

**STATE OF ILLINOIS  
ILLINOIS STATE UNIVERSITY**

**COMPLIANCE EXAMINATION  
(In Accordance With the Single Audit Act  
and Applicable Federal Regulations)  
For the Year Ended June 30, 2019**

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



**State of Illinois  
Illinois State University  
Compliance Examination  
(In Accordance With the Single Audit Act and Applicable Federal Regulations)  
For the Year Ended June 30, 2019**

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**State of Illinois**  
**Illinois State University**  
**Compliance Examination**  
**(In Accordance With the Single Audit Act and Applicable Federal Regulations)**  
**For the Year Ended June 30, 2019**

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**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, 2019, 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, 2019, 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**

**Agency Officials  
For the Year Ended June 30, 2019**

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**University Officials**

Chair of the Board of Trustees (04/01/2019 – present)	Ms. Julie Annette Jones
Chair of the Board of Trustees (07/01/2018 – 03/31/2019)	Mr. Rocky Donahue
President	Dr. Larry Dietz
Vice President for Finance and Planning	Mr. Dan Stephens
Vice President for Academic Affairs and Provost	Dr. Jan Murphy
Vice President for Student Affairs	Dr. Levester Johnson
Vice President for University Advancement	Mr. Pat Vickerman
Comptroller	Mr. Doug Schnittker
Legal Counsel	Ms. Lisa Huson
Director – Internal Audit	Mr. Robert Blemler

**Board of Trustees**

Member	Ms. Julie Annette Jones
Member	Dr. Mary Ann Louderback
Member	Mr. Rocky Donahue
Member	Mr. Robert Dobski
Member	Ms. Sharon Rossmark
Member	Ms. Kathryn Bohn
Member	Mr. Robert Navarro
Student Member	Ms. Sarah Aguilar

**Office Locations**

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

February 4, 2020

RSM US LLP  
 Certified Public Accountants  
 20 North Martingale Road, Suite 500  
 Schaumburg, Illinois 60173

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, 2019. Based on this evaluation, we assert that during the year ended June 30, 2019, 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. The University has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the University are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the University on behalf of the State or held in trust by the University have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Yours truly,

Illinois State University

**SIGNED ORIGINAL ON FILE**

Dr. Larry Dietz, University President

**SIGNED ORIGINAL ON FILE**

Mr. Dan Stephens, Vice President for Finance and Planning

**SIGNED ORIGINAL ON FILE**

Ms. Lisa Huson, General Counsel

**State of Illinois  
Illinois State University**

**Compliance Report Summary  
For the Year Ended June 30, 2019**

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The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and the Illinois State Auditing Act.

**Accountant's Report**

The Independent Accountant's Report on State Compliance, on Internal Control over Compliance, and on Supplementary Information for State Compliance Purposes does not contain scope limitations or disclaimers, but does contain a modified opinion on compliance and identifies a material weakness in internal control over compliance.

**Summary of Findings**

<b><u>Number of</u></b>	<b><u>Current Report</u></b>	<b><u>Prior Report</u></b>
Findings	13	9
Repeated findings	4	3
Prior recommendations implemented or not repeated	5	4

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

<b>Item No.</b>	<b>Page</b>	<b>Last Reported</b>	<b>Description</b>	<b>Finding Type</b>
<b>Findings (Government Auditing Standards)</b>				
2019-001	16	2018	Information Security Weaknesses	Significant Deficiency
<b>Findings (Federal Compliance)</b>				
2019-002	18	New	Noncompliance with Special Tests and Provisions - Student Loan Repayment	Noncompliance and Significant Deficiency
2019-003	20	New	Noncompliance with Special Tests and Provisions - Student Financial Aid Information Security	Noncompliance and Significant Deficiency
<b>Findings (State Compliance)</b>				
2019-004	22	2018	Inadequate Control over Property and Equipment	Material Noncompliance and Material Weakness
2019-005	25	New	Weaknesses Regarding the Security and Control of Confidential Information	Noncompliance and Significant Deficiency
2019-006	27	New	Inadequate Business Continuity and Disaster Recovery Planning	Noncompliance and Significant Deficiency
2019-007	29	New	Inadequate Control over Training	Noncompliance and Significant Deficiency

**State of Illinois  
Illinois State University**

**Compliance Report Summary (Continued)  
For the Year Ended June 30, 2019**

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**Findings (State Compliance)**

<b>Item No.</b>	<b>Page</b>	<b>Last Reported</b>	<b>Description</b>	<b>Finding Type</b>
2019-008	31	2018	Noncompliance with the University Faculty Research and Consulting Act	Noncompliance and Significant Deficiency
2019-009	33	New	Noncompliance with Civil Service Requirements	Noncompliance and Significant Deficiency
2019-010	35	New	Failure to Conduct Performance Evaluations	Noncompliance and Significant Deficiency
2019-011	36	New	Untimely Report Submission to the Legislative Audit Commission	Noncompliance and Significant Deficiency
2019-012	37	New	Inadequate Control over Automobile Certifications	Noncompliance and Significant Deficiency
2019-013	38	2018	Noncompliance with the State Officials and Employees Ethics Act	Noncompliance and Significant Deficiency

In addition, the following finding which is reported as a current finding and questioned cost relating to *Government Auditing Standards* also meets the reporting requirements for State Compliance.

2019-001	16	2018	Information Security Weaknesses	Noncompliance and Significant Deficiency
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**Prior Findings Not Repeated**

A	39	2018	Inadequate Control over Accounting and Financial Reporting
B	39	2018	Noncompliance with Institutional Eligibility Requirements
C	39	2018	Noncompliance with Eligibility Requirements
D	39	2018	Noncompliance with the Student Transfer Achievement Reform Act
E	39	2018	Inadequate Controls over Procurement and Contracting Functions

**State of Illinois  
Illinois State University**

**Compliance Report Summary (Continued)  
For the Year Ended June 30, 2019**

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**Exit Conference**

The findings and recommendations appearing in this report were discussed with University personnel at an exit conference on January 15, 2020. Attending were:

**University:**

Dan Stephens	Vice President for Finance and Planning
Doug Schnittker	Comptroller
Erika Jones	Assistant Comptroller
Robert Blemler	Director – Internal Audit
Emily Duffield	Chief Accountant

**Office of the Auditor General:**

Daniel J. Nugent, CPA	Senior Audit Manager
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**RSM US LLP:**

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

The responses to the recommendations were provided by Ms. Erika Jones, Assistant Comptroller, in a correspondence dated January 10, 2020.

**Independent Accountant's Report on State Compliance, on  
Internal Control Over Compliance, and on Supplementary  
Information for State Compliance Purposes**

Honorable Frank J. Mautino  
Auditor General  
State of Illinois

and

Board of Trustees  
Illinois State University

**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, 2019. Management of the University is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the University's compliance with the specified requirements based on our examination.

The specified requirements are:

- A. The University has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The University has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.
- C. The University has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the University are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the University on behalf of the State or held in trust by the University have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Illinois State Auditing Act (Act), and the *Audit Guide*. Those standards, the Act, and the *Audit Guide* require that we plan and perform the examination to obtain reasonable assurance about whether the University complied with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether the University complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our 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.

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

Our examination disclosed material noncompliance with the following specified requirement applicable to the University during the year ended June 30, 2019. As described in the accompanying Schedule of Findings and Questioned Costs as item 2019-004, the University had not complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

In our opinion, except for the material deviation from the specified requirements described in the preceding paragraph, the University complied with the specified requirements during the year ended June 30, 2019, 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 and Questioned Costs as items 2019-001 and 2019-005 through 2019-013.

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

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.

### **Internal Control Over Compliance**

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the specified requirements (internal control).

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we did identify certain deficiencies in internal control that we consider to be a material weakness 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* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2019-004 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2019-001 and 2019-005 through 2019-013 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 and Questioned Costs. The University's responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on them.

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.

### **Supplementary Information for State Compliance Purposes**

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the business-type activities and the aggregate discretely presented component units of the University as of and for the year ended June 30, 2019 (not presented herein), and have issued our report thereon dated February 4, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to February 4, 2020. The accompanying supplementary information for the year ended June 30, 2019, in Schedules 1 through 14 is presented for the purposes of additional analysis and is not a required part of the basic financial statements of the University. Such information is the responsibility of University management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The accompanying supplementary information for the year ended June 30, 2019, in Schedules 1 through 14 has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the year ended June 30, 2019, in Schedules 1 through 14 is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2019.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the University's basic financial statements as of and for the year ended June 30, 2018 (not presented herein), and have issued our reports thereon dated November 30, 2018, which contained unmodified opinions on the respective financial statements of the business-type activities and the aggregate discretely presented component units. The accompanying supplementary information for the years ended June 30, 2018, in Schedules 3 through 6 is the responsibility of University management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2018, financial statements. The accompanying supplementary information for the year ended June 30, 2018, in Schedules 3 through 6 has been subjected to the auditing procedures applied in the audit of the June 30, 2018, basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or to those basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the year ended June 30, 2018, in Schedules 3 through 6 is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2018.

The accompanying supplementary information in the Analysis of Operations Section is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**SIGNED ORIGINAL ON FILE**

Schaumburg, Illinois  
February 4, 2020



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

RSM US LLP

Honorable Frank J. Mautino  
Auditor General  
State of Illinois

and

Board of Trustees  
Illinois State University

**Report on the Financial Statements**

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of the Illinois State University (University), collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and we have issued our report thereon dated February 4, 2020. Our report includes a reference to other auditors who audited the financial statements of the aggregate discretely presented component units, as described in our report on the University's financial statements. This report does not include the results of other auditors' testing of internal control over financial reporting (internal control) or compliance and other matters that are reported on separately by those auditors.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the University's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2019-001 that we consider to be a significant deficiency.

### **University's Response to the Finding**

The University's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The University's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

**SIGNED ORIGINAL ON FILE**

Schaumburg, Illinois  
February 4, 2020



RSM US LLP

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

Honorable Frank J. Mautino  
Auditor General  
State of Illinois

and

Board of Trustees  
Illinois State University

**Report on Compliance for Each Major Federal Program**

As Special Assistant Auditors for the Auditor General, we have audited compliance by the Illinois State University (University) with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2019. The University's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

**Opinion on Each Major Federal Programs**

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have direct and material effect on each of its major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2019.

## Other Matters

The results of our auditing procedure disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2019-002 and 2019-003. Our opinion on each major federal program is not modified with respect to this matter.

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

## Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as items 2019-002 and 2019-003, that we consider to be significant deficiencies.

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

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

## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the business-type activities and the aggregate discretely presented component units of the University as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated February 4, 2020, which contained an unmodified opinion on those financial statements. Our report includes a reference to other auditors, who audited the financial statements of the University's discretely presented component units, as described in our report on the University's financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

**SIGNED ORIGINAL ON FILE**

Schaumburg, Illinois  
February 4, 2020

**State of Illinois  
Illinois State University**

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2019**

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**Summary of Auditor's Results**

**Financial Statements**

**Financial Statements**

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

Unmodified

The independent auditors' report on internal control over financial reporting disclosed:

- Significant deficiency(ies) identified that are not considered to be material weakness(es)?   X   Yes        None Reported
- Material weakness(es) identified?        Yes   X   No

Noncompliance considered material to financial statements was disclosed by the audit?

       Yes   X   No

**Federal Awards**

The independent auditors' report on internal control over compliance for major federal awards programs disclosed:

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

Type of auditors' report issued on compliance for major programs:

Various Federal Agencies – Student Financial Assistance Cluster	Unmodified
Various Federal Agencies – Research and Development Cluster	Unmodified
U.S. Department of Education – Teacher Quality Partnership Grants	Unmodified
U.S. Department of Health and Human Services – Advanced Nursing Education Workforce Grant Program	Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 C.F.R. § 200.516(a)?

  X   Yes        No

Identification of major programs:

<b><u>Name of Federal Program or Cluster</u></b>	<b><u>CFDA Number</u></b>
Student Financial Assistance Cluster	84.007, 84.033 84.038, 84.063 84.268, 84.379 93.364
Research and Development Cluster	Various
Teacher Quality Partnership Grants	84.336
Advanced Nursing Education Workforce Grant Program	93.247

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

The University qualified as low-risk auditee?

       Yes   X   No

**State of Illinois  
Illinois State University**

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2019**

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**Current Finding – Government Auditing Standards**

**Finding 2019-001 Information Security Weaknesses**

The Illinois State University (University) had 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 information security-related weaknesses:

- While the University had formed the Office of Identity and Access Management (OIAM), the new OIAM had not finalized its drafting of policies and procedures related to user access management, including ensuring the policies and procedures (1) reflect the University's current environment and (2) address future changes in processes and new systems.
- The University had not conducted access reviews of all system administrators and processes, including those users with access to the University's primary financial system.
- The University was not enforcing its password change requirements for all users.

Generally accepted information systems audit guidance endorses the development of computer security policies that adequately address the current technological environment and well-designed and well-managed controls to protect computer systems and data. Further, 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 funds, property, and resources are safeguarded against waste, loss, unauthorized use, and misappropriation.

University officials indicated the final resolution of these matters will require significant time and effort over a long period of time, especially given the complexity of the University's systems and the need to consult with multiple parties across campus as part of the University's shared governance structure.

Failure to maintain documented access provisioning policies, formally review access, and enforce periodic password changes could result in unauthorized access and modification to the University's systems. (Finding Code No. 2019-001, 2018-002)

**Recommendation**

We recommend the University implement adequate security, including:

- finalizing the policies and procedures related to user access management to (1) reflect the University's current environment and (2) address future changes in processes and new systems;
- finalizing the corrective action plan by ensuring all required access reviews are performed, documented, and cover all users, including system administrators; and,
- ensuring password requirements comply with policies and are consistently enforced to all users.

**State of Illinois  
Illinois State University**

**Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended June 30, 2019**

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**Current Finding – *Government Auditing Standards***

**Finding 2019-001      Information Security Weaknesses (Continued)**

**University Response**

The University will continue to develop OIAM policies and procedures, as well as continue to expand password enforcement to all systems and services under University control.

**State of Illinois  
Illinois State University**

**Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended June 30, 2019**

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**Current Finding – Federal Compliance**

**Finding 2019-002      Noncompliance with Special Tests and Provisions – Student Loan Repayment**

**Federal Agency:** Department of Education  
**Program Name:** Student Financial Assistance Cluster  
**CFDA Numbers:** 84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 93.364  
**Program Expenditures:** \$140,824,735  
**Questioned Costs:** None

The Illinois State University (University) did not meet student loan repayment requirements for students awarded a Nursing Student Loan (NSL).

During testing of 25 loans with a total outstanding balance of \$98,334 at June 30, 2019, we identified the following problems:

- Five of 25 (20%) students, with a total balance of \$32,864, were not classified and reported by the University as graduates, which resulted in these students not beginning repayment on their loans within nine months of their graduation date.

University officials indicated, when performing a routine annual review of these balances on July 1, 2019, they noted this human error and corrected it. Due to this error, these students had not yet completed their exit counseling and the University decided to run each student's nine-month grace period from this date.

- Four of 25 (16%) students, with a total balance of \$15,919, were not provided exit counseling upon their graduation by the University.

University officials indicated these students did not have their exit counseling completed due to a system conversion issue with its third-party service provider.

The Code of Federal Regulations (Code) (42 C.F.R. § 57.310(a)) states each NSL is repayable in equal or graduated installments over a 10-year period, with repayment beginning no later than nine months after the student ceases to be a student. In addition, the Code (42 C.F.R. § 57.310(b)(1)) requires the University to exercise due diligence in the collection of these NSLs by (1) conducting and documenting an exit interview with the borrower if the University had advance notice the student was leaving the University or documenting attempts to notify the borrower of the substance of the exit interview if the student terminated their association with the University without advance notice and (2) notifying the borrower, in writing, twice during the nine-month grace period of the impending start of the loan's repayment period.

Further, the Code (2 C.F.R. § 200.303(a)) requires the University establish and maintain effective internal control over federal awards to provide reasonable assurance the University is managing its federal awards in compliance with federal statutes, regulations, and terms and conditions applicable to a specific grant.

**State of Illinois  
Illinois State University**

**Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended June 30, 2019**

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**Current Finding – Federal Compliance**

**Finding 2019-002      Noncompliance with Special Tests and Provisions – Student Loan  
Repayment (Continued)**

Failure to identify graduated students and timely begin the NSL repayment process delayed collection of NSLs, represents noncompliance with the Code, and may result in increased levels of uncollectible amounts as these NSL loans age beyond the usual lifetime of an NSL. Further, failure to perform exit counseling may result in borrowers not being aware of the repayment process and their rights and responsibilities associated with NSLs. Finally, noncompliance with the Code could impact the University's institutional eligibility under the NSL Program. (Finding Code 2019-002)

**Recommendation**

We recommend the University implement controls to ensure all students with an NSL who graduate or separate from the University are promptly identified and properly classified for loan repayment purposes. Further, the University should implement controls to ensure all students with an NSL who graduate or separate from the University receive exit counseling in accordance with the Code.

**University Response**

The University has changed its process from reviewing enrolled students on an annual basis to reviewing enrolled students at the end of each semester to capture new graduates and students that have exited the program.

The University will wait 10 days after submitting the separated students for each semester to verify that exit counseling is available on the third-party vendor's website. Then, the University will print and file each exit counseling in the borrower's promissory note file.

**State of Illinois  
Illinois State University**

**Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended June 30, 2019**

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**Current Finding – Federal Compliance**

**Finding 2019-003            Noncompliance with Special Tests and Provisions – Student Financial Aid Information Security**

**Federal Agency:**                    Department of Education  
**Program Name:**                    Student Financial Assistance Cluster  
**CFDA Numbers:**                    84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 93.364  
**Program Expenditures:**            \$140,824,735  
**Questioned Costs:**                    None

The Illinois State University (University) did not meet federal risk assessment requirements for its student financial aid information.

The Federal Trade Commission considers higher education institutions participating in the U.S. Department of Education’s Title IV educational assistance programs to be financial institutions subject to its regulations adopted pursuant to the Financial Services Modernization Act of 1999 (Public Law 106-102). Under the University’s Program Participation Agreement with the U.S. Department of Education, the University must protect student financial aid information, which includes complying with the Federal Trade Commission’s risk assessment requirements adopted under the authority of Public Law 106-102 codified within the Code of Federal Regulations (Code) (16 C.F.R. § 314.4).

During testing, we noted the University had not completed its formal risk assessment as of June 30, 2019. Additionally, as the formal risk assessment had not been completed, the University had not implemented safeguards to control risks identified through the risk assessment and regularly monitored the effectiveness of the safeguards’ key controls, systems, and procedures.

The Code (16 C.F.R. § 314.4(b)) requires the University develop, implement, and maintain the University’s information security program over student financial aid information by identifying reasonably foreseeable internal and external risks to the security, confidentiality, and integrity of information that may result in the unauthorized disclosure, misuse, alteration, destruction, or other compromise of the information and then assessing the sufficiency of any safeguards in place to control these risks. Additionally, the Code (16 C.F.R. § 314.4(c)) requires the University design and implement information safeguards to control the risks identified in the risk assessment and regularly test or otherwise monitor the effectiveness of the safeguards’ key controls, systems, and procedures. Finally, the Code (16 C.F.R. § 314.4(e)) requires the University evaluate and adjust its information security program (1) in light of the results of its testing and monitoring process, (2) when material changes to the University’s operations or business arrangements occur, or (3) when University management has reason to know circumstances exist that may have a material impact on the University’s information security program.

Further, the Code (2 C.F.R. § 200.303(a)) requires the University establish and maintain effective internal control over federal awards to provide reasonable assurance the University is managing its federal awards in compliance with federal statutes, regulations, and terms and conditions applicable to a specific grant.

University officials indicated that the scope and complexity of completing a formal risk assessment far exceeded initial estimates of staff time and resources assigned to fully complete it prior to the end of the fiscal year.

**State of Illinois  
Illinois State University**

**Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended June 30, 2019**

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**Current Finding – Federal Compliance**

**Finding 2019-003      Noncompliance with Special Tests and Provisions – Student Financial Aid  
Information Security (Continued)**

Failure to complete a formal risk assessment and evaluate safeguards increases the likelihood information security weaknesses will not be timely identified and corrected in the normal course of the University's operations. Further, noncompliance with the Code could impact the University's eligibility to participate in student financial assistance programs. (Finding Code 2019-003)

**Recommendation**

We recommend the University complete its formal risk assessment process over its student financial aid information. Further, the University should develop and implement safeguards to mitigate risks identified through the risk assessment process and monitor the effectiveness of these safeguards in accordance with the Code.

**University Response**

University staff did complete an initial risk assessment; however, given the project's overall complexity and personnel resource constraints, there was insufficient time to present the draft report findings to University management by the end of the fiscal year on June 30, 2019.

An executive summary report is currently under development by IT leadership, with input and support from Internal Audit, for presentation to the University's leadership during Fiscal Year 2020 with action steps planned for risk mitigation going forward. University management will determine the frequency of subsequent risk assessments, focusing higher priorities on high to medium risk areas, as part of their ongoing risk mitigation efforts in this area.

**State of Illinois  
Illinois State University**

**Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended June 30, 2019**

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**Current Findings – State Compliance**

**Finding 2019-004      Inadequate Control over Property and Equipment**

The Illinois State University (University) lacked control over its property and equipment records used for State compliance reporting.

During testing, we noted the University's property records and systems had certain internal control problems that hindered our ability to conclude the University's property records used for State compliance reporting were sufficiently complete and accurate. We noted the following:

- During testing of 40 deleted equipment items, we noted two items (5%), an uninterruptable power supply with an original cost of \$19,356 and a sound and video system with an original cost of \$22,187, had the date of the asset's deletion changed within the University's records from May 2013 and April 2017, respectively, to October 2018. In following up on this exception with University officials, they determined:
  - the University's system retaining its property records was improperly designed to allow its property control personnel to overwrite entries;
  - the University was using an improper date for when an asset is disposed of by the University, as property control personnel were recording the date they "deleted" an asset from the University's records as the date when the item was placed onto a wooden pallet and shrink-wrapped for transfer to the Department of Central Management Services (CMS), but not when CMS actually took physical custody of the asset; and,
  - the University had several pallets of items that had been shrink-wrapped over the past several years that had not been picked up by CMS; these items should have remained an asset of the University until picked up by CMS.

The University performed an analysis of the 93 capital assets, with an original cost of \$1,366,404 and associated accumulated depreciation of \$1,364,017 at June 30, 2019, on these pallets and determined the beginning net position, capital assets, accumulated depreciation, and depreciation expense accounts were not materially misstated within the University's Fiscal Year 2019 financial statements. However, the University did not determine the total value of non-capitalizable items on these pallets for inclusion within the University's *Schedule of State Property* within this report on page 49.

- We were unable to agree the University's deletions reports to its quarterly *Agency Report of State Property* (Form C-15s) filed with the Office of the State Comptroller during Fiscal Year 2019. We noted an unreconcilable difference of \$101,142. In following up on this exception with University officials, they determined the deletions data provided to us was determined by a date-defined system query which does not represent actual disposals or journal entry postings to record a deleted item.

State of Illinois  
Illinois State University

Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended June 30, 2019

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Current Findings – State Compliance

Finding 2019-004      Inadequate Control over Property and Equipment (Continued)

Due to these conditions, we were unable to conclude whether the University's population records used for State compliance reporting were sufficiently precise and detailed under the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.35) to test the University's equipment. In addition, due to these limitations, we were unable to conclude the University's *Schedule of Changes in State Property* on page 49 was complete and appropriately reported. **Even given the population limitations noted above which hindered our ability to conclude whether selected samples were representative of the population as a whole**, we performed additional testing and noted the following:

- The University's Form C-15 for the fourth quarter of Fiscal Year 2019 understated the beginning balance of total assets by \$3,516,892.

The Statewide Accounting Management System (SAMS) (Procedure 29.10.30) states the Form C-15 reports the total cost of property and reconciles the beginning balance of property to the ending balance.

University officials indicated the error was due to employee oversight.

- During testing of 80 equipment items across the University, we noted the following:
  - One item (1%), a goniometer totaling \$119,900, was unable to be located and the University did not have any records to support the item had been disposed of by the University.

The State Property Control Act (30 ILCS 605/4) notes the University President is accountable to CMS' Director for supervision, control, and inventory of all property under his jurisdiction. Further, 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.

- One item (1%), a computer totaling \$763, was obsolete and had not been identified as transferable equipment.

The Illinois Administrative Code (Code) (44 Ill. Admin. Code 5010.620) requires the University regularly survey its inventory and report all equipment no longer needed or useful as transferable equipment to CMS.

- Four items (5%) were not properly tagged. We noted two items – a \$6,650 harpsicord and a \$3,300 drawing – without a tag and two items – a \$19,045 truck and a \$7,000 photograph – where the tag did not match the University's records.

The Code (44 Ill. Admin. Code 5010.210(c)) requires the University tag all items with a net asset value of \$1,000 or more with the University's inventory decal or indelible mark.

**State of Illinois  
Illinois State University**

**Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended June 30, 2019**

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**Current Findings – State Compliance**

**Finding 2019-004      Inadequate Control over Property and Equipment (Continued)**

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.

University officials indicated these errors were due to employee oversight.

Failure to ensure accuracy of property and equipment records could result in errors or other irregularities not being timely identified, additional and unnecessary equipment expenditures, inaccurate capital asset balances within the University's financial statements, inaccurate State compliance reporting over property and equipment, and represents noncompliance with State laws and regulations. (Finding Code 2019-004, 2018-006)

**Recommendation**

We recommend the University implement corrective action to ensure data changes within its property records cannot be performed without adequate review and approval, assets are recorded as transferred on the date an item is physically delivered to the custody of CMS, and work with CMS to either transfer the accumulated backlog of shrink-wrapped pallets or dispose of the items. Further, the University should implement controls to ensure deleted items are promptly entered in the University's accounting and property records and the quarterly Form C-15 reports agree with these entries. In addition, the University should conduct an inventory to identify and tag equipment items with a net asset value of \$1,000 or more in service at the University. Finally, the University should conduct a diligent search for the missing goniometer to determine if it was lost or stolen and report the matter to the appropriate authorities.

**University Response**

The University will work to ensure proper data entry in the accounting system and improve procedures over disposals. In addition, the University will continue to work with departmental inventory stewards to ensure that items are properly tagged and inventoried on an annual basis.

**State of Illinois  
Illinois State University**

**Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended June 30, 2019**

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**Current Findings – State Compliance**

**Finding 2019-005      Weaknesses Regarding the Security and Control of Confidential Information**

The Illinois State University (University) had not finalized a comprehensive University-wide risk assessment and experienced seven computers without encryption go missing during Fiscal Year 2019.

The University maintains a substantial amount of personal and confidential information, including social security numbers and educational records, on its computer systems and on paper.

During testing, we noted the following:

- The University had not completed its University-wide risk assessment, including data in paper and electronic media. Confidential, sensitive, and personally identifiable information collected and maintained by the University should be adequately secured at all times. As such, it is the University's responsibility to ensure procedures for safeguarding confidential information have been developed, effectively communicated to all personnel, and continually enforced.

Generally accepted information technology guidance endorses the development of well-designed and well-managed controls to protect computer systems and data. Effective computer security controls provide for safeguarding, securing, and controlling access to hardware, software, and the information stored in the University's computerized systems. Further, good internal controls over paper media include ensuring the protection of sensitive and confidential records.

University officials indicated they are in the process of working on a formal risk assessment.

- University officials disclosed six missing computer incidents during Fiscal Year 2019.
  - One laptop was lost at a major international airport and included certain department-level operational data. The University conducted a data sensitivity assessment after the device was lost, finding a "breach of the security of the system data" had not occurred. The University determined a function of the laptop allowed it to remotely block usage of the laptop if the device was turned on, provided the machine was able to access an internet connection; however, this functionality would not protect the data on the laptop if the laptop did not have access to an internet connection after it was lost. Further, the notification requirements of the Personal Information Protection Act (Act) could have been avoided if encryption was deployed on the device.

The Act (815 ILCS 530/12(a)) requires the University to notify a resident of the State at no charge if there has been a breach of the security of system data or written material following discovery or notification of the breach in the most expedient time possible and without unreasonable delay.

**State of Illinois  
Illinois State University**

**Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended June 30, 2019**

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**Current Findings – State Compliance**

**Finding 2019-005      Weaknesses Regarding the Security and Control of Confidential Information (Continued)**

- Five laptops were lost where a data sensitivity assessment was completed after each device was lost indicating a risk existed that personal and/or confidential information stored on the device was exposed. While the University took appropriate resident notification procedures in accordance with the Act, the notifications and resulting use of University resources could have been avoided if encryption was deployed on these devices.

The Act (815 ILCS 530/5) excludes encrypted information from the definition of personal information. Good internal controls over information security include deploying methods to protect personal and confidential information in the event of a lost or stolen machine, including the use of encryption technologies.

University officials indicated additional resources are needed to deploy encryption across campus.

Failure to perform a comprehensive risk assessment to ensure confidential and personally identifiable information is adequately protected could result in identity theft or other unintended use. Further, failure to ensure data on computers is secured through encryption exposes the State and the University to potential litigation and reputation risks and could result in identity theft among persons served by the University. (Finding Code No. 2019-005)

**Recommendation**

We recommend the University confirm all departments are aware of results of University-wide risk assessment and ensure adequate security controls, including adequate physical and logical access restrictions, have been established to safeguard data and resources.

**University Response**

The University will communicate the University-wide risk assessment results. The University will begin to include a component of paper risk assessment in future risk assessment activities. The University will continue to explore and incorporate Mobile Device Management capabilities and drive encryption on all mobile devices.

**State of Illinois  
Illinois State University**

**Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended June 30, 2019**

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**Current Findings – State Compliance**

**Finding 2019-006      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 following problems:

- The University's baseline business continuity plan has not been completely established, including specific departmental procedures.
- 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.

Information technology guidance (including the National Institute of Standards and Technology and the Government Accountability Office) endorses adequate development and formal testing of disaster contingency plans. An adequately developed and tested contingency plan would assist the University in ensuring its plans, procedures, and available resources are reasonably capable of recovering all of the University's critical systems.

University officials indicated the University's decentralized structure requires various units to establish individual business continuity and disaster contingency plans, while the University's Emergency Management Department is responsible for coordinating the University's overall plan. Given the shared governance structure of campus, it will take additional time and resources to complete a University-wide business continuity and disaster contingency planning process.

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. 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, the plans should be (1) tested annually and updated where necessary based upon the test results and (2) distributed to appropriate personnel, with copies of the plans stored off-site.

**State of Illinois  
Illinois State University**

**Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended June 30, 2019**

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**Current Findings – State Compliance**

**Finding 2019-006      Inadequate Business Continuity and Disaster Recovery Planning  
(Continued)**

**University Response**

The University continues to further advance its business continuity and disaster recovery plans across the University.

Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended June 30, 2019

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Current Findings – State Compliance

**Finding 2019-007      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 the following:

- Six of 15 (40%) new employees tested lacked evidence to support the employee had completed training on their responsibilities under the Abused and Neglected Child Reporting Act (ANCRA) and had signed a statement acknowledging their knowledge and understanding of ANCRA prior to the employee commencing employment at the University. ANCRA (325 ILCS 5/4(a)(4)) requires personnel of higher education institutions, when they have reasonable cause to believe a child known to them in their professional or official capacities may be an abused or neglected child, immediately report the case to the Department of Children and Family Services (DCFS).

ANCRA (325 ILCS 5/4(i)) requires any person entering into employment where ANCRA mandates reporting sign a statement on a form prescribed by DCFS acknowledging their knowledge and understanding of ANCRA prior to beginning employment, which must be retained by the employer.

University officials indicated these exceptions were due to employee oversight.

- Three of three (100%) employees with access to social security numbers (SSNs) in the course of their employment did not have 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].”

University officials indicated the University had not developed training for individuals using or handling SSNs due to oversight.

- Seven of 15 (47%) new employees did not timely complete their initial ethics and sexual harassment prevention trainings. Five of these employees did not complete their training until the next annual training window for all of the University’s employees and two of these employees completed their initial training six and seven days late.

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

**State of Illinois  
Illinois State University**

**Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended June 30, 2019**

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**Current Findings – State Compliance**

**Finding 2019-007      Inadequate Control over Training (Continued)**

University officials indicated the initial training for employees hired in the first half of Fiscal Year 2019 was not conducted as the University was in a transition period to a new training system which affected five of the employees and the other two employees were late due to oversight.

Failure to ensure employees receive timely training represents noncompliance with State laws and regulations, increases the risk abused and neglected children will not be reported to DCFS, decreases awareness of SSN protection, ethics, and sexual harassment prevention efforts, and could result in employees being unaware of their responsibilities under ANCRA, the Identity Protection Act, and SOEEA. (Finding Code No. 2019-007)

**Recommendation**

We recommend the University ensure its new employees timely complete training requirements in accordance with ANCRA, the Identify Protection Act, and SOEEA.

**University Response**

The University will ensure that employees complete required training in accordance with applicable statutes.

**State of Illinois  
Illinois State University**

**Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended June 30, 2019**

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**Current Findings – State Compliance**

**Finding 2019-008      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 2019, faculty members reported 124 instances of outside employment to the University Provost. During testing, we noted the following:

- 33 of 124 (27%) 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 one to 219 days late.
- 60 of 124 (48%) instances had Form PERS 927 approved by the University's Provost between one to 223 days late.
- 55 of 117 (47%) instances did not have the *Annual Report of Secondary/Outside Employment* (Form PERS 928) submitted by the faculty member by the deadline of August 31, 2019. The total number of cases was reduced to reflect seven employees who resigned or retired prior to the due date of the Form PERS 928.
- 23 of 117 (20%) instances had the Form PERS 928 submitted by the faculty member to the Provost during September 2019, which reduced the amount of time available for review and approval by the faculty member's department chair and dean prior to receiving final approval from the Provost by September 30, 2019. The total number of cases was reduced to reflect seven employees who resigned or retired prior to the due date of the Form PERS 928.

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:

- a) has submitted a request to the University President, or designee, which includes an estimate of the amount of time involved;
- b) received the prior written approval of the University President, or designee, to perform the outside research or consulting services; and,
- c) 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 President has designated the University's Provost as his designee for approvals and recordkeeping.

**State of Illinois  
Illinois State University**

**Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended June 30, 2019**

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**Current Findings – State Compliance**

**Finding 2019-008      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.

University officials indicated these conditions were due to employee oversight.

Failure to ensure faculty members with outside research, consulting services, or employment obtain written pre-approval from the University Provost and file annual reports with the University 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. (Finding Code No. 2019-008, 2018-007, 2017-005, 2016-003, 2015-002, 2014-003, 2013-005, 12-5)

**Recommendation**

We recommend the University Provost 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 assess the faculty research and consulting approval process. Modifications are being made to ensure more timely approvals and annual disclosures of outside research, consulting, and employment activities.

**State of Illinois  
Illinois State University**

**Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended June 30, 2019**

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**Current Findings – State Compliance**

**Finding 2019-009      Noncompliance with Civil Service Requirements**

The Illinois State University (University) did not consistently comply with provisions of the State Universities Civil Service Act (Act) and related regulations.

During testing, we noted the following:

- The University did not notify the Executive Director of the University Civil Service Merit Board (Board) of a position to be filled covered by the State Universities Civil Service System (System).

The Act (110 ILCS 70/36h) requires the University, when it has a position to be filled covered by the System, inform the Executive Director of the Board.

- The University did not notify the Executive Director of the Board of the individual selected among three potential candidates for a position to be filled covered by the System.

The Act (110 ILCS 70/36h) requires the University, after selecting one of the three candidates provided by the Executive Director of the Board, notify the Executive Director of the Board of the selection.

- The University did not maintain a public and current seniority list, which includes the names of all status employees in each class by seniority.

The Illinois Administrative Code (80 Ill. Admin. Code 250.120(c)) requires the University to maintain a public and current seniority listing, including the names of all status employees in each class in order of seniority.

University officials indicated the Board performs an audit every two years to ensure the University is compliant with the Act in lieu of requiring certification for every new hire. Further, they stated failure to publicly post the seniority list was due to oversight.

Failure to comply with the statutory process for hiring employees in a position to be filled under the jurisdiction of the System represents noncompliance with State law and hinders the oversight functions of the Board as intended by the General Assembly. Further, failure to maintain a public and current seniority list of status employees represents noncompliance with State regulations and may result in interested parties not having access to the seniority listing. (Finding Code No. 2019-009)

**Recommendation**

We recommend the University notify the Executive Director of each position needed to be filled and the individual ultimately selected for the position, or work with the Board to seek a legislative remedy. Further, the University should publicly post its current seniority listing, including the names of all status employees in each class in order of seniority.

**State of Illinois  
Illinois State University**

**Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended June 30, 2019**

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**Current Findings – State Compliance**

**Finding 2019-009      Noncompliance with Civil Service Requirements (Continued)**

**University Response**

The University will work with the Board to ensure that the University is meeting the requirements of the Act.

**State of Illinois  
Illinois State University**

**Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended June 30, 2019**

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**Current Findings – State Compliance**

**Finding 2019-010      Failure to Conduct Performance Evaluations**

The Illinois State University (University) did not consistently conduct performance evaluations of its civil service employees.

During testing of 40 employees, we noted 18 of those employees were civil service employees required to have, at least, one performance evaluation during Fiscal Year 2019. We noted 10 of 18 (56%) tested civil service employees did not have a performance evaluation during Fiscal Year 2019.

University Policy 3.6.4 requires completion of performance appraisals every three months during the employee's probationary period and annually thereafter on the employee's anniversary date in their classification.

University officials indicated performance evaluations are not standardized or required throughout the University.

Employee performance evaluations are a systematic and uniform approach for the development of employees and the communication of performance expectations to employees. Employee performance evaluations should serve as a foundation and documentation for salary adjustments, promotions, demotions, discharges, layoff, recall, or reinstatement decisions. Without completion of employee performance evaluations, employees would not be provided with formal feedback or assessment of their performance and areas for improvement and the current year's performance goals and objectives may not be identified and communicated. (Finding Code No. 2019-010)

**Recommendation**

We recommend the University ensure its civil service employees receive appraisals in accordance with University Policy 3.6.4.

**University Response**

The University is working towards improving the performance evaluation process in accordance with University policy.

**State of Illinois  
Illinois State University**

**Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended June 30, 2019**

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**Current Findings – State Compliance**

**Finding 2019-011      Untimely Report Submission to the Legislative Audit Commission**

The Illinois State University (University) did not timely file its travel headquarters report (Form TA-2) with the Legislative Audit Commission (LAC).

During testing, we noted the Form TA-2 report for the first half of Fiscal Year 2019 was filed 133 days late with the LAC on May 28, 2019. The University reported 182 officers and employees whose official headquarters was other than the location where they spend the largest part of their working time.

The State Finance Act (30 ILCS 105/12-3) requires the University to file a report for “all of its officers and employees for whom official headquarters have been designated at any location other than that at which their official duties require them to spend the largest part of their working time” by January 15 for the reporting period from July 1 through December 31 of the preceding year.

University officials indicated the late filing was due to employee oversight.

Failure to timely file this biannual report limits legislative oversight and represents noncompliance with the State Finance Act. (Finding Code No. 2019-011)

**Recommendation**

We recommend the University implement controls to provide assurance its Form TA-2 reports are filed timely with the LAC.

**University Response**

The University will review controls to ensure that reports are filed in a timely manner.

**State of Illinois  
Illinois State University**

**Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended June 30, 2019**

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**Current Findings – State Compliance**

**Finding 2019-012      Inadequate Control over Automobile Certifications**

The Illinois State University (University) did not always require an annual certification from its employees who are allowed personal use of a University-sponsored vehicle.

During testing of 27 employees allowed the "personal use" of University-sponsored vehicle, we noted the following:

- Five (19%) employees either did not submit or the University did not retain the employee's annual certification for Fiscal Year 2019.
- Two (7%) employees submitted their annual certification for Fiscal Year 2019 seven and 30 days late.

The Illinois Vehicle Code (625 ILCS 5/7-601) requires University employees assigned a specific vehicle on an ongoing basis that is either owned or leased by the State to affirm the driver is licensed and either (1) maintains liability insurance coverage extending to the assigned vehicle when in use for other than official State business or (2) has filed a sufficient bond with the Secretary of State to the University President annually during the month of July and thereafter then changes to the vehicle assignment occur.

Further, the State Records Act (5 ILCS 160/8) requires the University President to make and preserve adequate and proper records of the functions, procedures, and essential transactions of the University to protect the legal and financial rights of the State and of persons directly affected by the University's activities.

University officials indicated the errors were due to a staffing issue, employee oversight, and recordkeeping problems.

Failure to file the certification requirement annually and in a timely manner represents noncompliance with State laws and increases the risk of the University incurring an avoidable cost related to potential accidents involving unlicensed/uninsured drivers. (Finding Code 2019-012)

**Recommendation**

We recommend the University implement controls to ensure all employees submit annual certifications for personal use of University vehicles.

**University Response**

The University will review controls to ensure the certification is completed accurately and on a timely basis.

**State of Illinois  
Illinois State University**

**Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended June 30, 2019**

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**Current Findings – State Compliance**

**Finding 2019-013      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 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.

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.

University officials indicated 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 employees on official State business as contemplated by the Act. (Finding Code No. 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.

**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2019**

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**Prior Findings Not Repeated**

**A. Finding – Inadequate Control over Accounting and Financial Reporting**

During the previous audit, the Illinois State University (University) did not ensure certain transactions were properly reported within the University's financial statements.

During the current audit, our sample testing indicated the University capitalized retainage and asset additions in the proper fiscal year. (Finding Code No. 2018-001, 2017-003)

**B. Finding – Noncompliance with Institutional Eligibility Requirements**

During the previous audit, the Illinois State University (University) did not meet certain reporting requirements to the Secretary of the U.S. Department of Education (Department).

During the current audit, the University received a Final Audit Determination letter from the Department indicating the Department's Secretary does not consider a change in governance at public institutions to be a reporting requirement. (Finding Code No. 2018-003)

**C. Finding – Noncompliance with Eligibility Requirements**

During the previous audit, the Illinois State University (University) did not timely report status changes in student enrollment to the U.S. Department of Education (Department) on the National Student Loan Data System for Students (NSLDS).

During the current audit, our sample testing indicated the University timely reported status changes in student enrollment to the Department NSLDS. (Finding Code No. 2018-004)

**D. Finding – Noncompliance with the Student Transfer Achievement Reform Act**

During the previous examination, the Illinois State University (University) did not fully implement the Student Transfer Achievement Reform Act.

During the current examination, our testing indicated the University entered into an agreement with the Board of Higher Education to exempt majors which require more than 120 credit hours to graduate from the requirements of the Act. (Finding Code No. 2018-005)

**E. Finding – Inadequate Controls over Procurement and Contracting Functions**

During the previous examination, the Illinois State University (University) did not exercise adequate internal controls over its procurement and contracting functions, including circumventing competitive selection requirements.

During the current examination, our sample testing did not indicate any instances where the University circumvented competitive selection requirements and indicated improvement in other required contractual disclosures. However, we continued to note certain smaller, immaterial conditions of noncompliance as further described in the University's *Independent Accountant's Report of Immaterial Findings*. (Finding Code No. 2018-008)

STATE OF ILLINOIS  
ILLINOIS STATE UNIVERSITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
July 1, 2018 thru June 30, 2019

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Passed- Through to Subrecipients
<b>STUDENT FINANCIAL ASSISTANCE CLUSTER</b>				
<b>U.S. Department of Education</b>				
Federal Supplemental Educational Opportunity Grants	(M) 84.007		\$ 645,394	\$ -
Federal Work-Study Program	(M) 84.033		914,329	-
Federal Perkins Loan Program - Beginning Loan Balance	(M) 84.038		8,245,970	-
Federal Perkins Loan Program - New Loans	(M) 84.038		-	-
Federal Perkins Loan Program - Administrative Cost Allowance	(M) 84.038		-	-
Federal Pell Grant Program	(M) 84.063		26,396,069	-
Federal Direct Student Loans	(M) 84.268		103,486,087	-
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	(M) 84.379		469,027	-
<i>Total U.S. Department of Education Student Financial Assistance Cluster</i>			<u>140,156,876</u>	<u>-</u>
<b>U.S. Department of Health and Human Services</b>				
Nursing Student Loans, Beginning Loan Balance	(M) 93.364		529,371	-
Nursing Student Loans, New Loans	(M) 93.364		138,488	-
<i>Total U.S. Department of Health and Human Services Student Financial Assistance Cluster</i>			<u>667,859</u>	<u>-</u>
<b>TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER</b>			<b><u>140,824,735</u></b>	<b><u>-</u></b>
<b>RESEARCH &amp; DEVELOPMENT CLUSTER</b>				
<b>U.S. Department of Agriculture</b>				
Agriculture and Food Research Initiative (AFRI)	(M) 10.31		295,028	130,434
Agriculture and Food Research Initiative (AFRI) (Passed through University of Illinois Urbana Champaign)	(M) 10.31	086926-16471,2015-07319-03	41,601	-
<i>Total U.S. Department of Agriculture R&amp;D</i>		Total R&D 10.31	<u>336,629</u>	<u>130,434</u>
			<u>336,629</u>	<u>130,434</u>
<b>U.S. Department of Defense</b>				
Scientific Research - Combating Weapons of Mass Destruction	(M) 12.351		9,691	-
Mathematical Sciences Grants	(M) 12.901		16,791	-
<i>Total U.S. Department of Defense R&amp;D</i>			<u>26,482</u>	<u>-</u>
<b>U.S. Geological Survey</b>				
Assistance to State Water Resources Research Institutes (Passed through University of Illinois Urbana Champaign)	(M) 15.805	079901-16315	109	-
<i>Total U.S. Geological Survey R&amp;D</i>			<u>109</u>	<u>-</u>
<b>U.S. Department of Justice</b>				
National Institute of Justice Research, Evaluation, and Development Project Grants	(M) 16.560		176,206	-
<i>Total U.S. Department of Justice R&amp;D</i>			<u>176,206</u>	<u>-</u>
<b>National Aeronautics and Space Administration</b>				
Education (Passed through Orlando Science Center, Inc.)	(M) 43.008	964-2	28,463	-
<i>Total National Aeronautics and Space Administration R&amp;D</i>			<u>28,463</u>	<u>-</u>

**STATE OF ILLINOIS  
ILLINOIS STATE UNIVERSITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
July 1, 2018 thru June 30, 2019**

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Passed- Through to Subrecipients
<b>National Endowment for the Arts</b>				
Promotion of the Arts Grants to Organizations and Individuals	(M) 45.024		\$ 5,934	\$ -
<i>Total National Endowment for the Arts R&amp;D</i>			<u>5,934</u>	<u>-</u>
<b>National Science Foundation</b>				
Engineering Grants	(M) 47.041		18,677	-
Mathematical and Physical Sciences	(M) 47.049		604,629	-
Computer and Information Science and Engineering	(M) 47.070		138,557	-
Computer and Information Science and Engineering (Passed through University of Maryland Baltimore County)	(M) 47.070	0000019495	13,588	-
(Passed through University of North Carolina at Charlotte)	(M) 47.070		5,054	-
<i>Total R&amp;D 47.070</i>			<u>157,199</u>	<u>-</u>
Biological Sciences	(M) 47.074		963,341	17,671
<i>Total R&amp;D 47.074</i>			<u>963,341</u>	<u>17,671</u>
Social, Behavioral, and Economic Sciences	(M) 47.075		21,933	-
Social, Behavioral, and Economic Sciences (Passed through University of Georgia)	(M) 47.075	RR792-034/S001574	19,368	-
<i>Total R&amp;D 47.075</i>			<u>41,301</u>	<u>-</u>
Education and Human Resources	(M) 47.076		1,032,200	213,731
Education and Human Resources (Passed through Embry-Riddle Aeronautical University)	(M) 47.076	63019-02	34,455	-
Education and Human Resources (Passed through Chicago State University)	(M) 47.076	53953	27,579	-
Education and Human Resources (Passed through Illinois Wesleyan University)	(M) 47.076	1725199	14,859	-
<i>Total R&amp;D 47.076</i>			<u>1,109,093</u>	<u>213,731</u>
<i>Total National Science Foundation R&amp;D</i>			<u>2,894,240</u>	<u>231,402</u>
<b>US Environmental Protection Agency</b>				
P3 Award: National Student Design Competition for Sustainability	(M) 66.516		6,640	-
<i>Total US Environmental Protection Agency R&amp;D</i>			<u>6,640</u>	<u>-</u>
<b>U.S. Department of Education</b>				
Overseas Programs - Group Projects Abroad	(M) 84.021		78,276	-
Special Education - State Personnel Development (Passed through Southern Illinois University at Edwardsville)	(M) 84.323	762224-001	8,974	-
School Leader Recruitment and Support	(M) 84.363		153,652	116,284
Mathematics and Science Partnerships (Passed through Decatur School District 61)	(M) 84.366	TEAMS	1,757	-
Education Innovation and Research (Passed through DuPage Regional Office of Education)	(M) 84.411	EIR	65,059	-
Preschool Development Grants (Passed through State of Illinois, State Board of Education)	(M) 84.419	MY15446	198,379	-
Supporting Effective Educator Development Program	(M) 84.423		4,036,429	3,125,908
<i>Total U.S. Department of Education R&amp;D</i>			<u>4,542,526</u>	<u>3,242,192</u>

**STATE OF ILLINOIS  
ILLINOIS STATE UNIVERSITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
July 1, 2018 thru June 30, 2019**

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Passed- Through to Subrecipients
<b>U.S. Department of Health and Human Services</b>				
Healthy Marriage Promotion and Responsible Fatherhood Grants	(M) 93.086		\$ 965,620	\$ -
Area Health Education Centers (Passed through University of Illinois at Chicago)	(M) 93.107	16930	146,448	-
Nurse Education, Practice Quality and Retention Grants	(M) 93.359		377,554	77,277
State Court Improvement Program (Passed through State of Illinois, Administrative Office of the Illinois Courts)	(M) 93.586	CIPData-G-1709/CIPData-G-1801	50,048	-
Arthritis, Musculoskeletal and Skin Diseases Research	(M) 93.846		236,565	-
Extramural Research Programs in the Neurosciences and Neurological Disorders (Passed through University of Michigan)	(M) 93.853		2,610	-
Allergy and Infectious Diseases Research	(M) 93.855		285,986	2,703
Biomedical Research and Research Training	(M) 93.859		200,215	-
Child Health and Human Development Extramural Research	(M) 93.865		153,659	32,266
Aging Research	(M) 93.866		40,479	-
Aging Research (Passed through Emory University)	(M) 93.866	A062507	16,746	-
		Total R&D 93.866	<u>57,225</u>	<u>-</u>
<i>Total U.S. Department of Health and Human Services R&amp;D</i>			<u>2,475,930</u>	<u>112,246</u>
<b>TOTAL RESEARCH &amp; DEVELOPMENT CLUSTER</b>			<b><u>10,493,159</u></b>	<b><u>3,716,274</u></b>
<b>OTHER PROGRAMS</b>				
<b>U.S. Department of Agriculture</b>				
National School Lunch Program (Passed through State of Illinois, State Board of Education)	10.555	4210	20,054	-
Child and Adult Care Food Program (Passed through State of Illinois, State Board of Education)	10.558	4226	6,000	-
<i>Total U.S. Department of Agriculture Non-R&amp;D</i>			<u>26,054</u>	<u>-</u>
<b>U.S. Department of Labor</b>				
WIOA Adult Program (Passed through Illinois Department of Commerce and Economic Opportunity)	17.258	19-CO00000046	326,140	75,000
<i>Total U.S. Department of Labor Non-R&amp;D</i>			<u>326,140</u>	<u>75,000</u>
<b>U.S. Department of Education</b>				
Special Education Grants to States (Passed through State of Illinois, State Board of Education)	84.027	18-4630-LA/19-4630-LA	196,713	-
TRIO Student Support Services	84.042		270,136	-
Career and Technical Education -- Basic Grants to States (Passed through State of Illinois, Community College Board)	84.048	F-ISU-CTEL18002/CTE-ISU-19	339,389	-
Career and Technical Education -- Basic Grants to States (Passed through State of Illinois, State Board of Education)	84.048	18-4720-00/19-4720-00	881,084	-
		Total Non R&D 84.048	<u>1,220,473</u>	<u>-</u>
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325		265,033	-
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities (Passed through Salus University)	84.325	88403 17-18	5,000	-
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities (Passed through Salus University)	84.325	88404/8840A2018	66,875	-
		Total Non R&D 84.325	<u>336,908</u>	<u>-</u>

**STATE OF ILLINOIS  
ILLINOIS STATE UNIVERSITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
July 1, 2018 thru June 30, 2019**

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title		Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Passed- Through to Subrecipients
Teacher Quality Partnership Grants	(M)	84.336		\$ 2,125,950	\$ 365,906
Mathematics and Science Partnerships		84.366		18,569	-
Supporting Effective Instruction State Grants (Passed through National Board for Professional Teaching Standards)		84.367	1606239	7,516	-
Supporting Effective Instruction State Grants (Passed through State of Illinois, State Board of Education)		84.367	MY11721, MY13625	2,110,764	97,330
Supporting Effective Instruction State Grants (Passed through National Writing Project)		84.367	92-IL03-SEED2017-ILI	8,782	-
		Total Non R&D 84.367		<u>2,127,062</u>	<u>97,330</u>
<i>Total U.S. Department of Education Non-R&amp;D</i>				<u>6,295,811</u>	<u>463,236</u>
<b>U.S. Department of Health and Human Services</b>					
Nursing Workforce Diversity		93.178		451,180	-
Substance Abuse and Mental Health Services Projects of Regional and National Significance		93.243		9,450	7,847
Advanced Nursing Education Workforce Grant Program	(M)	93.247		782,597	-
<i>Total U.S. Department of Health and Human Services Non-R&amp;D</i>				<u>1,243,227</u>	<u>7,847</u>
<b>Corporation for National and Community Service</b>					
AmeriCorps (Passed through Western Illinois University)		94.006	18-0674, ISU 513 170	20,166	-
<i>Total Corporation for National and Community Service Non-R&amp;D</i>				<u>20,166</u>	<u>-</u>
<b>Federal Emergency Management Agency</b>					
Pre-Disaster Mitigation (Passed through State of Illinois, Emergency Management Agency)		97.047	Multi-Hazard Mitigat Plan	491	468
<i>Total Federal Emergency Management Agency Non-R&amp;D</i>				<u>491</u>	<u>468</u>
<b>Peace Corps</b>					
Peace Corps Campus Recruitment Project		45.Unknown	PC-16-8-043	37,882	-
<i>Total Peace Corps Non-R&amp;D</i>				<u>37,882</u>	<u>-</u>
<b>Library of Congress</b>					
Teaching with Primary Sources Regional Center Pilot		42.Unknown	GA08C0017	421,625	71,033
<i>Total Library of Congress Non-R&amp;D</i>				<u>421,625</u>	<u>71,033</u>
<b>Corporation for Public Broadcasting</b>					
Community Service Grant		99.Unknown	1376	35,104	-
<i>Total Corporation for Public Broadcasting Non-R&amp;D</i>				<u>35,104</u>	<u>-</u>
<b>TOTAL OTHER PROGRAMS NON-R&amp;D</b>				<u>8,406,500</u>	<u>617,584</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>				<u>\$ 159,724,394</u>	<u>\$ 4,333,858</u>

(M) - Program was audited as a major Program

State of Illinois  
Illinois State University

Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2019

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**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity for the year ended June 30, 2019, and is presented on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Because the schedule presents only a selected portion of the operations, it is not intended to and does not present the financial position, changes in net position, or cash flows of the University. The University has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Note 2. Catalog of Domestic Assistance Numbers (CFDAs)**

The University agreed the CFDA numbers and program names as of August 30, 2019, as they are currently listed on the Schedule of Expenditures of Federal Awards, to the listing at <https://catalog.data.gov/dataset/catalog-of-federal-domestic-assistance-cfda>.

**Note 3. Loans Outstanding at Fiscal Year-End**

The University had the following loan balances outstanding at June 30, 2019, for programs that are administered directly. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the schedule.

	Outstanding Balance at June 30, 2019
Nursing Student Loans, CFDA 93.364	\$ 612,317
Perkins Loan Program, CFDA 84.038	<u>7,040,862</u>
<b>Total loans outstanding</b>	<u><u>\$ 7,653,179</u></u>

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

**State of Illinois  
Illinois State University**

**Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2019**

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**Note 4. Total New Federal Student Loans**

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

Direct Student Loans Program, CFDA 84.268	\$ 73,425,553
Direct Parent Loan for Undergraduate Students Program (PLUS), CFDA 84.268	<u>30,060,534</u>
<b>Total</b>	<u><u>\$ 103,486,087</u></u>

There were no administrative costs charged to the loan program. During the fiscal year ended June 30, 2019 the University issued new loans under the Federal Direct Student Loan Program (FDLP). The loan program includes subsidized and unsubsidized Stafford Loans and PLUS Loans for undergraduate and graduate students. The value of the loans issued for the FDLP is based on disbursed amounts. The University is responsible only for the performance of certain administrative duties with respect to federally guaranteed student loan programs and, accordingly, balances and transactions relating to these loan programs and not included in the University's financial statements. Therefore, it is not practicable to determine the balance of loans outstanding to students and former students of the University as of June 30, 2019.

**Note 5. Insurance Disclosure**

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

**Note 6. Depository Library**

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

**Schedule of Appropriations, Expenditures and Lapsed Balances**  
**Expenditure Authority for Fiscal Year 2019**  
**For the Fifteen Months Ended September 30, 2019**

	Expenditure Authority (Net After Transfers)	Expenditures through June 30	Lapse Period Expenditures, July 1 to September 30	Total Expenditures, Fifteen Months Ended September 30	Balances Lapsed, September 30
Public Act 100-0586					
EDUCATION ASSISTANCE FUND - 007					
Operational Expenses	\$ 66,304,100	\$ 66,265,742	\$ 38,358	\$ 66,304,100	-
Total	<u>\$ 66,304,100</u>	<u>\$ 66,265,742</u>	<u>\$ 38,358</u>	<u>\$ 66,304,100</u>	<u>\$ -</u>
STATE COLLEGE AND UNIVERSITY TRUST FUND - 417					
Scholarship Grant Awards	\$ 50,000	\$ 50,000	-	\$ 50,000	-
Total	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ -</u>
GRAND TOTAL - ALL FUNDS	<u>\$ 66,354,100</u>	<u>\$ 66,315,742</u>	<u>\$ 38,358</u>	<u>\$ 66,354,100</u>	<u>\$ -</u>

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller records as of September 30, 2019, and have been reconciled to University records.

Note 2: Expenditure amounts are vouchers approved and paid by the University and submitted to the Office of the State Comptroller for payment to the vendor.

**Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances  
 For the Years Ended June 30, 2019 and 2018**

	2019 P.A. 100-0586	2018 P.A. 100-0021 and Court-Ordered Expenditures
EDUCATION ASSISTANCE FUND - 007		
Appropriations (net after transfers)	\$ 66,304,100	\$ 65,004,000
Expenditures		
Operational Expenses	66,304,100	-
Personal Services	-	65,004,000
Total expenditures	66,304,100	65,004,000
Lapsed Balances	\$ -	\$ -
STATE COLLEGE AND UNIVERSITY TRUST FUND - 417		
Appropriations (net after transfers)	\$ 50,000	\$ -
Expenditures		
Operational Expenses	50,000	-
Lapsed Balances	\$ -	\$ -
GRAND TOTAL, ALL FUNDS		
Appropriations (net after transfers)	\$ 66,354,100	\$ 65,004,000
Expenditures	66,354,100	65,004,000
Lapsed Balances	\$ -	\$ -

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller records as of September 30, 2019, and have been reconciled to University records.

Note 2: Expenditure amounts are vouchers approved and paid by the University and submitted to the Office of the State Comptroller for payment to the vendor.

**Comparative Schedule of Income Fund Revenues and Expenses  
For the Years Ended June 30, 2019 and 2018**

	2019	2018
<b>Revenues</b>		
Registration fees	\$ 178,957,703	\$ 177,463,451
Registration - extension	434,558	387,237
Enrollment deposit fee forfeitures	10,647	4,025
Tuition and fees waived	8,374,995	9,422,173
Library fines	10,078	10,779
Instructional support fee	1,269,463	1,261,246
Investment income	2,523,672	1,667,652
Net increase (decrease) in fair market value of investments	2,227,040	(1,748,056)
Loss on INTO Investment	-	(25,000)
Payments on behalf of University - State	27,457,085	22,953,052
Special funding situation - Pension and OPEB	36,455,528	109,668,360
Payments on behalf of University	4,107,025	2,918,448
Gifts and donations	1,476,243	1,264,290
Other	6,489,754	7,425,674
	<u>\$ 269,793,791</u>	<u>\$ 332,673,331</u>
<b>Expenses</b>		
Personal services	\$ 96,257,753	\$ 58,432,918
SURS retirement	89,845,123	79,796,170
Medicare	2,662,788	2,530,190
Group insurance	(27,207,613)	54,262,556
Contractual services	35,730,865	33,869,964
Travel	2,212,139	1,958,699
Commodities	3,200,539	3,140,114
Equipment and library books	9,549,811	9,957,390
Telecommunications services	842,072	837,156
Operation of automotive equipment	554,918	566,883
Refunds	912	13,842
Tuition and fees waived	8,374,995	9,422,173
Awards, grants, and matching funds	27,771,624	22,734,347
Permanent improvements	6,637,401	3,131,207
	<u>256,433,327</u>	<u>280,653,609</u>
<b>GASB No. 35 Adjustments:</b>		
Depreciation	14,740,155	14,723,615
Capital asset additions/disposals	(8,900,485)	(6,908,379)
	<u>\$ 262,272,997</u>	<u>\$ 288,468,845</u>

Note 1: Pursuant to the State Finance Act (30 ILCS 105/6a-1b), responsibility and control of the Illinois State University Income Fund was transferred directly to the University. It is now a non-appropriated, local fund maintained by the University.

**Schedule of Changes in State Property  
 For the Year Ended June 30, 2019**

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Data for this schedule included all accounting entities and was obtained from University records, which have been reconciled to the property records submitted to the Office of the State Comptroller. As reported in item 2019-004 and the *Independent Accountant's Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes*, the accountants were not able to conclude the University's property records were sufficiently complete and accurate. Therefore, we were unable to conclude the Schedule of Changes in State Property on Schedule 5 was complete.

	Beginning Balance	Additions	Deductions	Net Transfers	Ending Balance
Land and Land Improvements	\$ 16,122,895	\$ 801,428	\$ -	\$ -	\$ 16,924,323
Site improvements	52,909,458	760,089	-	-	53,669,547
Buildings and Building Improvements	637,379,202	13,244,301	-	-	650,623,503
Equipment	273,061,876	9,729,088	(13,210,011)	(3,201,788)	266,379,165
Construction in progress	23,732,301	55,537,730	(12,771,845)	-	66,498,186
<b>Total</b>	<b>\$ 1,003,205,732</b>	<b>\$ 80,072,636</b>	<b>\$ (25,981,856)</b>	<b>\$ (3,201,788)</b>	<b>\$ 1,054,094,724</b>

Analysis of Accounts Receivable  
For the Years Ended June 30, 2019 and 2018

	2019	2018
<b>Student Accounts - 701</b>		
<b>NOT IN PROTEST (in thousands)</b>		
Receivable Not Past Due	\$ 12,357	\$ 1,779
1 - 30 Days	4,387	4,097
31 - 90 Days	321	248
91 - 180 Days	1,024	3,485
181 Days - 1 Year	2,409	2,100
> 1 year	13,019	8,037
Gross Receivables - Fund 701	33,517	19,746
Less: Allowance for Doubtful Accounts	-	-
Net Receivables - Fund 701	<u>\$ 33,517</u>	<u>\$ 19,746</u>
<b>General Accounts - 702</b>		
<b>NOT IN PROTEST (in thousands)</b>		
Receivable Not Past Due	\$ 546	\$ 760
1 - 30 Days	-	-
31 - 90 Days	-	-
91 - 180 Days	-	-
181 Days - 1 Year	-	-
> 1 year	-	-
Gross Receivables - Fund 702	546	760
Less: Allowance for Doubtful Accounts	-	1
Net Receivables - Fund 702	<u>\$ 546</u>	<u>\$ 759</u>
<b>State Contracts &amp; Grants - 703</b>		
<b>NOT IN PROTEST (in thousands)</b>		
Receivable Not Past Due	\$ 379	\$ 275
1 - 30 Days	10	-
31 - 90 Days	11	14
91 - 180 Days	12	-
181 Days - 1 Year	31	12
> 1 year	15	1
Gross Receivables - Fund 703	458	302
Less: Allowance for Doubtful Accounts	-	-
Net Receivables - Fund 703	<u>\$ 458</u>	<u>\$ 302</u>

**Analysis of Accounts Receivable (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

	2019	2018
<b>Federal &amp; Private Contracts - 704</b>		
<b>NOT IN PROTEST (in thousands)</b>		
Receivable Not Past Due	\$ 4,171	\$ 3,380
1 - 30 Days	161	30
31 - 90 Days	71	61
91 - 180 Days	-	64
181 Days - 1 Year	82	2
> 1 year	-	6
Gross Receivables - Fund 704	4,485	3,543
Less: Allowance for Doubtful Accounts	-	-
Net Receivables - Fund 704	<u>\$ 4,485</u>	<u>\$ 3,543</u>
<b>Federal Student Loans - 707</b>		
<b>NOT IN PROTEST (in thousands)</b>		
Receivable Not Past Due	\$ 4,990	\$ 6,028
1 - 30 Days	102	143
31 - 90 Days	188	257
91 - 180 Days	140	167
181 Days - 1 Year	523	484
> 1 year	2,092	1,935
Gross Receivables - Fund 707	8,035	9,014
Less: Allowance for Doubtful Accounts	1,093	1,021
Net Receivables - Fund 707	<u>\$ 6,942</u>	<u>\$ 7,993</u>
<b>TOTAL</b>		
<b>NOT IN PROTEST (in thousands)</b>		
Receivable Not Past Due	\$ 22,443	\$ 12,222
1 - 30 Days	4,660	4,270
31 - 90 Days	591	580
91 - 180 Days	1,176	3,716
181 Days - 1 Year	3,045	2,598
> 1 year	15,126	9,979
Gross Receivables - TOTAL	47,041	33,365
Less: Allowance for Doubtful Accounts	1,093	1,022
Net Receivables - TOTAL	<u>\$ 45,948</u>	<u>\$ 32,343</u>

- 1) Fund 701 not-in-protest represents receivables related to tuition and fees related to Student Accounts. Fund 702 not-in-protest represents receivables related to sales and services, as well as investment income. Fund 703 not-in-protest represents receivables related to State Contracts and Grants while Fund 704 relates to Federal and Private Contracts and Grants. Finally, Fund 707 not-in-protest represents receivables related to Federal Student Loans.

Statement of Net Position - Local Funds  
For the Year Ended June 30, 2019

	Indirect Cost Support	Continuing Education & Public Service	Sales & Service of Educational Activities	Student Programs & Services - University	Student Programs & Services - Laboratory Schools	Field Trip & Foreign Study Activities	Income Fund	Subtotal
<b>Assets</b>								
Current Assets:								
Cash and cash equivalents	\$ 2,795,721	\$ -	\$ 1,694,213	\$ 5,908,404	\$ 465,097	\$ 920,827	\$ 24,859,130	\$ 36,643,392
Cash and cash equivalents - restricted	-	-	-	-	-	-	1,007	1,007
Accrued interest receivable	-	16,570	-	23,573	-	-	455,500	495,643
Accounts receivable, net	-	27,870	112,378	2,279,581	-	86,620	8,663,703	11,170,152
Appropriations receivable from State	-	-	-	-	-	-	38,358	38,358
Inventories	-	154,979	108,415	102,668	-	-	325,894	691,956
Prepaid expenses and deposits	55,594	44,875	3,146	176,316	1,150	94,279	1,911,661	2,287,021
Deferred charges and obligations	-	-	-	-	-	-	18,008	18,008
Total current assets	<u>2,851,315</u>	<u>244,294</u>	<u>1,918,152</u>	<u>8,490,542</u>	<u>466,247</u>	<u>1,101,726</u>	<u>36,273,261</u>	<u>51,345,537</u>
Noncurrent Assets:								
Investments	-	3,469,519	-	4,935,851	-	-	95,376,291	103,781,661
Bond issuance costs	-	-	-	-	-	-	157,818	157,818
Capital assets, net	249,769	765,836	4,120,555	3,712,898	6,324	536	200,282,797	209,138,715
Total noncurrent assets	<u>249,769</u>	<u>4,235,355</u>	<u>4,120,555</u>	<u>8,648,749</u>	<u>6,324</u>	<u>536</u>	<u>295,816,906</u>	<u>313,078,194</u>
<b>Deferred outflows of resources</b>								
OPEB	-	-	-	-	-	-	626,847	626,847
Pension	-	-	-	-	-	-	765,255	765,255
Total deferred outflow of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,392,102</u>	<u>1,392,102</u>
Total assets and deferred outflows of resources	<u>3,101,084</u>	<u>4,479,649</u>	<u>6,038,707</u>	<u>17,139,291</u>	<u>472,571</u>	<u>1,102,262</u>	<u>333,482,269</u>	<u>365,815,833</u>
<b>Liabilities</b>								
Current Liabilities:								
Accounts payable and accrued liabilities	68,819	655,130	90,274	2,089,157	32,983	198,383	4,757,669	7,892,415
Assets held in custody for others and deposits	-	26,553	-	255,521	-	-	-	282,074
Unearned revenue	-	436,739	7,427	2,531,696	-	524,027	5,920,710	9,420,599
Accrued compensated absences	471	6,725	2,978	133,238	200	290	1,178,199	1,322,101
OPEB Liability	-	-	-	-	-	-	620,624	620,624
Certificates of participation	-	-	-	-	-	-	2,973,545	2,973,545
Total current liabilities	<u>69,290</u>	<u>1,125,147</u>	<u>100,679</u>	<u>5,009,612</u>	<u>33,183</u>	<u>722,700</u>	<u>15,450,747</u>	<u>22,511,358</u>
Noncurrent Liabilities:								
Accrued compensated absences	3,879	55,388	24,530	1,097,354	1,651	2,388	10,852,410	12,037,600
OPEB Liability	-	-	-	-	-	-	23,675,885	23,675,885
Certificates of participation	-	-	-	-	-	-	39,554,836	39,554,836
Total noncurrent liabilities	<u>3,879</u>	<u>55,388</u>	<u>24,530</u>	<u>1,097,354</u>	<u>1,651</u>	<u>2,388</u>	<u>74,083,131</u>	<u>75,268,321</u>
Deferred inflows of resources - OPEB	-	-	-	-	-	-	8,573,968	8,573,968
Total liabilities and deferred inflows of resources	<u>73,169</u>	<u>1,180,535</u>	<u>125,209</u>	<u>6,106,966</u>	<u>34,834</u>	<u>725,088</u>	<u>98,107,846</u>	<u>106,353,647</u>
<b>Net Position</b>								
Net investment in capital assets	249,769	765,836	4,120,555	3,712,898	6,324	536	157,755,423	166,611,341
Unrestricted	2,778,146	2,533,278	1,792,943	7,319,427	431,413	376,638	77,619,000	92,850,845
Total net position	<u>\$ 3,027,915</u>	<u>\$ 3,299,114</u>	<u>\$ 5,913,498</u>	<u>\$ 11,032,325</u>	<u>\$ 437,737</u>	<u>\$ 377,174</u>	<u>\$ 235,374,423</u>	<u>\$ 259,462,186</u>

Statement of Revenues, Expenses and Changes in Net Position - Local Funds  
For the Year Ended June 30, 2019

	Indirect Cost Support	Continuing Education & Public Service	Sales & Service of Educational Activities	Student Programs & Services - University	Student Programs & Services - Laboratory Schools	Field Trip & Foreign Study Activities	Income Fund	Local Funds Total
<b>Operating revenues</b>								
Student tuition and fees, net	\$ -	\$ 253	\$ -	\$ 31,240,569	\$ -	\$ 1,693,447	\$ 166,812,924	\$ 199,747,193
Sales and services of educational activities	-	1,296	3,142,090	-	6,550	-	-	3,149,936
Other operating revenues	2,100,990	7,950,915	54,322	8,565,682	214,068	1,017,957	6,326,039	26,229,973
Total operating revenues	2,100,990	7,952,464	3,196,412	39,806,251	220,618	2,711,404	173,138,963	229,127,102
<b>Operating expenses</b>								
Educational and general								
Instruction	-	106,539	2,069,518	649,418	-	3,224,744	118,498,492	124,548,711
Research	1,039,786	1,369	258,538	-	832,252	-	2,590,276	4,722,221
Public service	-	7,160,933	848,447	8,604	-	86,019	3,244,867	11,348,870
Academic support	193,013	1,950	277,006	-	-	-	22,312,570	22,784,539
Student services	-	237,558	65,067	46,736,391	-	-	7,893,439	54,932,455
Institutional support	3,886	201,182	-	-	-	-	35,782,194	35,987,262
Operation and maintenance of plant	-	243,374	-	(83,363)	123	-	29,883,859	30,043,993
Depreciation	101,661	38,784	242,373	302,375	2,118	1,071	14,740,155	15,428,537
Student aid	8,120	10,553	275	1,947,097	-	57,152	27,540,787	29,563,984
Student housing, activity facilities and parking	-	-	-	-	-	-	181,182	181,182
Total operating expenses	1,346,466	8,002,242	3,761,224	49,560,522	834,493	3,368,986	262,667,821	329,541,754
Operating income (loss)	754,524	(49,778)	(564,812)	(9,754,271)	(613,875)	(657,582)	(89,528,858)	(100,414,652)
<b>Nonoperating revenues (expenses)</b>								
Payments on behalf of the University - State	26,980	179,047	77,841	2,376,370	5,638	25,543	27,457,085	30,148,504
Special funding situation - Pension and OPEB	36,165	224,204	102,133	3,014,956	7,350	29,739	36,455,528	39,870,075
Payments on behalf of the University - Foundation	-	-	-	-	-	-	4,107,025	4,107,025
Laboratory schools	-	-	-	-	643,250	-	-	643,250
Gifts and donations	-	-	-	2,540	-	-	1,871,068	1,873,608
Investment income, net of investment expenses	44,087	76,498	294	295,908	1,497	7,678	4,755,128	5,181,090
Interest expense	-	-	-	-	-	-	(1,869,897)	(1,869,897)
Other nonoperating revenues	-	86,355	26,474	1,306,949	812	29	22,459,555	23,880,174
Net nonoperating revenues	107,232	566,104	206,742	6,996,723	658,547	62,989	95,235,492	103,833,829
Income (loss) before capital items	861,756	516,326	(358,070)	(2,757,548)	44,672	(594,593)	5,706,634	3,419,177
Capital appropriations	-	-	-	-	-	-	29,675	29,675
Capital grants and gifts	-	-	-	-	-	-	642,951	642,951
Total capital items	-	-	-	-	-	-	672,626	672,626
Increase (decrease) in net position	861,756	516,326	(358,070)	(2,757,548)	44,672	(594,593)	6,379,260	4,091,803
<b>Net position</b>								
Net position - beginning of year	2,166,159	2,782,788	6,271,568	13,789,873	393,065	971,767	228,995,163	255,370,383
Net position - end of year	\$ 3,027,915	\$ 3,299,114	\$ 5,913,498	\$ 11,032,325	\$ 437,737	\$ 377,174	\$ 235,374,423	\$ 259,462,186

Statement of Net Position - Service Departments  
For the Year Ended June 30, 2019

	<u>Service Departments</u>
<b>Assets</b>	
Current Assets:	
Cash and cash equivalents	\$ 5,909,331
Accounts receivable, net	284,095
Inventories	1,418,481
Prepaid expenses and deposits	<u>651,986</u>
Total current assets	<u>8,263,893</u>
Noncurrent Assets:	
Capital assets, net	<u>1,600,598</u>
Total assets	<u>9,864,491</u>
<b>Liabilities</b>	
Current Liabilities:	
Accounts payable and accrued liabilities	764,772
Unearned revenue	115,997
Accrued compensated absences	<u>51,571</u>
Total current liabilities	<u>932,340</u>
Noncurrent Liabilities:	
Accrued compensated absences	<u>752,346</u>
Total liabilities	<u>1,684,686</u>
<b>Net Position</b>	
Net investment in capital assets	1,600,598
Unrestricted	<u>6,579,207</u>
Total net position	<u>\$ 8,179,805</u>

Statement of Revenues, Expenses and Changes in Net Position -  
 Service Departments  
 For the Year Ended June 30, 2019

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	<u>Service Departments</u>
<b>Operating revenues</b>	
Other operating revenues	<u>\$ 21,505,188</u>
<b>Operating expenses</b>	
Educational and general:	
Instruction	288,598
Institutional support	8,452,419
Operation and maintenance of plant	18,282,294
Depreciation	<u>755,657</u>
Total operating expenses	<u>27,778,968</u>
Operating loss	<u>(6,273,780)</u>
<b>Nonoperating revenues</b>	
Payments on behalf of the University - State	1,704,500
Special funding situation - Pension and OPEB	2,209,924
Investment income, net of investment expenses	1,487,024
Other nonoperating revenues	<u>28,309</u>
Decrease in net position	<u>(844,023)</u>
<b>Net position</b>	
Beginning of year	<u>9,023,828</u>
End of year	<u><u>\$ 8,179,805</u></u>

Statement of Net Position - Auxiliary Facilities  
For the Year Ended June 30, 2019

	Housing	Student Activities	Parking	Auxiliary Facilities Total
<b>Assets</b>				
Current Assets:				
Cash and cash equivalents	\$ 1,257,370	\$ 6,295,429	\$ 2,540,989	\$ 10,093,788
Investments	59,638,924	3,891,708	-	63,530,632
Accrued interest receivable	291,387	67,796	16,130	375,313
Accounts receivable, net	5,560,600	1,216,362	130,056	6,907,018
Inventories	144,744	83,994	-	228,738
Prepaid expenses and deposits	14,713	14,289	615	29,617
Deferred charges and obligations	34,767	12,697	2,361	49,825
Total current assets	<u>66,942,505</u>	<u>11,582,275</u>	<u>2,690,151</u>	<u>81,214,931</u>
Noncurrent Assets:				
Investments	54,946,231	13,799,862	3,377,395	72,123,488
Bond issuance costs	471,586	159,133	25,384	656,103
Capital assets, net	182,899,210	101,194,930	22,497,951	306,592,091
Total noncurrent assets	<u>238,317,027</u>	<u>115,153,925</u>	<u>25,900,730</u>	<u>379,371,682</u>
Deferred Outflow - Loss on Refunding	<u>343,082</u>	<u>230,874</u>	<u>66,429</u>	<u>640,385</u>
Total assets	<u>305,602,614</u>	<u>126,967,074</u>	<u>28,657,310</u>	<u>461,226,998</u>
<b>Liabilities</b>				
Current Liabilities:				
Accounts payable and accrued liabilities	8,580,324	2,986,642	169,608	11,736,574
Assets held in custody for others and deposits	829,952	171,391	-	1,001,343
Unearned revenue	67,762	626,184	93,390	787,336
Accrued compensated absences	84,526	24,237	4,999	113,762
Revenue bonds payable	3,385,292	2,999,658	388,866	6,773,816
Total current liabilities	<u>12,947,856</u>	<u>6,808,112</u>	<u>656,863</u>	<u>20,412,831</u>
Noncurrent Liabilities:				
Accrued compensated absences	1,019,945	292,460	60,327	1,372,732
Revenue bonds payable	62,422,675	44,545,617	3,980,926	110,949,218
Total noncurrent liabilities	<u>63,442,620</u>	<u>44,838,077</u>	<u>4,041,253</u>	<u>112,321,950</u>
Total liabilities	<u>76,390,476</u>	<u>51,646,189</u>	<u>4,698,116</u>	<u>132,734,781</u>
<b>Net Position</b>				
Net investment in capital assets	117,091,243	59,756,398	18,128,159	194,975,800
Restricted	112,120,895	15,564,487	5,831,035	133,516,417
Total net position	<u>\$ 229,212,138</u>	<u>\$ 75,320,885</u>	<u>\$ 23,959,194</u>	<u>\$ 328,492,217</u>

Statement of Revenues, Expenses and Changes in Net Position -  
Auxiliary Facilities  
For the Year Ended June 30, 2019

	Housing	Student Activities	Parking	Auxiliary Facilities Total
<b>Operating Revenues</b>				
Auxiliary facilities	\$ 66,633,802	\$ 22,047,682	\$ 4,367,834	\$ 93,049,318
Total operating revenues	<u>66,633,802</u>	<u>22,047,682</u>	<u>4,367,834</u>	<u>93,049,318</u>
<b>Operating Expenses</b>				
Depreciation	5,261,734	3,679,363	683,688	9,624,785
Auxiliary facilities:				
Student housing, activity, facilities, and parking	48,515,570	13,772,716	2,433,525	64,721,811
Total operating expenses	<u>53,777,304</u>	<u>17,452,079</u>	<u>3,117,213</u>	<u>74,346,596</u>
Operating income	<u>12,856,498</u>	<u>4,595,603</u>	<u>1,250,621</u>	<u>18,702,722</u>
<b>Nonoperating Revenues (Expenses)</b>				
Payments on behalf of the University - State	1,841,946	405,902	142,667	2,390,515
Special funding situation - Pension and OPEB	2,387,474	534,369	184,813	3,106,656
Investment income, net of investment expenses	3,501,371	680,342	103,836	4,285,549
Interest expense	(2,337,665)	(1,649,885)	(90,279)	(4,077,829)
Other nonoperating income	369,809	53,949	2,491	426,249
Net nonoperating expenses	<u>5,762,935</u>	<u>24,677</u>	<u>343,528</u>	<u>6,131,140</u>
Income before capital items	<u>18,619,433</u>	<u>4,620,280</u>	<u>1,594,149</u>	<u>24,833,862</u>
Capital grants and gifts	-	447,531	-	447,531
Total capital items	<u>-</u>	<u>447,531</u>	<u>-</u>	<u>447,531</u>
Increase in net position	<u>18,619,433</u>	<u>5,067,811</u>	<u>1,594,149</u>	<u>25,281,393</u>
<b>Net Position</b>				
Beginning of year	<u>210,592,705</u>	<u>70,253,074</u>	<u>22,365,045</u>	<u>303,210,824</u>
End of year	<u>\$ 229,212,138</u>	<u>\$ 75,320,885</u>	<u>\$ 23,959,194</u>	<u>\$ 328,492,217</u>

**Schedule of Sources and Applications  
Indirect Cost Reimbursements  
For the Year Ended June 30, 2019**

Balance, July 1, 2018	<u>\$ 2,166,159</u>
Sources:	
Private Gifts, Grants, and Contracts	190,445
United States Government Grants and Contracts	1,828,517
State of Illinois and Local Grants and Contracts	82,028
Investment income, net of investment expense	<u>44,087</u>
Total Additions	<u>2,145,077</u>
Applications:	
Educational and general:	
Research	976,641
Academic Support	193,013
Institutional Support	3,886
Depreciation	101,661
Student Aid	<u>8,120</u>
Total Deductions	<u>1,283,321</u>
Increase in net assets	<u>861,756</u>
Balance at June 30, 2019	<u><u>\$ 3,027,915</u></u>

Note: The information above is prepared on an accrual basis.

Indirect cost reimbursements are expended, pursuant to allocations of funds within the University's budget as adopted by the Board of Trustees, to pay for the costs of grants and contracts operations and to pay for overhead expenses of the University. Indirect cost reimbursements are expended in a manner consistent with the formula under which such reimbursements are determined.

Based on the requirements of the *University Guidelines*, patents and royalties do not meet the definition of indirect cost reimbursements and are excluded from this calculation as well as the indirect cost carryforward.

**Schedule of Federal Expenditures, Non-Federal Expenses, and New Loans  
 For the Year Ended June 30, 2019**

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**Schedule A - Federal Financial Component**

Total federal expenditures reported on SEFA schedule	\$ 159,724,394
Total new loans made not included on SEFA schedule	- *
Amount of federal loan balances (not included on the SEFA schedule and continued compliance required)	- *
Other noncash federal award expenditures (not included on SEFA schedule)	-
	<hr/>
Total Schedule A	<u>\$ 159,724,394</u>

**Schedule B - Total Financial Component**

Total operating expenses (from financial statements)	\$ 528,021,776
Total nonoperating expenses (from financial statements)	5,947,726
Total new loans made	103,486,087
Amount of federal loan balances	7,653,179
Other noncash federal award expenditures	-
	<hr/>
Total Schedule B	<u>\$ 645,108,768</u>

**Schedule C**

		<u>Percent</u>
Total Schedule A	\$ 159,724,394	24.76%
Total Nonfederal Expenses	485,384,374	75.24%
Total Schedule B	<u>\$ 645,108,768</u>	<u>100.00%</u>

\* Loan amounts are included on SEFA schedule

These schedules are used to determine the University's Single Audit costs in accordance with the Uniform Guidance.

**State of Illinois  
Illinois State University**

**Analysis of Operations  
Functions and Planning Program  
For the Year Ended June 30, 2019  
(Unaudited)**

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The Illinois State University was founded in 1857 as the first public institution of higher education in the State. The documents establishing the University as a teacher education institution were drafted by Abraham Lincoln. The University is a multi-purpose institution with degree programs at the bachelor's, master's, and doctoral levels.

The basic purpose and function of academic programming at the University is stated in the *Mission Statements* portion of the University's *Academic Plan*, which is updated and submitted annually to the State of Illinois, Board of Higher Education. The *Mission Statements* include: (1) the *Illinois State University Mission Statement*, (2) *Board of Trustees Statement of Goals for 2019*, and (3) *College Mission Statements*.

The Academic Plan submitted during our audit period is for fiscal years 2018-2023 and can be found at [https://provost.illinoisstate.edu/downloads/Academic\\_Plan%202018-2023\\_BoT\\_10-19-18.pdf](https://provost.illinoisstate.edu/downloads/Academic_Plan%202018-2023_BoT_10-19-18.pdf). It includes: (1) an identification of institutional priorities; (2) the University's strategic plan, *Educate·Connect·Elevate: Illinois State – The Strategic Plan for Illinois' First Public University 2018-2023*; and, (3) specific curricular initiatives set forth by those responsible for academic planning within the University.

The *Academic Plan* also includes academic unit (college) objectives for fiscal year 2019 and program reviews for the departments in the University being reviewed in the most recent review cycle. Program reviews contain recommendations for enhancing the programs being examined as well as plans for monitoring progress toward the fulfillment of these recommendations. During fiscal year 2018, program reviews were completed on the following programs: B.S. in Environmental Health, B.S. in Health Information Management, B.S., M.S. and Ph.D. in Biological Sciences, B.S. in Communication Sciences and Disorders, M.A. and M.S. in Speech-Language Pathology, Au.D. Doctor of Audiology, B.S.N., M.S.N. and Ph.D. of Nursing, and Post-Master's Certificate Family Nurse Practitioner. Reviews were also completed for the following Research and Service Centers: Center for Child Welfare and Adoption Studies and Center for Insurance and Risk Management (Katie School).

Compilation of the University's *Academic Plan* is coordinated through the Office of the Associate Provost, whose functions also ensure cohesion between the *Academic Plan* and the University's strategic plan: *Educate·Connect·Elevate: Illinois State – The Strategic Plan for Illinois' First Public University 2018-2023*.

- *Educate·Connect·Elevate* is the University's multi-year strategic plan. It has articulated seven core values (learning and scholarship, individualized attention, diversity and inclusion, integrity, civic engagement, respect, and collaboration) that support four goals and thirteen corresponding action items addressed by the campus community. University progress is summarized on the accomplishments section of the *Strategic Plan* website, [strategicplan.illinoisstate.edu](http://strategicplan.illinoisstate.edu).

**State of Illinois  
Illinois State University**

**Analysis of Operations  
Functions and Planning Program (Continued)  
For the Year Ended June 30, 2019  
(Unaudited)**

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Other university-wide planning documents and processes include the following:

- *Resource Allocation and Management Program (RAMP) for Operations and Grants Resource Requirements* is a five-year plan that includes a comparison to the preceding two fiscal years. Among the data included are a summary of operations costs by function and source of funds, summary of staff requirements and earnings, projected enrollments, and tuition and fees. Detailed information by various departments and programs is included.
- *Resource Allocation and Management Program (RAMP) Capital Requirements Plan* is also a five-year planning program that includes a summary of capital requirements by budget category. These requirements are detailed as to building or components of buildings, as well as other capital projects, planned for the University.
- *Master Plan: 2010-2030 Looking to the Future* defines the future physical development of facilities, grounds, technology, and infrastructure. This plan is the basis for those recommendations in *Resource Allocation and Management Program (RAMP) Capital Requirements Plan*.
- Additionally, the Facilities Condition Assessment provides quantitative information on the condition of physical structures and current and projected maintenance needs. The results from this assessment are used to inform the Master Plan and Capital RAMP.

Location of Agency: Normal, Illinois  
Agency Head: Dr. Larry Dietz, President

**State of Illinois  
Illinois State University**

**Auxiliary Facilities, Activities, and Accounting Entities  
For the Year Ended June 30, 2019  
(Unaudited)**

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A listing of the University's auxiliary facilities, activities, accounting entities, their purposes, and their sources of revenue for the year ended June 30, 2019, are provided below.

**Indirect Cost Support**

These accounts are supported by indirect cost reimbursements or accounts that receive funding as a by-product of federal, State, and private grants. The funds pay for administrative costs, physical plant cost (including utilities), and grant proposals.

**Unrestricted Local Funds**

Continuing Education and Public Services

These activities are established primarily to provide noncredit services to individuals and groups external to the institution. These activities include community services programs and cooperative extension services. Included in this category are conferences, institutes, general advisory services, reference bureaus, radio and television, consulting, alumni activities, and similar non-instructional services to particular sectors of the community.

Sales and Services of Educational Activities

Sales and services of educational activities support instruction and help demonstrate classroom or related educational techniques to students. Revenue is from services and materials furnished which are incidental to the department. Receipts are from testing, cartographic services, book sales, sales of instructional materials, and public opinion services.

Student Programs and Services – University

These programs are supported by student activity fees, gate receipts from athletic events, and income from concerts and performances sponsored by the students.

In addition to the intercollegiate athletics programs, the funds sponsor a variety of student functions including speakers, acquisition of art objects, legal assistance, and grants-in-aid.

Student Programs and Services – Laboratory Schools

These programs are supported by student activity fees, gate receipts from athletic events, and participation fees for clubs and camps.

**State of Illinois  
Illinois State University**

**Auxiliary Facilities, Activities, and Accounting Entities (Continued)  
For the Year Ended June 30, 2019  
(Unaudited)**

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Field Trips and Foreign Study

These activities are supporting program costs for primarily credit courses at an off-campus site or at a foreign educational institution. The supporting costs include housing, transportation, printing, advertising, admissions, and other related program costs.

Income Fund

The income fund is supported by tuition, registration fees, academic support fees, library fines, and other miscellaneous income.

**Service Departments**

These departments provide services to various University departments on a charge-back basis. Rates are established and reviewed periodically to operate each service department on a break-even basis.

**Restricted Auxiliary Facilities Funds**

Student Housing

Accounts for the University's student residence halls and dining facilities whose construction was financed through the issuance of revenue bonds. The primary sources of revenue are room and board income, interest, food stores' sales, bakery sales, and laundry and vending machine commissions.

Student Activities

Accounts for the University's student union, athletic facilities, golf course, center for performing arts, and related facilities whose construction was financed through the issuance of revenue bonds. The primary sources of revenue are student fees and merchandise and service sales.

Parking Services

This account supports the development and maintenance of campus parking lots and decks. The source of funds is from parking permits, meters, fines, and rentals.

**State of Illinois  
Illinois State University**

**Analysis of Significant Variations in Appropriated Expenditures  
For the Year Ended June 30, 2019  
(Unaudited)**

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**Analysis of Significant Variations in Appropriated Expenditures Between Fiscal Years 2019 and 2018**

**Education Assistance Fund – 007**

Operational Expenses / Personal Services

The University was appropriated \$66,304,100 in fiscal year 2019 for ordinary and contingent expenses in comparison to \$65,004,000 in fiscal year 2019 for personal services.

**State College and University Trust – 417**

Scholarship Grant Awards

The University was appropriated \$50,000 in fiscal year 2019 for which represented scholarship grant awards from the sale of collegiate license plates. This was the first year the University awarded scholarships against this appropriation.

**State of Illinois  
Illinois State University**

**Analysis of Significant Lapse Period Spending  
For the Year Ended June 30, 2019  
(Unaudited)**

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**Education Assistance Fund – 007**

Operational Expenses

There was no significant Lapse Period spending during the Lapse Period.

State of Illinois  
Illinois State University

Analysis of Significant Variations in Revenues and Expenses  
For the Years Ended June 30, 2019 and 2018  
(Unaudited)

	2019	2018	Increase (Decrease)	Percentage Change
<b>Operating revenues</b>				
Student tuition and fees, net	\$ 199,747,193	\$ 200,168,393	\$ (421,200)	-0.21%
Federal grants and contracts	17,699,242	14,686,408	3,012,834	20.51% (A)
State and local grants and contracts	2,356,484	2,526,228	(169,744)	-6.72%
Nongovernmental grants and contracts	2,200,289	3,164,805	(964,516)	-30.48%
Sales and services of educational activities	3,129,981	3,159,643	(29,662)	-0.94%
Auxiliary facilities	90,801,134	85,783,356	5,017,778	5.85%
Other operating revenues	20,595,082	20,989,300	(394,218)	-1.88%
<b>Operating expenses</b>				
Educational and General:				
Instruction	164,879,992	204,873,401	(39,993,409)	-19.52% (B)
Research	26,628,447	29,398,662	(2,770,215)	-9.42%
Public service	17,432,982	20,342,875	(2,909,893)	-14.30%
Academic support	30,327,548	37,886,424	(7,558,876)	-19.95% (B)
Student services	54,189,901	59,587,407	(5,397,506)	-9.06%
Institutional support	47,863,037	56,518,247	(8,655,210)	-15.31% (B)
Operation and maintenance of plant	39,690,847	48,158,564	(8,467,717)	-17.58% (B)
Depreciation	26,133,717	25,306,963	826,754	3.27%
Student aid	56,152,680	49,434,756	6,717,924	13.59%
Auxiliary facilities:				
Student housing, activity facilities, and parking	64,722,625	71,962,933	(7,240,308)	-10.06%
<b>Nonoperating revenues (expenses)</b>				
State appropriations	66,354,100	98,939,700	(32,585,600)	-32.93% (C)
Payments on behalf of the University - State	35,477,000	29,590,000	5,887,000	19.90% (D)
Special funding situation	46,816,147	140,623,603	(93,807,456)	-66.71% (B)
Payments on behalf of the University - Foundation	4,107,025	2,918,448	1,188,577	40.73%
Laboratory schools	8,210,285	8,017,604	192,681	2.40%
Gifts and donations	1,873,608	1,681,281	192,327	11.44%
Investment income, net of investment expenses	11,024,633	342,628	10,682,005	3117.67% (E)
Interest expense	(5,947,726)	(6,850,479)	902,753	-13.18%
Nonoperating federal grants	27,041,463	25,154,638	1,886,825	7.50%
Nonoperating state grants	22,228,654	21,027,704	1,200,950	5.71%
Other nonoperating revenues	1,476,877	1,453,525	23,352	1.61%
Capital appropriations	29,675	113,000	(83,325)	-73.74%
Capital grants and gifts	1,849,007	1,900,551	(51,544)	-2.71%

**State of Illinois  
Illinois State University**

**Analysis of Significant Variations in Revenues and Expenses (Continued)  
For the Years Ended June 30, 2019 and 2018  
(Unaudited)**

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All variances greater than \$1,500,000 and more than 15% from fiscal year 2018 are discussed below. Refer to the Analysis of Significant Variations in Revenues and Expenses on page 66 for the actual dollar changes.

**Explanations of significant variances:**

- (A) Federal grants and contracts - The increase is due to the University receiving several large federal grants during the fiscal year.
- (B) Operating expenses and staff benefits expense - The decrease is due to an updated valuation method that resulted in a negative OPEB expense in the current year.
- (C) State Appropriations - The decrease is due to the budget impasse at the end of fiscal year 2017. The 2018 appropriation included \$33,935,700 related to the budget impasse.
- (D) Payments on behalf of the University - State - The increase is due to the allocation of group health insurance related to the University's active employees.
- (E) Investment income - The increase is due to unrealized gain on investments at fiscal year-end 2019 compared to unrealized loss on investments at fiscal year-end 2018.

State of Illinois  
Illinois State University

Analysis of Significant Variations in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources  
For the Years Ended June 30, 2019 and 2018  
(Unaudited)

	2019	2018	Increase (Decrease)	Percentage Change
<b>Assets</b>				
Current Assets:				
Cash and cash equivalents	\$ 53,171,079	\$ 56,122,226	\$ (2,951,147)	-5.26%
Accrued interest receivable	495,463	396,152	99,311	25.07%
Accounts receivable, net	18,118,779	16,169,991	1,948,788	12.05%
Student loans receivable, net	5,992,465	7,220,644	(1,228,179)	-17.01%
Appropriations receivable from State	38,358	37,774	584	1.55%
Inventories	2,110,437	2,329,403	(218,966)	-9.40%
Prepaid expenses, deposits and other	3,031,346	3,916,807	(885,461)	-22.61%
Restricted				
Cash and cash equivalents	10,094,795	4,324,216	5,770,579	133.45% (A)
Investments	63,530,632	44,794,700	18,735,932	41.83% (C)
Accrued interest receivable	375,313	484,607	(109,294)	-22.55%
Accounts receivable, net	6,907,018	5,188,250	1,718,768	33.13% (B)
Inventories	228,738	206,490	22,248	10.77%
Prepaid expenses, deposits, and other	79,442	130,517	(51,075)	-39.13%
Noncurrent Assets:				
Investments	103,781,662	95,815,652	7,966,010	8.31%
Student loans receivable, net	539,162	456,363	82,799	18.14%
Debt issuance costs	157,818	177,064	(19,246)	-10.87%
Capital assets not depreciated	83,422,509	39,855,196	43,567,313	109.31% (C)
Capital assets, net of depreciation	435,079,325	441,836,858	(6,757,533)	-1.53%
Other noncurrent assets	-	25,000	(25,000)	100.00%
Restricted				
Investments	72,123,488	108,759,748	(36,636,260)	-33.69% (C)
Debt issuance costs	656,103	701,516	(45,413)	-6.47%
Deferred outflows of resources				
Loss on refunding	640,385	-	640,385	100.00%
OPEB	626,847	642,688	(15,841)	-2.46%
Pension	765,255	669,483	95,772	14.31%
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable and accrued liabilities	27,960,245	21,320,938	6,639,307	31.14% (C)
Assets held in custody for others and deposits	2,515,860	2,759,923	(244,063)	-8.84%
Unearned revenue	11,636,352	10,521,919	1,114,433	10.59%
Certificates of participation	2,973,545	2,873,545	100,000	3.48%
Revenue bonds payable	6,773,816	5,983,816	790,000	13.20%
Accrued compensated absences	1,515,841	1,589,056	(73,215)	-4.61%
OPEB Liability	620,624	-	620,624	100.00% (D)
Noncurrent Liabilities:				
Assets held in custody for others and deposits	-	5,909	(5,909)	-100.00%
Certificates of participation	39,554,836	42,528,382	(2,973,546)	-6.99%
Revenue bonds payable	110,949,218	112,168,033	(1,218,815)	-1.09%
Accrued compensated absences	14,411,351	14,092,914	318,437	2.26%
OPEB liability	23,675,885	30,042,445	(6,366,560)	-21.19% (D)
Federal loan program contributions refundable	7,780,955	7,780,955	-	0.00%
Deferred inflows of resources				
OPEB	8,573,968	4,592,785	3,981,183	86.68% (D)

**State of Illinois  
Illinois State University**

**Analysis of Significant Variations in Assets, Deferred Outflows of Resources, Liabilities, and  
Deferred Inflows of Resources (Continued)  
For the Years Ended June 30, 2019 and 2018  
(Unaudited)**

---

All variances greater than \$1,500,000 and more than 15% from fiscal year 2018 are discussed below. Refer to the Analysis of Significant Variations in Assets, Deferred Outflows of Resources and Liabilities on page 68 for the actual dollar changes.

Explanations of significant variances:

- (A) Restricted cash and cash equivalents - The increase is due to the University issuing Series 2019C debt to replace lower bowl seating at the Redbird Arena during fiscal year 2019. As of year-end, \$6 million remains to be drawn down.
- (B) Accounts receivable, net - Increase in receivable related to increase in enrollment and in housing costs.
- (C) Capital assets not depreciated, investments and accounts payable - The increase is due to the University working on a large renovation to the Bone Student Center as well as Watterson Dining Center that was not completed as of year-end. The related project retainage was included in accounts payable at year-end. These projects have not been financed and investments are being held in short-term investments to pay for construction.
- (D) OPEB liability and deferred inflow of OPEB - The changes are due to an updated valuation method that resulted in a negative OPEB expense in the current year.

State of Illinois  
 Illinois State University

Current Unrestricted Local Funds  
 Continuing Education and Public Services  
 Calculation Sheet for Current Excess Funds  
 June 30, 2019  
 (Unaudited)

**1. Current Available Funds**

Add:

Cash .....	\$ -
Cash Equivalents .....	
Bank Deposits .....	-
Marketable Securities .....	3,453,947
Certificates of Deposit .....	-
Repurchase Agreements .....	-
Other cash equivalent items .....	-
Interfund receivables .....	-
Total Current Available Funds .....	A. <u>3,453,947</u>

**2. Working Capital Allowance**

Add:

Highest month's expenditures .....	1,217,039
Encumbrances and current liabilities paid in lapse period .....	655,130
Deferred income .....	436,739
Refundable deposits .....	27,930
Allowance for Restoring Inventory to Normal Level .....	-
Allowance for Sick Leave/Vacation Payouts .....	<u>6,725</u>
Working Capital Allowance .....	B. <u>2,343,563</u>

**3. Current Excess Funds**

Deduct B from A and enter here ..... C. 1,110,384

**4. Calculation of Income Fund Remittance**

An entity may offset excess capital or current funds within the entity. Enter the amount to be offset, if any here ..... D. (164,806)

Enter the algebraic sum of C and D and remit the amount due, if any, for deposit in the Income Fund. \$ 945,578

State of Illinois  
 Illinois State University

Current Unrestricted Local Funds  
 Sales and Services of Educational Activities  
 Calculation Sheet for Current Excess Funds  
 June 30, 2019  
 (Unaudited)

**1. Current Available Funds**

Add:

Cash .....	\$	-
Cash Equivalents .....		
Bank Deposits .....		1,694,214
Marketable Securities .....		-
Certificates of Deposit .....		-
Repurchase Agreements .....		-
Other cash equivalent items .....		-
Interfund receivables .....		-
Total Current Available Funds .....	A.	<u>1,694,214</u>

**2. Working Capital Allowance**

Add:

Highest month's expenditures .....		307,012
Encumbrances and current liabilities paid in lapse period .....		90,274
Deferred income .....		7,427
Refundable deposits .....		-
Allowance for Restoring Inventory to Normal Level .....		27,242
Allowance for Sick Leave/Vacation Payouts .....		<u>2,978</u>
Working Capital Allowance .....	B.	<u>434,933</u>

**3. Current Excess Funds**

Deduct B from A and enter here ..... C. 1,259,281

**4. Calculation of Income Fund Remittance**

An entity may offset excess capital or current funds within the entity. Enter the amount to be offset, if any here ..... D. (859,096)

Enter the algebraic sum of C and D and remit the amount due, if any, for deposit in the Income Fund. \$ 400,185

State of Illinois  
 Illinois State University

Current Unrestricted Local Funds  
 Student Programs and Services  
 Calculation Sheet for Current Excess Funds  
 June 30, 2019  
 (Unaudited)

**1. Current Available Funds**

Add:

Cash .....	\$ -
Cash Equivalents .....	
Bank Deposits .....	997,735
Marketable Securities .....	10,289,462
Certificates of Deposit .....	-
Repurchase Agreements .....	-
Other cash equivalent items .....	-
Interfund receivables .....	-
Total Current Available Funds .....	A. <u>11,287,197</u>

**2. Working Capital Allowance**

Add:

Highest month's expenditures .....	7,885,543
Encumbrances and current liabilities paid in lapse period .....	708,380
Deferred income .....	2,531,695
Refundable deposits .....	255,521
Allowance for Restoring Inventory to Normal Level .....	-
Allowance for Sick Leave/Vacation Payouts .....	<u>133,439</u>
Working Capital Allowance .....	B. <u>11,514,578</u>

**3. Current Excess Funds**

Deduct B from A and enter here ..... C. (227,381)

**4. Calculation of Income Fund Remittance**

An entity may offset excess capital or current funds within the entity. Enter the amount to be offset, if any here ..... D. (667,779)

Enter the algebraic sum of C and D and remit the amount due, if any, for deposit in the Income Fund. \$ (895,160)

State of Illinois  
 Illinois State University

Current Unrestricted Local Funds  
 Field Trips and Foreign Study  
 Calculation Sheet for Current Excess Funds  
 June 30, 2019  
 (Unaudited)

**1. Current Available Funds**

Add:

Cash .....	\$ -
Cash Equivalents .....	
Bank Deposits .....	920,827
Marketable Securities .....	-
Certificates of Deposit .....	-
Repurchase Agreements .....	-
Other cash equivalent items .....	-
Interfund receivables .....	-
Total Current Available Funds .....	A. <u>920,827</u>

**2. Working Capital Allowance**

Add:

Highest month's expenditures .....	372,500
Encumbrances and current liabilities paid in lapse period .....	198,383
Deferred income .....	524,027
Refundable deposits .....	-
Allowance for Restoring Inventory to Normal Level .....	-
Allowance for Sick Leave/Vacation Payouts .....	<u>290</u>
Working Capital Allowance .....	B. <u>1,095,200</u>

**3. Current Excess Funds**

Deduct B from A and enter here .....	C. (174,373)
--------------------------------------	--------------

**4. Calculation of Income Fund Remittance**

An entity may offset excess capital or current funds within the entity. Enter the amount to be offset, if any here .....	D. <u>(2,142)</u>
--	-------------------

Enter the algebraic sum of C and D and remit the amount due, if any, for deposit in the Income Fund.	<u>\$ (176,515)</u>
--	---------------------

State of Illinois  
 Illinois State University

Service Departments  
 Calculation Sheet for Current Excess Funds  
 June 30, 2019  
 (Unaudited)

**1. Current Available Funds**

Add:

Cash .....	\$ 69,098
Cash Equivalents .....	
Bank Deposits .....	5,571,881
Marketable Securities .....	-
Certificates of Deposit .....	-
Repurchase Agreements .....	-
Other cash equivalent items .....	-
Interfund receivables .....	<u>-</u>
Total Current Available Funds .....	A. <u>5,640,979</u>

**2. Working Capital Allowance**

Add:

Highest month's expenditures .....	3,869,251
Encumbrances and current liabilities paid in lapse period .....	764,771
Deferred income .....	115,997
Refundable deposits .....	-
Allowance for Restoring Inventory to Normal Level .....	-
Allowance for Sick Leave/Vacation Payouts .....	<u>51,571</u>
Working Capital Allowance .....	B. <u>4,801,590</u>

**3. Current Excess Funds**

Deduct B from A and enter here .....	C. 839,389
--------------------------------------	------------

**4. Calculation of Income Fund Remittance**

An entity may offset excess capital or current funds within the entity. Enter the amount to be offset, if any here .....	D. <u>(4,908,341)</u>
--	-----------------------

Enter the algebraic sum of C and D and remit the amount due, if any, for deposit in the Income Fund.	<u>\$ (4,068,952)</u>
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State of Illinois  
 Illinois State University

Auxiliary Facilities - Revenue Bonds  
 Student Housing  
 Calculation Sheet for Current Excess Funds  
 June 30, 2019  
 (Unaudited)

**1. Current Available Funds**

Add:

Cash .....	\$	-
Cash Equivalents .....		
Bank Deposits .....		567,628
Marketable Securities .....		23,559,845
Certificates of Deposit .....		-
Repurchase Agreements .....		-
Other cash equivalent items .....		-
Interfund receivables .....		-
Total Current Available Funds .....	A.	<u>24,127,473</u>

**2. Working Capital Allowance**

Add:

Highest month's expenditures .....		6,575,219
Encumbrances and current liabilities paid in lapse period .....		759,076
Deferred income .....		67,762
Refundable deposits .....		829,952
Allowance for Restoring Inventory to Normal Level .....		-
Allowance for Sick Leave/Vacation Payouts .....		<u>84,526</u>
Working Capital Allowance .....	B.	<u>8,316,535</u>

**3. Current Excess Funds**

Deduct B from A and enter here ..... C. 15,810,938

**4. Calculation of Income Fund Remittance**

An entity may offset excess capital or current funds within the entity. Enter the amount to be offset, if any here ..... D. (22,121,003)

Enter the algebraic sum of C and D and remit the amount due, if any, for deposit in the Income Fund. \$ (6,310,065)

State of Illinois  
 Illinois State University

Auxiliary Facilities - Revenue Bonds  
 Student Activities  
 Calculation Sheet for Current Excess Funds  
 June 30, 2019  
 (Unaudited)

<b>1. Current Available Funds</b>	
Add:	
Cash .....	\$ 849
Cash Equivalents .....	
Bank Deposits .....	-
Marketable Securities .....	5,091,708
Certificates of Deposit .....	-
Repurchase Agreements .....	-
Other cash equivalent items .....	-
Interfund receivables .....	-
Total Current Available Funds .....	A. <u>5,092,557</u>
<b>2. Working Capital Allowance</b>	
Add:	
Highest month's expenditures .....	2,137,524
Encumbrances and current liabilities paid in lapse period .....	387,778
Deferred income .....	626,184
Refundable deposits .....	171,391
Allowance for Restoring Inventory to Normal Level .....	7,708
Allowance for Sick Leave/Vacation Payouts .....	<u>24,237</u>
Working Capital Allowance .....	B. <u>3,354,822</u>
<b>3. Current Excess Funds</b>	
Deduct B from A and enter here .....	C. 1,737,735
<b>4. Calculation of Income Fund Remittance</b>	
An entity may offset excess capital or current funds within the entity. Enter the amount to be offset, if any here .....	D. <u>(14,484,373)</u>
Enter the algebraic sum of C and D and remit the amount due, if any, for deposit in the Income Fund.	<u>\$ (12,746,638)</u>

State of Illinois  
 Illinois State University

Auxiliary Facilities - Revenue Bonds  
 Parking Services  
 Calculation Sheet for Current Excess Funds  
 June 30, 2019  
 (Unaudited)

<b>1. Current Available Funds</b>	
Add:	
Cash .....	\$ -
Cash Equivalents .....	
Bank Deposits .....	352,660
Marketable Securities .....	1,846,237
Certificates of Deposit .....	-
Repurchase Agreements .....	-
Other cash equivalent items .....	-
Interfund receivables .....	-
Total Current Available Funds .....	A. <u>2,198,897</u>
<b>2. Working Capital Allowance</b>	
Add:	
Highest month's expenditures .....	454,199
Encumbrances and current liabilities paid in lapse period .....	110,352
Deferred income .....	93,390
Refundable deposits .....	-
Allowance for Restoring Inventory to Normal Level .....	-
Allowance for Sick Leave/Vacation Payouts .....	4,999
Working Capital Allowance .....	B. <u>662,940</u>
<b>3. Current Excess Funds</b>	
Deduct B from A and enter here .....	C. 1,535,957
<b>4. Calculation of Income Fund Remittance</b>	
An entity may offset excess capital or current funds within the entity. Enter the amount to be offset, if any here .....	D. <u>(2,566,431)</u>
Enter the algebraic sum of C and D and remit the amount due, if any, for deposit in the Income Fund.	<u>\$ (1,030,474)</u>

State of Illinois  
 Illinois State University

Calculation Sheet for Indirect Cost Carryforward  
 June 30, 2019  
 (Unaudited)

**1. Current Available Funds**

Add:

Cash .....	\$ -
Cash Equivalents .....	
Bank Deposits .....	-
Marketable Securities .....	2,793,006
Certificates of Deposit .....	-
Repurchase Agreements .....	-
Other cash equivalent items .....	<u>2,715</u>
Interfund receivables .....	<u>2,795,721</u>

**2. Allocated Reimbursements**

Enter the total indirect cost reimbursements allocated for  
 expenditure for the fiscal year completed:

\$3,642,132; enter 30% of this amount .....	<u>1,297,453</u>
---	------------------

**3. Unallocated Reimbursements**

Enter the lesser of the actual unallocated indirect cost  
 reimbursements for the year completed OR 10% of  
 total indirect cost allocations for the year completed .....

<u>210,099</u>
----------------

**4. Encumbrances and Current Liabilities  
 Paid in the Lapse Period**

Enter the amount of:

Current Liabilities .....	69,290
Encumbrances .....	<u>-</u>
Total .....	<u>69,290</u>

**5. Indirect Cost Carry-forward**

a. Enter the total of items 2, 3 and 4 .....	<u>1,576,842</u>
--	------------------

b. Subtract from item 1 .....	<u>\$ 1,218,879</u>
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If a positive number results, enter here and remit for deposit in the Income Fund.	<u>\$ 1,218,879</u>
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State of Illinois  
Illinois State University

Employment Statistics (Full-Time Equivalent)  
For the Years Ended June 30, 2019 and 2018  
(Unaudited)\*

	Instructional Activities	Organized Research	Public Service	Academic Support	Student Services	Institutional Support	O&M Plant	Independent Operations	Total All Functions
<b>Year Ended June 30, 2019</b>									
Appropriated funds:									
Faculty/administrative	1,140.60	7.30	14.20	112.20	69.10	85.50	12.30	0.00	1,441.20
Civil service	180.50	10.90	4.30	59.90	17.70	252.10	298.60	0.00	824.00
Student employees	52.50	0.10	2.60	16.00	5.50	37.50	12.00	0.00	126.20
Miscellaneous contracts	2.30	0.00	2.30	0.20	0.00	2.70	14.40	0.00	21.90
	<b>1,375.90</b>	<b>18.30</b>	<b>23.40</b>	<b>188.30</b>	<b>92.30</b>	<b>377.80</b>	<b>337.30</b>	<b>0.00</b>	<b>2,413.30</b>
Nonappropriated funds:									
Faculty/administrative	43.70	132.70	57.60	2.20	180.20	0.00	0.00	49.40	465.80
Civil service	8.70	24.10	11.70	0.00	75.50	0.00	0.00	254.10	374.10
Student employees	12.70	17.00	14.10	0.10	63.00	0.00	0.00	186.90	293.80
Miscellaneous contracts	2.40	4.10	3.30	0.50	2.80	0.00	0.00	12.90	26.00
	<b>67.50</b>	<b>177.90</b>	<b>86.70</b>	<b>2.80</b>	<b>321.50</b>	<b>0.00</b>	<b>0.00</b>	<b>503.30</b>	<b>1,159.70</b>
<b>Total All Funds</b>	<b>1,443.40</b>	<b>196.20</b>	<b>110.10</b>	<b>191.10</b>	<b>413.80</b>	<b>377.80</b>	<b>337.30</b>	<b>503.30</b>	<b>3,573.00</b>
<b>Year Ended June 30, 2018</b>									
Appropriated funds:									
Faculty/administrative	1,166.20	6.20	22.80	83.30	65.50	82.40	12.00	0.00	1,438.40
Civil service	200.90	10.60	5.80	75.00	18.40	242.30	305.10	0.00	858.10
Student employees	47.40	0.10	2.60	15.30	3.50	25.50	11.70	0.00	106.10
Miscellaneous contracts	1.80	0.00	3.50	0.90	0.10	2.90	19.00	0.00	28.20
	<b>1,416.30</b>	<b>16.90</b>	<b>34.70</b>	<b>174.50</b>	<b>87.50</b>	<b>353.10</b>	<b>347.80</b>	<b>0.00</b>	<b>2,430.80</b>
Nonappropriated funds:									
Faculty/administrative	47.80	121.90	51.00	3.00	167.10	0.00	0.10	50.10	441.00
Civil service	11.00	24.90	9.90	0.00	78.80	0.00	1.00	242.60	368.20
Student employees	17.10	13.60	14.40	0.80	58.10	0.00	0.00	204.50	308.50
Miscellaneous contracts	2.80	3.80	1.60	0.30	3.60	0.00	0.00	13.90	26.00
	<b>78.70</b>	<b>164.20</b>	<b>76.90</b>	<b>4.10</b>	<b>307.60</b>	<b>0.00</b>	<b>1.10</b>	<b>511.10</b>	<b>1,143.70</b>
<b>Total All Funds</b>	<b>1,495.00</b>	<b>181.10</b>	<b>111.60</b>	<b>178.60</b>	<b>395.10</b>	<b>353.10</b>	<b>348.90</b>	<b>511.10</b>	<b>3,574.50</b>

\* This information has been provided by the University's Office of Budget and Planning.

**State of Illinois  
Illinois State University**

**Employment Statistics (Full-Time Equivalent) (Continued)  
For the Years Ended June 30, 2019 and 2018  
(Unaudited)\***

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This is the employment information reported to the State of Illinois, Board of Higher Education. Staff years are computed by dividing the employees' number of months of employment during the fiscal year by 12 and multiplying that number by a factor of one for full-time and multiplying by the percentage of appointment for part-time. Examples of staff year computations are as follows:

- 1 full-time employee employed 12 months of the fiscal year counts - 1 staff year
- 1 full-time employee employed 6 months of the fiscal year counts - .5 staff year
- 1 one-third time employee employed 12 months of the fiscal year counts - .33 staff year
- 1 one-third time employee employed 6 months of the fiscal year counts - .17 staff year

**State of Illinois  
Illinois State University**

**Annual Cost Statistics  
For the Years Ended June 30, 2019 and 2018  
(Unaudited)**

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Following is a computation of cost per full-time equivalent student:

	<u>2019</u>		<u>2018</u>
Total education and general expenses/expenditures from current appropriated funds	\$ 66,304,100	*	\$ 65,004,000
Expenses/expenditures from locally held University Income Fund	<u>192,520,714</u>		<u>148,032,197</u>
Total expenses from current appropriated and locally held funds	258,824,814		213,036,197
Full-time equivalent students	<u>18,116</u>		<u>18,308</u>
Cost Per Full-time Equivalent Student	<u>\$ 14,287</u>		<u>\$ 11,636</u>

\* Amount represents direct appropriations from the General Revenue Fund and the Education Assistance Fund to the University and does not include payments made on behalf of the University.

**State of Illinois  
Illinois State University**

**Emergency Purchases  
For the Year Ended June 30, 2019  
(Unaudited)**

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The University had one emergency purchase for architecture and engineering consulting at Watterson Towers, where immediate action was needed to prevent a serious disruption in the University's services. The University identified an HVAC systems problem during the fourth quarter of Fiscal Year 2019, which required complex repairs while the residence halls were vacant prior to students returning for the Fall 2019 semester. If the project was not completed by August 15, 2019, the University would have had to relocate a substantial portion of the residents at considerable expense and with significant disruption to the University's Fall 2019 semester. The University ultimately paid its vendor - Wiss, Janney, Elstner Associates, Inc. (WJE) - and WJE's subcontractors \$338,631 to complete this project.

**State of Illinois  
Illinois State University**

**Bookstore Information  
For the Year Ended June 30, 2019  
(Unaudited)**

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The University has a contractual arrangement for bookstore operations on campus. The University's contract is for the period July 1, 2013, through June 30, 2019. The contract with the bookstore requires commissions to be paid to the University based on the following terms:

1. 11.0% of gross sales up to \$2,000,000; plus
2. 12.0% of gross sales from \$2,000,000 to \$2,500,000; plus
3. 14.0% of gross sales over \$2,500,000.

Bookstore gross sales and University commissions were as follows:

<u>Fiscal Year</u>	<u>Bookstore Sales</u>	<u>Commission</u>
2019	\$ 2,179,969	\$ 258,458
2018	2,551,254	314,945
2017	2,999,562	349,939

The University received a guaranteed commission of \$258,248, \$16,862 above the calculated commissions based on the terms of the contract.

The contract with the bookstore gives the contractor exclusive rights to sell books on campus; however, there is a competing bookstore near campus.

**State of Illinois  
Illinois State University**

**Special Data Requirements for University Audits  
For the Years Ended June 30, 2019 and 2018  
(Unaudited)**

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In accordance with an Office of the Auditor General, July 25, 2000, memorandum entitled “Matters Regarding University Audits” (Memorandum), certain supplemental data is required to be reported for University audits. The table below cross references the memorandum requirements (indicated by number and letter paragraph references) to the University’s financial audit and compliance examination reports for the year ended June 30, 2019, where such special data is found.

**Compliance Findings**

- 13(a) There were no violations of the compliance requirements of the University Guidelines identified during the financial audit and compliance examination of the Illinois State University for the year ended June 30, 2019.

**Indirect Cost Reimbursements**

- 13(b) A statement of the sources and application of indirect cost recoveries is presented on Schedule 13 within this report on page 58.
- 13(c) The University’s calculation sheet for indirect cost carryforward and any required remittance to the University’s Income Fund is presented within this report on page 78.

**Tuition Diversion to Auxiliary Enterprise Operations**

- 13(d) There were no diversions of tuition revenues to auxiliary enterprise operations identified during the financial audit and compliance examination of the Illinois State University for the year ended June 30, 2019.

**Auxiliary Facilities, Activities, and Accounting Entities**

- 13(e) An identification of each specific accounting entity and a description of each entity’s sources of revenues and purpose are presented within this report on pages 62-63.
- 13(f) The present financial statements for each accounting entity are presented on Schedules 7 through 12 within this report on pages 52-57. These entity financial statements should be read in conjunction with the University’s audited financial statements for the year ended June 30, 2019.
- 13(g) The University’s calculation sheets for current excess funds within each accounting entity and any required remittance to the University’s Income Fund are presented within this report on pages 70-77.

**State of Illinois  
Illinois State University**

**Special Data Requirements for University Audits (Continued)  
For the Years Ended June 30, 2019 and 2018  
(Unaudited)**

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**Auxiliary Facilities, Activities, and Accounting Entities (Continued)**

- 13(h) Support received by auxiliary enterprises from State appropriated funds for retirement and group insurance benefits is disclosed in the financial audit report in the Schedule of Operating Expenses on page 79.
- 13(i) The revenues and expenses for various bond indenture accounts are presented within the University's Condensed Statements of Net Position, Condensed Statements of Revenues, Expenses and Changes in Net Position, and Condensed Statements of Cash Flows for the University's Auxiliary Facilities System within the financial audit report in Note 23 on pages 69-70.
- Further, the present financial statements for Housing, Student Activities, and Parking entities are presented in Schedules 11-12 within this report on pages 56-57. A description of the Housing, Student Activities, and Parking entities' sources of revenues and purpose are presented within this report on pages 62-63.
- 13(j) There were no violations of the bond covenants identified during the financial audit and compliance examination of Illinois State University for the year ended June 30, 2019.
- 13(k) The University does not currently have any non-instructional facilities reserves established by the University's Board of Trustees.

**University Related Organizations (UROs)**

- 13(l) The University has two UROs, the Illinois State University Foundation and INTO ISU. The University does not have any "Independent Organizations" under Section VII of the University Guidelines.
- 13(m) A summary of Illinois State University Foundation and INTO ISU payments to the University for services provided by the University is presented within this report on pages 87-90.
- 13(n) A summary of University payments to the Illinois State University Foundation and INTO ISU for services provided by the Illinois State University Foundation is presented within this report on pages 87-90.
- 13(o) A disclosure of the cumulative amount of unreimbursed subsidies to the Illinois State University Foundation is presented within this report on page 87.

**State of Illinois  
Illinois State University**

**Special Data Requirements for University Audits (Continued)  
For the Years Ended June 30, 2019 and 2018  
(Unaudited)**

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**University Related Organizations (UROs) (Continued)**

- 13(p) A disclosure and description of debt financed by the Illinois State University Foundation and INTO ISU, along with other University long-term liabilities, is disclosed within the financial audit report in Note 10 on pages 42-48.

**Other Topics**

- 13(q) The University's cash and cash equivalents are disclosed within the financial audit report in Note 2 on page 34. The University's investments are disclosed within the financial audit report in Note 3 on pages 34-38.
- 13(r) The University's income from investments of pooled funds has been allocated and credited to the original sources of the funds, to the extent practical. There was no unallocated investment income required to be paid into the University's Income Fund.
- 13(s) The cost per full-time equivalent student, prepared in accordance with requirements of the State of Illinois, Board of Higher Education, is presented within this report on page 81.
- 13(t) The University did not purchase any real estate with an acquisition cost in excess of \$250,000 that was not funded by a separate, specific appropriation from the General Assembly.
- 13(u) The University's Certificate of Participation issuances, along with other University and Illinois State University Foundation long-term liabilities, are disclosed within the financial audit report in Note 10 on pages 42-48.

**Other Schedules for Universities**

- 13(1) An analysis of State appropriations to the University is presented in Schedules 2-3 within this report on pages 46-47. In addition, the University's analysis of significant variations in appropriated expenditures and significant spending during the Lapse Period is presented within this report on pages 64-65.
- 13(2) A Comparative Schedule of Revenues and Expenses for the University's Income Fund is presented in Schedule 4 within this report on page 48.
- 13(3) Separate schedules of tuition and fee waivers for undergraduate and graduate students, respectively, are presented within this report on pages 91-92.

**State of Illinois  
Illinois State University**

**Summary of Foundation Transactions with the University  
For the Years Ended June 30, 2019 and 2018  
(Unaudited)**

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The University recognizes Illinois State University Foundation as a University-Related Organization as defined in the University Guidelines.

During fiscal years 2019 and 2018, Illinois State University engaged the Foundation, under contract, to provide development and fundraising services. In addition, the University contributed services and expenditures estimated at \$2,513,254 and \$2,457,018 during fiscal years 2019 and 2018, respectively. As required by contract, the Foundation fully repaid the University using funds considered unrestricted for purposes of the computations per University Guidelines. There was no cumulative unreimbursed subsidy for fiscal years 2019 and 2018. During fiscal years 2019 and 2018, the Foundation contributed services and expenditures of \$9,688,480 and \$8,811,223, respectively, that were for the direct and/or indirect support of the University.

The Foundation is a related organization formed to support in various ways the University's instructional, research and public service missions. Effective July 1, 2018, the Foundation renewed the Support Agreement, for an additional one year, with the University Board of Trustees (acting for and on behalf of the University) whereby the University agrees to provide to the Foundation fair and reasonable compensation in exchange for development and fundraising services up to a maximum value. The maximum value under the agreement was \$2,675,000 and \$2,595,000, respectively, for the years ended June 30, 2019 and 2018. Under terms of the agreements, the University provided in-kind support in the form of personnel, office space, office equipment, computer support and communication services estimated at \$2,513,254 and \$2,457,018 during fiscal years 2019 and 2018, respectively. During these years, the direct and/or indirect support of the University, as well as the scholarships provided by the Foundation, exceeded the value provided by the University under the agreement.

As of June 30, 2019 and 2018, the Foundation had payables to the University of \$262,579 and \$157,860, respectively. In addition, at June 30, 2019 and 2018, the Foundation had no receivables from the University.

In fiscal year 2009, Launching Futures, LLC acquired real estate for approximately \$6.3 million that was being leased by the University from an outside party. Once the sales contract was signed, the University continued to lease the property from the seller until the initial closing. The acquired real estate serves as the University's Alumni Center. To assist with construction improvement costs, the University made a \$3 million prepaid rent payment in July 2008. Launching Futures, LLC leases the property to the University at \$19,167 per month. Also, the University and Foundation are amortizing the \$3 million prepaid rent over a ten-year period at \$300,000 per year. The prepaid rent was fully amortized as of June 30, 2018.

During fiscal years 2019 and 2018, the Foundation contributed services and expenditures of \$6,795,163 and \$5,936,803, respectively, that were for the direct and/or indirect support of the University. The Foundation also contributed \$2,893,317 and \$2,874,420, respectively, in student aid, scholarships, and awards to the University. These amounts were applied directly to the students' University accounts.

**State of Illinois  
Illinois State University**

**Summary of Foundation Transactions with the University (Continued)  
For the Years Ended June 30, 2019 and 2018  
(Unaudited)**

As of and during the year ended June 30, 2019, the University and Foundation had the following inter-entity transactions:

Illinois State University	Illinois State University Foundation	
	Accounts Payable	Operating Expense
Accounts receivable, net	\$ 222,515	\$ -
Assets held in custody for others	40,064	-
Other operating revenues	-	530,842
Other nonoperating revenues	-	5,616,558
Capital gifts and grants	-	647,763
Total	<u>\$ 262,579</u>	<u>\$ 6,795,163</u>

Note: There was an additional \$9,498 of on-behalf support from the Foundation on the University's books on the Foundation's books.

As of and during the year ended June 30, 2018, the University and Foundation had the following inter-entity transactions:

Illinois State University	Illinois State University Foundation	
	Accounts Payable	Operating Expense
Accounts receivable, net	\$ 123,489	\$ -
Prepaid expense	34,371	-
Other operating revenues	-	352,647
Other nonoperating revenues	-	4,538,968
Capital gifts and grants	-	1,045,188
Total	<u>\$ 157,860</u>	<u>\$ 5,936,803</u>

Note: There was an additional \$15,865 of on-behalf support from the Foundation on the University's books for the fair market value of gifts in-kind that were not included on the Foundation's books.

**State of Illinois  
Illinois State University**

**Summary of INTO NA Transactions with the University  
For the Years Ended June 30, 2019 and 2018  
(Unaudited)**

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The Illinois State University Global, LLC (Global) was established on March 8, 2018. Global is a University Related Organization (URO) as defined under the University Guidelines adopted by the State of Illinois' Legislative Audit Commission in 1982, as amended. Global was formed as a single member LLC of which the University is the sole owner. The University contributed \$25,000 to Global. Based on this financial relationship, Global is blended into the University's financial information (see page 90 for the diagram of the INTO/ISU Corporate structure).

Global exists for the purpose of promoting the development of the Illinois State University's efforts to promote global engagement and internationalization, so that the University can impart the necessary knowledge, and skills students will need to effectively engage in the global community and support the University's distinctive excellence in teaching, learning, scholarship, creativity, research, and public service.

Global's June 30, 2018 activity on the Statement of Revenues, Expenses and Changes in Net Position reflected the \$25,000 loss from INTO ISU. Global's initial \$25,000 investment in INTO ISU was reduced to \$0 on its balance sheet at year-end based on its equity investment. There are no other balances at year-end.

On March 22, 2018, Global entered into a joint venture with INTO North America, Inc. (INTO NA) to establish INTO Illinois State University, LLC (INTO ISU). Each member contributed \$25,000 towards the members' capital account, appointed three members to the INTO ISU Board, and holds an equal (50%) equity stake in INTO ISU. The Joint Venture agreement specifically applies the \$50,000 towards partnership equity. INTO ISU is discretely presented on the University's financial statements.

INTO ISU is an independent organization and is required to report in a separate column to emphasize that it is an entity legally separate from the University. INTO ISU serves as the primary entity to implement the partnership with INTO NA. INTO ISU is responsible, in partnership with INTO NA and the University, with recruiting international students, offering English language instruction courses that serve as a pathway to University degree programs, and serving our new international students. INTO ISU provides continuous support by managing the areas of the students' cultural experience, English language courses, and eventual matriculation to the University.

INTO NA supports INTO ISU by providing management, marketing, and administrative services to INTO ISU. By partnering with INTO ISU, the University can support the recruitment of the best and brightest international student talent to the University, enhance the diversity of our University community, inspire our students to become global citizens, extend the University's global reach, broaden the University's global brand identity and recognition, provide an economic stimulus for the broader community, and contribute to the growth of the University. INTO NA is a wholly owned subsidiary of INTO University Partnership Limited (IUP), a British limited liability partnership.

**State of Illinois  
Illinois State University**

**Summary of INTO NA Transactions with the University (Continued)  
For the Years Ended June 30, 2019 and 2018  
(Unaudited)**

As of and during the year ended June 30, 2019, the University and INTO NA had the following inter-entity transactions:

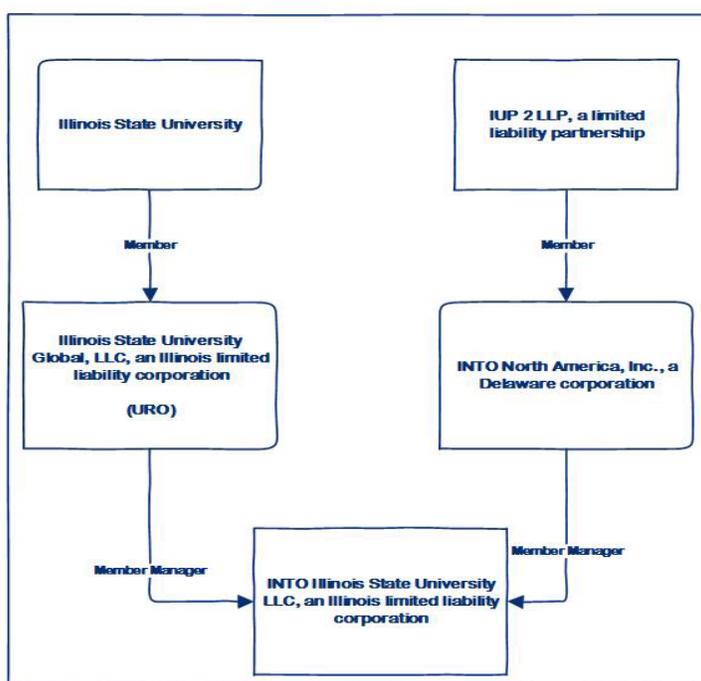
Illinois State University	INTO Illinois State University						
	Accounts Payable	Accounts Receivable	Cost of Instruction	Compensation & Benefits	Rent	Administrative and Service Charges	Other
Accounts receivable, net	\$ 673,754	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	4,715	-	-	-	-	-
Operating revenues	-	-	683,528	509,981	116,595	209,486	80,397

As of and during the year ended June 30, 2018, the University and INTO NA had the following inter-entity transactions:

Illinois State University	INTO Illinois State University				
	Accounts Payable	Accounts Receivable	Marketing	Administrative and Service Charges	Capital
Accounts receivable, net	\$ 137,794	\$ -	\$ -	\$ -	\$ -
Operating revenues	-	-	24,248	55,480	46,703

Below is a diagram representing the INTO/ISU Corporate Structure.

**INTO/ISU Corporate Structure**



State of Illinois  
Illinois State University

Undergraduate Tuition and Fee Waivers  
For the Year Ended June 30, 2019  
(Unaudited)

	Total Number of Recipients*	Tuition Waived		Fees Waived	
		(In Thousands of Dollars)			
		Number of Recipients	Value of Waivers	Number of Recipients	Value of Waivers
<b>Mandatory Waivers</b>					
Teacher Special Education	400	400	\$ 4,333.2	400	\$ 1,131.3
Reserve Officers' Training Corps	47	47	481.6	47	15.2
Wards of the Department of Children and Family Services	35	35	312.9	35	36.2
Veterans Grants and Scholarships	316	316	2,660.5	316	199.4
Children of Employees	364	364	1,831.3	-	-
Subtotal*	1,162	1,162	9,619.5	798	1,382.1
<b>Discretionary Waivers</b>					
Civil Service	58	58	224.3	58	48.6
Children of Deceased Employees	4	4	42.3	4	9.3
Athletic	416	416	3,625.8	-	-
Academic/Other Talent	514	514	1,846.9	18	20.7
Foreign Exchange Students	58	58	308.3	-	-
Student Need-Financial Aid	79	79	338.5	-	-
Graduate Assistants	14	14	102.4	-	-
Retired University Employees	1	1	1.2	1	0.2
Subtotal*	1,144	1,144	6,489.7	81	78.8
Total *	2,306	2,306	\$ 16,109.2	879	\$ 1,460.9

\*Recipients are only counted once in the number of recipients for total waivers. Therefore, the sum of mandatory waiver and discretionary waiver recipients may not equal the total waivers reported. The total waiver value of waivers is cumulative; therefore, the values should equal together.

**State of Illinois  
Illinois State University**

**Graduate Tuition and Fee Waivers  
For the Year Ended June 30, 2019  
(Unaudited)**

	Tuition Waived			Fees Waived	
	Total Number of Recipients*	(In Thousands of Dollars)		Number of Recipients	Value of Waivers
		Number of Recipients	Value of Waivers		
<b>Mandatory Waivers</b>					
Teacher Special Education	21	21	\$ 166.6	21	\$ 42.6
Reserve Officers' Training Corps	1	1	6.9	1	0.2
Veterans Grants and Scholarships	29	29	151.2	29	29.7
Subtotal*	51	51	324.7	51	72.5
<b>Discretionary Waivers</b>					
Faculty/Administrators (Non-Civil Service)	15	15	42.4	15	8.5
Civil Service	210	210	700.7	210	136.7
Cooperating Professionals	372	372	1,179.6	-	-
Athletic	11	11	69.3	-	-
Academic/Other Talent	353	353	778.3	-	-
Foreign Exchange Students	14	14	52.3	-	-
Graduate Assistants	1,035	1,035	8,240.0	-	-
Retired University Employees	1	1	1.2	1	0.3
Subtotal*	2,011	2,011	11,063.8	226	145.5
Total *	2,062	2,062	\$ 11,388.5	277	\$ 218.0

\*Recipients are only counted once in the number of recipients for total waivers. Therefore, the sum of mandatory waiver and discretionary waiver recipients may not equal the total waivers reported. The total waiver value of waivers is cumulative; therefore, the values should equal together.