

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY**

**State Compliance Examination Report
For the Year Ended June 30, 2022**

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

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Other Reports Issued Under a Separate Cover

The Illinois State University's financial statements as of and for the year ended June 30, 2022, have been issued under a separate cover. Additionally, in accordance with *Government Auditing Standards*, we have issued the Report Required Under *Government Auditing Standards* for the year ended June 30, 2022, 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
State Compliance Examination
For the Year Ended June 30, 2022**

University Officials

President (7/1/2021 – 2/16/2023)
Interim President (2/17/2023 – Present)

Dr. Terri Goss Kinzy
Dr. Aondover Tarhule

Vice President for Finance and Planning

Mr. Dan Stephens

Vice President for Academic Affairs and Provost (7/1/2021 – 2/16/2023)
Acting Vice President for Academic Affairs and Provost (2/17/2023 – Present)

Dr. Aondover Tarhule
Dr. Ani Yazedjian

Vice President for Student Affairs

Dr. Levester Johnson

Vice President for University Advancement

Mr. Pat Vickerman

Comptroller

Mr. Doug Schnittker

Legal Counsel (7/1/2021 – 4/30/2022)
Legal Counsel (5/1/2022 – 5/31/2022)
Legal Counsel (6/1/2022 – Present)

Ms. Lisa Huson
Ms. Alice Maginnis
Ms. Jeannie Barrett

Director – Internal Audit

Mr. Robert Blemler

Officers of the Board of Trustees

Chair of the Board (7/1/2021 – 2/9/2023)
Chair of the Board (2/10/2023 – Present)

Dr. Mary Ann Louderback
Vacant

Secretary of the Board (7/1/2021 – 3/21/2023)
Secretary of the Board (3/22/2023 – Present)

Dr. Kathryn Bohn
Vacant

Members of the Board of Trustees

Member (7/1/2023 – 3/21/2023)
Member (3/22/2023 – Present)

Dr. Kathryn Bohn
Vacant

Member (7/1/2021 – 2/9/2023)
Member (2/10/2023 – Present)

Mr. Robert Dobski
Mrs. Lia Merminga

Member (7/1/2021 – 7/22/2022)
Member (7/23/2022 – Present)

Mr. Rocky Donahue
Vacant

Member

Ms. Julie Annette Jones

Member (7/1/2021 – 2/9/2023)
Member (2/10/2023 – Present)

Dr. Mary Ann Louderback
Mr. Scott Jenkins

Member

Dr. Robert Navarro

Member (12/14/2020 – 8/7/2022)
Member (8/8/2022 – 11/29/2022)
Member (11/30/2022 – Present)

Vacant
Mr. Anthony Byrd
Vacant

Student Member (7/1/2021 – 6/30/2022)
Student Member (7/1/2022 – 8/7/2022)
Student Member (8/8/2022 – Present)

Ms. Devin Paoni
Vacant
Mr. Aselimhe Ebikhumi

Office Location

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



**ILLINOIS STATE
UNIVERSITY**
Illinois' first public university

**Vice President for
Finance and Planning**

302 Hovey Hall
Campus Box 1100
Normal, IL 61790-1100
Phone: (309) 438-2143
Fax: (309) 438-2768

April 13, 2023

RSM US LLP
1450 American Lane, Suite 1400
Schaumburg, Illinois 60173-2420

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 the Illinois State 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 has been previously 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 (Agency) have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Yours truly,

Illinois State University

SIGNED ORIGINAL ON FILE

Dr. Aondover Tarhule
Interim University President

SIGNED ORIGINAL ON FILE

Mr. Dan Stephens
Vice President Finance and Planning

SIGNED ORIGINAL ON FILE

Ms. Jeannie Barrett
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 for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide)*.

ACCOUNTANT'S REPORT

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

SUMMARY OF FINDINGS

Number of	<u>Current Report</u>	<u>Prior Report</u>
Findings	11	14
Repeated Findings	10	11
Prior Recommendations Implemented or Not Repeated	4	3

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Findings				
2022-001	10	2021/2020	Inadequate Internal Controls over Census Data	Material Weakness and Material Noncompliance
2022-002	12	2021/2018	Information Security Weaknesses	Material Weakness and Material Noncompliance
2022-003	15	New	Improper Calculation of Net Investment in Capital Assets	Significant Deficiency and Noncompliance
2022-004	16	2021/2019	Weaknesses in Cybersecurity Programs and Practices	Significant Deficiency and Noncompliance
2022-005	18	2021/2019	Inadequate Business Continuity and Disaster Recovery Planning	Significant Deficiency and Noncompliance

SCHEDULE OF FINDINGS (Continued)

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Findings				
2022-006	20	2021/2018	Inadequate Control over Property and Equipment	Significant Deficiency and Noncompliance
2022-007	22	2021/2021	Failure to Run the Illinois Institute for Entrepreneurship Education	Significant Deficiency and Noncompliance
2022-008	23	2021/2020	Noncompliance with the Illinois Articulation Initiative Act	Significant Deficiency and Noncompliance
2022-009	24	2021/2019	Inadequate Control over Training	Significant Deficiency and Noncompliance
2022-010	26	2021/2012	Noncompliance with the University Faculty Research and Consulting Act	Significant Deficiency and Noncompliance
2022-011	28	2021/2005	Noncompliance with the State Officials and Employees Ethics Act	Significant Deficiency and Noncompliance
Prior Findings Not Repeated				
A	29	2021/2021	Inadequate Control over Employment Eligibility Verifications	
B	29	2021/2019	Noncompliance with Civil Service Requirements	
C	29	2021/2020	Failure to Appoint a Sustainability Committee	
D	29	2021/2021	Inadequate Control over Voucher Processing	

**State of Illinois
Illinois State University
State Compliance Examination
For the Year Ended June 30, 2022**

EXIT CONFERENCE

Findings 2022-001 to 2022-003 and recommendations in this report were discussed with University personnel at an exit conference on January 3, 2023 via Zoom. In attendance were:

Illinois State University:

Dan Stephens	Vice President for Finance and Planning
Doug Schnittker	Comptroller
Erika Jones	Assistant Comptroller
Dan Taube	Chief Information Security Officer
Charles Edamala	Associate Vice President and Chief Information Officer
Rob Blemler	Director – Internal Audit
Rendi Cottrell	Assistant Treasurer
Janice Bonneville	Associate Vice President – Human Resources

Office of the Auditor General:

Thomas Kizziah, CPA	Senior Audit Manager
Kathy Lovejoy	Principal of Information Security Audits

RSM US LLP:

Joseph Evans, CPA	Partner
Dan Sethness, CPA	Senior Manager
Erik Ginter, CPA	Manager
Lennie Char	Senior Associate

University officials waived an exit conference in correspondence with Doug Schnittker, Comptroller, dated April 4, 2023, via email for Findings 2022-004 to 2022-011. The responses to the recommendations for *Government Auditing Standards* findings were provided by Erika Jones, Assistant Comptroller, in correspondence dated January 9, 2023, via email. The responses to the remaining recommendations were provided by Erika Jones, Assistant Comptroller, in correspondence dated April 11, 2023, via email.



RSM US LLP

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
Illinois State University

Report on State Compliance

As Special Assistant Auditors for the Auditor General, we have examined compliance by the Illinois State 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 the University's 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, in all

material respects, with the specified requirements referenced above. 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 judgment, 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 the specified requirements.

Our examination disclosed material noncompliance with the specified requirement C 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.

In our opinion, except for the material noncompliance with the specified requirements described in the preceding paragraph, the University complied, in all material respects, with the aforementioned specified requirements during the year ended June 30, 2022. 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 2022-011.

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 as a basis of designing 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 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 2022-011 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

Schaumburg, Illinois
April 13, 2023

Current Findings – State Compliance

Finding 2022-001 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 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 41 instances of an active employee becoming inactive or part-time and 1 instance of an active employee becoming deceased, and 2 instances of an inactive employee becoming active were reported to SURS after the close of the fiscal year in which the event occurred. There was also 1 instance previously reported that impacted the June 30, 2020 census data.
- During our testing of instructor eligibility testing, we noted 1 of 1,393 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 1 year.

**Schedule of Findings (Continued)
For the Year Ended June 30, 2022**

Current Findings – State Compliance

Finding 2022-001 Inadequate Internal Controls over Census Data (continued)

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.

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 the difficulty in timely reporting events which occur near the end of the fiscal year to SURS.

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. (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.

University Response

The SURS Census Reconciliation base year audit has been completed by ISU in April 2022 and is awaiting review by SURS auditors. The University continues to review our processes and improve accuracy and timeliness of reportable events

Current Findings – State Compliance

Finding 2022-002 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 updated during the audit period to reflect the University's current environment or address future changes in processes and new systems, however the updates have not been reviewed and approved.
- The University did not formally document whether users' roles within its applications were appropriate for all departments.
- 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.

**Schedule of Findings (Continued)
For the Year Ended June 30, 2022**

Current Findings – State Compliance

Finding 2022-002 Information Security Weaknesses (continued)

University officials indicated updates to organizational policy require considerable time and resources. In addition, due to an unusual number of retirements and exits in relevant key roles, as well as prioritization of critical work to maintain institutional operations, remediation efforts have been slowed.

Failure to review and approve current policies and procedures could result in the University's security requirements not being met or followed consistently. 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 remove access to programs timely could result in improper access and improper transactions being recorded in the financial statements. Lastly, 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. 2022-002, 2021-002, 2020-003, 2019-001, 2018-002)

Recommendation

We recommend the University implement adequate security, including:

- approving the updated 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 for all departments;
- perform an annual review of segregation of duties or compensating controls 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 agrees that the weaknesses identified in this finding are accurate and acknowledges the finding itself has been repeated.

The University takes Information Security very seriously and since the origination of the finding itself, the University has committed considerable resources to information security. In 2018, the University established the Office of Identity and Access Management to centralize and mature how individuals were granted and use access. In 2020, the University established the first institution-wide Information Security Program to develop, implement, and maintain critical functions to protect sensitive information. By 2023, despite the major direct impacts of COVID-19 pandemic, the program successfully achieved implementation of many critical capabilities to detect, respond to, and prevent threats to information and information systems. The University believes that this past progress was necessary to provide the foundation to correct for the material nature of this finding.

**State of Illinois
Illinois State University**

**Schedule of Findings (Continued)
For the Year Ended June 30, 2022**

Current Findings – State Compliance

Finding 2022-002 Information Security Weaknesses (continued)

The University is now prioritizing the finalization and publication of new and updated information security policy, procedures, and standards directly associated with the weaknesses. The University will document and track a corrective plan separate from this response. This plan will detail actions, responsible roles, and target dates for completion. The University plans to complete these actions by June 30, 2023.

**Schedule of Findings (Continued)
For the Year Ended June 30, 2022**

Current Findings – State Compliance

Finding 2022-003 Improper Calculation of Net Investment in Capital Assets

The Illinois State University (University) did not properly report net investment in capital assets.

The University improperly excluded accounts payable related to capital projects from its calculation of net investment in capital assets. As a result, net investment in capital assets was overstated by \$2,264,709, restricted-expendable net position was understated by \$496,698, and unrestricted net position was understated by \$1,768,011.

Per Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, paragraph 9 states, “the net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount.”

In addition, 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. Effective internal controls should ensure that the net investment in capital assets within the net position section is properly calculated and presented within the financial statements.

University officials indicated the error was due to oversight.

Failure to report the proper components of net position can mislead the readers of the financial statements. (Finding Code No. 2022-003)

Recommendation

We recommend the University have the Assistant Comptroller review the calculation to confirm that all required inputs are included in the calculation of net investment in capital assets.

University Response

The error identified in this finding was discovered prior to release of the fiscal year 2022 financial statements and the net position accounts were adjusted to accurately reflect the change in net investment in capital assets for inclusion of related accounts payable. For future reporting, the University will work on improving the method of review to ensure these amounts are included in the calculation of net investment in capital assets prior to final submission.

**Schedule of Findings (Continued)
For the Year Ended June 30, 2022**

Current Findings – State Compliance

Finding 2022-004 Weaknesses in Cybersecurity Programs and Practices

The Illinois State University (University) had not implemented adequate internal controls related to cybersecurity programs and practices.

Given the University's responsibilities, it maintains a substantial amount of personal and confidential information, including social security numbers, addresses, and educational records.

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 following:

- The University lacked formal policies over configuration management, system development, and information technology (IT) project management policies and procedures.
- The University implemented information security training and tracking, however, the University did not identify staff to be designated as security liaisons and trainings were not performed during the examination period.

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.

Further, the *Framework for Improving Critical Infrastructure Cybersecurity* (Version 1.1) published by the National Institute of Standards and Technology (NIST) endorses adequate staff training and the adoption of configuration management, system development, and IT project management policies and procedures.

Finally, good internal controls over compliance include establishing and maintaining a system, or systems, of internal administrative controls to provide assurance the University's operations comply with applicable laws, rules, and regulations.

University officials indicated other competing priorities necessitated by the COVID-19 pandemic hindered the ability of the University's IT personnel to address these issues. In addition, due to turnover, the University's IT management group that was to oversee the training of department security liaisons did not properly identify that security liaisons were not identified for training.

Inadequate cybersecurity programs and practices could result in unidentified risks and vulnerabilities, which may result in the University's records being susceptible to cyberattacks and unauthorized disclosures. Further, failure to ensure security staff members receive appropriate training could result in these employees not fulfilling their job duties and functions as intended by University management. (Finding Code No. 2022-004, 2021-003, 2020-007, 2019-005)

Recommendation

We recommend the University develop and approve policies governing configuration management, project management policies and procedures, and a system development lifecycle. Further, the University should implement a mechanism to track compliance with annual security training requirements and enforce those training requirements for all staff.

**Schedule of Findings (Continued)
For the Year Ended June 30, 2022**

Current Findings – State Compliance

Finding 2022-004 Weaknesses in Cybersecurity Programs and Practices (continued)

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 for the period under review.

The University has since made progress correcting the identified weaknesses during the current fiscal year that will be under review next cycle. This primarily includes the establishment of new and revised policy and procedures that were prerequisite requirements for directly addressing the weaknesses identified.

The University will update an existing corrective action plan (CAP) for this finding that will reflect progress and detail the remaining actions and timeline required to achieve a final corrected state.

Schedule of Findings (Continued)
For the Year Ended June 30, 2022

Current Findings – State Compliance

Finding 2022-005 Inadequate Business Continuity and Disaster Recovery Planning

The Illinois State University (University) needs to improve its business continuity and disaster recovery planning process.

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

During testing, we noted:

- The University's baseline business continuity plan has not been completely established, including not having defined specific departmental procedures, recovery point objectives, and recovery time objectives. Additionally, the University had not conducted testing of the business continuity plan.
- The University did not ensure all other administrative units or departments outside of Administrative Technologies, which are responsible for their own systems, had adequately developed and tested contingency plans.

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, 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), Contingency Planning section, calls for developing and documenting a business continuity plan addressing roles, responsibilities, and coordination among entities, keeping the plan up-to-date, and testing the plan.

Finally, good internal controls over compliance include establishing and maintaining a system, or systems, of internal administrative controls to provide assurance the University's operations comply with applicable laws, rules, and regulations.

University officials indicated given both the University's decentralized structure where various units across the campus establish their individual business continuity and disaster recovery plans with the coordination of these plans into one overall plan set by the University's Emergency Management Department and the shared governance process, additional time and resources will be needed to correct these long-standing problems.

Without adequate contingency planning, the University cannot ensure all of its critical systems could be recovered within an acceptable period and minimize the impact associated with a disaster. (Finding Code No. 2022-005, 2021-004, 2020-008, 2019-006)

Recommendation

We recommend the University continue working on establishing adequate and tested contingency plans to ensure all critical operations, regardless of administrative unit or department, can be recovered within the required timeframe. At a minimum, the plans should reflect the current environment, identify a prioritized list of critical applications and minimum recovery times, outline recovery team responsibilities and contact information, and discuss alternative recovery locations and off-site storage facilities.

In addition, we recommend the plan be tested annually and updated where necessary based upon the test results and distributed to appropriate personnel, with copies of the plans stored off-site.

**State of Illinois
Illinois State University**

**Schedule of Findings (Continued)
For the Year Ended June 30, 2022**

Current Findings – State Compliance

**Finding 2022-005 Inadequate Business Continuity and Disaster Recovery Planning
(continued)**

University Response

The University acknowledges this finding. In June 2022, the President’s Cabinet approved a proposal to create a University-wide continuity of operations program. Since then, staff have been surveying a field of software and implementation partners, identifying pilot departments and working with IT to schedule and prioritize this initiative. Upon implementation, every University department will have an approved continuity plan, at which point the effort moves into operations which includes periodic plan reviews, testing, and activation, when needed.

**Schedule of Findings (Continued)
For the Year Ended June 30, 2022**

Current Findings – State Compliance

Finding 2022-006 Inadequate Control over Property and Equipment

The Illinois State University (University) has inadequate control over its property and equipment.

During testing, we noted the University did not ensure all property was properly tagged. In addition, we noted the following:

- During testing of 80 equipment items across the University, we noted two items (2%), a cheering mat with an original cost of \$5,315 and an air tent with an original cost of \$7,006 did not have a property tag.

The Illinois Administrative Code (Code) (44 Ill. Admin. Code 5010.210) requires the University mark its equipment as the property of the State of Illinois by either applying the University's inventory decal or indelibly marking the item.

- The University did not always enter property transactions into its property records timely during the examination period. During testing of 40 equipment additions, we noted 12 (30%) items – four computers, two drones, a scanner, a camera, a radio, a television, a can opener, and a laser – with an original cost of \$24,431 were added to the University's property listing 93 to 179 days after the item was acquired by the University.

The Code (44 Ill. Admin. Code 5010.400) requires the University adjust its property records within 90 days of acquiring, changing, or deleting an equipment item.

Further, this finding was first noted during the University's Fiscal Year 2018 State compliance examination. As such, University management has been unsuccessful in implementing a corrective action plan to remedy this deficiency.

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 property is safeguarded against loss or unauthorized use.

In addition, good internal controls over compliance include establishing and maintaining a system, or systems, of internal administrative controls to provide assurance the University's operations comply with applicable laws, rules, and regulations.

Finally, the University's management team is responsible for implementing timely corrective action on all of the findings identified during a State compliance examination.

**Schedule of Findings (Continued)
For the Year Ended June 30, 2022**

Current Findings – State Compliance

Finding 2022-006 Inadequate Control over Property and Equipment (continued)

University officials indicated that due to staffing issues information was not processed in a manner to allow for timely tagging of assets or timely addition to property records.

Failure to ensure property transactions are timely recorded and tagged could result in errors or other irregularities not being timely identified, unnecessary equipment expenditures, inaccurate capital asset balances in the University's financial statements, and represents noncompliance with State laws and regulations. (Finding Code No. 2022-006, 2021-005, 2020-006, 2019-004, 2018-006)

Recommendation

We recommend the University implement controls to provide assurance its property transactions are timely recorded and tagged.

University Response

The University continues to work on staff training to ensure prompt payment of fixed asset invoices to accommodate timely tagging of the related assets to enable proper identification.

**State of Illinois
Illinois State University**

**Schedule of Findings (Continued)
For the Year Ended June 30, 2022**

Current Findings – State Compliance

Finding 2022-007 Failure to Run the Illinois Institute for Entrepreneurship Education

The Illinois State University (University) did not run the Illinois Institute for Entrepreneurship Education (IIEE).

During testing, we noted the University transferred the IIEE to the Chicago State University (CSU) during Fiscal Year 2011.

The Illinois State University Law (110 ILCS 675/20-115) requires the University run the IIEE to “foster the growth and development of entrepreneurship education in the State of Illinois” and to “help remedy the deficiencies in the preparation of entrepreneurship education teachers, increase the quality and quantity of entrepreneurship education programs, improve instructional materials, and prepare personnel to serve as leaders and consultants in the field of entrepreneurship education and economic development.”

The University came to an agreement with CSU to develop and plan the IIEE. To date, the Board of Trustees of the University and the Board of Trustees of CSU have been unable to enact a change in legislation to reflect this change in responsibility.

Failure to run the IIEE limits the ability of the University’s students who will become teachers from learning about entrepreneurship education, limits the ability of those teachers to teach their future students about entrepreneurship, and represents noncompliance with State law. (Finding Code No. 2022-007, 2021-007)

Recommendation

We recommend the University run the IIEE or seek a legislative remedy with CSU to formally transfer the IIEE to CSU.

University Response

The University continues to seek legislative support to eliminate this law.

Current Findings – State Compliance

Finding 2022-008 Noncompliance with the Illinois Articulation Initiative Act

The Illinois State University (University) did not submit a minimum of one course per major under the Illinois Articulation Initiative (Initiative) for some majors offered by the University.

The 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 (GECC) package, where completion of the entire package at one institution is fully accepted by 108 institutions across the State, and an Initiative major, which are common courses at the lower-division level that can be used to ensure students are prepared for upper-division work at 78 institutions across the State.

During testing, we noted the University did not have a minimum of one course included within the related Initiative major for its physics and psychology degree programs.

The Illinois Articulation Initiative Act (110 ILCS 152/15) requires the University participate in the Initiative by maintaining a minimum of one course in the related Initiative major, if the University has an equivalent major and courses.

In addition, good internal controls over compliance include establishing and maintaining a system, or systems, of internal administrative controls to provide assurance the University's operations comply with applicable laws, rules, and regulations.

Further, this finding was first noted during the University's Fiscal Year 2020 State compliance examination. As such, University management has been unsuccessful in implementing a corrective action plan to remedy this deficiency.

The University continues to work on course compliance with the Initiative but did not meet all requirements as of fiscal year-end.

Failure to fully participate in the Initiative by submitting, at least, one course per Initiative major could hinder students looking to transfer to other institutions and represents noncompliance with State law. (Finding Code No. 2022-008, 2021-008, 2020-009)

Recommendation

We recommend the University comply with the requirements of the Illinois Articulation Initiative Act.

University Response

The University continues to work with the Initiative panel to develop syllabi that meets the minimum requirements. The Initiative panel approved the University's Social Psychology course during the fiscal year 2023 fall session. The University continues to work on the requirements related to Physics and will present an updated syllabi during the fiscal year 2023 spring session.

**Schedule of Findings (Continued)
For the Year Ended June 30, 2022**

Current Findings – State Compliance

Finding 2022-009 Inadequate Control over Training

The Illinois State University (University) did not consistently ensure its employees completed statutory training requirements.

During testing of 40 employees, we noted five of 5 (100%) employees with access to social security numbers (SSNs) in the normal course of their employment lacked documentation to substantiate they had completed training on how to protect SSNs.

The Identity Protection Act (5 ILCS 179/37) requires the University to adopt policies requiring University employees with access to SSNs receive training on the proper handling of SSNs from the time of collection through destruction. University Policy 1.13, which was adopted on November 9, 2009, mandates University employees required to use or handle SSNs be trained on “proper procedures for handling information containing SSNs from the time of collection through the destruction of the information, in order to protect the confidentiality of SSNs.”

Further, the State Records Act (5 ILCS 160/8) requires the University to make and preserve records containing adequate and proper documentation of the functions and transactions of the University to protect the legal rights of the State and of persons directly impacted by the University’s activities.

University officials indicated due to turnover, the University’s IT management group that was to oversee the training of department security liaisons did not properly identify that security liaisons were not identified for training.

Additionally we noted two of 9 (22%) new hires within the employee sample completed their initial ethics training and sexual harassment prevention training between four to five days late.

The State Officials and Employees Ethics Act (Act) (5 ILCS 430/5-10(c)) requires new employees complete their initial ethics training within 30 days after commencing employment. Further, the Act (5 ILCS 430/5-10.5(a)) requires new employees complete their initial sexual harassment training within 30 days after commencing employment.

University officials indicated the exceptions noted for the Act’s required trainings were due to the timing of employee training notifications being sent out and individual employee oversight.

Further, this finding was first noted during the University’s Fiscal Year 2019 State compliance examination. As such, University management has been unsuccessful in implementing a corrective action plan to remedy this deficiency.

Good internal controls over compliance include establishing and maintaining a system, or systems, of internal administrative controls to provide assurance the University’s operations comply with applicable laws, rules, and regulations.

Finally, the University’s management team is responsible for implementing timely corrective action on all of the findings identified during a State compliance examination.

Current Findings – State Compliance

Finding 2022-009 Inadequate Control over Training (continued)

Failure to ensure records of employee training are created and retained hinders the accountability and limits the ability of the University to substantiate compliance with State law. Further, failure to ensure employees timely complete ethics and sexual harassment prevention training represents noncompliance with the Act, may hinder efforts to increase awareness of ethics laws and sexual harassment prevention, and could result in employees being unaware of their responsibilities. (Finding Code No. 2022-009, 2021-009, 2020-010, 2019-007)

Recommendation

We recommend the University implement controls to provide assurance employees timely complete training in accordance with applicable State law and retain evidence of their completion of mandated training events.

University Response

Regarding the SSN data protection training, 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 for the period under review. The University has identified a need for and will pursue improvements to tracking of new employees into departments that handle SSN data instead of relying on the hiring departments to manage awareness and distribution of this training locally.

The University trains over 6,400 employees annually and 2,400 employees as new hires each year for the Ethics and Sexual Harassment Prevention training, across all employee classifications. In an effort to maintain an effective and efficient training system, the University utilizes an online learning management system to train employees for both the annual and new hire training. Annually employees are loaded prior to the annual training period in October and employees have the month of October to complete the required training courses. The training system is interfaced with the University's Human Resources Information System (HRIS) and is updated every Monday to identify new hires and employees returning from leave that have not completed the current and annual training course. Training notifications for new hires are sent out weekly on Monday morning and delays in training notifications may occur due to delays in entering data into the HRIS at certain busy periods of the year or the built-in delay due to the weekly interface. The hire date versus training information date may cause exceptions in completing training within 30 days of hire, as employees are given 30 days to complete from the date of notification. This may cause a variance of up to five business days in the due date per the training system and the due date based on 30 days from the date of hire. The University works to ensure employees complete the required training courses and employees and their supervisors are sent weekly e-mail reminders for those employees that have not completed their required training. The University has procedures and controls in place to train employees and maintain an effective and efficient training system in compliance with applicable requirements and will continue to work to ensure employees are trained timely and in compliance with applicable training requirements.

**Schedule of Findings (Continued)
For the Year Ended June 30, 2022**

Current Findings – State Compliance

Finding 2022-010 Noncompliance with the University Faculty Research and Consulting Act

The Illinois State University (University) did not always ensure compliance with the University Faculty Research and Consulting Act (Act) and University policies regarding outside employment.

During Fiscal Year 2022, faculty members reported 72 instances of outside employment to the University Provost.

During testing, we noted the following:

- 28 of 72 (39%) instances had the Request for Approval of Secondary/Outside Employment (Form PERS 927) submitted by the faculty member for approval by the University's Provost between 1 to 104 days late.
- 36 of 72 (50%) instances had Form PERS 927 approved by the University's Provost between 1 to 104 days late.
- 46 of 72 (64%) instances did not have the Annual Report of Secondary/Outside Employment (Form PERS 928) submitted by the faculty member.
- 1 of 72 (1%) instance had the Form PERS 928 submitted by the faculty member to the University's Provost during September 2022, 15 days late. This lag reduced or eliminated the amount of time available for review and approval by the faculty member's department chair and dean prior to the deadline for receiving final approval from the University's Provost on September 30, 2022.
- 6 of 72 (8%) instances had an approval for outside employment by the University's Provost, but the PERS 927 on file did not have the expected end date of the faculty member's employment.

Further, this finding was first noted during the University's Fiscal Year 2012 State compliance examination. As such, University management has been unsuccessful in implementing a corrective action plan to remedy these deficiencies.

The Act (110 ILCS 100/1) prohibits full-time University faculty members from undertaking, contracting for, or accepting anything of value in return for research or consulting services for any person other than the University unless the faculty member:

- 1) has submitted a request to the University President, or designee, which includes an estimate of the amount of time involved;
- 2) received the prior written approval of the University President, or designee, to perform the outside research or consulting services; and,
- 3) submits to the University President, or designee, an annual statement of the amount of time actually spent on outside research or consulting services.

The University's Provost has been designated as the University President's designee for approvals and recordkeeping.

**Schedule of Findings (Continued)
For the Year Ended June 30, 2022**

Current Findings – State Compliance

**Finding 2022-010 Noncompliance with the University Faculty Research and Consulting Act
(continued)**

In accordance with University Policy 3.3.7, all forms of secondary/outside employment by a faculty member require the prior written approval of the faculty member's department chairperson, dean, and the University Provost before the faculty member can accept outside employment. Further, the instructions for the Form PERS 928 require faculty members with secondary/outside employment submit the Form PERS 928 "no later than August 31 of the following fiscal year for timely routing to the Office of the Provost."

In addition, good internal controls over compliance include establishing and maintaining a system, or systems, of internal administrative controls to provide assurance the University's operations comply with applicable laws, rules, and regulations.

Finally, the University's management team is responsible for implementing timely corrective action on all of the findings identified during a State compliance examination.

University officials indicated, as they did during prior years, these conditions were due to employee errors and oversight.

Failure to ensure faculty members with outside research, consulting services, or employment obtain written pre-approval from the University's Provost and file annual reports with the University's Provost about the amount of time spent during the preceding fiscal year on outside research, consulting services, or employment represents noncompliance with State law and University Policy 3.3.7 and hinders the oversight of outside activities by the University as intended by the General Assembly. (Finding Code No. 2022-010, 2021-010, 2020-011, 2019-008, 2018-007, 2017-005, 2016-003, 2015-002, 2014-003, 2013-005, 12-5)

Recommendation

We recommend the University's Provost take appropriate corrective action and implement internal controls to ensure faculty members with outside research, consulting services, or employment receive written pre-approval to conduct the requested activity and annually disclose the time spent on these activities in accordance with State law and University policy.

University Response

The University continues to review the process as well as inform faculty of the reporting obligation.

**Schedule of Findings (Continued)
For the Year Ended June 30, 2022**

Current Findings – State Compliance

Finding 2022-011 Noncompliance with the State Officials and Employees Ethics Act

The Illinois State University (University) did not require positive time reporting for all employees in compliance with the State Officials and Employees Ethics Act (Act).

During testing, we noted University Policy 1.12 only requires positive time reporting for the University's non-faculty employees. The faculty and graduate students within academic positions, academic/professional employees, and some civil service employees do not report actual hours worked and are only required to report benefit usage time (vacation, sick, etc.) used to the nearest quarter hour.

Further, this finding was first noted during the University's Fiscal Year 2005 State compliance examination. As such, University management has been unsuccessful in implementing a corrective action plan to remedy this deficiency.

The Act requires the Board of Higher Education (Board), with respect to State employees of public universities, to adopt and implement personnel policies. The Act (5 ILCS 430/5-5(c)) states, "The policies shall require State employees to periodically submit time sheets documenting the time spent each day on official State business to the nearest quarter hour." The Board adopted personnel policies for public universities on February 3, 2004, in accordance with the Act. The University has not fully incorporated these policies into the University's policies.

In addition, good internal controls over compliance include establishing and maintaining a system, or systems, of internal administrative controls to provide assurance the University's operations comply with applicable laws, rules, and regulations.

Finally, the University's management team is responsible for implementing timely corrective action on all of the findings identified during a State compliance examination.

University officials indicated, as they did during prior years, they continue to work with faculty to bring the University into compliance with the Act.

By not requiring time sheets from all of its employees, the University does not have complete documentation of time spent by its employees on official State business as contemplated by the Act. (Finding Code No. 2022-011, 2021-014, 2020-014, 2019-013, 2018-009, 2017-007, 2016-004, 2015-003, 2014-005, 2013-007, 12-6, 11-5, 10-2, 09-1, 08-1, 07-1, 06-2, 05-4)

Recommendation

We recommend the University revise its policy and require all employees submit time sheets in compliance with State law.

University Response

The University will continue to work towards a feasible solution to incorporate compliance.

Prior Findings Not Repeated

A. Inadequate Control over Employment Eligibility Verifications

During the prior examination, the University did not exercise adequate internal control over verifying eligibility for employing its new employees.

During the current examination, our non-statistical sample of 17 new hire employees submitted their Employment Eligibility Verification Form (Form I-9) before their first day of work and all forms were reviewed and approved timely by University personnel. (Finding Code No. 2021-006)

B. Noncompliance with the Civil Service Requirements

During the prior examination, the University did not comply with provisions of the State Universities Civil Service Act.

During the current examination, the State of Illinois passed Public Act 102-1075, which modified the provisions of the Act the University did not comply with in prior examinations. (Finding Code No. 2021-011, 2020-012, 2019-009)

C. Failure to Appoint a Sustainability Committee

During the prior examination, the University did not appoint members to the University's Sustainability Committee (Committee), which must then prepare the University's Sustainability Plan (Plan) and annually report on the University's progress on implementing the Plan.

During the current examination, we noted the University's President appointed members of the University to a Sustainability Committee, the Committee finalized the University's Sustainability Plan, and the University reported the University's progress on implementing the Plan to the proper party. (Finding Code No. 2021-012, 2020-013)

D. Inadequate Control over Voucher Processing

During the prior examination, the University did not have adequate control over its voucher processing function.

During the current examination, our non-statistical sample testing of 205 vouchers indicated the University properly approved and paid vouchers timely during the fiscal year. (Finding Code No. 2021-013)