

LEGISLATIVE AUDIT COMMISSION



Review of
Southern Illinois University
Year Ended June 30, 2013

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REVIEW: 4435
SOUTHERN ILLINOIS UNIVERSITY
YEAR ENDED JUNE 30, 2013

FINDINGS/RECOMMENDATIONS - 19

ACCEPTED - 2
IMPLEMENTED - 17

REPEATED RECOMMENDATIONS - 6

PRIOR FINDINGS/RECOMMENDATIONS - 15

This review summarizes the reports of Southern Illinois University for the year ended June 30, 2013, filed with the Legislative Audit Commission May 22, 2014. The auditors performed a financial audit and compliance examination in accordance with State law, the requirements of the Federal Single Audit Act and OMB Circular 133. The auditors stated that the financial statements were fairly presented.

Southern Illinois University is a comprehensive university with medical, dental, law, nursing and pharmacy schools, and with degree programs from the associate to the professional and doctoral levels. It has two main campuses: one in Carbondale, which includes the School of Medicine in Springfield. The other is in Edwardsville and includes the School of Dental Medicine in Alton and the East St. Louis Center. The Southern Illinois University Board of Trustees, which governs the University, is comprised of seven members appointed by the Governor and two students elected by the student body. Dr. Glenn Poshard was President of the University during the audit period, serving from January 2006 until May 2014. Dr. Randy Dunn became President on May 1, 2014, and he continues as President. Dr. Dunn was a professor and then department chair at SIU from 1995 to 2004. Dr. Dunn also served as the State Superintendent of Education from 2004 to 2006.

General Information

Following is a comparative summary of net position of the University at the dates indicated:

	<i>FY13</i>	<i>FY12</i>
Total Assets	\$ 1,271,089,556	\$ 1,240,386,315
Total Liabilities	\$ 506,811,681	\$ 515,780,425
Net Assets		
Invested in capital assets, net	531,990,424	495,051,877
Restricted-nonexpendable	4,903,490	2,662,160
Restricted-expendable	119,628,695	121,7876,102
Unrestricted	107,755,266	105,015,751
Total Net Assets	\$ 764,277,875	\$ 724,605,890

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Following are total net position for the various University Related Organizations at June 30 in the years indicated:

			SIUC			SIUC	SIUE	
	SIUC	SIUE	Physicians	SIUC	SIUE	Research	University	
	Foundation	Foundation	Surgeons	Alumni	Alumni	Park	Park	TOTAL
2013	\$151,483,453	\$33,324,108	\$41,686,449	\$5,556,016	\$173,355	\$234,845	\$1,370,369	\$236,256,848
2012	\$141,659,759	\$31,318,704	\$36,849,228	\$5,210,403	\$(90,214)	\$393,508	\$2,708,924	\$218,050,312

Information on employee full-time equivalents is as follows:

	Fall 2012			Fall 2011		
	SIUC	SIUE	Total	SIUC	SIUE	Total
Faculty	1,290	833	2,123	1,352	819	2,171
Graduate Assistants	762	230	992	791	228	1,019
Civil Service	2,550	980	3,530	2,639	932	3,571
Admin/Prof Staff	1,004	462	1,466	1,055	473	1,528
TOTAL	5,606	2,505	8,111	5,837	2,452	8,289

Student enrollment, including undergraduate and graduate students, during the fall semester was as follows:

	Fall 2012			Fall 2011		
	SIUC	SIUE	Total	SIUC	SIUE	Total
Full-time	14,478	10,768	25,246	15,058	10,905	25,963
Part-time	3,486	3,287	6,773	3,789	3,330	7,119
Total	17,964	14,055	32,019	18,847	14,235	33,082
Full-time equivalent	15,208	11,943	27,151	15,720	12,072	27,792

The annual cost per full-time student was \$40,996, in 2013, compared to \$38,500 in 2012. The cost per student was derived from a calculation based on the number of full-time equivalent students and the total operating expenses for the year.

Expenditures From Appropriations and the Income Fund

Appendix A presents a summary of expenditures from appropriations and the Income Fund for FY13 and FY12. The General Assembly appropriated \$223,399,585 from five different funds to SIU in FY13. Total expenditures from appropriations in FY13 were \$216,253,568 compared to \$219,732,115 in FY12. Expenditures from the Income Fund were \$207.6 million in FY13 and \$207.5 million in FY12.

Accrued Compensated Absences

Southern Illinois University's liability for accrued compensated absences (sick and vacation) as of June 30, 2013 was \$47,167,532. This represents a 0.8% decrease over 2012 when the University's liability for accrued compensated absences was \$49.5 million.

Summary of Revenues, Expenditures and Changes in Net Assets

The table appearing in Appendix B presents a comparative statement of revenues, expenditures, and changes in net position for the years ended June 30, 2013 and 2012. Total revenues as of June 30, 2013, including operating, nonoperating, and other revenues, were \$1,152,767,254 compared to \$1,166,206,314 as of June 30, 2012. The following chart shows revenues by source for FY13 and FY12.

Revenues	FY13	FY12
<i>State Appropriations & on-behalf payments</i>	42%	38%
<i>Tuition and fees, net</i>	22%	22%
<i>Federal Grants & Contracts</i>	8%	8%
<i>Auxiliary Enterprises</i>	10%	10%
<i>Other</i>	18%	22%

Expenditures and mandatory transfers were \$1,113,095,269 in FY13 and \$1,069,993,849 in FY12. The following chart indicates expenditures by type for FY13 and FY12:

Expenditures	FY13	FY12
<i>Instruction</i>	32%	31%
<i>Research</i>	6%	7%
<i>Public Service</i>	6%	6%
<i>Academic Support</i>	17%	17%
<i>Institutional Support</i>	7%	7%
<i>Plant</i>	8%	8%
<i>Auxiliary Enterprises</i>	10%	10%
<i>Student Services</i>	7%	7%
<i>Other</i>	7%	7%

Accounts Receivable

Appendix C is a summary of the University's accounts receivable for FY13 and FY12. Gross accounts receivable decreased from almost \$63.7 million in FY13 to about \$68.6 million in FY12. In FY13, about 52% of receivables are due from either student tuition (\$12 million) or general operating (\$21 million). In FY13, the allowance for doubtful accounts was \$16.6 million.

Property and Equipment

Appendix D summarizes the changes in property and equipment for fiscal years 2013 and 2012. The ending balance in FY13 was \$840.3 million, or \$50.9 million greater than the ending balance in FY12 of \$789.4 million. The increase was due primarily to transfers from construction in progress to buildings including the Transportation Education Center (\$51 million) at Carbondale and the Indoor Softball Facility Building (\$13.3 million) at Edwardsville; and new construction including the Student Services Building (\$23.7 million) at Carbondale, and the Engineering Building Addition (\$6.6 million) and Art and Design Expansion (\$6.6 million) at Edwardsville.

Foundation Payments to the University

During FY13 the University contracted with both the Southern Illinois University Foundation at Carbondale and the Southern Illinois University Foundation at Edwardsville to provide fund raising services. The University paid the Foundation at Carbondale \$5,176,043 in funds and in-kind services and rent to the Foundation. Although not required under contract, the Foundation provided the University certain funds considered unrestricted for purposes of the University Guideline's computations. Total funds provided by the Foundation at Carbondale to the University were \$8,673,583 in FY13.

The University paid the Foundation at Edwardsville \$749,415 in funds and in-kind services and rent to the Foundation. The Foundation at Edwardsville provided the University certain funds considered unrestricted for purposes of the University Guideline's computations. Total funds provided by the Foundation at Edwardsville to the University were \$3,243,201 in FY13.

Information regarding the two foundations is found in Appendix E.

Tuition and Fee Waivers

During FY13, Southern Illinois University at Carbondale granted \$38.8 million in tuition and fee waivers, and Southern Illinois University at Edwardsville granted a total of \$11.5 million in tuition and fee waivers, for a total of \$50.3 million. Appendix F provides a summary of the tuition and fee waivers granted in FY13 and FY12. Approximately 5,800 undergraduate and graduate students received tuition/fee waivers at SIU-C, while 2,936 students received the waivers at SIU-E.

Accountants' Findings and Recommendations

Condensed below are the 19 findings and recommendations presented in the audit report. There were six repeat recommendations. The following recommendations are classified on

the basis of updated information provided by Kim Labonte, Executive Director of Internal Audit, received via electronic mail on February 4, 2015.

Accepted or Implemented

- 1. Evaluate the adequacy of receivables to ensure revenue and expenses are properly recognized in accordance with generally accepted accounting standards to improve controls over financial reporting and ensure the University's annual financial statements are fairly presented.**

Finding: Southern Illinois University (the University) did not establish an adequate process to review receivables to ensure all amounts recorded are in conformity with accounting principles generally accepted in the United States of America.

The Carbondale campus implemented the use of a fixed fringe benefit rate negotiated with the federal Department of Health and Human Services in 2009 to facilitate the administration of grants. The fringe benefit clearing account accumulated a negative balance when actual expenses exceeded the amounts reimbursed. Those excess expenses were subsequently accounted for as a receivable. Since amounts allocated in excess of those rates may not be reimbursable until future years, this negative balance should not have been recognized as revenue earned in the current period.

The University's method of accounting for unrecovered fringe benefit expense resulted in the Carbondale campus overstating receivables by \$6.0 million and \$3.4 million and understating operating expenses by \$2.6 million and \$1.5 million in FY13 and FY12, respectively. The University's system of internal controls failed to identify this improper revenue recognition.

University officials stated that when a fringe benefit fixed rate is negotiated in advance for a fiscal year (or other time period), the over or under recovery for the previous year may be included as an adjustment to the fringe benefit cost for the next year's rate negotiation. The four negotiated fringe benefit rates approved subsequent to the FY09 initial rate included a component to cover the shortfalls incurred. However, the University improperly accounted for the under recovery of fringe benefit expense to grant and overhead accounts as a receivable within the University's financial statements starting in FY09. The carryforward provision allowed under OMB A-21 guidance is a change in the estimate of the allowable fringe benefit costs to be allocated to grant and overhead accounts and does not create any revenue recognition or deferral of expenses.

Updated Response: Implemented. This recommendation was implemented prior to the release of the FY13 financial statement audit.

- 2. If enrollment levels are not met half way through the program year, request a waiver according to U.S. Department of Health and Human Services guidelines. (Repeated-2010)**

Finding: The East St. Louis Center of the Edwardsville campus failed to meet the Head Start program's requirement for enrollment of children with disabilities. The East St. Louis campus had funded enrollment of only 6% of children with disabilities, which is less than the required 10% for the Head Start program.

According to University officials, SIUE East St. Louis Head Start experienced several barriers to achieving the enrollment requirement due to challenges of one school district in meeting mandated Individual with Disabilities Act timelines and duplication of the screening process by several other Local Education Agencies. Additionally, verbal communication by Head Start program staff with the funding agency led to a misunderstanding on the submission deadlines for the Disability Waiver Request. This delayed the review and approval of the waiver by the funding agency which was subsequently received in fiscal year 2014 for the fiscal year 2013 request.

Response: Accepted. The program instruction (ACF-PI HS-09-04) states the Regional Office may grant a waiver for a period of up to three years, but in the absence of unusual circumstances waivers will not be granted for more than one year. However, we have been advised by the Head Start Manager at the Regional Office to proceed in requesting a waiver, while guidance is not clear regarding the requirement to do so beyond three years. The waiver for the current program year is expected to be requested by the midpoint of March 1, 2014.

Updated Response: Implemented. The waiver for the current program year was requested on February 21, 2014.

- 3. Follow the procedures that have been established regarding reviewer monitoring of responsibilities and maintenance of proper documentation. (Repeated-2012)**

Finding: The University failed to perform internal control procedures over compliance with matching requirements resulted in inaccurate reporting of volunteer hours used to meet matching requirements for the Head Start program.

At both the Carbondale and Edwardsville campuses there were instances in which reports prepared to summarize volunteer timesheets were not mathematically accurate and/or lacked evidence of review and approval.

According to University officials, the individual time sheet errors were not caught due to an oversight. On the Edwardsville campus for the first three months of fiscal year 2013 and under the direction of the previous ESL Director, the accounting position at the Head Start office was vacant and was not filled until October 2012, when a new accountant was hired. The individuals assigned by the ESL Director to carry out those functions at that time did not

Accepted or Implemented – continued

perform the required reviews. The University has since implemented review policies and procedures to accurately report monthly volunteer time sheets.

Updated Response: Implemented. At SIUE, monitoring and review procedures for the volunteer hours used to meet matching for the Head Start program were implemented in October 2012. All errors noted were from prior to this implementation. At SIUC, accounting staff were directed to ensure that procedures are followed and that all volunteer time sheets are checked for signatures. Further, revised In-kind procedures have been established and reduced to writing, with forms completed weekly rather than monthly.

4. Provide further training and implement formalized review procedures to properly record the indirect costs according to the grant agreements.

Finding: The Edwardsville campus incorrectly calculated the indirect costs (IDCs) on expenditures for the TRIO program by including stipends, which are unallowable, in the expenditure base. The Edwardsville campus also did not have a formalized signoff evidencing supervisory review of the indirect cost calculations.

During testing of the indirect cost calculations for two grants in the TRIO programs, it was noted that the calculation of indirect costs for the current year were completed inaccurately in two of the four quarters that were tested. The total amount overdrawn on the two quarters was \$668.80.

According to University officials, the duties of preparing the IDC reports were shifted at the end of FY12. In error, the employee assigned to prepare the report assumed that because the total indirect recoverable was calculated against direct costs less stipends, that charging of total direct costs monthly up to the allowable recovery amount could be performed.

Updated Response: Implemented. Procedures have been established to formalize and document the review of the indirect cost calculations for the TRIO programs and the error in the calculation has been corrected.

5. Review and update packaging policies and procedures for awarding FSEOG to students.

Finding: The Edwardsville campus improperly awarded a Federal Supplemental Educational Opportunity Grant (FSEOG) to an eligible student who was not the neediest.

According to University officials, the University was unaware that summer FSEOG had to be awarded to students with the lowest expected family contributions who will also receive Federal Pell Grants in that year.

Updated Response: Implemented. Packaging policies were revised to ensure that FSEOG are awarded to the neediest person first, and that records are maintained to verify this has occurred.

- 6. Update the spreadsheet used to calculate the return of Title IV funds to be in compliance with federal regulations. In addition, credit the students' accounts for the excess refunded financial assistance. (Repeated-2012)**

Finding: The Carbondale campus used the wrong number of calendar days in return of Title IV calculations.

Out of 60 students tested, auditors noted 32 students in which the wrong number of days was used for the days completed in the term as well as the total number of days in the term. As a result, the University over-refunded \$1,041.40 of Student Financial Aid funds to the Department of Education. According to the University the amount was too insignificant to request a refund.

According to University officials, a formula error in the calculation tool used by the University is responsible for the deficiency.

Updated Response: Implemented. The calculation was corrected immediately upon notification and the students' accounts have been credited for the excess refunded financial assistance.

- 7. Implement controls at SIU-E to identify potentially inconsistent grades that may qualify as unofficial withdrawals and require the return of Title IV funds to the U.S. Department of Education.**

Finding: Professors at the Edwardsville campus are not consistently applying the grading policy to ensure the reliability of the grades assigned for purposes of Title IV funds return calculations.

Out of three students tested for failing grades, it was determined that at least one was awarded an incorrect grade of F by the professor instead of the appropriate grade of WF. The accuracy of another could not be determined as the faculty member could not recall the specifics of the situation. No determination of amounts that might be refundable to the U.S. Department of Education was made for these two students since a withdrawal date was never determined. These three students were identified for testing, as all other grades assigned for the semesters were indicative of an unofficial withdraw.

University officials stated that the faculty was informed of the new grading policy, including a pop up message that is received every time an F grade is entered. Therefore, it appears this instance was a misapplication of the policy by the faculty member.

Accepted or Implemented – continued

Updated Response: Implemented. Since 2012 the Edwardsville campus has had a new grading policy in place to help identify potentially inconsistent grades that may qualify as unofficial withdrawals and require the return of Title IV funds. Also, we recently implemented an additional administrative process to confirm the intent of each potentially inconsistent grade with the faculty member assigning the grade, in order to determine if a return of funds is necessary. Additionally, at the instruction of the US Department of Education we performed a full file review of any student who had unofficially withdrawn or who did not earn a GPA for the semester, in search of those for whom a repayment calculation should have been made. This work was subsequently completed for Fall 2013, Spring 2014 and Summer 2014. Finally, the SIUE Office of the Registrar issued detailed instructions for issuing F grades for Fall 2014, and the instructions were distributed to all faculty.

8. Maintain proper documentation of the review and approval of the Head Start indirect cost calculations at SIU-E.

Finding: The Edwardsville campus did not have evidence of a documented review over the indirect cost calculations for the Head Start Program.

During sample testing of indirect cost calculations for five quarters for this program, auditors noted that the calculations were being performed in accordance with the grant agreement; however, there was no formal signoff evidencing supervisory review of the calculations for accuracy and to determine that the indirect costs were properly recorded in the general ledger.

University officials stated that a review of the indirect cost calculations for the Head Start Program is performed, however, the review and approval is not documented.

Updated Response: Implemented. Procedures have been established to formalize and document the review of the indirect cost calculations for the Head Start programs.

9. Establish and implement an effective system of internal controls to perform and document a supervisory review and approval of all patient applications to ensure eligibility requirements are being met.

Finding: The Southern Illinois University School of Medicine - Center for Family Medicine (Center) did not have a documented review process for the patient financial applications for the Federal Qualified Health Center cluster program.

During testing of patient's financial applications for this program, auditors noted that the financial applications were being completed in accordance with the grant agreement; however, there was no evidence that the applications were being formally reviewed and

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approved for 22 of 40 patient applications tested.

University officials stated that while a review of the patient's financial applications for the Federal Qualified Health Center cluster is performed, consideration had not been given to the need for documenting a formalized review over the patient's applications for the Federal Qualified Health Center Program.

Updated Response: Implemented. The Center has added a step in the application process. An additional third page is appended to each application where recommendations from the counselor are completed and the entire application is submitted to the Insurance Manager/Supervisor for review and final approval. If the Insurance Manager/Supervisor is unavailable, the review and final approval is performed by the Chief Financial Officer.

10. Establish and implement an effective system of internal controls to ensure that the Center for Family Medicine utilizes the most recent official poverty guidelines to determine the eligibility of benefit recipients.

Finding: The Southern Illinois University School of Medicine - Center for Family Medicine improperly utilized the 2012 HHS federal poverty level guidelines to make a determination of the patient's eligibility for services provided under the Federal Qualified Health Center program for all applications sample tested from January 24, 2013 through June 30, 2013.

During testing of 40 patients' financial applications for the Federal Qualified Health Center program, auditors noted that 27 of the patients' financial applications were improperly using the 2012 HHS federal poverty level guidelines to make a determination of the patient's eligibility for services provided under the Federal Qualified Health Center program. The 2013 HHS federal poverty guidelines became effective January 24, 2013.

University officials stated the Center's Board approved the Patient Sliding Discount Schedule in September 2012. Consideration had not been given for the need to update the federal poverty level guidelines that became effective January 24, 2013 for 2013 patient encounters as outlined in the Patient Sliding Discount Schedule for the Federal Qualified Health Center program.

Updated Response: Implemented. This matter was identified to health center management staff at the HRSA site visit, and was corrected immediately at the July meeting of the FQHC board, where the sliding fee scale was presented with the approved 2013 Federal Poverty Level. To prevent this from reoccurring, a policy is now in place to update the sliding fee scale at the Annual meeting of the Board in January each year.

11. Establish and implement an effective system of internal controls to ensure that the proper nominal fee charge is assessed to patients who qualify with the ability to pay in accordance with the grant agreement.

Accepted or Implemented – continued

Finding: The Southern Illinois University School of Medicine - Center for Family Medicine was improperly writing off the patient's nominal fee charge required under the grant agreement for patients at or below one-hundred percent of the federal poverty level guidelines that also qualified for Medicaid.

During testing of patient program income for the Federal Qualified Health Center program, auditors noted that for 12 of the 40 patient invoice charges tested the required nominal fee amounts of \$20 per patient (\$240) were improperly written off for patients at or below one-hundred percent of the federal poverty level guidelines that also qualified for Medicaid through June 30, 2013.

University officials stated that patients who are at or below one-hundred percent of the federal poverty level guidelines typically qualify for Medicaid, however some patients choose not to sign up for Medicaid regardless of eligibility. The Center erroneously interpreted the grant requirement as patients eligible for Medicaid would be excluded from the nominal fee charge.

Updated Response: Implemented. This matter was identified to health center staff at the time of the HRSA site visit, and was immediately corrected. A nominal fee of \$10 was instituted for all patients who do not have a Medicaid or other insurance co-pay.

- 12. Review existing policies regarding the security and control of confidential information, and assure University-wide procedures exist for ensuring confidential and personal information is adequately secured in both electronic and hardcopy format. Adequately secure confidential and personal information in hardcopy format at all times prior to shredding.**

Perform a formal risk assessment to evaluate computer environment and data maintained to assure adequate security controls, including physical and logical access restrictions, have been established to safeguard computer resources and confidential information.

Ensure confidential information is adequately secured with methods such as encryption or redaction, including such data maintained on backup media.

Perform and document reviews of all security incidents and ensure compliance with the notification requirements in the Personal Information Protection Act.

Finding: The University has weaknesses regarding the security and control of confidential information.

The University lacked University-wide procedures for addressing the security and disposal of confidential information and had not performed a formal risk assessment for identifying

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all confidential information and assessing existing security over access to confidential information. During a review, auditors noted:

- Confidential information, including protected health information, was found within a waste can at one School of Medicine employee's desk.
- The University had not ensured all confidential information in electronic form was adequately protected (i.e. encrypted or redacted).
- The University had three security incidents that exposed data and three additional security incidents that may have exposed data.

Of the six incidents, the University had determined three of the incidents were compromises and breach notifications were not necessary. Of the three classified as breaches, at the time of the review, required notifications were only sent with regard to the SIUE breach involving student information (names, SSN's and/or grades) on 1,577 students. A faculty member placed his grade-book on the University's website. Upon identification, the file was immediately removed from the website and the notification process was initiated.

Two other breaches (in August and September 2012) at SIUC involved hard drives infected with malware that contained personal information (names and SSN's) for approximately 107 students. SIUC initially determined these incidents were compromises and notification was not required. However, after management determined the drives were no longer available for full analysis to confirm the lack of a breach, they planned to send notification letters to the affected students.

University officials stated that the University-wide security policies and formal risk assessment will be addressed when the campuses fill their information security positions. Furthermore, the SIUC incidents are partially a result of constrained resources with almost 40 unfilled IT positions and less than half the IT staff as the average of its peers (according to the Educause Core Data Survey). This has resulted in extreme inadequacies of both technology tools and staff resources in the system administration and security groups. Not enough focus or priority has been previously placed on information security which has resulted in inadequate policies, procedures, and controls. The SIUE incident was the result of a user error and was not malicious in nature.

Updated Response: Accepted and partially implemented. The campuses have worked together to review, document, and create University wide policies on the control of confidential information.

The particular recurring incident at the SOM has been addressed by Human Resources. The School of Medicine has a sanction policy regarding HIPAA protected data, and is continuing to enhance mandatory annual training and responsible user guidelines regarding the handling of confidential data.

Accepted or Implemented – continued

SIUC and SIUE are performing formal risk assessments of their computer environments. SIUC has already performed an inventory of electronic confidential information and is working to secure this confidential information in a variety of ways including deleting files where not needed, encrypting files and/or encrypting hard drives. SIUE is in the process of conducting an inventory of electronic confidential information, and is also encrypting files and/or hard drives for those individuals with a business need for access to confidential data. Additionally, the campuses are exploring the cost and feasibility of encrypting databases in their ERP systems. SOM campus has also taken many actions in regards to encryption of information on university owned laptops and clinical environment systems.

Finally, SIUC has revised its policy relevant to Personal Information Protection Act and its processes to perform and document security incidents have been reviewed and enhanced. SIUE is in compliance with the Personal Information Protection Act but has transitioned the responsibility of compliance and reporting from the Chief Information Officer to the Chief Information Security Officer.

While many of these initiatives have been started, due to the significant resources needed and other priorities, the timeframe for completion has been extended.

13. Establish an adequate change management and patch management policy and procedures for governing the process of making changes to key networking devices to include:

- **Requesting, authorizing, and implementing changes;**
- **Change tracking and documentation maintenance;**
- **Patch management to ensure patches are applied in a timely manner.**

Establish appropriate firewall administration controls that also include:

- **Ensuring the firewall alerts are established and regularly reviewed;**
- **Performing regular comprehensive reviews of firewall logs and configuration rules;**
- **Testing firewall security postures by performing vulnerability assessments and penetration testing.**

Finding: The University had not ensured adequate administration controls were established over firewalls. During a review, auditors noted:

- Formal change management and patch management policies for firewalls did not exist;
- Comprehensive reviews of firewall logs or configuration rules were not performed;
- Several security configurations and alerts were not established.

The University had not established a formal change management policy. The lack of a policy resulted in SIUC being unable to provide a listing of all changes made to firewalls. In

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addition, the lack of a formal process to ensure system patches were applied, contributed to the vulnerability that was exploited on the University's primary backup system.

Auditors found a comprehensive review of firewall logs or configuration rules were not performed. Additionally, there was no process in place to regularly test firewall configurations, such as performing vulnerability assessments or penetration testing.

SIUC officials stated that technology departments were previously operated as separate units which has made both patch management and change management practices inconsistent across the organization. More comprehensive policies and procedures that will apply to all areas have yet to be adopted. SIUE officials stated that the tasks of developing a comprehensive change control review procedure will continue. Penetration testing and vulnerability scans have not yet been addressed due to a lack of staffing, and will be included in the job duties of the new security officer.

Updated Response: Implemented. SIUC has established comprehensive change management policies and procedures, and change management tracking was implemented at the beginning of 2015. Additionally, SIUC completed its firewall assessment report and will establish formal firewall administration controls and audit procedures. SIUC has continued its practice of vulnerability assessments and is also performing regular penetration testing on its enterprise systems. SIUE has formal change management for its ERP system but does not have formal change and patch management policies for its other systems in place, but rather had informal practices in place. These practices have been codified and shared with appropriate staff members, guiding their work. While SIUE conducts regular PCI scans, it has not yet begun other network scans due to staffing constraints.

- 14. Ensure security administrative access policies for the University's computing environment are formally established and consistently enforced for all accounts, especially powerful accounts such as those used by programmers, database administrators, and system administrators. Require periodic reviews of access rights on all critical systems, particularly for those having special access privileges.**

Additionally, implement complexity requirements (i.e. upper case, lower case, numbers, special characters) in the composition of passwords. Also, formally assess the risk of permitting all accounts, including accounts with powerful access privileges or access to critical systems, to use the current baseline security defaults.

Finding: The University had not established formal policies and procedures for performing and monitoring security administration activities to computer resources, including servers, databases, and operating systems. During the review, auditors noted:

Accepted or Implemented – continued

- Documented policies, procedures and standard request forms were not used to govern IT security administration on the University servers, including programmers or database administrators who were granted access to powerful accounts without formal approval or adequate documentation.
- The University did not consistently perform periodic access reviews of these accounts to ensure employees were still active and access privileges were still appropriate.
- The University modified its baseline security defaults to allow a lengthy password change interval, with a password phrase. However, password complexity requirements such as mandated special characters were not required. In addition, the change interval applied to all user accounts including those with administrative and high-level access privileges.

SIUC officials stated that Information Technology departments were previously operated as separate units, which has made access policies and procedures inconsistent across the organization. More comprehensive policies and procedures that will apply to all areas have yet to be adopted. Specifically in regards to the password change, they believe the current password configuration is more secure than the shorter password with special characters. SIUE officials stated that consideration had not been given to using request forms for IT administrators, as they have very few such personnel and believe they are in compliance with higher education practices.

Updated Response: Implemented. SIUC adopted a password policy to reflect the current password practice of 16 character passphrases, which requires password complexity such as special characters, and different change intervals for system administrators versus user level passwords. Two-factor authentication for IT system administrators as well as IT database administrators is complete. SIUC plans to use two-factor authentication in the future for users with access to confidential/sensitive information with the intent of providing another level of protection for user credentials.

15. Review current practices to determine if enhancements can be implemented to prevent the theft or loss of computers; ensure confidential information is adequately secured with methods such as encryption or redaction. (Repeated-2012)

Finding: The University was unable to locate 357 computers and related items (265 from Carbondale and 92 from Edwardsville) during their annual inventory. These items were deemed by the University to have been lost or stolen during FY13, with original acquisition value of \$463,274.

During testing, the auditors noted the University had not protected its computers with encryption software, thus increasing the risk that confidential information could be exposed.

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Confidential information routinely collected and maintained by the University includes education records, health records, personal information, and sensitive information.

University officials stated this matter was first brought to the University's attention in mid-March 2013. University IT personnel have been actively working on a plan to implement encryption by June 2014 on those computers which continue to have access to confidential information. Due to timing, the number of computers unable to be located as reported on the last annual inventory is not representative of the efforts taken since the finding was received.

In addition, University officials stated that they filed police reports for computers reported as stolen. Some of the missing computers were undoubtedly lost or stolen, however, in many instances missing computers are later located by department staff and properly cleared of data and surplus. It is the University's practice to remove unlocated equipment items from its inventory, after due diligence has been exhausted in searching for them.

Updated Response: Implemented. SIU has been actively working to enhance efforts to reduce the number of computers reported as lost or stolen and to protect data on its computers. Both campuses have taken measures to communicate the importance of conducting an accurate inventory to staff, to train staff regarding adequate inventory procedures and to locate computers reported as missing. These efforts have included a complete physical inventory of computers and computer related items (computers, servers, tablets, and mobile hard drives) in fiscal year 2015. Specifically, a sweep of all buildings is complete; approximately 226 buildings in Carbondale, Edwardsville, Alton and East St. Louis. The SIUE campus is nearing the final phase of its project. The SIUC campus computer inventory project ended on January 30th. The follow-up to this project will be done during the annual equipment inventory. As inventories are completed they will be compared to the computer inventory records to identify differences. The expected completion date of this corrective action on the inventory project is June 30, 2015.

In regards to the specific items noted as missing in the 2013 audit finding, the 357 unlocated computers and related items (265 from Carbondale and 92 from Edwardsville) has been reduced to 238 (154 from Carbondale and 84 from Edwardsville) as a result of the above described inventory project.

Additionally, measures have been taken on both campuses to identify individuals with access to confidential information and encrypt such data.

16. Amend policies to require all employees to submit timesheets in compliance with State law. (Repeated-2005)

Finding: The University does not have a policy that requires all employees to periodically submit timesheets documenting the time spent each day on official University business to the nearest quarter hour as required by the State Officials and Employees Ethics Act.

Accepted or Implemented – continued

Auditors noted that the University's faculty did not submit timesheets in compliance with the Act. The process is effectively a "negative" timekeeping system whereby the employee is assumed to be working unless noted otherwise. No time sheets documenting the time spent each day on official State business to the nearest quarter hour are required for faculty. During FY07, the University adopted a policy to require timesheets from all employees except faculty.

University officials indicated there is currently no formal policy in place for faculty to submit timesheets.

Updated Response: Accept. Southern Illinois University continues to require all employees including Faculty to request time off and the University maintains and reports the time requested and approved. This practice is similar to and consistent with the practice of other public universities. The University will continue to work with other public universities and the IBHE in resolution of this issue.

17. Conduct an evaluation of the controls in place over the collection of cash and make the necessary enhancements to ensure their effectiveness.

Finding: University internal controls designed to safeguard cash failed to timely identify two instances of theft. During the examination, it was brought to attention of the auditors by the internal auditor of the University of two cases of cash theft within the University.

The first instance occurred at the Carbondale campus in the Student Health Center. During the year, the department noted a single instance of cash theft, which was caught through the department's internal controls and dated back to at least August 2011 (discovered May 2013). Once noticed by the department, they contacted the internal auditor of the University for assistance in dealing with the apparent theft and confirming the total amount missing. After internal audit review, it was determined that approximately \$33,000 of cash was missing. Currently, the University is seeking restitution in coordination with the State's Attorney office. The case is currently pending in court with a court date set for March 2014. It was noted that the total average cash processed by the department during the year is approximately \$68,015. The Student Health Center represents approximately 1.02% of cash handled at the Carbondale Campus. The University's controls did not work timely to identify the incident that was occurring within the Carbondale Student Health Center during more than a one-year period.

The second instance occurred at the Edwardsville campus in the School of Education. During a review of Pcard transactions by Internal Audit, two Pcard transactions (netting to \$440) were flagged due to not appearing to be a legitimate business purpose, and were brought to the attention of the Department card approver by the internal auditor of the University. After looking into these transactions further, it was discovered by the internal auditor that the Pcard purchases were not business related. The internal audit department then investigated the matter further by examining other duties held by the employee and

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recognized that the employee also had cash handling responsibilities. During this investigation, the internal audit department noted approximately \$6,950 of cash missing from the University which dated back to July 2012 and was never caught by the University's cash management internal controls. The instance was caught by internal audit in August 2013. As a result, in total, there was approximately \$7,390 of missing money noted in the department (\$440 for invalid Pcard purchase, and \$6,950 of cash). The University has been working with the State Prosecutor to arrest the suspect, however, the employee has yet to be located by the police. As a result, University risk management is currently working with the insurance company to seek reimbursement. It was noted that the total average cash processed by the department during the year is approximately \$8,170.

University officials stated that in both instances, controls had been designed to prevent and detect instances of theft, but the controls were not being effectively carried out within the noted departments.

Updated Response: Implemented. Internal controls have been strengthened within the two departments noted. Additionally, a review of cash collections across both campuses has been conducted by University Internal Audit and shared with management in draft form. Upon release of the final report, Internal Audit will conduct the necessary follow-up within departments to ensure corrective actions to strengthen controls have been taken.

18. Establish internal controls to ensure that automobile accidents are reported to DCMS within 7 calendar days. (Repeated-2012)

Finding: The University did not report automobile accidents to the Department of Central Management Services (DCMS) on a timely basis.

During the examination, auditors noted 2 of 25 accidents tested at the Carbondale campus were not reported to DCMS timely. The accidents were reported 1 to 5 days late. One of 5 accidents tested at the Edwardsville campus were not reported to DCMS timely. The accident was reported 14 days late.

University officials stated that University departments are instructed to report all accidents to Travel Service within 48 hours of occurrence. Travel Service reports accident information to DCMS within 1 business day of notification from the department or driver of the University vehicle involved in the accident. Some travel situations cause delayed reporting by the departments to Travel Service. The two accidents at the Carbondale campus that were reported to DCMS after the 7 calendar day deadline had no damage to University vehicles. Departments are now instructed to notify Travel Services within 48 hours of all accidents/incidents, no matter how minor. The late filing of the accident at SIUE was due to the fact that the accident occurred on Wednesday, December 19; three days before the University closed for the holidays. The police report and notice to DCMS was filed after the holiday break.

Accepted or Implemented – concluded

Updated Response: Implemented. SIUE has implemented a standalone certification statement and has affixed an envelope to the dash of each vehicle containing instructions to follow in case of an accident. SIUC has also implemented a certification statement, holding the vehicles account responsible for unreported damage, as well as has created a Vehicle Usage Policy which explains the accident reporting process.

19. Collaborate with the other State Universities to prepare High School Feedback System reports for each high school within the State annually, or seek a legislative remedy to the statutory requirement.

Finding: The University did not prepare High School Feedback System reports to high schools within the State.

The Southern Illinois University Law requires the University – in collaboration with Chicago State University, Illinois State University, Eastern Illinois University, Governors State University, Northeastern Illinois University, the University of Illinois, and Western Illinois University – annually prepare and submit a single report to each high school within the State concerning the academic progress and success of the high school's former students. Pursuant to the Law, the report must include the number of high school graduates enrolled in each University and the major of each, the number of high school graduates who have withdrawn from each University, and student performance in University coursework.

University officials stated that prior to 2007, Southern Illinois University compiled data and disseminated a report to public high school principals for purposes of fulfilling the Management Act. In October 2007, adoption of Senate Joint Resolution 59 (SJR 59) relating to Students College Readiness, expanded this project to include participation by postsecondary institutions and directed public accessibility to the reports. As a result, the IBHE, the Illinois State Board of Education (ISBE), and Illinois Community College Board (ICCB) developed an Illinois High School to College Success Report in concert with a vendor. Data for this report is obtained from each State University, including SIU, through the longitudinal database that was created. Due to the transition to the new database, the reports published thus far have not been annual but rather cover a period of years. It appears for all practical purposes, that the language in the Management Act has been superseded, at least in practice, by the SJR.

Updated Response: Implemented. Legislation has been passed that satisfied this recommendation.

Emergency Purchases

The Illinois Procurement Code (30 ILCS 500/) states, "It is declared to be the policy of the State that the principles of competitive bidding and economical procurement practices shall

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be applicable to all purchases and contracts....” The law also recognizes that there will be emergency situations when it will be impossible to conduct bidding. It provides a general exemption when there exists a threat to public health or public safety, or when immediate expenditure is necessary for repairs to State property in order to protect against further loss of or damage to State Property, to prevent or minimize serious disruption in critical State services that affect health, safety, or collection of substantial State revenues, or to ensure the integrity of State records; provided, however that the term of the emergency purchase shall not exceed 90 days. A contract may be extended beyond 90 days if the chief procurement officer determines additional time is necessary and that the contract scope and duration are limited to the emergency. Prior to the execution of the extension, the chief procurement officer must hold a public hearing and provide written justification for all emergency contracts. Members of the public may present testimony.

Notice of all emergency procurement shall be provided to the Procurement Policy Board and published in the online electronic Bulletin no later than 3 business days after the contract is awarded. Notice of intent to extend an emergency contract shall be provided to the Procurement Policy Board and published in the online electronic Bulletin at least 14 days before the public hearing.

A chief procurement officer making such emergency purchases is required to file an affidavit with the Procurement Policy Board and the Auditor General. The affidavit is to set forth the circumstance requiring the emergency purchase. The Legislative Audit Commission receives quarterly reports of all emergency purchases from the Office of the Auditor General. The Legislative Audit Commission is directed to review the purchases and to comment on abuses of the exemption.

During FY13 Southern Illinois University filed five affidavits totaling \$1,257,509.57 for emergency purchases as follows:

- \$ 492,598.90 for network expansion and repair;
- \$ 439,580.00 for repairs; and
- \$ 325,330.67 for technical support.

Headquarters Designations

The State Finance Act requires all State agencies to make semiannual headquarters reports to the Legislative Audit Commission. Each State agency is required to file reports of all its officers and employees for whom official headquarters have been designated at any location other than that at which official duties require them to spend the largest part of their working time.

As of July 2013, Southern Illinois University had no employees assigned to locations other than official headquarters.

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APPENDIX A

Summary of Expenditures from Appropriations and the Income Fund

	FY13	FY12
Total Appropriations, All Funds	<u>\$ 223,399,585</u>	<u>\$237,165,900</u>
<u>Educational Assistance Fund</u>		
Personal services	\$ 186,131,502	\$ 188,995,044
Group Insurance	3,060,000	3,684,288
Travel	36,600	1,284
Equipment	1,006,200	55,750
Commodities	902,800	2,473,776
Contractual services	8,164,800	17,604,747
Operate auto equipment	575,100	691,568
Permanent Improvements	-	283
Telecommunications	1,307,300	1,403,830
Social Security-Medicare	2,309,400	2,120,930
Simmons Cancer Center	<u>1,200,000</u>	<u>1,200,000</u>
Total Educational Assistance Fund	<u>\$ 204,693,702</u>	<u>\$218,231,500</u>
General Professions Dedicated Fund	1,250,000	1,250,000
State College & University Trust Fund	22,000	20,000
Total Capital Development Fund	<u>10,287,866</u>	<u>230,615</u>
Total Expenditures from Appropriations	<u>\$ 216,253,568</u>	<u>\$219,732,115</u>
<u>INCOME FUND</u>		
<u>Revenues</u>		
Student tuition and fees	212,422,946	211,340,949
Sales and services	57,580	88,452
Investment income	378,152	1,032,330
Other	<u>2,974</u>	<u>757</u>
Total Revenues	<u>\$ 212,861,652</u>	<u>\$212,462,488</u>
<u>Expenditures</u>		
Personal services	110,930,339	116,300,517
Group Insurance	614,580	237,132
Travel	2,121,031	2,062,043
Equipment	8,115,009	10,717,268
Commodities	6,710,790	5,274,128
Contractual services	38,051,483	28,847,612
Automotive equipment	<u>730,909</u>	<u>635,094</u>

Appendix A - continued

	FY13	FY12
Telecommunications	1,059,429	1,007,771
Awards & Grants	13,155,278	10,774,220
Social Security	1,848,513	2,050,008
Scholarships, fellowships and waivers	8,049,884	7,473,252
Permanent improvements	349,906	75,701
Bad debt expense	970,463	744,308
Unemployment compensation	61,398	72,643
Transfers	14,880,743	21,309,932
Total Income Fund Expenditures	\$ 207,649,755	\$ 207,581,629

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APPENDIX B

Comparative Statement of
Revenues, Expenditures and Changes in Net Postion

	<u>FY13</u>	<u>FY12</u>
<u>Operating Revenues:</u>		
Student tuition & fees	\$ 254,664,694	\$ 256,084,347
Federal grants and contracts	39,186,109	42,005,028
State of Illinois grants and contracts	26,639,068	30,693,731
Other government grants and contracts	6,719,888	6,386,232
Private grants and contracts	22,803,213	22,173,773
Sales and services of educational departments	86,414,105	81,012,744
Physicians and Surgeons practice plan	50,960,697	54,203,736
Auxillary enterprises:		
Funded debt enterprises	99,875,617	102,295,975
Other auxiliary enterprises	9,504,088	9,572,957
Loan interest income	306,198	297,083
Other operating revenues	27,006	20,829
Total Operating Revenues	<u>597,100,683</u>	<u>604,746,435</u>
<u>Operating Expenses:</u>		
Instruction	357,711,356	335,294,851
Research	64,348,813	64,680,837
Public service	66,813,986	62,712,130
Academic Support	189,137,814	179,607,411
Student Services	76,152,832	74,401,013
Institutional support	80,591,514	77,575,317
Operation & Maintenance of plant	88,830,154	87,292,169
Scholarships & Fellowships	35,095,711	36,837,164
Depreciation	48,209,665	46,321,372
Other operating expenses	(2,022,681)	540,031
Auxiliary enterprises:		
Funded debt enterprises	95,405,348	93,977,385
Other auxiliary enterprises	12,820,757	10,754,169
Total Operating Expenses	<u>1,113,095,269</u>	<u>1,069,993,849</u>
Operating Loss	<u>(515,994,586)</u>	<u>(465,247,414)</u>

Appendix B - continued

	FY13	FY12
<u>Non-Operating Revenues (Expenses)</u>		
State appropriations	205,965,800	219,501,500
Gifts and contributions	10,658,892	13,746,003
Investment income	(253,472)	4,625,294
Grants and contracts	46,333,626	48,128,082
Interest on capital asset related debt	(7,870,033)	(11,265,152)
Accounting loss on advance refunding	(2,216,389)	-
Accretion on bonds payable	(4,166,477)	(4,331,329)
University related organizations	(1,183,038)	(407,985)
Payments on behalf of the University	281,309,245	221,995,044
Other nonoperating revenues	627,118	1,661,402
Net Nonoperating Revenues	529,205,272	493,652,859
Income Before Other Revenues	13,210,686	28,405,445
Other Revenues:		
Capital state appropriations	25,253,273	59,779,396
Capital grants and gifts	1,208,026	8,027,624
Total Other Revenues	26,461,299	67,807,020
Increase in Net Position	39,671,985	96,212,465
Net Position		
Net assets at beginning of year	724,605,890	628,393,425
Net Position at end of year	\$ 764,277,875	\$ 724,605,890

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APPENDIX C

Accounts Receivable

	<u>FY13</u>	<u>FY12</u>
Student tuition and fees	\$12,057,218	\$16,303,129
Auxiliary enterprises	12,029,484	11,126,505
General operating	21,002,257	25,597,937
Grants and contracts	18,100,149	15,091,100
Student loans	88,093	127,913
Plant	-	-
Other accounts receivable	<u>447,963</u>	<u>352,426</u>
	63,725,164	68,599,010
Less: Allowance for doubtful accounts	(16,666,202)	(14,071,241)
TOTAL, NET	<u>\$47,058,962</u>	<u>\$54,527,769</u>

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APPENDIX D

Summary of Property and Equipment

	<u>FY13</u>	<u>FY12</u>
Balance, July 1	\$ 789,422,415	\$ 716,438,214
Additions	52,065,572	74,847,144
Deletions	<u>(1,155,032)</u>	<u>(1,862,943)</u>
 Total additions	 <u>840,332,955</u> *	 <u>789,422,415</u> *
 *Represented by:		
Land	21,958,021	21,514,697
Site Improvements	26,723,137	25,807,603
Buildings	580,555,975	528,210,784
Equipment	53,193,353	53,668,747
Intangible Assets	3,978,209	4,751,823
Construction in progress	142,401,410	143,988,202
Nondepreciable historical treasures and works of art	<u>11,522,850</u>	<u>11,480,559</u>
 Balance, June 30	 <u>\$ 840,332,955</u>	 <u>\$ 789,422,415</u>

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APPENDIX E

Summary of Funds Provided by and to the Foundations

	<u>FY13-SIUC</u>	<u>FY13-SIUE</u>
Funds provided by the University	<u>\$ 5,176,043</u>	<u>\$ 749,415</u>
Funds/services provided to the University		
Considered unrestricted for guidelines purposes:		
Unrestricted	33,166	72,558
Provided to particular campus	118,340	-
Provided to particular college	879,960	438,209
Provided to particular department	2,003,205	1,193,759
Provided to athletic association	<u>2,155,426</u>	<u>999,549</u>
 Total, guidelines unrestricted	 <u>5,190,097</u>	 <u>2,704,075</u>
Considered restricted for guidelines purposes:		
Provided for student support	2,206,820	343,611
Provided for certain instructional research or public service programs	866,461	195,515
Provided for physical facilities	403,792	-
Provided for other restricted purposes	<u>6,413</u>	<u>-</u>
 Total funds considered restricted	 <u>3,483,486</u>	 <u>539,126</u>
 Total funds provided to the University	 <u>\$ 8,673,583</u>	 <u>\$ 3,243,201</u>

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APPENDIX F

<u>Tuition and Fee Waivers</u>				
	<u>Carbondale</u>		<u>Edwardsville</u>	
	<u>FY13</u>	<u>FY12</u>	<u>FY13</u>	<u>FY12</u>
<u>Mandatory Waivers</u>				
Teachers Education (Special Education)	\$ 100,300	\$ 82,500	\$ 185,700	\$ 173,900
General Assembly	232,600	433,400	242,000	455,000
ROTC	569,400	610,500	379,900	334,400
DCFS	130,700	84,700	78,400	40,500
Children of Employees	724,200	815,900	463,000	461,800
Senior Citizens	5,500	4,100	11,200	3,900
Fulbright Scholarship	-	-	31,300	44,200
Veterans Grants & Scholarships	5,200,300	2,667,300	2,239,100	1,050,900
Total Mandated Waivers	6,963,000	4,698,400	3,630,600	2,564,600
<u>Discretionary Waivers</u>				
Faculty/Administrator	702,500	487,800	168,000	215,000
Civil Service	737,300	431,300	187,300	165,400
Academic/other talent	2,301,600	2,428,300	933,100	858,100
Athletic	925,500	1,006,800	638,300	699,100
Gender Equity in Intercollegiate Athletics	702,500	870,100	567,700	534,400
Foreign exchange students	183,200	290,500	-	-
Foreign students	18,100	28,900	-	-
Interinstitutional/Related Agencies	31,900	4,200	23,400	30,000
Student Need-Financial Aid	749,000	2,486,600	-	3,900
Cooperating Professionals	602,800	384,900	626,300	688,200
Research Assistants	8,908,800	9,605,400	1,133,400	942,700
Teaching Assistants	11,744,400	10,113,900	2,593,400	1,882,900
Other Assistants	2,055,800	2,835,300	870,000	1,852,800
Contract and Training Grants	1,297,600	1,367,900	156,400	304,500
Fellowships	-	749,400	-	-
Children of Deceased Employees	34,000	22,100	12,900	17,600
Visiting Students	844,200	-	8,500	-
Total Discretionary Waivers	31,839,200	33,113,400	7,918,700	8,194,600
GRAND TOTAL	\$38,802,200	\$37,811,800	\$11,549,300	\$ 10,759,200