

**State of Illinois
BOARD OF HIGHER
EDUCATION**

**STATE COMPLIANCE
EXAMINATION**

**FOR THE TWO YEARS ENDED
JUNE 30, 2023**

**PERFORMED AS
SPECIAL ASSISTANT AUDITORS
FOR THE AUDITOR GENERAL,
STATE OF ILLINOIS**

**STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2023**

TABLE OF CONTENTS

<i>State Compliance Examination Report</i>	<u>Page</u>
Board Officials	1
Management Assertion Letter	4
State Compliance Report	
Summary	6
Independent Accountant’s Report on State Compliance and on Internal Control Over Compliance	9
Schedule of Findings	
Current Findings	13
Prior Findings Not Repeated	49

**STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2023**

BOARD OFFICIALS

Executive Director	Ginger Ostro
Chief of Staff (03/06/24 – Present)	Vacant
Chief of Staff (09/01/21 – 03/05/24)	Ja’Neane Minor
General Counsel (05/01/23 – Present)	Dave Kelm
General Counsel (07/01/22 – 04/30/23)	Vacant
General Counsel (11/15/21 – 06/30/22)	Joseph Sanders
Deputy Directors:	
Executive Deputy Director (07/01/21 – 02/29/24)	Stephanie Bernoteit
Director of Private Business and Vocational School (PBVS) (05/01/22 – Present)	Nina Tangman
Senior Associate Director Academic Affairs (05/01/22 – Present)	Nkechi Onwuameze
Early Childhood Access Consortium for Equity (ECACE)	
Project Director (11/01/21 – Present)	Christi Chadwick
Diversity and Outreach (07/01/21 – 08/15/22)	Arthur Sutton
Chief Financial Officer (06/28/24 – Present)	Vacant
Chief Financial Officer (07/01/22 – 06/27/24)	Gloria Gibson
Chief Financial Officer (10/01/21 – 06/30/22)	Vacant
Fiscal Affairs & Budgeting (07/01/21 – 09/30/21)	Nyle Robinson
Interim Director of Research, Analytics & Reporting (04/01/24 – Present)	David Smalley
Interim Director of Information Technology & Systems (04/01/24 – Present)	John Frazier
Information Management & Research (07/01/21 – 04/08/24)	Eric Lichtenberger
Executive Assistant/ Secretary to the Board (03/01/24 – Present)	Melissa Bealon
Interim Board Secretary (07/01/21 – 1/15/23)	Tracy Rembusch
Senior Associate Director of Strategic Communications (04/15/22 – Present)	Jose Garcia
Public Information Officer (11/09/21 – 04/14/22)	Vacant
Public Information Officer (07/01/21-11/08/21)	Melissa Hahn

**STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2023**

BOARD OFFICIALS (Continued)

Senior Director of Policy (02/16/23 – Present)	Vacant
Senior Director of Policy (07/01/21 – 2/15/23)	Sophia Gehlhausen
Legislative Liaison (07/01/21 – Present)	Jaimee Ray
Assistant Budget Officer (06/01/24 – Present)	Vacant
Assistant Budget Officer (05/01/21– 05/31/24)	Sai Kanu

BOARD MEMBERS

Public Member (Chair) (07/01/21 – Present)	John Atkinson
Public Member (07/01/21 – Present)	Pranav Kothari
Public Member (07/01/21 – Present)	Andrea Evans
Public Member (07/01/21 – Present)	Jennifer Garrison
Public Member (07/21/21 – Present)	Kenneth Shaw
Public Member (09/08/23 – Present)	Garth Walker
Public Member (09/22/21 – 09/07/23)	Vacant
Public Member (07/01/21 – 09/21/21)	Alice Marie Jacobs
Public Member (09/25/23 – Present)	Sharon Bush
Public Member (03/19/22 – 09/24/23)	Vacant
Public Member (07/01/21 – 03/18/22)	Max Coffey
Public Member (01/31/23 – Present)	Vacant
Public Member (07/01/21 – 01/30/23)	Veronica Gloria
Public Member (08/01/22 – Present)	Vacant
Public Member (07/01/21 – 07/31/22)	Derek Douglas
Public University Faculty Member (07/01/21 – Present)	Jennifer Delaney
Public University Governing Board (07/01/21 – Present)	Veronica Herrero
Private University Governing Board (07/01/21 – Present)	Clarence Wyatt

**STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2023**

BOARD OFFICIALS (Continued)

BOARD MEMBERS (Continued)

Chairman of the Illinois Community College Board (07/01/21 – Present)	Lazaro Lopez
Chairman of the Illinois Student Assistance Commission (07/01/21 – Present)	Kevin Huber
Traditional Student Member (09/15/23 – Present)	Sam Majka
Traditional Student Member (07/01/23 – 09/14/23)	Vacant
Traditional Student Member (08/22/22 – 06/30/23)	Isaiah Overton
Traditional Student Member (07/01/22 – 08/21/22)	Vacant
Traditional Student Member (09/14/21 – 06/30/22)	Samaha Syed
Non-Traditional Student Member (09/15/23 – Present)	Magnus Noble
Non-Traditional Student Member (07/01/23 – 09/14/23)	Vacant
Non-Traditional Student Member (08/22/22 – 06/30/23)	Emmanuel Segbedzi
Non-Traditional Student Member (07/01/22 – 08/21/22)	Vacant
Non-Traditional Student Member (09/14/21 – 06/30/22)	Cody Castle

BOARD OFFICE

The Board of Higher Education's office is located at:

1 North Old State Capitol Plaza, Suite 333
Springfield, Illinois 62701-1377



ILLINOIS BOARD OF HIGHER EDUCATION
1 NORTH OLD STATE CAPITOL PLAZA, SUITE 333
SPRINGFIELD, ILLINOIS 62701-1377

JB Pritzker
Governor

Pranav Kothari
Chicago
Chair

Members

Sharon Bush
Chicago

Andrea Evans
Chicago

Jennifer Garrison
Vandalia

Veronica Herrero
Chicago

Subhash Sharma
Carbondale

Kenneth Shaw
Chicago

Garth Walker
Chicago

Jamel Wright
Morton

Student Members

Sam Majka
Student Board Member

Magnus Noble
*Nontraditional Student
Board Member*

Ex Officio Representatives

Sylvia Jenkins
*Illinois Community
College Board*

Eric Zarnikow
*Illinois Student
Assistance Commission*

Executive Director
Ginger Ostro

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MANAGEMENT ASSERTION LETTER

June 27, 2024

Roth & Company, LLP
540 W. Madison St., Suite 2450
Chicago, Illinois 60661

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 State of Illinois, Board of Higher Education (Board). 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 Board's compliance with the following specified requirements during the two-year period ended June 30, 2023. Based on this evaluation, we assert that during the years ended June 30, 2022, and June 30, 2023, the Board has materially complied with the specified requirements listed below.

- A. The Board 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 Board 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 Board 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 Board 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 Board on behalf of the State or held in trust by the Board have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Yours truly,

State of Illinois, Board of Higher Education

SIGNED ORIGINAL ON FILE

Ginger Ostro, Executive Director

SIGNED ORIGINAL ON FILE

Gloria Gibson, Chief Fiscal Officer

SIGNED ORIGINAL ON FILE

David Kelm, General Counsel

**STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2023**

STATE COMPLIANCE REPORT

SUMMARY

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

ACCOUNTANT’S REPORT

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

SUMMARY OF FINDINGS

Number of	<u>Current Report</u>	<u>Prior Report</u>
Findings	17	11
Repeated Findings	9	3
Prior Recommendations Implemented or Not Repeated	2	0

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Findings				
2023-001	13	New	Voucher Processing Internal Controls Not Operating Effectively	Material Weakness and Material Noncompliance
2023-002	17	2021/2021	Receipt Processing Internal Controls Not Operating Effectively	Material Weakness and Material Noncompliance
2023-003	20	2021/2013	Inadequate Controls Over State Property	Material Weakness and Material Noncompliance
2023-004	23	New	Inadequate Controls over Reconciliations	Material Weakness and Material Noncompliance
2023-005	25	New	Inadequate Controls over Compliance with Travel Regulations	Material Weakness and Material Noncompliance

**STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2023**

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 (Continued)				
2023-006	27	2021/2021	Noncompliance with Reporting Requirements	Significant Deficiency and Noncompliance
2023-007	30	2021/2019	Board Not Staffed as Required	Noncompliance
2023-008	32	New	Inadequate Controls over Annual Agency Workforce Reporting	Significant Deficiency and Noncompliance
2023-009	34	New	Inadequate Controls over Performance Evaluations	Significant Deficiency and Noncompliance
2023-010	36	2021/2021	Inadequate Controls over Access to Systems and Applications	Significant Deficiency and Noncompliance
2023-011	37	2021/2021	Weaknesses in Cybersecurity Programs and Practices	Significant Deficiency and Noncompliance
2023-012	40	New	Noncompliance with Employee Training Requirements	Significant Deficiency and Noncompliance
2023-013	41	2021/2021	Lack of Adequate Controls over the Review of Internal Controls for Service Providers	Significant Deficiency and Noncompliance
2023-014	43	2021/2021	Weaknesses in Preparation of GAAP Reporting	Significant Deficiency and Noncompliance
2023-015	45	New	Inadequate Controls over Attendance Records	Significant Deficiency and Noncompliance
2023-016	46	2021/2019	Failure to Enforce Compliance with Grant Agreements	Significant Deficiency and Noncompliance
2023-017	48	New	Interagency Agreement not Signed Timely	Significant Deficiency and Noncompliance

**STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2023**

SCHEDULE OF FINDINGS (Continued)

Prior Findings Not Repeated

A	49	2021/2021	Noncompliance with the Board of Higher Education Act
B	49	2021/2021	Weaknesses in Contractual Services

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Board personnel at an exit conference on June 13, 2024.

Attending were:

Board of Higher Education

Ginger Ostro, Executive Director
Gloria Gibson, Chief Financial Officer
Sirena Covington, Assistant Director of Budget and Grants
John Frazier, Interim IT and Systems Manager
Rebecca Heath, Assistant Chief Accountant
Tracy Rembusch, Budget Analyst

Office of the Auditor General

Megan Green, Senior Audit Manager

Roth & Company, LLP

Epifanio Sadural, Partner
Lou Jonathan Cabrera, Manager
Tiffany Floresca, Supervisor
John Michael Mahinay, Associate

The responses to the recommendations were provided by Gloria Gibson, Chief Financial Officer, in correspondence dated June 17, 2024.



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

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Governing Board
State of Illinois, Board of Higher Education

Report on State Compliance

As Special Assistant Auditors for the Auditor General, we have examined compliance by the State of Illinois, Board of Higher Education (Board) 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 two years ended June 30, 2023. Management of the Board is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Board's compliance with the specified requirements based on our examination.

The specified requirements are:

- A. The Board 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 Board 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 Board 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 Board 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 Board on behalf of the State or held in trust by the Board have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

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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 Board complied with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether the Board complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance with the specified requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our modified opinion.

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

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

Our examination disclosed material noncompliance with the following specified requirements during the two years ended June 30, 2023.

Specified Requirement B

As described in the accompanying Schedule of Findings as items 2023-001, 2023-003 and 2023-005, the Board had not 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 obligations, expenditure, receipt, or use.

Specified Requirement C

As described in the accompanying Schedule of Findings as items 2023-001 through 2023-005, the Board had not complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

Specified Requirement D

As described in the accompanying Schedule of Findings as item 2023-002, the Board had not ensured the State revenues and receipts collected by the Board were in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts was fair, accurate, and in accordance with the law.

Specified Requirement E

As described in the accompanying Schedule of Findings as item 2023-004, money or negotiable securities or similar assets handled by the Board on behalf of the State or held in trust by the Board had not been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.



In our opinion, except for the material noncompliance with the specified requirements described in the preceding paragraph, the Board complied with the specified requirements during the two years ended June 30, 2023, in all material respects. However, the results of our procedures disclosed instances of noncompliance with the specified requirements, which are required to be reported in accordance with criteria established by the *Audit Guide* and are described in the accompanying Schedule of Findings as items 2023-006 through 2023-017.

The Board's responses to the compliance findings identified in our examination are described in the accompanying Schedule of Findings. The Board'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 Board 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 Board's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Board's compliance with the specified requirements and to test and report on the Board's internal control in accordance with the *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board'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 2023-001 through 2023-005 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 2023-006, and 2023-008 through 2023-017 to be significant deficiencies.

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

The Board's responses to the internal control findings identified in our examination are described in the accompanying Schedule of Findings. The Board'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

Chicago, Illinois
June 27, 2024



**STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023**

2023-001. **FINDING** (Voucher Processing Internal Controls Not Operating Effectively)

The Board of Higher Education’s (Board) internal controls over its voucher processing function were not operating effectively during the examination period.

The Board implemented the Enterprise Resource Planning System (ERP) effective Fiscal Year 2023.

Fiscal Year 2022

Non-Payroll Expenditures

During our testing of 25 vouchers totaling \$324,193, we noted the following:

- Two (8%) of the vouchers tested, totaling \$12,080, were not supported with the vendors’ invoices.

The State Records Act (5 ILCS 160/8) requires the Board to make and preserve records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures, and essential transactions of the Board designed to furnish information to protect the legal and financial rights of the State and of persons directly affected by the Board’s activities.

- Nine (36%) of the vouchers tested, totaling \$110,682, were approved for payment between two to 282 days late.

The Illinois Administrative Code (74 Ill. Admin. Code 900.70(b)) requires the Board to review a bill and either deny the bill in whole or in part, ask for more information necessary to review the bill, or approve the bill in whole or in part, within 30 days after receiving the bill.

- Two (8%) vouchers tested, totaling \$29,311, were paid late and the Board did not pay interest owed to the vendors, totaling \$1,736.

The State Prompt Payment Act (30 ILCS 540/3-2(1.05)) requires any bill approved for payment under the Act to be paid within 90 days of receipt of a proper bill or invoice. If payment is not issued to the payee within this 90-day period, an interest penalty of 0.033% per day outstanding is applied, until the final payment is made.

**STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023**

2023-001. **FINDING** (Voucher Processing Internal Controls Not Operating Effectively)
(Continued)

Awards and Grants Expenditures

During our testing of 30 awards and grants vouchers totaling \$1,483,042, we noted the following:

- One (3%) of the vouchers tested, totaling \$23,959, had no approval from the Board head or designee.

The State Finance Act (30 ILCS 105/9.02(b)(1)) requires every voucher to have the signature of the officer responsible for approving and certifying vouchers and, if authority to sign the responsible officer's name has been properly delegated, the signature of the person actually signing the voucher.

- Four (13%) of the vouchers tested, totaling \$305,149, were approved for payment between 34 to 111 days late.

The Illinois Administrative Code (74 Ill. Admin. Code 900.70(b)) requires the Board to review a bill and either deny the bill in whole or in part, ask for more information necessary to review the bill, or approve the bill in whole or in part, within 30 days after receiving the bill.

Fiscal Year 2023

Due to our ability to rely upon the processing integrity of the Enterprise Resource Planning System (ERP) operated by the Department of Innovation and Technology (DoIT), we were able to limit our voucher testing at the Board to determine whether certain key attributes were properly entered by the Board's staff into the ERP. In order to determine the operating effectiveness of the Board's internal controls related to voucher processing and subsequent payment of interest, we selected a sample of key attributes (attributes) to determine if the attributes were properly entered into the State's Enterprise Resource Planning (ERP) System based on supporting documentation. The attributes tested were 1) vendor information, 2) expenditure amount, 3) object(s) of expenditure, and 4) the later of the receipt date of the proper bill or the receipt date of the goods and/or services.

**STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023**

2023-001. **FINDING** (Voucher Processing Internal Controls Not Operating Effectively)
(Continued)

Our testing noted the following attributes were not properly entered into the ERP System. Therefore, the Board’s internal controls over voucher processing **were not operating effectively.**

- 14 of 140 (10%) general vouchers
- 5 of 120 (4%) awards and grants vouchers

The Statewide Accounting Management System (SAMS) (Procedure 17.20.20) requires the Board to, after receipt of goods or services, verify the goods or services received met the stated specifications and prepare a voucher for submission to the Comptroller’s Office to pay the vendor, including providing vendor information, the amount expended, and object(s) of expenditure. Further, the Illinois Administrative Code (Code) (74 Ill. Admin. Code 900.30) requires the Board maintain records which reflect the date goods were received and accepted, the date services were rendered, and the proper bill date. Finally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Board establish and maintain a system of internal fiscal and administrative controls to provide assurance expenditures are properly recorded and accounted for to maintain accountability over the State’s resources.

Due to this condition, we qualified our opinion because we determined the Board had not complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

Even given the limitations noted above, we conducted an analysis of the Board’s expenditures data for fiscal year 2023 to determine compliance with the State Prompt Payment Act (Act) (30 ILCS 540) and the Code (74 Ill. Admin. Code 900.70). We noted the following noncompliance:

- The Board owed five vendors interest totaling \$1,009 in fiscal year 2023; however, the Board had not approved these vouchers for payment to the vendors.

The Act (30 ILCS 540) requires agencies to pay vendors who had not been paid within 90 days of receipt of a proper bill or invoice interest.

**STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023**

2023-001. **FINDING** (Voucher Processing Internal Controls Not Operating Effectively)
(Continued)

- The Board did not timely approve 295 of 327 (90%) vouchers processed during the examination period, totaling \$10,035,537. We noted these late vouchers were approved between 1 and 324 days late.

The Code (74 Ill. Admin. Code 900.70) requires the Board to timely review each vendor's invoice and approve proper bills within 30 days after receipt.

Board officials indicated these issues were due to key employee turnover and other competing priorities.

Failure to maintain vendor invoices could result in improper payments and represents noncompliance with the State Records Act. Failure to properly enter the key attributes into the State's ERP when processing a voucher for payment hinders the reliability and usefulness of data extracted from the ERP, which can result in improper interest calculations and expenditures. Further, failure to timely process proper bills and approve vouchers for payment of interest due represents noncompliance with the Code and the Act. (Finding Code No. 2023-001)

RECOMMENDATION

We recommend the Board design and maintain internal controls to provide assurance its data entry of key attributes into ERP is complete and accurate. Further, we recommend the Board approve proper bills within 30 days of receipt and approve vouchers for payment of interest due to vendors. Furthermore, we recommend the Board ensure interest due is paid to vendors. Finally, we recommend the Board ensure vouchers are properly supported with vendor invoices to avoid overpayments.

BOARD RESPONSE

The Board agrees with the finding. The Board has obtained additional training and hiring additional staff to ensure vouchers are processed properly in the State ERP System.

**STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023**

2023-002. **FINDING** (Receipt Processing Internal Controls Not Operating Effectively)

The Board of Higher Education’s (Board) internal controls over its receipt processing function were not operating effectively during the examination period.

FISCAL YEAR 2022

During testing of four refund receipts, we noted one of four (25%) refund receipts tested, totaling \$15,000, did not have the date when the receipt was received by the Board. As such, we were unable to determine if the Board deposited the receipts in a timely manner.

The State Officers and Employees Money Disposition Act (Act) (30 ILCS 230/2(a)) requires the Board “keep in proper books a detailed itemized account of all moneys received for or on behalf of the State of Illinois, showing the date of receipt, the payor, and purpose and amount, and the date and manner of disbursement.”

FISCAL YEAR 2023

Due to our ability to rely upon the processing integrity of the Enterprise Resource Planning System (ERP) operated by the Department of Innovation and Technology (DoIT), we were able to limit our receipt testing at the Board to determine whether certain key attributes were properly entered by the Board’s staff into the ERP. In order to determine the operating effectiveness of the Board’s internal controls related to receipt processing, we selected a sample of key attributes (attributes) to determine if the attributes were properly entered into the ERP System based on supporting documentation. The attributes tested were (1) amount, (2) fund being deposited into, (3) date of receipt, (4) date deposited, and (5) SAMS Source Code.

During our testing of 28 receipts during the year, we noted 79 of 140 (56%) attributes were not properly entered into the ERP System. Therefore, the Board’s internal controls over receipt processing **were not operating effectively**.

In addition, during our testing of 20 refund receipts during the year, we noted 32 of 80 (40%) attributes were not properly entered into the ERP System. Therefore, the Board’s internal controls over receipt processing **were not operating effectively**.

**STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023**

2023-002. **FINDING** (Receipt Processing Internal Controls Not Operating Effectively)
(Continued)

The State Officers and Employees Money Disposition Act (Act) (30 ILCS 230/2(a)) requires the Board to maintain a detailed record of all moneys received, which is to include date of receipt, the payor, purpose and amount, and the date and manner of disbursement. Additionally, Statewide Accounting Management System (Manual) (Procedure 25.10.10) requires the Board to segregate the moneys into funds and document the source of the moneys. Further, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Board to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance revenues, expenditures, and transfers of assets, resources, or funds applicable to the operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State’s resources.

Due to this condition, we qualified our opinion because we determined the Board had not complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

Even given the limitations noted above, we conducted an analysis of the Board’s receipts data for fiscal year 2023 to determine compliance with the Act. We noted:

- The Board’s receipts data did not document the date on which the payment was received for 1,180 of 1,203 (98%) receipts. As such, we were unable to determine if the Board deposited the receipts in a timely manner.

The Act (30 ILCS 230/2(a)) requires the Board to maintain a detailed record of all money received, which is to include date of receipt, the payor, purpose and amount, and the date and manner of disbursement.

Board officials indicated these issues were due to key employee turnover and other competing priorities.

Failure to properly enter the key attributes into the State’s ERP when processing a receipt hinders the reliability and usefulness of data extracted from the ERP, which can result in improper recording of revenues and accounts receivable. Failure to maintain adequate controls over its receipt processing procedures and related fiscal records represents noncompliance with applicable statutes and could

**STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023**

2023-002. **FINDING** (Receipt Processing Internal Controls Not Operating Effectively)
(Continued)

also lead to errors in information reported. (Finding Code No. 2023-002, 2021-010)

RECOMMENDATION

We recommend the Board to design and maintain internal controls to provide assurance that its data entry of key attributes into ERP is complete and accurate.

BOARD RESPONSE

The Board agrees with the finding. The Board has obtained additional training to ensure vouchers are processed properly in the State ERP System.

**STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023**

2023-003. **FINDING** (Inadequate Controls over State Property)

The Board of Higher Education (Board) did not exercise adequate controls over the recording and reporting of State property.

During testing of C-15 reports, annual inventory certification, and general vouchers, we noted the following:

- One of eight (13%) *Agency Reports of State Property* (Form C-15) was not timely filed with Office of Comptroller (Comptroller). The report was filed 87 days late.

The Statewide Accounting Management System (SAMS) Manual (Procedure 29.20.10) requires reports to be filed on a quarterly basis and should be submitted to the Office of Comptroller no later than the last day of the month following the last day of the quarter.

- The Board did not take appropriate measures to verify the property listing submitted to the Department of Central Management Services (CMS) was accurate. We noted the amounts reported on the property listing submitted to CMS did not agree with the December 2021 and December 2022 Form C-15s, with discrepancies of \$40,829 and \$5,102 respectively. In addition, the December 2021 Inventory Certification Report was submitted 89 days late to CMS.

The Illinois Administrative Code (Code) (44 Ill. Admin. Code 5010.460) requires the Board to make an annual physical inventory of State equipment in its possession and to provide CMS, on an annual basis, a listing of all equipment items with a value greater than the nominal value and equipment that is subject to theft with a value less than the nominal value, on dates designated by CMS.

- The detailed property records provided by the Board did not agree with the Form C-15 report filed with the Office of Comptroller for the fourth quarter of Fiscal Year 2023. A difference of \$38,417 was noted.

SAMS (Procedure 29.10.10) requires the Board to maintain detailed property records and update property records as necessary to reflect the current balance of the State property. The C-15 should be reconciled to the Board's records.

**STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023**

2023-003. **FINDING** (Inadequate Controls over State Property) (Continued)

- For one of six (17%) equipment items purchased, totaling \$2,258, the Board was unable to provide the supporting invoice. As a result, we were unable to determine if asset was recorded at its proper value in the Board's property control records.

The State Records Act (5 ILCS 160/8) requires the Board to make and preserve records containing adequate and proper documentation of its essential transactions to protect the legal and financial rights of the State and of persons directly affected by the Board's activities.

During testing of 56 equipment items, split between a sample of 28 items traced from the Board's property listing and 28 items in service at the Board, we noted the following issues:

- Four of 28 (14%) equipment items selected from the Board's property listing, totaling \$7,085, were unable to be located.
- One of 28 (4%) equipment items selected from the Board's property listing, totaling \$2,410, was found in a different location than the location listed in the Board's inventory records.
- One of 28 (4%) equipment items selected from the Board's property listing totaling \$9,892, was obsolete to the needs of the Board; however, this item was not included in the Board's surplus inventory report.
- One of 28 (4%) equipment items selected from the Board's property listing, totaling \$1,568, was included in the Board's surplus inventory report; however, this item was still listed in the Board's inventory records. In addition, the amount reported on the surplus inventory report did not agree with the amount reported on the inventory records for this item. A difference of \$1,324 was noted.
- One of 28 (4%) equipment items selected from the Board's property listing, totaling \$1,048, was recorded twice in the Board's inventory records.
- Twenty-two of 28 (79%) equipment items selected at the Board were not included on the Board's inventory records. Twenty-one (75%) of these items were also not included on the annual inventory report submitted to CMS.

**STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023**

2023-003. **FINDING** (Inadequate Controls over State Property) (Continued)

- One of 28 (4%) equipment items selected at the Board did not have an inventory tag; as such, we could not trace this item to the Board's inventory records, and annual inventory record submitted to CMS.

SAMS (Procedure 29.10.10) requires the Board to maintain current property records, including the location, cost, and a short description of the asset.

The Code (44 Ill. Admin. Code 5010.230) requires the Board to correctly enter each item's identification number, location code number, description, purchase price, object code, and voucher number on its property listing.

Finally, this finding was first noted during the Board's compliance examination for the period ended June 30, 2013, over 10 years ago. As such, Board management has been unsuccessful in implementing a corrective action plan to remedy these problems.

Board officials indicated these issues were caused by key employee turnover and oversight.

Failure to submit statutorily required reports in a timely manner prevents the appropriate oversight authorities from receiving relevant feedback for monitoring of programs and can have an effect on future decisions and reports. Inaccurate property reporting reduces the reliability of statewide property information. Failure to exercise adequate control over property and to maintain accurate property control records increases the potential for fraud and possible loss or theft of State property. (Finding Code No. 2023-003, 2021-003, 2019-001, 2017-001, 2015-001, 2013-001)

RECOMMENDATION

We recommend the Board strengthen its internal controls and ensure reports are complete and filed timely. Further, we recommend the Board maintain accurate property control records.

BOARD RESPONSE

The Board agrees with the finding. The Board will strengthen its internal controls and ensure reports are complete and filed timely. The Board will also maintain accurate property control records.

**STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023**

2023-004. **FINDING** (Inadequate Controls over Reconciliations)

The Illinois Board of Higher Education (Board) did not perform monthly reconciliations of the Board’s activity to the Office of the Comptroller’s (Comptroller) records in accordance with the Statewide Accounting Management Systems (SAMS) Manual.

- The Board did not perform Fiscal Year 2022 monthly reconciliations for:
 - All (100%) Monthly Appropriations Status Reports (SB01).
- The Board did not perform Fiscal Year 2023 monthly reconciliations for:
 - 9 of 12 (75%) Monthly Appropriations Status Reports (SB01) for all funds.
 - One of twelve (8%) Monthly Appropriations Status Reports (SB01) consisting of 11 funds were reconciled between 20 to 26 days late.
- The Board did not perform Fiscal Year 2022 and Fiscal Year 2023 monthly reconciliations for:
 - All (100%) Monthly Agency Contract Reports (SC14).
 - All (100%) Monthly Revenue Status Reports (SB04).
 - All (100%) Monthly Cash Reports (SB05).

The SAMS (Procedure 07.30.20) requires the Board to reconcile its records on a monthly basis within 60 days of the month end. The SAMS Procedure also notes the effectiveness of any accounting and financial information system is very much dependent on the accuracy of data submitted and the confidence of its users that the system handled that data properly. The Board’s reconciliation is the primary control that ensures these requirements are being satisfied.

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

**STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023**

2023-004. **FINDING** (Inadequate Controls over Reconciliations) (Continued)

Board officials indicated these issues were caused by key employee turnover.

Failure to prepare and review the reconciliations in a timely manner could result in errors not being timely detected and corrected, hinders accountability over State funds, and represents noncompliance with State laws, rules, and regulations. (Finding Code No. 2023-004)

RECOMMENDATION

We recommend the Board ensure monthly reconciliations of its activity to the Comptroller's records are timely performed, reviewed and documented.

BOARD RESPONSE

The Board agrees with the finding. The Board has hired and trained staff to complete reconciliation in a timely manner.

**STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023**

2023-005. **FINDING** (Inadequate Control over Compliance with Travel Regulations)

The Board of Higher Education (Board) did not have adequate controls over compliance with travel regulations.

During testing of 38 travel vouchers, we noted the following:

- Five (13%) travel vouchers tested, totaling \$1,936, were approved for payment between 2 and 42 days late.

The Illinois Administrative Code (Code) (74 Ill. Admin. Code 900.70(b)) requires the Board to approve the bill or deny the bill with defects, in whole or in part, within 30 days after receipt of the bill.

- Two (5%) out-of-state travel vouchers tested, totaling \$2,025, were not supported with requests for travel. In addition, one (3%) out-of-state travel vouchers tested, totaling \$808, travel request was not submitted 30 days in advance of the departure date to the Governor's Office of Management and Budget.

The Illinois Administrative Code (80 Ill. Admin. Code 2800.700(b)) requires travel outside of Illinois to be approved by the Governor's Office of Management and Budget (GOMB) prior to the travel. All requests are required to be submitted to GOMB's on-line travel system (eTravel) at least 30 days in advance of the departure date.

- Two (5%) of the travel reimbursements, totaling \$1,510, were submitted to the Board by the travelers 67 and 69 days after the last day of travel.

The Internal Revenue Service, Publication 535, Business Expenses, requires travelers to submit an adequate accounting of all business expenses within 60 days after the last date of travel.

- For 2 (5%) Out-of-State travel vouchers tested, totaling \$1,637, the Board did not have any documentation that requests for travel were prepared by the travelers and approved by the immediate supervisor and the Executive Director.

**STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023**

2023-005. **FINDING** (Inadequate Control over Compliance with Travel Regulations)
(Continued)

The Board’s Personnel Policy (Travel) requires its employees to obtain approval of travel request from the immediate supervisor. In addition, requests for out-of-state travel must also be approved in writing and in advance by the Executive Director.

Board officials indicated the exceptions were due to high staff turnover.

Failure to exercise adequate internal controls over payments of travel expenditures increases the likelihood errors and other irregularities could occur and not be detected in a timely manner, and resulted in noncompliance with State laws, rules, and regulations. (Finding Code No. 2023-005)

RECOMMENDATION

We recommend the Board strengthen its control to ensure travel reimbursements are properly supported and timely submitted by the travelers. Further, we recommend the Board ensure request for travel outside of Illinois is submitted to GOMB at least 30 days in advance of the departure date.

BOARD RESPONSE

The Board agrees with the finding. The Board has updated its travel procedures to ensure prior approval is submitted in writing and in advance to the Director as it is stated in the Personnel Policy. The staff has also received additional training to ensure that travel vouchers are processed properly and timely in the State Enterprise Resource Planning System.

**STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023**

2023-006. **FINDING** (Noncompliance with Reporting Requirements)

The Board of Higher Education (Board) did not comply with various reporting requirements.

During testing, we noted the following:

- The Board did not submit its Vehicle Use Policy to the Department of Central Management Services.

The State Vehicle Use Act (Act) (30 ILCS 617/10(b)) requires all vehicle use policies, other than those drafted by a constitutional officer, to be submitted to the Division of Vehicles within the Department of Central Management Services.

- The Board failed to file one of four (25%) Travel Headquarter Reports (Form TA-2) required to be filed with the Legislative Audit Commission (Commission).
- The Board untimely filed two of four (50%) Travel Headquarter Reports (Form TA-2) with the Legislative Audit Commission (Commission). These reports were filed 5 and 11 days late.

The State Finance Act (Act) (30 ILCS 105/12-3) requires the Form TA-2 be completed and filed with the Commission for any individual whose headquarters has been designated as a location other than that at which official duties require the largest part of working time. The reports are required to be filed no later than July 15 for the period from January 1 through June 30 of that year and no later than January 15 for the period July 1 through December 31 of the preceding year.

- The Board did not timely deliver its Fiscal Year 2021 and Fiscal Year 2022 annual reports of its acts and doings to the Governor. Specifically, the Fiscal Year 2021 and Fiscal Year 2022 annual reports were submitted 17 and 6 days late, respectively.

The State Finance Act (Act) (30 ILCS 105/3(a)) requires the Board to deliver to the Governor an annual report of its acts and doings for the preceding fiscal year no later than January 14 for the Fiscal Year 2021 report, and January 7 for the Fiscal Year 2022 report.

**STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023**

2023-006. **FINDING** (Noncompliance with Reporting Requirements) (Continued)

- The Board did not submit two of four (50%) Debt Transparency Act (SCO-961) reports tested and submitted two of four (50%) reports tested to the Office of Comptroller 1 and 4 days late.

The State Finance Act (30 ILCS 105/9.08) requires the Board to provide each month an SCO-961 Report to the Comptroller identifying: (i) current State liabilities held at the Board, by fund source; (ii) whether the liabilities are appropriated; and (iii) an estimate of interest penalties accrued under the State Prompt Payment Act under criteria prescribed by the Comptroller.

Further, the State Accounting Management System (Procedure 33.17.20) requires the Board to file the SCO-961 Report on the 10th calendar day of each month. If the 10th calendar day falls on a State holiday and/or weekend, the report is due on the business day prior to the State holiday and/or weekend.

- The Board did not timely submit to the Auditor General the Fiscal Control and Internal Auditing Act (FCIAA) certifications. The Fiscal Year 2022 and Fiscal Year 2023 certifications were submitted 487 and 122 days late, respectively.

The Fiscal Control and Internal Auditing Act (Act) (30 ILCS 10/3003) requires the Board to submit the FCIAA certification, completed and signed, to the Auditor General's Office by May 1st of each fiscal year.

In addition, the Act (30 ILCS 10/3001) requires the Board to establish and maintain a system, or systems, of internal fiscal and administrative controls. Effective internal controls should include procedures to ensure the Board timely submits the FCIAA certification to the Office of the Auditor General.

Board officials indicated the exceptions were due to key employee turnover and oversight.

Failure to timely and properly submit required reports can lead to misinformation and represents noncompliance with various requirements. (Finding Code No. 2023-006, 2021-007)

**STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023**

2023-006. **FINDING** (Noncompliance with Reporting Requirements) (Continued)

RECOMMENDATION

We recommend the Board strengthen controls to ensure reports are properly and timely submitted.

BOARD RESPONSE

The Board agrees with the finding. The Board has put controls in place to ensure reports are properly and timely submitted in the future.

**STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023**

2023-007. **FINDING** (Board not Staffed as Required)

The Board of Higher Education (Board) was not staffed in accordance with the requirements set forth in the Board of Higher Education Act (Act).

During testing, we noted the following Board staffing conditions existed as of June 30, 2023:

- Two public members whose terms expired on January 31, 2021, did not continue to serve after the expiration of their terms until their successors were appointed. One public member continued to serve until August 10, 2021, while a new public member was appointed on September 8, 2023, leaving the position vacant for 759 days. The other public member continued to serve until March 15, 2022, while a new public member was appointed on September 25, 2023, leaving the position vacant for 559 days.
- Two public members who were appointed by the Governor left prior to the expiry of their terms on January 30, 2023. One public member left January 18, 2023, and the other public member left June 29, 2022. The Governor did not make appointments to fill the vacancies for the unexpired terms and these positions remained vacant.
- Two student members did not start their term on July 1, 2021, and were appointed September 14, 2021, leaving the positions vacant for 75 days in Fiscal Year 2022. Two student members did not start their term on July 1, 2022, and were appointed August 22, 2022. The previous student members did not stay until a successor is appointed and qualified, leaving the positions vacant for 52 days in Fiscal Year 2023.

The Act (110 ILCS 205/3(b)) states the members of the Board shall continue to serve after the expiration of their terms until their successors have been appointed. The Act (110 ILCS 205/3(c)) also states vacancies on the Board in offices appointed by the Governor shall be filled by appointment by the Governor for the unexpired term. Further, the Act (110 ILCS 205/3(d)) states each student member shall serve a term of one year beginning on July 1 of each year and until a successor is appointed and qualified.

**STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023**

2023-007. **FINDING** (Board not Staffed as Required) (Continued)

During the previous examination, as well as the current examination, Board officials indicated they do not have the authority to reappoint existing members or appoint new members, as the Governor is charged with the duty to appoint all public members of the Board and a student advisory committee is charged with the duty to appoint new student members to the Board.

Failure to ensure the Board is staffed as required represents noncompliance with the Act and may hinder the Board’s ability to achieve a quorum. (Finding Code No. 2023-007, 2021-005, 2019-003)

RECOMMENDATION

We recommend the Board continue to work with the Governor to ensure members are timely appointed and members continue to serve until a new appointment is made. Further, the Board should work with its student advisory committee to have student representatives ready to serve a full one-year term commencing on July 1.

BOARD RESPONSE

The Board agrees with the finding. The Board will work with the Governor’s office to ensure members are timely appointed.

**STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023**

2023-008. **FINDING** (Inadequate Controls over Annual Agency Workforce Reporting)

The Board of Higher Education (Board) lacked adequate internal control over its annual Agency Workforce Report (Report).

During testing, we noted the following:

Fiscal Year 2021 Report (due in Fiscal Year 2022)

- The Board did not complete the number of workers employed as professional and contractual. In addition, the equivalent percentages of the number of workers in all categories were not completed.
- The Report was submitted to the Governor and the Secretary of State 653 and 658 days late, respectively.

Fiscal Year 2022 Report (due in Fiscal Year 2023)

- The count of minorities in the Report was mathematically incorrect.
- The Board did not complete the number of workers employed as professional and contractual. In addition, the equivalent percentages of the number of workers in all categories were not completed.
- The Report was submitted to the Governor and the Secretary of State 289 and 294 days late, respectively.

The State Employment Records Act (Act) (5 ILCS 410/20) requires the Board to collect, classify, maintain, and file the annual Report covering the preceding fiscal year with the Governor and the Secretary of State with certain employment statistics for women, disabled persons, and minorities by January 1.

In addition, the Act (5 ILCS 410/15) requires the Board to collect and maintain the total number of persons employed by the Board who are part of the State workforce, and the number and statistical percentage of women, minorities, and physically disabled persons employed within the Board's workforce.

Also, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Board to establish and maintain a system, or systems, of internal fiscal and administrative controls. Effective internal controls should include procedures to ensure information reported on the Report is accurate.

**STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023**

2023-008. **FINDING** (Inadequate Controls over Annual Agency Workforce Reporting)
(Continued)

Board officials indicated these issues were caused by key employee turnover and formatting errors.

Filing an inaccurate and untimely Report inhibits the ability of the State to accumulate meaningful information to achieve a more diversified workforce, hinders governmental oversight, and resulted in noncompliance with the State laws, rules, and regulations. (Finding Code No. 2023-008)

RECOMMENDATION

We recommend the Board implement procedures to ensure the Reports are accurate and timely filed with the Governor’s office and Secretary of State. Also, the Board should file corrected Reports with the Governor and Secretary of State within 30 days after the release of this compliance report.

BOARD RESPONSE

The Board agrees with the finding. The Board has hired a Human Resource Director who will ensure the report is filed in a timely manner. The Board will also file corrected Reports with the Governor and Secretary of State within 30 days after the release of this compliance report.

STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023

2023-009. **FINDING** (Inadequate Controls over Performance Evaluations)

The Board of Higher Education (Board) lacked adequate controls over evaluating employee performance.

During testing, we noted the Board did not have a policy in place with guidelines for frequency and timely completion of performance evaluations in Fiscal Year 2022. In Fiscal Year 2023, the Board did implement an annual performance evaluation for its employees, however, the Board did not update its Personnel Policy to reflect the guidelines on performance evaluation.

In addition, we noted 2 of 8 (25%) Fiscal Year 2023 performance evaluations tested were not signed; thus, we were unable to determine if the evaluations were timely completed.

Good internal controls require the establishment and continuous update of policy and procedure manuals to serve as a guide for agency operations and employee actions. Good internal controls also require that employee performance evaluations be conducted on at least an annual basis to serve as a foundation for the communication of performance expectations and employee development. The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that resources are utilized efficiently, effectively and in compliance with applicable law.

Board personnel stated this issue was due to a vacancy in the responsible position which was not filled until February 1, 2024.

Employee performance evaluations are a systematic and uniform approach used for employee development and communication of performance expectations to employees. Failure to conduct timely employee performance evaluations delays formal feedback on an employee's performance, delays communication of areas for improvement, and delays communication of the next period's performance goals and objectives. In addition, employee performance evaluations should serve as a foundation for salary adjustments, promotions, demotions, discharges, layoff, recall, or reinstatement decisions. (Finding Code No. 2023-009)

**STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023**

2023-009. **FINDING** (Inadequate Controls over Performance Evaluations) (Continued)

RECOMMENDATION

We recommend the Board conduct timely performance evaluation of employees and update its Personnel Policy to reflect the guidelines on performance evaluation.

BOARD RESPONSE

The Board agrees with the finding. The Board has hired a Human Resource Director to develop an evaluation instrument that is in line with the Agency's newly created policy that will be approved in Fiscal Year 2025.

**STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023**

2023-010. **FINDING** (Inadequate Controls over Access to Systems and Applications)

The Board of Higher Education (Board) did not implement adequate internal controls related to systems and applications access and control.

During the examination period, we noted the Board had not formalized its access provisioning policies and procedures. In addition, we noted the Board did not document regular reviews of access rights to the Board's use of mainframe and Central Payroll System (CPS) resulting in one separated employee still having access to CPS.

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, Access Control and System and Communication Protection sections, requires entities to implement adequate internal controls over access to their environments, applications, and data such as to develop access provisioning policies and procedures and timely revocation of separated employee's user accounts.

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

Board officials indicated the issues were due to competing priorities.

The lack of adequate controls over access could result in unauthorized access and disclosure of confidential information. (Finding Code No. 2023-010, 2021-002)

RECOMMENDATION

We recommend the Board implement controls to formalize its access provisioning policies and procedures, conduct regular reviews of access rights to its use of mainframe and CPS, and ensure timely deactivation of separated employees' user accounts.

BOARD RESPONSE

The Board agrees with the finding, The Board now has created off-boarding procedures to ensure former staff members no longer have access to the Agency System.

**STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023**

2023-011. **FINDING** (Weaknesses in Cybersecurity Programs and Practices)

The Board of Higher Education (Board) had not implemented adequate internal controls related to cybersecurity programs, practices, and control of confidential information.

The Board is statutorily responsible for “analyzing the needs and requirements of Illinois’ higher education system and modifying policies that guide the state’s system of public and private colleges and universities.” The Board was established to plan and coordinate the State’s system of colleges and universities. In order to carry out their mission, the Board utilizes several IT applications which contain confidential and personal information.

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 Board’s cybersecurity program, practices, and control of confidential information, we noted the Board had not:

- Developed a project management framework to ensure new applications are adequately developed and implemented in accordance with management’s expectations.
- Developed a risk management methodology, conducted a comprehensive risk assessment, or implemented risk reducing internal controls.
- Developed policies and procedures for reviewing and monitoring security implementation and violations.
- Conducted vulnerability scans to identify security vulnerabilities.
- Required employees or contractors to acknowledge receipt of the Board’s policies.
- Developed a data classification policy or methodology to identify and ensure adequate protection of information.

In addition, we noted 1 of 2 (50%) sampled new employees completed cybersecurity training 332 days late.

**STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023**

2023-011. **FINDING** (Weaknesses in Cybersecurity Programs and Practices) (Continued)

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

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

Further, the Board's Cybersecurity Awareness Training Procedures requires them to complete cybersecurity training within seven days of starting employment.

Board officials indicated the issues for project management, risk management, data classification, security monitoring and vulnerability management were due to lack of defined cybersecurity framework. Other issues were due to oversight.

The lack of adequate cybersecurity programs and practices could result in unidentified risk and vulnerabilities, which could ultimately lead to the Board's confidential and personal information being susceptible to cyber-attacks and unauthorized disclosure. (Finding Code No. 2023-011, 2021-006)

RECOMMENDATION

We recommend the Board implement controls related to cybersecurity programs, practices, and control of confidential information. Specifically, we recommend the Board:

- Develop a project management framework to ensure new applications are adequately developed and implemented in accordance with management's expectations.
- Develop a risk management methodology, conduct a comprehensive risk assessment, and implement risk reducing internal controls.
- Develop policies and procedures for reviewing and monitoring security implementation and violations.

**STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023**

2023-011. **FINDING** (Weaknesses in Cybersecurity Programs and Practices) (Continued)

- Conduct vulnerability scans to identify security vulnerabilities.
- Require employees and contractors to acknowledge receipt of the Board’s policies.
- Develop a data classification policy or methodology to classify data to identify and ensure adequate protection of information.
- Ensure new employees complete cybersecurity training within the required seven day timeframe.

BOARD RESPONSE

The Board agrees with the finding. The Board will develop the project management, risk management, data classification, and security monitoring that is in line with the new standards.

**STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023**

2023-012. **FINDING** (Noncompliance with Employee Training Requirements)

The Board of Higher Education (Board) failed to comply with employee training requirements.

During testing of 8 employees' initial and annual trainings that were due in the examination period, we noted:

- One (13%) employee completed initial ethics training 309 days late, and
- One (13%) employee completed initial harassment and discrimination prevention training 309 days late.

The State Officials and Employees Ethics Act (Act) (5 ILCS 430/5-10(c)) requires new employees to complete the initial ethics training within 30 days after commencement of their employment.

The Act (5 ILCS 430/5-10.5(a)) requires new employees to complete the harassment and discrimination prevention training within 30 days of commencement of their employment.

Board officials indicated these issues were caused by key employee turnover and oversight.

Failure to complete the ethics training may result in the employee not being made aware of specific ethical requirements. Harassment and discrimination prevention training provides education to allow employees to recognize harassment and discrimination and understand their rights and responsibilities. (Finding Code No. 2023-012)

RECOMMENDATION

We recommend the Board establish and implement monitoring procedures to ensure employees complete required training timely.

BOARD RESPONSE

The Board agrees with the finding. The Board has hired a General Counsel and Human Resource Director to ensure that staff training is completed in a timely manner.

**STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023**

2023-013. **FINDING** (Lack of Adequate Controls over the Review of Internal Controls for Service Providers)

The Board of Higher Education (Board) did not implement adequate internal controls over its service providers.

The Board utilized service providers for hosting services, software as a service, and timekeeping software.

During the prior examination, the Board had not obtained System and Organization Control (SOC) reports or conducted independent internal control reviews of the service providers.

During the current year examination, our testing indicated the Board had not:

- Reviewed two SOC reports of one (25%) service provider, and
- Adequately documented the assessment of the SOC report's deviations, Complementary User Entity Controls (CUECs), and subservice organizations for the four (100%) service providers.

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

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

Board officials indicated the conditions noted were due to Information Technology staff oversight.

Without having adequate review of SOC reports or another form of independent internal controls review, the Board does not have assurance the service providers' internal controls are adequate. (Finding Code No. 2023-013, 2021-009)

**STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023**

2023-013. **FINDING** (Lack of Adequate Controls over the Review of Internal Controls for Service Providers) (Continued)

RECOMMENDATION

We recommend the Board implement internal controls over its service providers. Specifically, we recommend the Board:

- Review all SOC reports to ensure the service providers' internal controls are adequate.
- Adequately document its assessment of the SOC report's deviation, operation of CUECs, and subservice organizations.
- Either obtain and review SOC reports for subservice organizations or perform alternative procedures to satisfy itself that the existence of the subservice organization would not impact its internal control environment.
- Document its review of the SOC reports and review all significant issues to ascertain if a corrective action plan exists and when it will be implemented, any impact to the Board, and any compensating controls.

BOARD RESPONSE

The Board agrees with the finding. The IT Department is creating internal control over its Service Providers.

**STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023**

2023-014. **FINDING** (Weaknesses in Preparation of GAAP Reporting)

The Board of Higher Education (Board) did not correctly report Assistance Listing Numbers (ALN) and federal grant financial information in the year-end Generally Accepted Accounting Principles (GAAP) Reporting Packages to the Office of Comptroller (Comptroller) and in the Schedule of Expenditures of Federal Awards (SEFA).

The Board did not correctly report ALN and federal grant financial information during Fiscal Year 2023. While performing agreed-upon procedures we noted the following:

- The ALN of Fund 983 SCO-568 did not agree to the ALN on the grant/interagency agreements. We noted 10 grant/interagency agreements with different ALNs.

The Statewide Accounting Management Systems (SAMS) (Procedure 27.20.68) contains detailed instructions for proper completion of the Form SCO-568.

- The ALN of Fund 983 SCO-563C did not agree to the ALN on the grant/interagency agreements. We noted 10 grant/interagency agreements with different ALNs.

SAMS (Procedure 27.20.63) contains detailed instructions for proper completion of the Form SCO-563C.

- The “Amount to Sub” column of ALN 84.425D of Fund 983 SCO-567 did not show the subrecipient amount of \$5,806,000 as listed on the SEFA.

SAMS (Procedure 27.20.67) contains detailed instructions for proper completion of the Form SCO-567.

- The ALN of Fund 983 SCO-563 did not agree to the ALN listed on the SEFA. The SCO-563 listed the ALN as 84.425 while the SEFA listed the ALN as 84.425C and 84.425D.

SAMS (Procedure 27.20.63) contains detailed instructions for proper completion of the Form SCO-563.

**STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023**

2023-014. **FINDING** (Weaknesses in Preparation of GAAP Reporting) (Continued)

- The expenditures and estimated receipts of Fund 983 SCO-563 did not agree to the Board’s supporting expenditure and receipts records by \$158,000 and \$229,000, respectively. These differences were identified by the Board through their internal review process; however, the SCO-563 form was not adjusted because the adjustments were not material as determined by the Office of Comptroller.

SAMS (Procedure 27.20.63) contains detailed instructions for proper completion of the Form SCO-563.

The Fiscal Control and Internal Auditing Act (FCIAA) (30 ILCS 10/3001) requires the Board to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that resources are utilized efficiently, effectively, and in compliance with applicable law and funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation.

Board officials indicated the exception was due to staff oversight when completing the SCO-563 prior to submitting the annual GAAP package.

Failure to submit correct and properly supported information to the Comptroller decreases the accuracy of federal information used for the Statewide SEFA. (Finding Code No. 2023-014, 2021-008)

RECOMMENDATION

We recommend the Board ensure accurate financial information is submitted to the Comptroller. Further, the Board should review and revise, as necessary, its current system to gather, compile, document, and review the financial information to be reported in the GAAP Reporting Package forms.

BOARD RESPONSE

The Board agrees with the finding. The Board will ensure that all financial information is accurate prior to submitting it to the Comptroller’s office and that information reconciles to the current year SEFA.

**STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023**

2023-015. **FINDING** (Inadequate Controls over Attendance Records)

The Board of Higher Education (Board) did not have adequate controls over its employee attendance records.

During testing of eight employees who required 23 weekly time sheets, 20 (87%) of the time sheets were completed 2 to 167 days late.

The State Officials and Employees Ethics Act (5 ILCS 430/5-5(c)) requires the Board's employees to periodically submit time sheets documenting the time spent each day on official State business to the nearest quarter hour.

Further, the Board's Personnel Policies (Documentation of Time Worked) requires its employees to report their time worked on State business for each work week and submit timesheets to their designated supervisor for approval.

Board officials indicated the exception was due to high staff turnover and oversight.

Failure to timely complete timesheets increases the risk of the Board paying for services not rendered by employees. (Finding Code No. 2023-015)

RECOMMENDATION

We recommend the Board strengthen its controls to ensure the employees timely submit timesheets documenting time worked on State business for each work week.

BOARD RESPONSE

The Board agrees with the finding. The Board has hired a Human Resource Director to ensure that staff is reporting their time on a weekly basis.

**STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023**

2023-016. **FINDING** (Failure to Enforce Compliance with Grant Agreements)

The Board of Higher Education (Board) did not enforce compliance with rules and regulations regarding the administration of State grants awarded.

We selected a sample of four of the Board’s grant programs active during Fiscal Year 2022 and Fiscal Year 2023 to test. These four grant programs resulted in 12 grant agreements between the Board and various entities. During our testing, we noted the following conditions:

- For 12 of 12 (100%) grant agreements tested, the agreements were not signed prior to the start of the grant period. The grant agreements were signed between 5 and 61 days late.

The Fiscal Control and Internal Auditing act (30 ILCS 10/3001) requires the Board to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that resources are utilized efficiently, effectively, and in compliance with applicable law. In addition, good business practices dictate that grant agreements should be agreed upon and signed by all parties prior to the start of the period covered by the grant agreement.

- We noted 10 of 48 (21%) quarterly reports tested were submitted 1 to 188 days late.

The grant agreements specified the quarterly reports should be submitted no later than 30 calendar days following the 3-month period covered by the report, specifically the required dates noted in Exhibit B of the agreement.

- We noted two of four (50%) audit reports tested were submitted 113 and 433 days late.

The grant agreement specified the audit report was to be submitted within the earlier of (i) 30 calendar days after receipt of the auditor’s report(s) or (ii) 6 months after the end of the Grantee’s audit period.

- Twenty-nine of 52 (56%) periodic and final financial reports tested did not contain the required certification by the grantee.

**STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023**

2023-016. **FINDING** (Failure to Enforce Compliance with Grant Agreements) (Continued)

The grant agreements required the following certification: “By signing this report (or payment request), I certify to the best of my knowledge and belief that the report (or payment request) is true, complete, and accurate; that the expenditures, disbursements and cash receipts are for the purposes and objectives set forth in the terms and conditions of the State or federal pass-through award; and that supporting documentation has been submitted as required by the grant agreement. I acknowledge that approval for any item or expenditure described herein shall be considered conditional subject to further review and verification in accordance with the monitoring and records retention provisions of the grant agreement. I am aware that any false, fictitious, or fraudulent information, or the omission of any material fact, may subject me to criminal, civil or administrative penalties for fraud, false statements, false claims or otherwise. (U.S. Code Title 18, Section 1001 and Title 31, Section 3729-3730 and 3810-3812).” Additionally, the Grant Accountability and Transparency Act (30 ILCS 708/120) requires all periodic and final financial reports, and all payment requests under the grant agreement to include the previously stated certification.

During the previous examination, Board officials indicated the COVID-19 pandemic and employee oversight limited operations being performed timely. During the current examination, Board officials indicated the exceptions were due to staff turnover.

Failure to ensure grant agreements are signed timely could result in improper use and payment of grant funds. Failure to enforce compliance with its grant agreements could impact the Board’s ability to monitor the grants properly. (Finding Code No. 2023-016, 2021-004, 2019-002)

RECOMMENDATION

We recommend the Board strengthen its internal controls to enforce compliance with rules and regulations regarding the administration of State grants awarded, including ensuring grant agreements are signed by all parties prior to the start of the grant periods and working with grantees to ensure required reports are submitted timely.

BOARD RESPONSE

The Board agrees with the finding. The Board has implemented policies and procedures to ensure grantee reports are aligned with the Grant Agreements.

**STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023**

2023-017. **FINDING** (Interagency Agreement not Signed Timely)

The Board of Higher Education (Board) did not ensure interagency agreement was signed timely.

During testing, we noted one of four (25%) interagency agreements was not signed by all parties prior to the effective date of the agreement. The agreement was signed 19 days after its effective date.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Board to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that resources are utilized efficiently and effectively and obligations and costs are in compliance with applicable laws. Good internal controls require the approval of agreements by both parties prior to each agreement's effective date.

Board officials indicated the delay in signing the agreement was due to competing priorities.

Failure to timely sign interagency agreements prevents all parties from timely assessing whether the agreement is reasonable and appropriate and increases the risk each party's responsibilities will not be properly or accurately documented prior to services being rendered. (Finding Code No. 2023-017)

RECOMMENDATION

We recommend the Board ensure interagency agreements are signed by all parties prior to the effective date of each agreement.

BOARD RESPONSE

The Board agrees with the finding. The Board has updated the contract template language to ensure that grants won't begin until the contract is fully executed. The template has been completed and utilized with all agreements in Fiscal Year 2024.

STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION
SCHEDULE OF FINDINGS – PRIOR FINDINGS NOT REPEATED
For the Two Years Ended June 30, 2023

A. **FINDING** (Noncompliance with the Board of Higher Education Act)

During the prior examination, the Board of Higher Education (Board) did not comply with the reporting and notification requirements of the Board of Higher Education Act (Act).

During the current compliance examination, our testing indicated improvement over compliance with the reporting and notification requirements of the Act; however, we continued to note certain immaterial conditions of noncompliance. As such, this matter was reported in the Board’s *Independent Accountant’s Report of Immaterial Findings*. (Finding Code No. 2021-011)

B. **FINDING** (Weaknesses in Contractual Services)

During the prior examination, the Board of Higher Education (Board) did not exercise adequate controls over contractual services.

During the current compliance examination, our testing indicated improvement in the Board’s listing of contract agreements and compliance over applicable contract certifications required by laws, rules and regulations. However, we continued to note certain immaterial conditions of noncompliance. As such, this matter was reported in the Board’s *Independent Accountant’s Report of Immaterial Findings*. (Finding Code No. 2021-001)