



STATE OF ILLINOIS
**OFFICE OF THE
AUDITOR GENERAL**

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

NORTHERN ILLINOIS UNIVERSITY

**COMPLIANCE EXAMINATION
AND SINGLE AUDIT
For the Year Ended: June 30, 2013
Release Date: March 20, 2014**

Summary of Findings this Audit Cycle:

• Compliance and Single Audit	8
• Financial Audit (previously reported 12-19-13)	<u>1</u>
Total findings:	9
Total last audit:	9
Repeated from last audit:	3

INTRODUCTION

The Financial Audit for the year ended June 30, 2013 was previously released on December 19, 2013. That audit contained one finding. This report addresses Federal and State compliance findings pertaining to the Single Audit and State Compliance Examination. In total, this report contains 9 findings, 1 of which was also reported in the Financial Audit.

SYNOPSIS

- Northern Illinois University prepared inaccurate property reports.
- Northern Illinois University lacked adequate internal controls over contracts and leases.
- Deferred revenue was overstated in the University's fiscal year 2012 financial statements which caused revenues in the fiscal year 2013 financial statements to be overstated.

{Financial data is are summarized on the reverse page.}

NORTHERN ILLINOIS UNIVERSITY
COMPLIANCE EXAMINATION AND SINGLE AUDIT
For the Year Ended June 30, 2013

COMPARATIVE SCHEDULE OF INCOME FUND REVENUES AND EXPENDITURES	FY 2013	FY 2012
INCOME FUND REVENUES		
Tuition, net of waivers.....	\$ 146,735,608	\$ 144,195,625
Material fees.....	7,483,316	7,454,416
Other.....	2,015,114	1,614,058
Total Revenues.....	<u>\$ 156,234,038</u>	<u>\$ 153,264,099</u>
INCOME FUND EXPENDITURES		
Personal services.....	\$ 86,994,444	\$ 82,720,948
FICA/Medicare.....	2,354,085	2,273,453
Contractual services.....	35,379,192	28,429,728
Travel.....	1,177,246	1,252,594
Commodities.....	2,206,490	2,354,166
Awards/grants and matching funds.....	14,450,499	10,426,298
Equipment and library books.....	9,180,657	9,634,693
Telecommunications.....	1,325,899	1,391,638
Automotive.....	588,812	522,404
Capital repairs and permanent improvements.....	3,589,988	884,497
CMS health insurance.....	1,204,000	1,204,000
Unemployment compensation benefits.....	65,220	76,035
Total Expenditures.....	<u>\$ 158,516,532</u>	<u>\$ 141,170,454</u>
EMPLOYMENT STATISTICS (UNAUDITED)		
	FY 2013	FY 2012
Faculty and Administrative.....	2,381	2,242
Civil Service.....	1,454	1,457
Student Employees.....	519	520
Miscellaneous contracts.....	195	179
Total Employees.....	<u>4,549</u>	<u>4,398</u>
ENROLLMENT STATISTICS (UNAUDITED)		
	FY 2013	FY 2012
Fall term enrollment.....	18,238	19,030
Spring term enrollment.....	16,603	17,373
PRESIDENT		
During Examination Period: Dr. John G. Peters - (July 1, 2012 - June 30, 2013)		
Currently: Dr. Douglas D. Baker (Effective July 1, 2013)		

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

FAILURE TO SUBMIT ACCURATE PROPERTY REPORTS

Northern Illinois University's (University) property reports submitted to the Office of the State Comptroller were inaccurate.

Amounts reported at quarter end were inaccurate

Approximately \$1.5 million of fiscal year 2012 equipment additions were reported as fiscal year 2013 additions on the University's September 30, 2012 property report (C-15 report). Further, approximately \$2.5 million of fiscal year 2013 equipment additions acquired during the last quarter of fiscal year 2013 were not included as additions on the June 30, 2013 property report.

Buildings understated by \$113.1 million

During our reconciliation of the University's property reports to financial records, we noted several items were included in construction in progress on the University's report for the period ended June 30, 2013 that had been placed in service during fiscal year 2013. The largest of these items were the new student residence hall approximating \$113.1 million of the property report construction in progress amount and the renovation of another building approximating \$11.7 million. This resulted in the overstatement of the University's reported construction in progress and an understatement of the reported building total. The properties were placed in service during FY 13. (Finding 6, pages 20-21)

We recommended the University review its policies and procedures to ensure property reports are completed with all relevant fields completed in accordance with Statewide Accounting Management System procedures and that all information contained within the property report is accurate as possible. If any amounts reported in the initial property report filing are adjusted subsequent to the initial filing, the University should submit an amended property report.

University agrees with auditors

University officials agreed with our recommendation.

INCOMPLETE DOCUMENTATION IN CONTRACTS AND LEASES

The University has not established adequate internal controls over contracts and leases to ensure that they are approved prior to performance, completed in their entirety prior to execution, and/or that they contain all necessary elements, provisions, certifications and/or clauses.

During our review of 46 contracts executed during the year, totaling \$81,060,589, we noted the following exceptions, affecting 21 of the contracts:

Contract start date was prior to formal approval

- 3 contracts were not approved prior to performance.
- 7 contracts were missing required elements, such as contractor FEIN number and address or legible University authorizer name underneath signature.

Certifications were missing

- 14 contracts were missing one or more of the required certifications or clauses necessary for the contract.

During our review of 2 leases, executed during the year, we noted the following exceptions:

- 1 lease had provisions for improvements to be performed by the lessor, but penalties for nonperformance were not included.
- 1 lease did not have a Real Estate Lease Form – Disclosure Statement. This form needs to be completed prior to the agency entering into the lease per the Public Officer Prohibited Activities Act.
- 1 lease did not have all of the required clauses and certifications necessary for the lease. (Finding 7, pages 22-24)

We recommended the University implement appropriate procedures to ensure contracts are properly approved prior to performance and that the University should continue to implement procedures to ensure that all contracts and leases include the required contractual elements, certifications and clauses.

University agrees with auditors

University officials agreed with the recommendation.

NEED TO IMPROVE CONTROLS FOR REVENUE RECOGNITION

The University overstated the amount of deferred revenue in fiscal year 2012 which resulted in an overstatement of revenue in fiscal year 2013.

Revenues overstated in Fiscal Year 2013 by \$233,472

Deferred income for one of the colleges was incorrectly recorded as \$291,648 at June 30, 2012 when only \$58,176 should have been deferred. The correction of this error in fiscal year 2013 resulted in an overstatement of revenue by \$233,472 in fiscal year 2013.

University officials believe the error was due to the practice of allowing each college to calculate its own deferred revenue and inadequate training of the individuals making the calculation. (Finding 8, page 25)

University agrees with auditors

We recommended the University centralize the calculation of deferred revenue at the main accounting office and rely on the colleges only for supporting information.

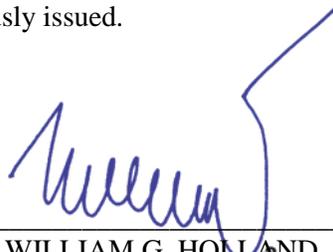
University officials agreed with the recommendation.

OTHER FINDINGS

The remaining findings are reportedly being given attention by the University. We will review the University's progress towards the implementation of our recommendations in our next engagement.

AUDITORS' OPINION

The auditors conducted a State compliance examination and federal Single audit of the University for the year ended June 30, 2013. A financial audit covering the year ended June 30, 2013 was previously issued.

A handwritten signature in blue ink, appearing to read "William G. Holland", is written over a horizontal line. The signature is stylized and cursive.

WILLIAM G. HOLLAND
Auditor General

WGH:TLK

AUDITORS ASSIGNED

Our special assistant auditors for this engagement were McGladrey LLP.