

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY**

Federal Single Audit (*In Accordance with the
Single Audit Act and Applicable Federal Regulations*)

For the Year Ended June 30, 2021
Performed as Special Assistant Auditors
for the Auditor General, State of Illinois

**State of Illinois
Illinois State University
Federal Single Audit
In Accordance with the Single Audit Act and Applicable Federal Regulations
For the Year Ended June 30, 2021**

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Other Reports Issued Under a Separate Cover

The Illinois State University’s financial statements and *State Compliance Examination* for the year ended June 30, 2021, were issued under separate covers. Additionally, in accordance with *Government Auditing Standards*, we have issued the Report Required Under *Government Auditing Standards* for the year ended June 30, 2021, on our consideration of the University’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters, under a separate cover. The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of the audit.

**State of Illinois
Illinois State University
Federal Single Audit
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For the Year Ended June 30, 2021**

University Officials

President (07/01/21 – present)	Dr. Terri Goss Kinzy
President (07/01/20 – 06/30/21)	Dr. Larry Dietz
Vice President for Finance and Planning	Mr. Dan Stephens
Vice President for Academic Affairs and Provost	Dr. Andover Tarhule
Vice President for Student Affairs	Dr. Levester Johnson
Vice President for University Advancement	Mr. Pat Vickerman
Comptroller	Mr. Doug Schnittker
Legal Counsel	Ms. Lisa Huson
Director – Internal Audit	Mr. Robert Blemler

Officers of the Board of Trustees

Chair of the Board (07/01/21 – present)	Dr. Mary Ann Louderback
Chair of the Board (07/01/20 – 06/30/21)	Ms. Julie Annette Jones
Secretary of the Board (07/01/21 – present)	Dr. Kathryn Bohn
Secretary of the Board (07/01/20 – 06/30/21)	Dr. Mary Ann Louderback

Members of the Board of Trustees

Member	Ms. Kathryn Bohn
Member	Mr. Robert Dobski
Member	Mr. Rocky Donahue
Member	Ms. Julie Annette Jones
Member	Dr. Mary Ann Louderback
Member	Dr. Robert Navarro
Member (12/14/20 – present)	Vacant
Member (07/01/19 – 12/14/20)	Ms. Sharon Rossmark
Student Member (07/01/21 – present)	Ms. Devin Paoni
Student Member (07/01/20 – 06/30/21)	Ms. Jada Turner

Office Location

The University's primary administrative offices are located at:
Hovey Hall
Campus Box 1100
Normal, Illinois 61790-1100

State of Illinois
Illinois State University
Federal Single Audit
In Accordance with the Single Audit Act and Applicable Federal Regulations
For the Year Ended June 30, 2021

FEDERAL COMPLIANCE REPORT

SUMMARY

The compliance testing performed during this audit of the Illinois State University (University) was conducted in accordance with the Single Audit Act, Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Guidance Requirements, Cost Principals, and Audit Requirements for Federal Awards (Uniform Guidance)*, and *Government Auditing Standards*.

AUDITOR'S REPORT

The Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; Report on Schedule of Expenditures of Federal Awards required by the Uniform Guidance, and the Schedule of Federal and Nonfederal Financial Activity does not contain scope limitations, disclaimers, or other significant non-standard language.

SUMMARY OF FINDINGS

Number of	<u>Current Report</u>	<u>Prior Reports</u>
Findings	2	5
Repeated Findings	2	2
Prior Recommendations Implemented or Not Repeated	3	1

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Findings – Government Auditing Standards				
2021-001	10	2020/2020	Inadequate Internal Controls over Census Data	Material Weakness and Noncompliance
2021-002	14	2020/2018	Information Security Weaknesses	Material Weakness

Current Findings – Federal Compliance

None Reported

**State of Illinois
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SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>
Prior Findings Not Repeated			
A	16	2020/2020	Lack of Adequate Controls over the Review of Internal Controls over Service Providers
B	16	2020/2019	Failure to Provide Exit Counseling to Nursing Students
C	16	2020/2020	Failure to Return Unearned Title IV Assistance

Exit Conference

Findings 2021-001 and 2020-002 were discussed with University personnel at an exit conference on April 21, 2022. The responses to these recommendations were provided by Erika Jones, Assistant Comptroller, in a correspondence dated April 26, 2022.

Attending were:

Illinois State University:

Dan Stephens	Vice President for Finance and Planning
Doug Schnittker	Comptroller
Erika Jones	Assistant Comptroller
Emily Duffield	Chief Accountant
Dan Taube	Interim Chief Information Security Officer
Charles Edamala	Associate Vice President and Chief Information Officer
Rob Blemler	Director – Internal Audit

Office of the Auditor General:

Daniel J. Nugent, CPA	Technical Specialist
Jennifer Rankin, CPA	Audit Manager

RSM US LLP:

Joseph Evans, CPA	Partner
Dan Sethness, CPA	Senior Manager
Erik Ginter, CPA	Manager



**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

RSM US LLP

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Governing Board
Illinois State University

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, fiduciary activities, and aggregate discretely presented component units of the Illinois State University (University), collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and we have issued our report thereon dated May 12, 2022. Our report includes a reference to other auditors who audited the financial statements of the aggregate discretely presented component units, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting (internal control) or compliance and other matters of the Illinois State University Foundation and INTO Illinois State University, LLC, component units of the University, associated with these component units that are reported on separately by those auditors.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2021-001.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, 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.

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, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2021-001 and 2021-002 that we consider to be material weaknesses.

University's Responses to the Findings

The University's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The University's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Schaumburg, Illinois
May 12, 2022



RSM US LLP

**Independent Auditor's Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; Report on the
Schedule of Expenditures of Federal Awards Required by the
Uniform Guidance; and, Report on the Schedule of Federal
and Nonfederal Financial Activity**

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Governing Board
Illinois State University

Report on Compliance for Each Major Federal Program

As Special Assistant Auditors for the Auditor General, we have audited the Illinois State University (University)'s compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2021. The University's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

The University's basic financial statements include the operations of the Illinois State University Foundation and Illinois State University, LLC, component units of the Illinois State University, which are not included in the University's Schedule of Expenditures of Federal Awards during the year ended June 30, 2021. Our audit, as described below, did not include the operations of these component units because the component units engaged other auditors to perform the audit of their financial statements and, if necessary, an audit of compliance.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

Opinion on Each Major Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance and the Report on the Schedule of Federal and Nonfederal Financial Activity

We have audited the financial statements of the business-type activities, the fiduciary activities, and aggregate discretely presented component units of the University, collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively compromise the University's basic financial statements. We issued our report thereon dated May 12, 2022, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively compromise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. In addition, the accompanying Schedule of Federal and Nonfederal Financial Activity is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and the Schedule of Federal and Nonfederal Financial Activity are fairly stated in all material respects in relation to the basic financial statements as a whole.

SIGNED ORIGINAL ON FILE

Schaumburg, Illinois
May 12, 2022

**State of Illinois
Illinois State University**

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported

Noncompliance material to the financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported

Type of auditor's report issued on compliance for major federal programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 C.F.R. § 200.516(a)? Yes No

Identification of major federal programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 93.364	Student Financial Assistance Cluster
84.425C/84.425E/84.425F	COVID-19: Education Stabilization Fund
84.048	Career and Technical Education – Basic Grants to States

Dollar threshold used to distinguish between type A and type B programs: **\$750,000**

Auditee qualified as a low-risk auditee? Yes No

**State of Illinois
Illinois State University**

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2021**

Current Findings – Government Auditing Standards

Finding 2021-001 Inadequate Internal Controls over Census Data

The Illinois State 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 this 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 both 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. Finally, CMS' actuaries use census data for employees of the State's public universities provided by SURS along with census data for the other participating members which is provided by the State's four other pension plans to prepare the projection of the OPEB plan's liabilities.

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.

Based on information we obtained while performing our audit, we learned these deficiencies are pervasive across the public universities participating in SURS and across the State's agencies participating in one of the other four State pension plans, the State Employees' Retirement System of Illinois. These conditions significantly increase the risk there could be errors at one or more employers within the plans, and these errors could have a significant impact on SURS' and CMS' measurement of pension and OPEB liabilities, respectively.

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 \$4,618,471 as of July 1, 2020.

Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2021

Current Findings – Government Auditing Standards

Finding 2021-001 Inadequate Internal Controls over Census Data (continued)

Based upon the significance of these issues alone, we concluded a material weakness exists within the University's internal controls related to ensuring both SURS and CMS can provide their respective actuaries with complete and accurate census data related to the University's active employees. 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. Based on our analysis of transactions reported by the University to SURS during the census data accumulation period throughout Fiscal Year 2019, we noted one of 618 (<1%) employees reported as terminated was initially incorrectly reported as eligible to participate in SURS by the University and subsequently determined by the University to be ineligible for SURS approximately 2.5 months later. While this event was reported by the University to SURS as a termination, this event did not result in SURS correcting previously recorded payroll records and contributions for this employee, which ultimately resulted in an overstatement of the employee's total service credit by 0.50 years.

For employers where their employees participate in plans with multiple-employer and cost-sharing features, the American Institute of Certified Public Accountants' *Audit and Accounting Guide: State and Local Governments* (AAG-SLG) (§ 13.177 for pensions and § 14.184 for OPEB) notes the determination of net pension/OPEB liability, pension/OPEB expense, and the associated deferred inflows and deferred outflows of resources depends on employer-provided census data reported to the plan being complete and accurate along with the accumulation and maintenance of this data by the plan being complete and accurate. To help mitigate against the risk of a plan's actuary using incomplete or inaccurate census data within similar agent multiple-employer plans, the AAG-SLG (§ 13.181 (A-27) for pensions and § 14.141 for OPEB) recommends an employer annually reconcile its active members' census data to a report from the plan of census data submitted to the plan's actuary, by comparing the current year's census data file to both the prior year's census data file and its underlying records for changes occurring during the current year.

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 a person who works for the University in a secretarial, mechanical, labor, clerical, educational, administrative, or other staff position which is either (a) permanent and continuous or (b) for a period of four months or an academic term, whichever is less, who is:

- 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;

**State of Illinois
Illinois State University**

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2021**

Current Findings – Government Auditing Standards

Finding 2021-001 Inadequate Internal Controls over Census Data (continued)

- 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.

Further, 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)).

In addition, the Illinois Pension 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. Additionally, the Act (5 ILCS 375/10) requires active employees to make contributions as set by CMS and the Act (5 ILCS 375/11) requires employer contributions by the University for all employees not totally compensated from its Income Fund, local auxiliary funds, and the Agricultural Premium Fund.

Finally, 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 and statistical reports.

University officials indicated they routinely reviewed and reconciled events in the SURS system based upon the data that was available, but that a full reconciliation of the census data with SURS had not previously been completed because they were unaware the University needed to fully reconcile every census data element to SURS' records.

Failure to ensure complete and accurate census data was reported to SURS could result in a material misstatement of the University's financial statements and reduced the overall accuracy of pension/OPEB-related liabilities, deferred inflows and outflows of resources, and expense recorded by the State, the State's agencies, and other public universities and community colleges across the State. In addition, failure to reconcile active members' census data reported to and held by SURS to the University's internal records could result in each plan's actuary relying on incomplete or inaccurate census data in the calculation of the pension and OPEB balances, which could result in a material misstatement of these amounts. Finally, the allocation error involving one component unit in the OPEB plan resulted in misstatements within each employer's allocation, which resulted in a restatement at the University. (Finding Code No. 2021-001, 2020-001)

**State of Illinois
Illinois State University**

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2021**

Current Findings – Government Auditing Standards

Finding 2021-001 Inadequate Internal Controls over Census Data (continued)

Recommendation

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

Further, we recommend 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 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.

Finally, we recommend 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 Response

The University has subsequently completed its initial full reconciliation of census data as of July 1, 2020, and submitted required changes to SURS.

The University will dedicate extra staff resources to focus greater attention on working with SURS, CMS, and other State schools to establish jointly agreed upon procedures leading to a more comprehensive reconciliation process for the census data on an annual basis. Additionally, the University is working to evaluate and improve its internal reporting processes to help prevent the types of errors found during the reconciliation audit.

**State of Illinois
Illinois State University**

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2021**

Current Findings – Government Auditing Standards

Finding 2021-002 Information Security Weaknesses

The Illinois State University (University) had multiple computer security weaknesses.

The University relies on its computing environment for maintaining several critical, sensitive, and/or confidential systems used to meet the University's needs.

During testing, we identified the following security weaknesses:

- The University's Information Technology (IT) policies and procedures were not reviewed and updated during the examination period to reflect the University's current environment or address future changes in processes and new systems.
- The University did not document whether users' roles within its applications were appropriate.
- The University did not conduct segregation of duties reviews between development and production environments for systems where University personnel have development responsibilities.
- For Colleague, an application used for financial reporting, and iPeople, the University's human resources and payroll application, we noted some users still had access to the application after the University's period for removing access had passed.
- During our review of user access listings during December 2021, we noted some users with general access to the various University systems, which was previously necessary based on their prior job duties, still had this access after their termination. While it is possible some of this access was appropriate after the employee's termination date, the University was unable to show the access rights which remained were appropriate.
- The University has not established a process or procedure for timely documenting its risk analysis and reasoning for when a failed patch of its system endpoints and servers can be exempted.

The Fiscal Control and Internal Auditing 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 University property and resources are safeguarded against waste, loss, unauthorized use, and misappropriation.

In addition, *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), Access Control section, sanctions the appropriateness of access rights, timely termination, and periodic review of access rights to ensure appropriateness. Additionally, Special Publication 800-53's Configuration Management section, enforces logical restrictions with changes to systems.

**State of Illinois
Illinois State University**

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2021**

Current Finding - Government Auditing Standards

Finding 2021-002 Information Security Weaknesses (continued)

University officials indicated:

- the policies were drafted and presented to the University's executive management team; however, these policies were not formally adopted due to COVID-19 pandemic;
- the appropriateness of users' roles were not documented due to resource constraints;
- the University's capacity, due to resource constraints, limited its ability to better segregate duties;
- access approval documentation was not retained due to employee oversight;
- access for terminated employees' accounts was not documented due to resource constraints; and,
- monitoring, performance, and validation of patch management was not adequately documented due to resource constraints.

Failure to maintain current policies and procedures could result in the University's security requirements not being met. Additionally, failure to maintain documentation on access approvals and review of all access rights could result in unauthorized access and modification to the University's systems. Also, failure to timely patch information systems or document why a patch was not appropriate under the circumstances could result in a compromise and expose confidential, sensitive, or personal information to unauthorized parties. (Finding Code No. 2021-002, 2020-003, 2019-001, 2018-002)

Recommendation

We recommend the University implement adequate security, including:

- finalizing the policies and procedures to (1) reflect the University's current environment and (2) address future changes in processes and new systems;
- document, during formal user access reviews, the appropriateness of each user's access to the University's applications;
- ensuring adequate segregation of duties or compensating controls exist for University personnel with development responsibilities;
- ensuring access to all applications is terminated in a timely manner and any access remaining after an individual departs from the University is limited and appropriate; and,
- establishing a process or procedure to ensure all devices are timely patched with vendor updates and that any failed patches of system endpoints and servers have a documented risk assessment and reasoning for why an exemption to the patching requirement is necessary.

University Response

The University acknowledges the statements on weaknesses, cause, and potential risks as detailed in this finding. The University agrees that the statements are accurate and relevant. Due to the time and resources necessary to correct all weaknesses identified, the University plans to develop a corrective action plan (CAP) that will detail the resources, actions, and timeline required to address each item.

The CAP will be developed by the Chief Information Security Officer (CISO) in collaboration with other University officials and University governance groups as appropriate and necessary. The CISO plans to recognize work efforts of the CAP within projects requested, scoped, and managed by the Information Security Program of the University. The CISO will begin developing the CAP immediately with the closure of the Fiscal Year 2021 audit cycle and plans to have the CAP developed by June 30, 2022.

**State of Illinois
Illinois State University**

**Prior Year Findings Not Repeated
For the Year Ended June 30, 2021**

A. Lack of Adequate Controls over the Review of Internal Controls over Service Providers

During the prior audit, the Illinois State University (University) did not obtain or conduct timely independent internal controls reviews over its service providers.

During the current audit, we noted the University requires departments to prepare a Data Usage Form that is provided to the University's Information Security Office to review and document what procurement language needs to be added to the University's contract with a vendor and, if necessary, initiate a process to obtain and review an annual System and Organization Control report from the vendor. (Finding Code No. 2020-002)

B. Failure to Provide Exit Counseling to Nursing Students

During the prior audit, the Illinois State University (University) did not have adequate internal controls to ensure exit counseling was provided to all students who received a Nursing Student Loan.

During the current audit, our non-statistical sample testing of 19 students did not disclose any similar conditions. (Finding Code No. 2020-004, 2019-002)

C. Failure to Return Unearned Title IV Assistance

During the prior audit, the Illinois State University (University) did not have adequate internal controls to ensure all unearned Title IV awards from withdrawn students were returned to the U.S. Department of Education.

During the current audit, our non-statistical sample testing of 60 students did not identify any unremitted unearned Title IV funds. (Finding Code No. 2020-005)

STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2021

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number (ALN)	Pass-Through Entity Identifying Number	Total Federal Expenditures	Passed- Through to Subrecipients
STUDENT FINANCIAL ASSISTANCE CLUSTER				
U.S. Department of Education				
Federal Supplemental Educational Opportunity Grants	(M) 84.007		\$ 701,901	\$ -
Federal Work-Study Program	(M) 84.033		965,215	-
Federal Perkins Loan Program - Beginning Loan Balance	(M) 84.038		6,226,638	-
Federal Pell Grant Program	(M) 84.063		26,554,858	-
Federal Direct Student Loans	(M) 84.268		89,064,804	-
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	(M) 84.379		495,682	-
<i>Total U.S. Department of Education Student Financial Assistance Cluster</i>			<u>124,009,098</u>	<u>-</u>
U.S. Department of Health and Human Services				
Nursing Student Loans, Beginning Loan Balance	(M) 93.364		604,908	-
Nursing Student Loans, New Loans	(M) 93.364		114,903	-
<i>Total U.S. Department of Health and Human Services Student Financial Assistance Cluster</i>			<u>719,811</u>	<u>-</u>
TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER			<u>124,728,909</u>	<u>-</u>
RESEARCH & DEVELOPMENT CLUSTER				
U.S. Department of Agriculture				
Agriculture and Food Research Initiative (AFRI)	10.310		382,172	296,972
Agriculture and Food Research Initiative (AFRI) (Passed through Western Illinois University)	10.310	2019-69012-29851-01	236,084	-
Agriculture and Food Research Initiative (AFRI) (Passed through University of Minnesota)	10.310	H007164901	95,060	-
<i>Total R&D 10.310</i>			<u>713,316</u>	<u>296,972</u>
Capacity Building for Non-Land Grant Colleges of Agriculture (NLGCA)	10.326		137,042	6,159
<i>Total U.S. Department of Agriculture R&D</i>			<u>850,358</u>	<u>303,131</u>
U.S. Department of Commerce				
Sea Grant Support (Passed through University of Illinois Urbana-Champaign)	11.417		11,201	-
<i>Total U.S. Department of Commerce R&D</i>			<u>11,201</u>	<u>-</u>
U.S. Geological Survey				
Assistance to State Water Resources Research Institutes (Passed through University of Illinois Urbana-Champaign)	15.805	079901-16315	11,432	-
National Cooperative Geologic Mapping Program	15.810		20,019	-
<i>Total U.S. Geological Survey R&D</i>			<u>31,451</u>	<u>-</u>
U.S. Bureau of Justice				
Second Chance Act Prisoner Reentry Initiative (Passed through YWCA McLean County) Project Grants	16.812		10,387	-
<i>Total U.S. Department of Justice R&D</i>			<u>10,387</u>	<u>-</u>
Institute of Museum and Library Services				
Grants to States	45.310		4,694	-
<i>Total Institute of Museum and Library Services R&D</i>			<u>4,694</u>	<u>-</u>

STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2021

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number (ALN)	Pass-Through Entity Identifying Number	Total Federal Expenditures	Passed- Through to Subrecipients
National Science Foundation				
Engineering Grants	47.041		\$ 62,074	\$ -
Mathematical and Physical Sciences	47.049		537,029	-
Computer and Information Science and Engineering	47.070		893	-
Computer and Information Science and Engineering (Passed through University of Maryland Baltimore County)	47.070	0000019495	30,528	-
(Passed through University of North Carolina at Charlotte)	47.070	20190406-01-ISU	23,436	-
	Total R&D 47.070		<u>653,960</u>	<u>-</u>
Biological Sciences	47.074		490,953	-
Education and Human Resources	47.076		945,934	282,780
Education and Human Resources (Passed through Embry-Riddle Aeronautical University)	47.076	63019-02	5,279	-
Education and Human Resources (Passed through Chicago State University)	47.076	53953	140	-
Education and Human Resources (Passed through University of Detroit Mercy)	47.076		18,029	-
Education and Human Resources (Passed through Illinois Wesleyan University)	47.076	1742224	244,676	-
	Total R&D 47.076		<u>1,214,058</u>	<u>282,780</u>
<i>Total National Science Foundation R&D</i>			<u>2,358,971</u>	<u>282,780</u>
U.S. Environmental Protection Agency				
P3 Award: National Student Design Competition for Sustainability	66.516		583	-
<i>Total U.S. Environmental Protection Agency R&D</i>			<u>583</u>	<u>-</u>
U.S. Department of Energy				
Office of Science Financial Assistance Program	81.049		659,887	450,050
<i>Total U.S. Department of Energy R&D</i>			<u>659,887</u>	<u>450,050</u>
U.S. Department of Education				
Special Education - State Personnel Development (Passed through Southern Illinois University-Edwardsville)	84.323	01 762228-003	14,361	-
School Leader Recruitment and Support	84.363		67,488	-
Grants for State Assessments and Related Activities (Passed through Southern Illinois University - Carbondale)	84.369		117,291	-
Education Innovation and Research (Passed through DuPage Regional Office of Education)	84.411	EIR	95,971	-
Supporting Effective Educator Development Program	84.423		3,622,446	2,850,406
Education Stabilization Fund: COVID-19: Elementary and Secondary School Emergency Relief (ESSER) (Passed through Illinois State Board of Education)	84.425D		83,959	-
<i>Total U.S. Department of Education R&D</i>			<u>4,001,516</u>	<u>2,850,406</u>
U.S. Department of Health and Human Services				
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086		254,102	-
Area Health Education Centers (Passed through University of Illinois at Chicago)	93.107	16930	149,022	-
Nurse Education, Practice Quality and Retention Grants	93.359		898,354	252,836
Arthritis, Musculoskeletal and Skin Diseases Research	93.846		58,766	-
Extramural Research Programs in the Neurosciences and Neurological Disorders (Passed through University of Michigan)	93.853	SUBK00008389	26,532	-
Allergy and Infectious Diseases Research	93.855		163,451	19,038
Biomedical Research and Research Training	93.859		385,470	-
Child Health and Human Development Extramural Research	93.865		108,289	26,127
Aging Research	93.866		73,512	-
Aging Research (Passed through Emory University)	93.866	A062507	52,280	-
	Total R&D 93.866		<u>125,792</u>	<u>-</u>
<i>Total U.S. Department of Health and Human Services R&D</i>			<u>2,169,778</u>	<u>298,001</u>
TOTAL RESEARCH & DEVELOPMENT CLUSTER			<u>10,098,826</u>	<u>4,184,368</u>

STATE OF ILLINOIS
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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2021

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number (ALN)	Pass-Through Entity Identifying Number	Total Federal Expenditures	Passed- Through to Subrecipients
CHILD NUTRITION CLUSTER				
U.S. Department of Agriculture National School Lunch Program (Passed through State of Illinois, State Board of Education)	10.555	4210	\$ 4,002	\$ -
TOTAL CHILD NUTRITION CLUSTER			<u>4,002</u>	<u>-</u>
WIOA CLUSTER				
U.S. Department of Labor WIOA Adult Program (Passed through State of Illinois, Department of Commerce and Economic Opportunity)	17.258	AA-32193-18-55-A-17	645,961	75,000
TOTAL WIOA CLUSTER			<u>645,961</u>	<u>75,000</u>
SPECIAL EDUCATION CLUSTER (IDEA)				
U.S. Department of Education Special Education Grants to States (Passed through State of Illinois, State Board of Education)	84.027	586-64-0417-4630-F	486,733	6,459
Special Education Grants to States (Passed through State of Illinois, State Board of Education)	84.027	20-4630-LA17-064-5450-51	169,545	-
TOTAL SPECIAL EDUCATION CLUSTER (IDEA)			<u>656,278</u>	<u>6,459</u>
TRIO CLUSTER				
U.S. Department of Education TRIO Student Support Services	84.042		268,086	-
TOTAL TRIO CLUSTER			<u>268,086</u>	<u>-</u>
CCDF Cluster				
U.S. Department of Health and Human Services Child Care and Development Block Grant (Passed through State of Illinois, Department of Human Services)	93.575		55,676	-
TOTAL CCDF CLUSTER			<u>55,676</u>	<u>-</u>
OTHER PROGRAMS				
U.S. Department of Justice Equitable Sharing Funds	16.922		10,000	-
<i>Total U.S. Department of Justice Non-R&D</i>			<u>10,000</u>	<u>-</u>
U.S. Department of Agriculture Child and Adult Care Food Program (Passed through State of Illinois, State Board of Education)	10.558	4226	1,993	-
<i>Total U.S. Department of Agriculture Non-R&D</i>			<u>1,993</u>	<u>-</u>
U.S. Department of Labor H-1B Job Training Grants (Passed through State of Illinois, Illinois Community College Board)	17.268		98,877	-
<i>Total U.S. Department of Labor Non-R&D</i>			<u>98,877</u>	<u>-</u>
Library of Congress Teaching with Primary Sources	42.010		380,502	91,712
<i>Total Library of Congress</i>			<u>380,502</u>	<u>91,712</u>
National Endowment for the Arts Promotion of the Arts - Grants to Organizations and Individuals	45.024		56,279	-
<i>Total National Endowment for the Arts</i>			<u>56,279</u>	<u>-</u>

STATE OF ILLINOIS
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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2021

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number (ALN)	Pass-Through Entity Identifying Number	Total Federal Expenditures	Passed- Through to Subrecipients
U.S. Department of Education				
Adult Education - Basic Grants to States	84.002		\$ 24,445	\$ -
Career and Technical Education -- Basic Grants to States (Passed through State of Illinois, Illinois Community College Board)	(M) 84.048	1574-15318 / CTE-ISU-21, CTE-ISU-20	287,320	-
Career and Technical Education -- Basic Grants to States (Passed through State of Illinois, State Board of Education)	(M) 84.048	586-18-1014-4720-F, 21-4720-00-18-064-5450-51	724,751	-
	Total Non R&D 84.048		<u>1,012,071</u>	-
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325		248,246	-
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities (Passed through Salus University)	84.325	88405-19-20	1,088	-
	Total Non R&D 84.325		<u>249,334</u>	-
Teacher Quality Partnership Grants	84.336		467,561	139,981
Supporting Effective Instruction State Grants (Passed through State of Illinois, Community College Board)	84.367	1606239	296,334	-
Education Stabilization Fund:				
COVID-19: Higher Education Emergency Relief Fund (HEERF) Student Aid Portion	(M) 84.425E		12,272,922	-
COVID-19: HEERF Institutional Portion	(M) 84.425F		21,119,151	-
COVID-19: Governor's Emergency Education Relief Fund (GEER) (Passed Through Illinois Board of Higher Education)	(M) 84.425C		667,111	-
COVID-19: Governor's Emergency Education Relief Fund (GEER) (Passed through Illinois State Board of Education)	(M) 84.425C		1,776	-
	Total Non R&D 84.425		<u>34,060,960</u>	-
<i>Total U.S. Department of Education Non-R&D</i>			<u>36,110,705</u>	<u>139,981</u>
U.S. Department of Health and Human Services				
Nursing Workforce Diversity	93.178		454,916	-
Advanced Nursing Education Workforce Grant Program	93.247		689,787	-
<i>Total U.S. Department of Health and Human Services Non-R&D</i>			<u>1,144,703</u>	-
TOTAL OTHER PROGRAMS NON-R&D			<u>39,433,062</u>	<u>313,152</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 174,260,797</u>	<u>\$ 4,497,520</u>

(M) - Program was audited as a major Program

**State of Illinois
Illinois State University**

**Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021**

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity for the year ended June 30, 2021, and is presented on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Because the schedule presents only a selected portion of the operations, it is not intended to and does not present the financial position, changes in net position, or cash flows of the University. The University has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 2. Assistance Listing Numbers (ALNs)

The University agreed the ALNs and program names as of October 10, 2021, as they are currently listed on the Schedule of Expenditures of Federal Awards, to the listing at <https://catalog.data.gov/dataset/catalog-of-federal-domestic-assistance-cfda>.

Note 3. Loans Outstanding at Fiscal Year-End

The University had the following loan balances outstanding at June 30, 2021, for programs that are administered directly. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the schedule.

	Outstanding Balance at June 30, 2021
Nursing Student Loans, ALN 93.364	\$ 571,873
Perkins Loan Program, ALN 84.038	<u>5,418,889</u>
Total loans outstanding	<u><u>\$ 5,990,762</u></u>

There were no administrative costs charged to the Perkins Loan Program. The Federal Perkins Program was ended on September 30, 2017, with final allowable disbursements being made on June 30, 2018.

**State of Illinois
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**Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021**

Note 4. Total New Federal Student Loans

During the audit period, the University processed the following amounts of new loans under the Federal Direct Student Loans Program:

Direct Student Loans Program, ALN 84.268	\$ 64,623,279
Direct Parent Loan for Undergraduate Students Program (PLUS), ALN 84.268	<u>24,441,525</u>
Total	<u>\$ 89,064,804</u>

There were no administrative costs charged to the loan program. During the fiscal year ended June 30, 2021, the University issued new loans under the Federal Direct Student Loan Program (FDLP). The loan program includes subsidized and unsubsidized Stafford Loans and PLUS Loans for undergraduate and graduate students. The value of the loans issued for the FDLP is based on disbursed amounts. The University is responsible only for the performance of certain administrative duties with respect to federally guaranteed student loan programs and, accordingly, balances and transactions relating to these loan programs and not included in the University's financial statements. Therefore, it is not practicable to determine the balance of loans outstanding to students and former students of the University as of June 30, 2021.

Note 5. Insurance Disclosure

During the audit period, there was no federally funded insurance in effect.

Note 6. Depository Library

The University's Milner Library serves as a depository library in the U.S. Government Publishing Office's Federal Depository Library Program (ALN 40.001, Depository Libraries for Government Publications). The University is the legal custodian of government publications received under this program; however, these publications remain the property of the federal government.

**State of Illinois
Illinois State University**

**Schedule of Federal and Nonfederal Financial Activity
For the Year Ended June 30, 2021**

Schedule A: Federal Financial Component

Total federal expenditures ¹	<u>\$ 174,260,797</u>
Total Schedule A	<u><u>\$ 174,260,797</u></u>

Schedule B: Total Financial Component

Total operating expenses ²	\$ 668,358,290
Total nonoperating expenses ²	6,220,869
Federal loan balances: ^{1,4}	
Federal Perkins Loans Program	6,226,638
Nursing Student Loans	604,908
Total value of new federal loans: ^{1,5}	
Nursing Student Loans	114,903
Federal Direct Student Loans	<u>89,064,804</u>
Total Schedule B	<u><u>\$ 770,590,412</u></u>

Schedule C: Computation of Nonfederal Expenses

		<u>Percent</u>
Total, Schedule B	\$ 770,590,412	100.00%
Total, Schedule A	<u>174,260,797</u>	<u>22.61%</u>
Total nonfederal expenses	<u><u>\$ 596,329,615</u></u>	<u><u>77.39%</u></u>

¹ Obtained from the Schedule of Expenditures of Federal Awards

² Obtained from the Statement of Revenues, Expenses, and Changes in Net Position

³ Obtained from the Notes to the Schedule of Expenditures of Federal Awards

⁴ Balance at the beginning of the fiscal year with continuing compliance requirements

⁵ Balance of loans issued during the fiscal year