

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY**

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

For the Year Ended June 30, 2022
Performed as Special Assistant Auditors
For the Auditor General, State of Illinois

**State of Illinois
Illinois State University**

**Federal Single Audit
In Accordance with the Single Audit Act and Applicable Federal Regulations
For the Year Ended June 30, 2022**

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Other Reports Issued Under a Separate Cover

The Illinois State University's financial statements and State Compliance Examination for the year ended June 30, 2022, were issued under separate covers. Additionally, in accordance with *Government Auditing Standards*, we have issued the Report Required Under *Government Auditing Standards* for the year ended June 30, 2022, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters, under a separate cover. The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of the audit.

**State of Illinois
Illinois State University**

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University Officials

President (7/1/2021 – 2/14/2023)	Dr. Terri Goss Kinzy
Interim Vice President (2/15/2023 – Present)	Dr. Aonover Tarhule
Vice President for Finance and Planning	Mr. Dan Stephens
Vice President for Academic Affairs and Provost	Dr. Andover Tarhule
Vice President for Student Affairs	Dr. Levester Johnson
Vice President for University Advancement	Mr. Pat Vickerman
Comptroller	Mr. Doug Schnittker
Legal Counsel (7/1/2021 – 4/30/2022)	Ms. Lisa Huson
Legal Counsel (5/1/2022 – 5/31/2022)	Ms. Alice Maginnis
Legal Counsel (6/1/2022 – Present)	Ms. Jeannie Barrett
Director – Internal Audit	Mr. Robert Blemler

Officers of the Board of Trustees

Chair of the Board (7/1/2021 – 2/9/2023)	Dr. Mary Ann Louderback
Chair of the Board (2/10/2023 – Present)	Vacant
Secretary of the Board	Dr. Kathryn Bohn

Members of the Board of Trustees

Member	Dr. Kathryn Bohn
Member (7/1/2021 – 2/9/2023)	Mr. Robert Dobski
Member (2/10/2023 – Present)	Mrs. Lia Meringa
Member (7/1/2021 – 7/22/2022)	Mr. Rocky Donahue
Member (7/23/2022 – Present)	Vacant
Member	Ms. Julie Annette Jones
Member (7/1/2021 – 2/9/2023)	Dr. Mary Ann Louderback
Member (2/10/2023 – Present)	Mr. Scott Jenkins
Member	Dr. Robert Navarro
Member (12/14/2020 – 8/7/2022)	Vacant
Member (8/8/2022 – 11/29/2022)	Mr. Anthony Byrd
Member (11/30/2022 – Present)	Vacant
Student Member (7/1/2021 – 6/30/2022)	Ms. Devin Paoni
Student Member (7/1/2022 – 8/7/2022)	Vacant
Student Member (8/8/2022 – Present)	Mr. Aselimhe Ebikhumi

Office Location

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

**State of Illinois
Illinois State University**

**Federal Single Audit
In Accordance with the Single Audit Act and Applicable Federal Regulations
For the Year Ended June 30, 2022**

FEDERAL COMPLIANCE REPORT

SUMMARY

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

AUDITOR’S REPORT

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

SUMMARY OF FINDINGS

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

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Findings – Government Auditing Standards				
2022-001	10	2021/2020	Inadequate Internal Controls over Census Data	Material Weakness and Noncompliance
2022-002	12	2021/2018	Information Security Weaknesses	Material Weakness
2022-003	15	New	Improper Calculation of the Net Investment in Capital Assets	Significant Deficiency

**State of Illinois
Illinois State University**

**Federal Single Audit
In Accordance with the Single Audit Act and Applicable Federal Regulations
For the Year Ended June 30, 2022**

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
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Current Findings – Federal Compliance

The audit did not disclose any findings required to be reported by the Uniform Guidance.

Prior Findings Not Repeated

None Reported

Exit Conference

The findings and recommendations in this report were discussed with University personnel at an exit conference on January 3, 2023 via Zoom. In attendance were:

Illinois State University:

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

Office of the Auditor General:

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

RSM US LLP:

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



RSM US LLP

**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***

Independent Auditor's Report

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Trustees
Illinois State University

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, fiduciary activities, and 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, 2022, 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 January 17, 2023. That report includes emphasis of matters relating to the implementation of Governmental Accounting Standards Board's Statement No. 87, *Leases*, as well as one of the component units ceasing operations. Our report includes a reference to other auditors who audited the financial statements of the Illinois State University Foundation and INTO Illinois State University, LLC, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, 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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2022-001 and 2022-002 to be material weaknesses.

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 deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2022-003 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompany Schedule of Findings and Questioned Costs as item 2022-001.

University's Responses to the Findings

Government Auditing Standards requires the auditor to perform limited procedures on the University's responses to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The University's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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
January 17, 2023

**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 and
the Schedule of Federal and Nonfederal Financial Activity**

Independent Auditor's Report

Honorable Frank J. Mautino
Auditor General
State of Illinois
and
Board of Trustees
Illinois State University

Report on Compliance for Each Major Federal Program

Opinion on Each Major Program

As Special Assistant Auditors for the Auditor General, we have audited the Illinois State University's (University) compliance with the types of compliance requirements identified as subject to audit 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, 2022. The University's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

The University's basic financial statements include the operations of the Illinois State University Foundation and INTO Illinois State University, LLC, which are not included in the University's Schedule of Expenditures of Federal Awards during the year ended June 30, 2022. Our audit, as described did not include the operations of these component units because the component units did not expend federal funding during the year ended June 30, 2022.

In our opinion, the University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the University's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the University's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the University's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the University's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the University's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

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

We have audited the financial statements of the business-type activities, fiduciary activities, and the aggregate discretely presented component units of the University as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated January 17, 2023, which contained unmodified opinions on those financial statements. That report includes emphasis of matters relating to the implementation of Governmental Accounting Standards Board's Statement No. 87, *Leases*, as well as for INTO Illinois State University, LLC ceasing operations. Our report was modified to include a reference to other auditors. 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 basic financial statements. In addition, the accompanying Schedule of Federal and Nonfederal Financial Activity is presented for the purposes of additional analysis and is not a required part of the basic 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 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 Schedule of Expenditures of Federal Awards and the Schedule of Federal and Nonfederal Financial Activity is fairly stated in all material respects in relation to the basic financial statements as a whole.

SIGNED ORIGINAL ON FILE

Schaumburg, Illinois
March 21, 2023

**State of Illinois
Illinois State University**

**Schedule of Findings and Questioned Costs
Summary of Auditor's Results
For the Year Ended June 30, 2022**

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to the financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

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

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

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

Identification of major federal programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 93.364	Student Financial Assistance Cluster
Various	Research and Development Cluster
84.425C, 84.425D, 84.425E, 84.425F	COVID-19: Education Stabilization Fund
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish between type A and type B programs: **\$3,000,000**

Auditee qualified as a low-risk auditee? Yes No

**State of Illinois
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**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022**

Current Findings – Government Auditing Standards

Finding 2022-001 Inadequate Internal Controls over Census Data

The Illinois State University (University) did not have adequate internal control over reporting its census data and did not have a reconciliation process to provide assurance census data submitted to its pension and other postemployment benefits (OPEB) plans was complete and accurate.

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

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

During testing, we noted the following:

- The University had not performed an initial complete reconciliation of its census data recorded by SURS to its internal records to establish a base year of complete and accurate census data.
- After establishing a base year, the University had not developed a process to annually obtain from SURS the incremental changes recorded by SURS in their census data records and reconcile these changes back to the University's internal supporting records.
- During our cut-off testing of data transmitted by the University to SURS, we noted 41 instances of an active employee becoming inactive or part-time and 1 instance of an active employee becoming deceased, and 2 instances of an inactive employing being active were reported to SURS after the close of the fiscal year in which the event occurred. There was also 1 instance previously reported that impacted the June 30, 2020 census data.
- During our testing of instructor eligibility testing, we noted 1 of 1,393 instructors tested was not reported as eligible to participate in SURS by the University. SURS determined the total potential impact of this error was the instructor's service credit was off by 1 year.

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**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022**

Current Findings – Government Auditing Standards

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

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

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

University officials indicated the base year reconciliation process was not established until Fiscal Year 2021, which is currently being performed by University staff. In addition, they indicated the late reported events were due to the difficulty in timely reporting events which occur near the end of the fiscal year to SURS.

Failure to ensure complete and accurate census data was reported to SURS reduces the overall reliability of pension and OPEB-related balances and activity reported in the University's financial statements, the financial statements of other employers within both plans, and the State of Illinois' Annual Comprehensive Financial Report. (Finding Code No. 2022-001, 2021-001, 2020-001)

Recommendation

We recommend the University continue to work with SURS to complete the base year reconciliation of Fiscal Year 2021 active members' census data from its underlying records to a report of census data submitted to SURS' actuary and CMS' actuary. After completing an initial full reconciliation, the University may limit the annual reconciliations to focus on the incremental changes to the census data file from the prior actuarial valuation, provided no risks are identified that incomplete or inaccurate reporting of census data may have occurred during prior periods. Any errors identified during this process should be promptly corrected by either the University or SURS, with the impact of these errors communicated to both SURS' actuary and CMS' actuary.

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

University Response

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

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**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022**

Current Findings – Government Auditing Standards

Finding 2022-002 Information Security Weaknesses

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

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

During testing, we identified the following security weaknesses:

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

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

In addition, *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology (NIST), Access Control section, sanctions the appropriateness of access rights, timely termination, and periodic review of access rights to ensure appropriateness. Additionally, Special Publication 800-53's Configuration Management section, enforces logical restrictions with changes to systems.

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**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022**

Current Findings – Government Auditing Standards

Finding 2022-002 Information Security Weaknesses (continued)

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

Failure to review and approve current policies and procedures could result in the University's security requirements not being met or followed consistently. Additionally, failure to maintain documentation on access approvals and review of all access rights could result in unauthorized access and modification to the University's systems. Also, failure to remove access to programs timely could result in improper access and improper transactions being recorded in the financial statements. Lastly, failure to timely patch information systems or document why a patch was not appropriate under the circumstances could result in a compromise and expose confidential, sensitive, or personal information to unauthorized parties. (Finding Code No. 2022-002, 2021-002, 2020-003, 2019-001, 2018-002)

Recommendation

We recommend the University implement adequate security, including:

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

University Response

The University agrees that the weaknesses identified in this finding are accurate and acknowledges the finding itself has been repeated.

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

**State of Illinois
Illinois State University**

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022**

Current Findings – *Government Auditing Standards*

Finding 2022-002 Information Security Weaknesses (continued)

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

**State of Illinois
Illinois State University**

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022**

Current Findings – Government Auditing Standards

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

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

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

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

In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University to establish and maintain a system, or systems, of internal fiscal and administrative controls. Effective internal controls should ensure that the net investment in capital assets within the net position section is properly calculated and presented within the financial statements.

University officials indicated the error was due to oversight.

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

Recommendation

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

University Response

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

STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2022

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number (ALN)	Pass-Through Entity Identifying Number	Total Federal Expenditures	Provided to Subrecipients
STUDENT FINANCIAL ASSISTANCE CLUSTER				
U.S. Department of Education				
Federal Supplemental Educational Opportunity Grants	(M) 84.007		\$ 757,402	\$ -
Federal Work-Study Program	(M) 84.033		833,012	-
Federal Perkins Loan Program - Beginning Loan Balance	(M) 84.038		5,418,889	-
Federal Pell Grant Program	(M) 84.063		27,164,878	-
Federal Direct Student Loans	(M) 84.268		81,902,610	-
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	(M) 84.379		491,098	-
<i>Total U.S. Department of Education Student Financial Assistance Cluster</i>			<u>116,567,889</u>	<u>-</u>
U.S. Department of Health and Human Services				
Nursing Student Loans, Beginning Loan Balance	(M) 93.364		571,873	-
Nursing Student Loans, New Loans	(M) 93.364		144,577	-
<i>Total U.S. Department of Health and Human Services Student Financial Assistance Cluster</i>			<u>716,450</u>	<u>-</u>
TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER			<u>117,284,339</u>	<u>-</u>
RESEARCH & DEVELOPMENT CLUSTER				
U.S. Department of Agriculture				
Sustainable Agriculture Research and Education	(M) 10.215		13,800	-
Agriculture and Food Research Initiative (AFRI)	(M) 10.310		81,015	39,940
Agriculture and Food Research Initiative (AFRI) (Passed through University of Illinois Urbana-Champaign)	(M) 10.310	2017-67013-26356, 107651-18813-00	10,284	-
Agriculture and Food Research Initiative (AFRI) (Passed through Western Illinois University)	(M) 10.310	2019-69012-29851-01	200,362	-
Agriculture and Food Research Initiative (AFRI) (Passed through University of Minnesota)	(M) 10.310	H007164901	71,020	-
Agriculture and Food Research Initiative (AFRI) (Passed through Purdue University)	(M) 10.310	F9000315202078	15,662	-
<i>Total R&D 10.310</i>			<u>378,343</u>	<u>39,940</u>
Capacity Building for Non-Land Grant Colleges of Agriculture (NLGCA)	(M) 10.326		959	-
Environmental Quality Incentives Program (Passed through University of Illinois Urbana-Champaign)	(M) 10.912		5,830	-
<i>Total U.S. Department of Agriculture R&D</i>			<u>398,932</u>	<u>39,940</u>
U.S. Department of Defense				
GenCyber Grant Programs	(M) 12.903		41,062	-
<i>Total U.S. Department of Defense R&D</i>			<u>41,062</u>	<u>-</u>
U.S. Geological Survey				
Assistance to State Water Resources Research Institutes (Passed through University of Illinois Urbana-Champaign)	(M) 15.805	079901-17840	2,888	-
National Cooperative Geologic Mapping Program	(M) 15.810		32,572	-
<i>Total U.S. Geological Survey R&D</i>			<u>35,460</u>	<u>-</u>
U.S. Bureau of Justice				
Second Chance Act Prisoner Reentry Initiative Project Grants (Passed through YWCA McLean County)	(M) 16.812	2018-CY-BX-0024	11,301	-
<i>Total U.S. Department of Justice R&D</i>			<u>11,301</u>	<u>-</u>
National Aeronautics and Space Administration				
Office of STEM Engagement (Passed through Orlando Science Center, Inc.)	(M) 43.008	964-2	14,272	-
<i>Total National Aeronautics and Space Administration R&D</i>			<u>14,272</u>	<u>-</u>
National Endowment for the Arts				
Promotion of the Arts Grants to Organizations and Individuals	(M) 45.024		13,619	-
<i>Total National Endowment to the Arts R&D</i>			<u>13,619</u>	<u>-</u>

**STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2022**

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number (ALN)	Pass-Through Entity Identifying Number	Total Federal Expenditures	Provided to Subrecipients
Institute of Museum and Library Services				
Grants to States (Passed through Illinois State Library)	(M) 45.310	21-6361-BTB	\$ 160	\$ -
<i>Total Institute of Museum and Library Services R&D</i>			<u>160</u>	<u>-</u>
National Science Foundation				
Engineering Grants	(M) 47.041		49,289	-
Mathematical and Physical Sciences	(M) 47.049		546,552	-
Geosciences	(M) 47.050		22,677	-
Computer and Information Science and Engineering	(M) 47.070		6,439	-
Computer and Information Science and Engineering (Passed through Ball State University)	(M) 47.070	0000019495	52,667	-
Computer and Information Science and Engineering (Passed through University of North Carolina at Charlotte)	(M) 47.070	20190406-01-ISU	24,553	-
<i>Total R&D 47.070</i>			<u>83,659</u>	<u>-</u>
Biological Sciences	(M) 47.074		506,173	-
Biological Sciences (Passed through Texas Tech University)	(M) 47.074		76,422	-
<i>Total R&D 47.074</i>			<u>582,595</u>	<u>-</u>
Education and Human Resources	(M) 47.076		983,575	386,851
Education and Human Resources (Passed through Education Development Center, Inc.)	(M) 47.076		24,296	-
Education and Human Resources (Passed through Illinois Wesleyan University)	(M) 47.076	1742224	346,642	-
<i>Total R&D 47.076</i>			<u>1,354,513</u>	<u>386,851</u>
<i>Total National Science Foundation R&D</i>			<u>2,639,285</u>	<u>386,851</u>
U.S. Department of Energy				
Office of Science Financial Assistance Program	(M) 81.049		1,493,236	1,254,190
<i>Total U.S. Department of Energy R&D</i>			<u>1,493,236</u>	<u>1,254,190</u>
U.S. Department of Education				
Grants for State Assessments and Related Activities (Passed through Southern Illinois University - Carbondale)	(M) 84.369	SIUC 20-24	116,931	-
Education Innovation and Research (Passed through DuPage Regional Office of Education)	(M) 84.411	EIR	45,077	-
Supporting Effective Educator Development Program	(M) 84.423		2,579,904	2,039,684
Education Stabilization Fund: COVID-19: Elementary and Secondary School Emergency Relief (ESSER) (Passed through Illinois State Board of Education)	(M) 84.425D		202,509	-
<i>Total U.S. Department of Education R&D</i>			<u>2,944,421</u>	<u>2,039,684</u>
U.S. Department of Health and Human Services				
Healthy Marriage Promotion and Responsible Fatherhood Grants (Passed through University of Tennessee)	(M) 93.086	A21-0956-001	37,678	-
Area Health Education Centers (Passed through University of Illinois at Chicago)	(M) 93.107	16930	128,834	-
Nurse Education, Practice Quality and Retention Grants	(M) 93.359		730,367	231,010
Arthritis, Musculoskeletal and Skin Diseases Research	(M) 93.846		33,320	-
Extramural Research Programs in the Neurosciences and Neurological Disorders (Passed through University of Michigan)	(M) 93.853	SUBK00008389	10,086	-
Allergy and Infectious Diseases Research	(M) 93.855		422,042	821
Biomedical Research and Research Training	(M) 93.859		463,372	-
Child Health and Human Development Extramural Research	(M) 93.865		3,669	-
Aging Research	(M) 93.866		159,804	-
Aging Research (Passed through Emory University)	(M) 93.866	A062507	47,773	-
<i>Total R&D 93.866</i>			<u>207,577</u>	<u>-</u>
<i>Total U.S. Department of Health and Human Services R&D</i>			<u>2,036,945</u>	<u>231,831</u>
TOTAL RESEARCH & DEVELOPMENT CLUSTER			<u>9,628,693</u>	<u>3,952,496</u>

STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2022

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number (ALN)	Pass-Through Entity Identifying Number	Total Federal Expenditures	Provided to Subrecipients
CHILD NUTRITION CLUSTER				
U.S. Department of Agriculture				
National School Lunch Program (Passed through State of Illinois, Illinois State Board of Education)	10.555	4210	\$ 4,002	\$ -
Child and Adult Care Food Program (Passed through State of Illinois, Illinois State Board of Education)	10.558	4226	1,993	-
TOTAL CHILD NUTRITION CLUSTER			5,995	-
WIOA CLUSTER				
U.S. Department of Labor				
WIOA Adult Program (Passed through State of Illinois, Department of Commerce and Economic Opportunity)	17.258	AA-33227-19-55-A-17, AA-34766-20-55-A-17	840,595	65,000
TOTAL WIOA CLUSTER			840,595	65,000
SPECIAL EDUCATION CLUSTER (IDEA)				
U.S. Department of Education				
Special Education Grants to States (Passed through State of Illinois, State Board of Education)	84.027	586-64-0417-4630-F	46,233	-
Special Education Grants to States (Passed through State of Illinois, State Board of Education)	84.027	22-IDEAD-4630-LA	135,058	-
Special Education Grants to States (Passed through State of Illinois, State Board of Education)	84.027	22-4630-AS-17-064-5450-51	528,189	5,999
TOTAL SPECIAL EDUCATION CLUSTER (IDEA)			709,480	5,999
TRIO CLUSTER				
U.S. Department of Education				
TRIO Student Support Services	84.042		286,645	-
TOTAL TRIO CLUSTER			286,645	-
OTHER PROGRAMS				
U.S. Department of Labor				
H-1B Job Training Grants (Passed through State of Illinois, Illinois Community College Board)	17.268	2334-21183	2,260	-
<i>Total U.S. Department of Labor Non-R&D</i>			<i>2,260</i>	<i>-</i>
Library of Congress				
Teaching with Primary Sources	42.010		528,070	187,900
<i>Total Library of Congress</i>			<i>528,070</i>	<i>187,900</i>
National Endowment for the Arts				
Promotion of the Arts - Grants to Organizations and Individuals	45.024		13,330	-
<i>Total National Endowment for the Arts</i>			<i>13,330</i>	<i>-</i>

STATE OF ILLINOIS
ILLINOIS STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2022

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number (ALN)	Pass-Through Entity Identifying Number	Total Federal Expenditures	Provided to Subrecipients
U.S. Department of Education				
Adult Education - Basic Grants to States	84.002		\$ 10,024	\$ 9,540
Career and Technical Education -- Basic Grants to States (Passed through State of Illinois, Illinois Community College Board)	84.048	CTE-ISU-21	81,598	-
Career and Technical Education -- Basic Grants to States (Passed through State of Illinois, State Board of Education)	84.048	21-4720-00-17-064-5450-51-ILCTE, 18028, CTE-ISU-22	180,019	-
	Total Non R&D 84.048		<u>261,617</u>	<u>-</u>
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325		208,921	-
Education Stabilization Fund:				
COVID-19: Higher Education Emergency Relief Fund (HEERF) Student Aid Portion	(M) 84.425E		22,062,690	-
COVID-19: HEERF Institutional Portion	(M) 84.425F		22,008,710	-
COVID-19: Governor's Emergency Education Relief Fund (GEER) (Passed through State of Illinois, Illinois Department of Commerce and Economic Opportunity)	(M) 84.425C	B4755	35,761	-
COVID-19: GEER (Passed Through Illinois Board of Higher Education)	(M) 84.425C	21GEERISU	1,113,113	-
COVID-19: Elementary and Secondary School Emergency Relief (ESSER) Fund (Passed through Illinois State Board of Education)	(M) 84.425D	22&23TUTORCO-ISU, 21-4998-E2/DE-65-108-9010-80	864,525	-
	Total Non R&D 84.425		<u>46,084,799</u>	<u>-</u>
<i>Total U.S. Department of Education Non-R&D</i>			<u>46,565,361</u>	<u>9,540</u>
U.S. Department of Health and Human Services				
Nursing Workforce Diversity	93.178		335,927	-
Advanced Nursing Education Workforce Grant Program	93.247		720,905	-
Foster Care-Title IV-E (Passed through State of Illinois, Illinois Department of Children and Family Services)	93.658	59-20277	46,773	12,000
<i>Total U.S. Department of Health and Human Services Non-R&D</i>			<u>1,103,605</u>	<u>12,000</u>
Federal Emergency Management Agency				
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (Passed through State of Illinois, Illinois Emergency Management Agency)	(M) 97.036	588-00-0448	4,000,247	-
<i>Total Federal Emergency Management Agency</i>			<u>4,000,247</u>	<u>-</u>
TOTAL OTHER PROGRAMS NON-R&D			<u>52,212,873</u>	<u>209,440</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 180,968,620</u>	<u>\$ 4,232,935</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, 2022**

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity for the year ended June 30, 2022, and is presented on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Because the schedule presents only a selected portion of the operations, it is not intended to and does not present the financial position, changes in net position, or cash flows of the University. The University has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 2. Assistance Listing Numbers (ALNs)

The University agreed the ALNs and program names as of October 10, 2022, as they are currently listed on the Schedule of Expenditures of Federal Awards, to the listing at <https://singelaudit.org>.

Note 3. Loans Outstanding at Fiscal Year-End

The University had the following loan balances outstanding at June 30, 2022, 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 of.

	Outstanding Balance at June 30, 2022
Nursing Student Loans, ALN 93.364	\$ 650,724
Perkins Loan Program, ALN 84.038	<u>4,171,012</u>
Total loans outstanding	<u>\$ 4,821,736</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 (Continued)
For the Year Ended June 30, 2022**

Note 4. Total New Federal Student Loans

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

Direct Student Loans Program, ALN 84.268	\$ 58,325,440
Direct Parent Loan for Undergraduate Students Program (PLUS), ALN 84.268	<u>23,577,170</u>
Total	<u><u>\$ 81,902,610</u></u>

There were no administrative costs charged to the loan program. During the fiscal year ended June 30, 2022, 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, 2022.

Note 5. Insurance Disclosure

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

Note 6. Depository Library

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

**State of Illinois
Illinois State University**

**Schedule of Federal and Nonfederal Financial Activity
For the Year Ended June 30, 2022**

Schedule A: Federal Financial Component

Total federal expenditures ¹	\$ 180,968,620
Other noncash federal award expenditures (not included on SEFA schedule)	<u>-</u>
Total Schedule A	<u><u>\$ 180,968,620</u></u>

Schedule B: Total Financial Component

Total operating expenses ²	\$ 643,898,987
Total nonoperating expenses ²	4,608,896
Federal loan balances: ^{1,4}	
Federal Perkins Loans Program	5,418,889
Nursing Student Loans	571,873
Total value of new federal loans: ^{1,5}	
Nursing Student Loans	144,577
Federal Direct Student Loans	<u>81,902,610</u>
Total Schedule B	<u><u>\$ 736,545,832</u></u>

Schedule C: Computation of Nonfederal Expenses

		<u>Percent</u>
Total, Schedule B	\$ 736,545,832	100.00%
Total, Schedule A	<u>180,968,620</u>	<u>24.57%</u>
Total nonfederal expenses	<u><u>\$ 555,577,212</u></u>	<u><u>75.43%</u></u>

¹ Obtained from the Schedule of Expenditures of Federal Awards

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

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

⁵ Balance of loans issued during the fiscal year