;
4) not eligible to participate in the Federal Civil Service Retirement System,
5) not currently on a leave of absence without pay more than 60 days after the termination of SURS' disability benefits;
6) not paid from funds received under the Federal Comprehensive Employment and Training Act as a public service employment program participant hired on or after July 1, 1979;
7) not a patient in a hospital or home;
8) not an employee compensated solely on a fee basis where such income would net earnings from self-employment;
9) not providing military courses pursuant to a federally-funded contract where the University has filed a written notice with SURS electing to exclude these persons from the definition of an employee;
10) currently on lay-off status of not more than 120 days after the lay-off date;
11) not on an absence without pay of more than 30 days; and,
12) a nonresident alien on a visa defined under subparagraphs (F), (J), (M), or (Q) of Section 1101(a)(15) of Title 8 of the United States Code who (1) has met the

Internal Revenue Service's substantial presence test and (2) became an employee on and after July 1, 1991.

In addition, the Code (40 ILCS 5/15-157) requires the University to, at a minimum, withhold contributions of each employee's total compensation of 8% (9.5% for firefighters or police officers) for their participation in SURS, unless further contributions by the employee would either exceed the maximum retirement annuity in the Code (40 ILCS 5/15-136(c)) or the Tier 2 earnings limitation within the Code (40 ILCS 5/15-111(b)), and remit these amounts to SURS. Further, the Code (40 ILCS 5/15-155(b)) requires the University remit employer contributions to SURS reflecting the accruing normal costs of an employee paid from federal or trust funds.

Finally, for CMS' OPEB plan, we noted participation in OPEB is derivative of an employee's eligibility to participate in SURS, as members of SURS participate in OPEB as annuitants under the State Employees Group Insurance Act of 1971 (Act) (5 ILCS 375/3(b)).

University officials indicated the base year reconciliation process was not established until fiscal year 2021, which is currently being performed by University staff. In addition, they indicated the late reported events were due to employees being paid one pay period after the occurrence of the reporting event. For example, a retirement that occurs on June 30, would still have one pay to be made in July. The timing of that payment would depend on whether the employee was a bi-weekly or monthly employee. Finally, they indicated the instructors were not reported to SURS due to the University utilizing a different reasonable and good faith interpretation of the Code's eligibility requirements.

Failure to ensure complete and accurate census data was reported to SURS reduces the overall reliability of pension and OPEB-related balances and activity reported in the University's financial statements, the financial statements of other employers within both plans, and the State of Illinois' Annual Comprehensive Financial Report. Further, failure to report all eligible employees to SURS may result in employees not receiving the pension and OPEB benefits they are entitled to receive under the Code and the Act. (Finding Code No. 2022-001, 2021-001, 2020-001)

RECOMMENDATION

We recommend the University continue to work with SURS to complete the base year reconciliation of fiscal year 2021 active members' census data from its underlying records to a report of census data submitted to SURS' actuary and CMS' actuary. 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' actuary and CMS' actuary.

Further, we recommend the University ensure all events occurring within a census data accumulation year are timely reported to SURS so these events can be incorporated into the census data provided to SURS' actuary and CMS' actuary.

Finally, we recommend the University ensure all eligible employees are reported to SURS, along with any required employee and employer contributions.

UNIVERSITY RESPONSE

The University accepts the recommendation. The University continues to work on the completion of the initial full reconciliation. The University will work to improve the reporting of all reportable events in accordance with the rules established by the Code and administrative rules.

2022-002. **FINDING** (Weaknesses in preparation of year-end financial statements)

Eastern Illinois University's year-end financial reporting in accordance with generally accepted accounting principles (GAAP) contained inaccurate information.

The University did not have adequate controls over the completeness and accuracy of year-end financial reporting which resulted in errors in the GAAP basis financial statements and supporting schedules provided to us during our audit. The University did not perform a sufficient supervisory review of all amounts recorded in its financial statements and footnotes. Also, as a result of audit differences identified by us as well as additional corrections subsequently identified by the University, the University provided us with four revisions to its draft financial statements, with significant modifications, before providing, on March 2, 2023, its final draft revision.

We noted the following issues while testing the year-end financial reporting process, which were corrected by the University after we brought them to its attention:

- Restricted net position for the bond system was understated by $1,292,714 and unrestricted net position was overstated by the same amount due to an adjustment made to the year ended June 30, 2021 financial statements but not carried forward to the current fiscal year.
- Unearned revenue was overstated by $2,404,432 and operating revenue for federal grants and contracts was understated by the same amount due to an error in allocating deferred revenue from monies received from the Cares II (CRRSA) and Cares III (ARPA) Acts.
- The University's process to identify all applicable leases in its calculations for implementation of GASB Statement No. 87 was not adequate. Therefore, the following financial statement accounts were incorrect, resulting in the total net position being overstated by $5,595.
  - Net capital assets were understated by $808,501.
  - Long-term liabilities were understated by $714,978.
  - Long-term liabilities, current portion were understated by $97,954.
  - Other current assets were understated by $50,887.
  - Deferred inflows of resources were understated by $37,255.
  - Other long-term assets were overstated by $14,796.
  - Operating expense was understated by $4,431.
  - Other operating revenues were overstated by $2,588.
  - Investment income was understated by $1,424.
- The University reported incorrect amounts on the Statement of Cash Flows.
  - Operating loss was overstated by $2,404,432. A subsequent draft had operating loss understated by $7,019.
  - Change in unearned revenue was overstated by $2,404,432.
  - Proceeds from lease revenues in the amount of $926,809 was included, although this was not a cash transaction.
  - Purchases of capital assets were understated by $808,500. A subsequent draft had purchases of capital assets overstated by $926,809.
  - Principal paid on capital debt and leases was understated by $64,864.

- Direct lending student loan receipts was overstated by \$51,890.
- Direct lending student loan disbursements was understated by \$51,890.
- Payments to suppliers was understated by \$4,430.
- Other receipts were overstated by \$2,589.
- Interest received on investments was understated by \$1,422.
- Interest paid on capital debt and leases was understated by \$1,164.

We also identified several errors in the Management Discussion and Analysis section of the financial report as well as the footnotes to the financial statements. The University corrected each of these items accordingly.

Further, we noted the University overstated both accounts receivable and unearned revenue by \$363,914 related to a private grant received. This error was first identified by the University, however it did not correct the error in its financial statements. The error was deemed immaterial to the financial statements taken as a whole and, therefore, did not result in a modification to our auditor's opinion on the University's financial statements.

Governmental Accounting Standards Board Statement No. 87, *Leases* (GASB 87) became effective for the University on July 1, 2021. GASB 87 defines a lease as "a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction." Under the GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The State Comptroller Act (Act) (15 ILCS 405/19.5) requires State agencies to report, on or before October 31 each year, all financial information as directed by the Comptroller in order to compile and publish an annual comprehensive financial report in accordance with GAAP.

The Government Finance Officer Association's *Internal Control Deficiencies in Audits* advocates that governments establish and document a system of financial reporting that is sufficient to provide reasonable assurance that management is able to prepare financial statements in conformity with generally accepted accounting principles. A good system of internal control requires that management review all significant accounts and balances recorded and disclosed in the financial statements for completeness and accuracy.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) states management is responsible for establishing and maintaining a system, or systems, of internal fiscal and administrative controls to provide assurance that, among other things, revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

University officials stated these issues were caused by oversight.

As a result of these errors, the University's financial statements were inaccurate and required corrections. Additionally, weaknesses in the design or operation of internal controls could adversely affect the University's ability to fulfill its responsibility to prepare accurate and timely financial statements and could also negatively impact the Statewide financial statements. (Finding Code No. 2022-002)

RECOMMENDATION

We recommend the University strengthen its internal controls to ensure financial statements are prepared in a complete and accurate manner and are subjected to an appropriate supervisory review. We also recommend the University's procedures address all elements of the University's financial reporting process.

UNIVERSITY RESPONSE

The University concurs with the finding. We will attempt to be more accurate in the future.

The University has two people that are assigned the primary responsibility of the preparation of the financial statements and a third person that reviews the statements produced. The preparers work independently, with one of the preparers producing the Statement of Net Position and the other producing the Statement of Revenues, Expenses and Changes in Net Position. When the statements balance, a detailed analytical review and a supervisory review are completed. We do not take the process of preparation of the financial statements lightly. The process, as described, has worked well for many years.

Because we have switched away from presenting the financial statements on a comparative basis, it takes more work to find errors in the allocation of the net position. We will implement additional procedures in the future to help identify any inconsistencies within the elements of net position between years.

The deferred revenue issue resulted because a prior year accrual entry had not been properly identified and reversed. The specific transaction in question required a special manual calculation and was handled outside of the normal process. With this series of transactions ending, the issue should not occur again. Other year-end accrual entries were identified and handled properly. We believe that our current system has worked well and once the manual process is eliminated it will not be an issue in the future.

With the implementation of GASB 87 for leases, the University was required to review all leases and prepare accounting adjustments to comply with the new standards. University staff, including accountants, purchasing officers and administrators, reviewed the records for potential leases subject to the standard. In this process, we missed two leases. One because payments were combined by the lessee and we didn't catch that there were two leases instead of one, and, the other because it was new and missed. We learned from the process and believe that we can improve as we move forward to identify software for the implementation of GASB 96.

Further, with all of the recent modifications to the accounting standards, including pensions, other postemployment benefits and leases, the financial statements are becoming less and less comparable between years, making analytical review procedures less effective, but we will attempt to improve the process as we move forward.

Errors in the Statement of Cash Flows are primarily as a result of the issues noted above.

2022-003. **FINDING** (Timesheets not required)

Eastern Illinois University (University) did not require positive time reporting for all employees as required by the State Official and Employees Ethics Act (Act).

During testing, we noted the University only required positive time reporting for nonfaculty. University policies do not include requirements for positive time reporting for faculty employees. Faculty employees are required to certify they have met their work schedule obligations as set forth in their individual Assignment of Duties Form; however, they do not report their time to the nearest quarter hour in accordance with the Act.

This finding was first noted during the fiscal year 2005 compliance examination. The University has yet to rectify the issues initially reported.

The Act requires the Illinois Board of Higher Education (IBHE), with respect to State employees of public universities, to adopt and implement personnel policies. The Act (5 ILCS 430/5-5(c)) requires State employees to periodically submit timesheets documenting the time spent each day on official State business to the nearest quarter hour. The IBHE adopted personnel policies for public universities on February 3, 2004, in accordance with the Act.

University officials stated faculty members work in accordance with their contract. The contract defines faculty responsibilities in terms of credit units; therefore, faculty members report that they worked in accordance with their contract.

By not requiring positive time reporting from all of its employees, the University does not have complete documentation of time spent by employees on official State business as required by the Act. (Finding Code No. 2022-003, 2021-003, 2020-006, 2019-003, 2018-001, 2017-004, 2016-003, 2015-004, 2014-002, 2013-004, 12-16, 11-7, 10-3, 09-4, 08-5, 07-4, 06-3, 05-4)

RECOMMENDATION

We recommend the University update University policies to include requirements for positive time reporting for faculty employees and require all employees to submit positive time reporting as required by the Act.

UNIVERSITY RESPONSE

The University agrees with the auditor's recommendation. The University has implemented a system that allows employees to document time spent on official State business in accordance with the statute. All University employees are required to use the system. However, faculty members, in accordance with their union contract, use the system to document that they have worked in accordance with the contract. The University will continue to work with the faculty union in an attempt to obtain compliance.

2022-004. **FINDING** (Lack of adequate review of service providers' internal controls)

Eastern Illinois University (University) did not obtain or conduct independent internal control reviews over service providers.

The University utilized six service providers for credit card processing, scholarships, online classes, health information and hosting services, during the engagement period.

During our testing of the six service providers, we noted:

- Three (50%) service provider agreements did not contain the necessary language to address security, integrity, availability, confidentiality, and privacy controls over the University's applications and data.
- Six (100%) service provider agreements did not contain a requirement for a System and Organization Control (SOC) report or an independent internal control review of the outsourced controls.
- The University did not obtain a SOC Report or conduct independent internal control reviews for one service provider (17%).
- For four (67%) service providers for which the SOC reports did not cover the entire fiscal year, the University did not obtain a bridge letter that covered the remainder of the fiscal period.
  - The bridge letters did not cover the correct fiscal year for three (50%) service providers.
  - A bridge letter was not obtained for one (17%) service provider.
- One (17%) service provider agreement did not outline roles and responsibilities between the University and a Subservice Organization.

This finding was first noted during the fiscal year 2019 compliance examination. In the subsequent years, the University has been unsuccessful in implementing a corrective action plan.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

The *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology (NIST), Maintenance and System and Service Acquisition sections, requires entities outsourcing their information technology environment or operations to obtain assurance of the entities' internal controls related to the services provided. Such assurance may be obtained through System and Organization Control reports or independent reviews.

University officials stated they believed they evaluated service provider reports appropriately and service providers have been unable or unwilling to provide appropriate bridge letters. Officials further stated the service provider agreement issues were due to oversight and the University is in the process of amending agreements to include SOC language.

Without having obtained and reviewed SOC reports or another form of independent internal control review, the University does not have assurance the service provider's internal controls are adequate. (Finding Code No. 2022-004, 2021-004, 2020-007, 2019-008)

RECOMMENDATION

We recommend the University ensure the agreements with the service providers address the security, integrity, availability, confidentiality, and privacy controls over the University's applications and data. We also recommend the University obtain SOC reports and bridge letters (if the SOC report does not extend through the end of the engagement period) from all service providers. In addition, we recommend the University ensure the service provider agreements outline roles and responsibilities between the University and the Subservice Organization as well as contain a requirement for a SOC report or an independent internal control review of the outsourced controls.

UNIVERSITY RESPONSE

The University will continue to request and evaluate System and Organization Controls (SOC) reports and bridge letters where they are available from the vendor. Where those reports and bridge letters are unavailable, and, testing can not be reasonably accomplished, the University will consider the risk versus the necessity of the service provider's services.

2022-005. **FINDING** (Noncompliance with the Illinois Articulation Initiative Act)

Eastern Illinois University (University) did not comply with the Illinois Articulation Initiative Act (Act) requirements.

The Illinois Articulation Initiative (Initiative), through its itransfer.org website, exists to ease the transfer of students among the State's associate and baccalaureate degree granting institutions. The Initiative consists of both a General Education Core Curriculum package, where completion of the entire package at one institution is fully accepted by 111 institutions across the State, and an Initiative major, which are common courses at the lower-division that can be used to ensure students are prepared for upper-division work at 79 institutions across the State.

During testing, we noted the University did not have a minimum of at least one course included within the related Initiative major for art or political science degree programs.

The Act (110 ILCS 152/15) requires all public institutions to participate in the Illinois Articulation Initiative through submission and review of their courses for statewide transfer. All public institutions shall maintain a complete Illinois Articulation Initiative General Education Core Curriculum package, and all public institutions shall maintain up to four core courses in an Illinois Articulation Initiative major, provided the public institution has equivalent majors and courses.

University officials stated this is due to the Illinois Articulation Initiative panels only conducting reviews of courses at scheduled times. The University has stated they submitted the Political Science and Art courses and are awaiting approval.

Failure to fully participate in the Initiative by submitting at least one course per Initiative major could hinder students from transferring to other institutions and represents noncompliance with the Act. (Finding Code No. 2022-005, 2021-005, 2020-008)

RECOMMENDATION

We recommend the University fully participate in the Initiative by submitting at least one course per Initiative major.

UNIVERSITY RESPONSE

The University agrees with the auditor's recommendation. Additional courses were submitted during fiscal year 2022 to the Initiative for consideration; however, the Initiative did not approve one of those courses. The University will continue to work with the Initiative in order to meet the requirements.

2022-006. **FINDING** (Noncompliance with University Guidelines)

Eastern Illinois University (University) subsidized operations of University activities between accounting entities during fiscal year 2022. Activities are functions which are self-supporting in whole or in part, which are directly related to instructional, research, or service units.

During our review of compliance with University Guidelines, we noted several accounting entities which did not have a positive operating cash balance at any point during the fiscal year.

- The Continuing Education Contract Credit accounting entity had negative operating cash balances at the beginning and end of the fiscal year, totaling $1.3 million and $1.7 million respectively. Furthermore, the account did not have a positive balance at any point during the fiscal year. This accounting entity accounts for the receipt of tuition and expenses of administering various credit courses requested by funding entities. As of June 30, 2022, this accounting entity had accounts receivable and prepaid expenses totaling $0.5 million.
- The Unique Charges Credit Courses accounting entity had negative operating cash balances at the beginning and end of the fiscal year, totaling $53,899 and $58,076 respectively. Furthermore, the account did not have a positive balance at any point during the fiscal year. This accounting entity accounts for the fees charged and expenses of administering various faculty-led abroad credit courses offered by the University. As of June 30, 2022, this accounting entity had accounts receivable totaling $58,076.
- The Student Fee Programs accounting entity had negative operating cash balances at the beginning and end of the fiscal year, totaling $2.1 million and $2.6 million respectively. Furthermore, the account did not have a positive balance at any point during the fiscal year. This accounting entity accounts for student oriented programs and services, which are in whole or in part funded by student fees. As of June 30, 2022, this accounting entity had accounts receivables, inventories, and prepaid expenses totaling $2.5 million.
- The Student Facilities accounting entity had negative operating cash balances at the beginning and end of the fiscal year, totaling $2.4 million and $1.4 million respectively. Furthermore, the account did not have a positive balance at any point during the fiscal year. This accounting entity accounts for the operations of the University's student union and the financing of the University's athletic facilities. As of June 30, 2022, this accounting entity had accounts receivable, inventories, prepaid expenses, and bond costs totaling $0.6 million.

A negative cash balance is, in effect, an unrecorded interfund payable/receivable, thereby causing a subsidy between funds to occur.

The *University Guidelines of 1982* (as amended in 1997 and 2020), Section D, Part 1 states, "There shall be no subsidies between accounting entities. Subsidies include cash advances and interfund payables/receivables outstanding for more than one year."

University officials stated the fees and other revenues of these entities as well as the collections therefrom were not sufficient to recover the costs of operating facilities, leading to the subsidy between accounting entities.

A subsidy between accounting entities results from the borrowing or loaning of funds from one entity to another to cover a negative cash balance and represents noncompliance with the University Guidelines. (Finding Code No. 2022-006, 2021-006, 2020-009)

RECOMMENDATION

We recommend the University annually review the activities of each accounting entity, ensure fees charged for services are sufficient to cover expenditures, and take appropriate corrective actions to ensure subsidies between accounting entities do not continue.

UNIVERSITY RESPONSE

The University continues to partially agree with the auditor's recommendation. The University does review annually the financial position of each accounting entity and considers changes to fees and other charges to enhance compliance with the Guidelines.

2022-007. **FINDING** (Weaknesses in security over computers)

Eastern Illinois University (University) had weaknesses over the security of computers.

As of the end of the examination period, we noted 1,383 of 1,923 (72%) computers required encryption to be installed.

Additionally, we selected a sample of 25 computers sent to surplus during the examination period. We noted for 20 (80%) computers, although the hard drives had been removed prior to sending to surplus, the drives were not properly sanitized/wiped of data.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to safeguard State property and resources against unauthorized use.

The *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53 Revision 5) published by the National Institute of Standards and Technology (NIST), Media Protection section, requires the proper sanitization of all digital and non-digital system media subject to disposal or reuse, whether or not the media is considered to be removable.

The *Guidelines for Media Sanitization* (Special Publication 800-88 Revision 1) published by NIST states the application of effective sanitization techniques and tracking of storage media are critical aspects of ensuring sensitive data is effectively protected by an organization against unauthorized disclosure.

The University's Information Security Guidelines for Media Sanitization and Disposal policy, under Magnetic Devices (non-consumable), states computer equipment sent through the University's internal surplus process will be sanitized by Information Technology Services prior to surplus. Further the policy states the University is required to properly sanitize all non-consumable magnetic disks such as desktop, laptop, server and USB drives prior to surplus. All disks and drives used to store data must be overwritten at least three times or physically destroyed. This sanitization must be certified, in writing with the following information:

1. The serial number of the computer or other electronic equipment;
2. The name of the overwriting software used; or physical destruction process used (penetration of disk with industrial drill or crushing; and
3. The name, date and signature of the person performing the overwriting process.

University officials stated due to the cost constraints of replacing computers, the amount of time it takes to complete the process and lack of resources, the process has not yet been completed. University officials also stated hard drives have not been physically destroyed due to lack of staff.

Failure to encrypt University computers could lead to confidential information and/or personal identifiable information being compromised. Failure to sanitize magnetic devices could lead to sensitive, confidential or personally identifiable information being disclosed. (Finding Code No. 2022-007, 2021-007)

RECOMMENDATION

We recommend the University ensure all laptops and computer equipment have adequate security such as encryption installed. Additionally, we recommend the University destroy and/or wipe the removed hard drives.

UNIVERSITY RESPONSE

The University agrees with the auditor's recommendation. The University is working to encrypt all laptop computers. Currently, the University is encrypting new laptops before putting them in service and is attempting to encrypt other laptops as time permits. It is the University's policy to destroy and/or wipe all devices prior to surplusing the equipment according to standards established by the National Institute of Standards and Technology. The University currently has a back log of devices that need to be destroyed and wiped. They are stored in a secure location. The University has worked during fiscal year 2023 to wipe the removed hard drives so they can be destroyed.

2022-008. **FINDING** (Weaknesses in cybersecurity programs and practices)

Eastern Illinois University (University) had not implemented adequate internal controls related to cybersecurity programs, practices and control of confidential information.

The University maintains confidential information to assist in fulfilling its mission including, but not limited to, information pertaining to finance, student administration, financial aid, human resources, health services, and payroll.

The Illinois State Auditing Act (30 ILCS 5/3-2.4) requires the Auditor General to review State agencies and their cybersecurity programs and practices. During our examination of the University's cybersecurity program, practices, and control of confidential information, we noted the University had not:

- Developed a comprehensive data classification methodology or classified its data.
- Ensured all employees and contractors completed cybersecurity training on an annual basis.

The *Framework for Improving Critical Infrastructure Cybersecurity and the Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology (NIST) requires entities to consider risk management practices, threat environments, legal and regulatory requirements, mission objectives and constraints in order to ensure the security of their applications, data, and continued business mission.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation and maintain accountability over the State's resources.

University officials indicated the noted weaknesses occurred due to a lack of resources.

The lack of adequate cybersecurity programs and practices could result in unidentified risks and vulnerabilities and ultimately lead to the personal information maintained by the University being susceptible to cyberattacks and unauthorized disclosure. (Finding Code No. 2022-008, 2021-008)

RECOMMENDATION

We recommend the University develop a comprehensive data classification methodology and classify its data. We further recommend the University ensure all employees and contractors complete cybersecurity training on an annual basis.

UNIVERSITY RESPONSE

The University agrees with the auditor's recommendation. The University has classified data and will work to consolidate the classifications into a single document as proposed by the auditors. The University has also begun a cybersecurity training program for employees. The University is committed to strengthening our policies and procedures to further protect data in accordance with the auditor's recommendation.

2022-009. **FINDING** (Inadequate internal control over University procurement card transactions)

Eastern Illinois University (University) did not have adequate internal control over procurement card transactions.

The University operates a procurement card (P-Card) program which allows individuals throughout the University to make smaller purchases (defined as $3,500 unless approval of an increase to $4,500 is approved or prior approval for individual larger purchases is made) on a credit card which are directly paid by the University on a monthly basis. The P-Card program is designed to improve efficiency in purchasing low dollar goods and services. The University's policies require employees to complete a Purchasing Card Application, a Conflict of Interest Disclosure form and a Purchasing Card Agreement as well as to attend training. The University's policies require individuals with P-Cards to follow proper internal procedures. Transactions incurred must be approved by an Approving Official.

In a sample of 40 transactions tested, we noted the following weaknesses and noncompliance:

- Twenty-one of 40 (53%) P-card purchases tested, totaling $5,316, were not approved in a timely manner, ranging from one to 43 days late.
- One of 40 (3%) P-card purchases included sales tax.

The University had approximately 346 active P-Card users. The University made 16,267 P-Card purchases totaling $5,262,043 for the year ending June 30, 2022.

The University's Purchasing Card Policy and Procedures Manual (P-Card Manual) states transactions should be approved no later than the designated deadlines described in the billing cycle schedule. The P-Card Manual also states no sales tax should be charged to the purchasing card.

The Fiscal Control and Internal Auditing Act (Act) (30 ILCS 10/3001) requires the University to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance resources are safeguarded against waste, loss, unauthorized use, and misappropriation.

University officials stated the departments failed to follow University policies.

Failure to properly review and approve P-Card transaction in accordance with the University policies could result in erroneous or fraudulent transactions being recorded in the general ledger system and represent a weakness in the University's internal control system. (Finding Code No. 2022-009)

RECOMMENDATION

We recommend the University strengthen its internal controls over P-card transactions to ensure compliance with the University's policies and procedures.

UNIVERSITY RESPONSE

The University agrees with the auditor's recommendation. The University attempts to improve timeliness of transaction approvals through reminders and sanctions to cardholders. As part of the on-going training process, the University will remind cardholders that sales tax is not an appropriate charge to the P-card.

A. **FINDING** (Reporting requirement not met)

During the prior engagement we noted Eastern Illinois University did not comply with a reporting requirement applicable to Higher Education Emergency Relief Fund (HEERF) grantees.

During the current engagement, we did not note any instances of noncompliance with reporting requirements. As a result, this finding will not be repeated. (Finding Code No. 2021-002)