

SOUTHERN ILLINOIS UNIVERSITY

A Component Unit of the State of Illinois

**REPORTS REQUIRED UNDER
GOVERNMENT AUDITING STANDARDS**

For the Year Ended June 30, 2023

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

SOUTHERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
FINANCIAL AUDIT
For the Year Ended June 30, 2023

TABLE OF CONTENTS

	<u>Page(s)</u>
University Officials	1
<i>Government Auditing Standards</i> Report	
Summary	2
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 <i>Government Auditing Standards</i>	3
 Schedule of Findings	
Current Finding	5
 Other Reports Issued Under a Separate Cover	
Southern Illinois University's <i>Federal Single Audit</i> and <i>State Compliance Examination</i> for the year ended June 30, 2023 will be issued under separate covers. Additionally, the University's financial statements as of and for the year ended June 30, 2023 have been issued under a separate cover.	

SOUTHERN ILLINOIS UNIVERSITY
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FINANCIAL AUDIT
For the Year Ended June 30, 2023

UNIVERSITY OFFICIALS

President	Dr. Daniel Mahony
Fiscal Officer	Duane Stucky
General Counsel	Lucas Crater
Executive Director, Internal Audit	Kimberly Labonte
SIUC Chancellor	Austin Lane
SIUE Chancellor	James Minor

BOARD OFFICERS

Board Chair	J. Phil Gilbert
Board Vice Chair	Ed Hightower
Board Secretary	Subhash Sharma
Secretary to the Board	Misty Whittington (until 8/31/22)
Secretary to the Board	Paula Keith (eff. 9/1/22)

GOVERNING BOARD MEMBERS

Trustee	Edgar Curtis
Trustee	J. Phil Gilbert
Trustee	Ed Hightower
Trustee	Sara Salger
Trustee	Subhash Sharma
Trustee	John Simmons
Trustee	Roger Tedrick
Student Trustee (7/1/23 to present)	Victor Ludwig
Student Trustee (7/1/23 to present)	Lauren Harris
Student Trustee (7/1/22 to 6/30/23)	Dorcas Brou
Student Trustee (7/1/22 to 6/30/23)	Hailee O'Dell

BOARD OFFICES

The Agency's primary administrative offices are located at:

Southern Illinois University Carbondale
1263 Lincoln Dr.
Carbondale, Illinois 62901

Southern Illinois University Edwardsville
1 Hairpin Dr.
Edwardsville, Illinois 62025

SOUTHERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
FINANCIAL AUDIT
For the Year Ended June 30, 2023

REPORT REQUIRED UNDER GOVERNMENT AUDITING STANDARDS

SUMMARY

The audit of the financial statements of Southern Illinois University (University) was performed by Plante & Moran, PLLC in accordance with *Government Auditing Standards*. This report is an integral part of that audit.

Based on their audit, the auditors expressed an unmodified opinion on the University's basic financial statements, issued under separate cover.

SUMMARY OF FINDINGS

The auditors identified one matter involving the University's internal control over financial reporting that they consider to be a significant deficiency. Further, the auditors identified one noncompliance matter.

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Finding				
2023-001	5	2022/2020	Inadequate Internal Controls over Census Data	Significant Deficiency and Noncompliance

EXIT CONFERENCE

The University waived an exit conference in a correspondence from Kim Labonte, Executive Director, Internal Audit, on February 2, 2024. The response to the recommendation was provided by Kim Labonte, Executive Director, Internal Audit, on February 2, 2024.

**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**

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Trustees
Southern Illinois 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 Southern Illinois University (University), collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2023, 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 9, 2024. Our report includes a reference to other auditors who audited the financial statements of the Southern Illinois University Foundation (at Carbondale), the Association of Alumni, Former Students and Friends of Southern Illinois University, Inc. (at Carbondale), Alumni Association of Southern Illinois University Edwardsville, the Southern Illinois University Edwardsville Foundation, University Park Southern Illinois University at Edwardsville, Inc., Southern Illinois Research Park, Inc. Carbondale, SIU Physicians & Surgeons, Inc., the SIUE East St. Louis Charter School, and the SIU Dental Associates, Southern Illinois University at Edwardsville 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 opinion 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 University'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 were not 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 as item 2023-001 that we consider to be a significant deficiency.

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Trustees
Southern Illinois University

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* which is described in the accompanying Schedule of Findings as item 2023-001.

University's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the University's response to the findings identified in our audit and described in the accompanying Schedule of Findings. The University's response was 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 University'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 University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Plante & Moran, PLLC
Portage, Michigan

February 9, 2024

SOUTHERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS – GOVERNMENT AUDITING STANDARDS FINDINGS
For the Year Ended June 30, 2023

2023-001 Finding - Inadequate Internal Controls over Census Data

Southern Illinois University (University) did not have adequate internal control over reporting its census data 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.

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, 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 2021 to project pension and OPEB-related balances and activity at the plans during Fiscal Year 2022, which is incorporated into the University's Fiscal Year 2023 financial statements.

During testing, the auditors noted the following:

- During cut-off testing of data transmitted by the University to SURS, auditors noted 1 instance of an active employee becoming deceased was reported to SURS after the close of the fiscal year in which the event occurred. There were also 5 instances previously reported that impacted the June 30, 2021 census data. The total impact to service credit was calculated at 29.50 years.
- During our previous testing of instructor eligibility testing, we noted 5 instructors were not reported as eligible to participate in SURS by the University. All of these instances have been previously reported, however still impacted the June 30, 2021 census data. SURS determined the total potential impact of these differences was the instructors' service credit was off by a combined 6.25 years.

The auditors provided SURS' actuary and CMS' actuary with the exceptions identified during 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

SOUTHERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS – GOVERNMENT AUDITING STANDARDS FINDINGS
For the Year Ended June 30, 2023

2023-001 Finding - Inadequate Internal Controls over Census Data (Continued)

participants, was immaterial to SURS' and CMS' pension and OPEB-related balances and activity at the plans during Fiscal Year 2022.

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.

Additionally, eligibility criteria for participation in SURS under the Illinois Pension Code (Code) (40 ILCS 5/15-134(a)) states any person who is an employee of the University becomes a participant in SURS. Under the Code (40 ILCS 5/15-107), an employee is any member of the educational, administrative, secretarial, clerical, mechanical, labor, or other staff of an employer whose employment in a position in which services are expected to be rendered on a continuous basis for at least four months or an academic term, whichever is less:

- 1) not a student employed on a less than full-time temporary basis;
- 2) not receiving a retirement or disability annuity from SURS;
- 3) not on military leave;
- 4) not eligible to participate in the Federal Civil Service Retirement System,
- 5) not currently on a leave of absence without pay more than 60 days after the termination of SURS' disability benefits;
- 6) not paid from funds received under the Federal Comprehensive Employment and Training Act as a public service employment program participant hired on or after July 1, 1979;
- 7) not a patient in a hospital or home;
- 8) not an employee compensated solely on a fee basis where such income would net earnings from self-employment;
- 9) not providing military courses pursuant to a federally-funded contract where the University has filed a written notice with SURS electing to exclude these persons from the definition of an employee;
- 10) currently on lay-off status of not more than 120 days after the lay-off date;
- 11) not on an absence without pay of more than 30 days; and,
- 12) a nonresident alien on a visa defined under subparagraphs (F), (J), (M), or (Q) of Section 1101(a)(15) of Title 8 of the United States Code who (1) has met the Internal Revenue Service's substantial presence test and (2) became an employee on and after July 1, 1991.

In addition, the Code (40 ILCS 5/15-157) requires the University to, at a minimum, withhold contributions of each employee's total compensation of 8% (9.5% for firefighters or police officers) for their participation in SURS, unless further contributions by the employee would either exceed the maximum retirement annuity in the Code (40 ILCS 5/15-136(c)) or the Tier 2 earnings limitation within the Code (40 ILCS 5/15-111(b)), and remit these amounts to SURS. Further, the Code (40 ILCS 5/15-155(b)) requires the University remit employer contributions to SURS reflecting the accruing normal costs of an employee paid from federal or trust funds.

SOUTHERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS – GOVERNMENT AUDITING STANDARDS FINDINGS
For the Year Ended June 30, 2023

2023-001 Finding - Inadequate Internal Controls over Census Data (Continued)

Finally, for CMS' OPEB plan, participation in OPEB is derivative of an employee's eligibility to participate in SURS, as members of SURS participate in OPEB as annuitants under the State Employees Group Insurance Act of 1971 (Act) (5 ILCS 375/3(b)).

University officials indicated the one current year exception is 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. Further, failure to report all eligible employees to SURS may result in employees not receiving the pension and OPEB benefits they are entitled to receive under the Code and the Act. (Finding Code No. 2023-001, 2022-001, 2021-001, 2020-001)

RECOMMENDATION

We recommend the University continue 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.

Finally, we recommend the University ensure all eligible employees are reported to SURS, along with any required employee and employer contributions.

UNIVERSITY RESPONSE

SIU continues to reconcile utilizing the periodic reports provided by SURS via encrypted email against our records of related internal transactions. We are actively in the process of working with our IT teams to create automated comparative scripts to add automation and efficiency to the reconciliation process on an ongoing basis.