



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

NORTHERN ILLINOIS UNIVERSITY

**Financial Audit
 For the Year Ended June 30, 2014**

Release Date: February 11, 2015

FINDINGS THIS AUDIT: 1	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	1	1	2011	14-1		
Category 2:	0	0	0				
Category 3:	0	0	0				
TOTAL	0	1	1				
FINDINGS LAST AUDIT: 1							

SYNOPSIS

- **(14-1)** The University's internal controls over financial reporting are not sufficient to prevent misstatements.

Category 1: Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with State laws and regulations (material noncompliance).
Category 2: Findings that are **significant deficiencies** in internal control and **noncompliance** with State laws and regulations.
Category 3: Findings that have **no internal control issues but are in noncompliance** with State laws and regulations.

{Financial information is summarized on the reverse page.}

NORTHERN ILLINOIS UNIVERSITY
FINANCIAL AUDIT
For the Year Ended June 30, 2014 (in thousands)

STATEMENT OF NET POSITION	2014	2013*
Assets		
Cash and cash equivalents.....	\$ 35,035	\$ 50,726
Investments.....	160,415	158,320
Accounts and student loans receivable, net.....	36,807	40,552
Appropriations receivable from the State.....	19,788	28,137
Capital assets, net.....	467,938	465,749
Other.....	11,367	9,592
Total Assets.....	731,350	753,076
Liabilities		
Accounts payable and accrued liabilities.....	51,849	62,555
Accrued compensated absences.....	17,840	18,552
Revenue bonds, contracts and leases payable.....	372,214	370,627
Other.....	19,884	21,235
Total Liabilities.....	461,787	472,969
Net Position		
Net investment in capital assets.....	139,213	154,273
Restricted.....	3,832	3,634
Unrestricted.....	126,518	122,200
Total Net Position.....	\$ 269,563	\$ 280,107

* As restated

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	2014	2013**
Revenues		
State appropriations.....	\$ 231,457	\$ 239,371
Tuition and fees, net.....	130,772	125,684
Auxiliary enterprises.....	101,381	104,635
Federal and state grants and other contracts.....	92,950	104,763
Sales and services of educational activities.....	19,310	20,497
Other.....	17,984	19,520
Total Revenues.....	593,854	614,470
Expenses		
Instruction.....	134,474	133,355
Staff benefits.....	145,512	153,712
Auxilliary enterprises.....	89,940	90,992
Institutional support.....	34,700	34,002
Academic support.....	31,991	34,119
Operation and maintenance of plant.....	33,681	24,507
Public service.....	32,827	42,988
Student aid.....	35,789	30,891
Other.....	65,484	73,554
Total Expenses.....	604,398	618,120
Change in net position.....	\$ (10,544)	\$ (3,650)

** - Certain reclassifications were made to the 2013 amounts to conform to the 2014 presentation

UNIVERSITY PRESIDENT
During Examination Period: Dr. Douglas D. Baker
Currently: Dr. Douglas D. Baker

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

IMPROVEMENTS NEEDED IN THE FINANCIAL REPORTING PROCESS

Controls over financial reporting need improvement

The University's internal controls over financial reporting are not sufficient to prevent misstatements.

During our review of the draft financial statements provided by the University, several errors were identified. Some of the more significant items were as follows:

Interest expense overstated by \$2,203,000

- The University recorded a year-end interest accrual entry for the Series 2010B Student Housing Revenue Bonds, the Northern View Capital Lease, and the New Residence Hall Capital Lease twice. This improperly increased interest expense by \$2,203,000 and Build America Bond subsidy revenue by \$870,000.

Build America Bond revenue was overstated by \$870,000

\$6,910,000 of long-term restricted cash was classified as construction in progress

- The University classified \$6,910,000 of escrow funds for the phase 11 performance contract as construction in progress, rather than as long-term restricted cash as required by generally accepted accounting principles (GAAP).
- During the fiscal year 2013 closing process, the University expensed \$4,231,000 of construction in progress rather than including it as part of capital assets in accordance with GAAP. To correct the impact this had on net position, during fiscal year 2014 the amount was added to capital assets and expenses were reduced by a matching amount.

\$1,140,000 of prepaid tuition was erroneously removed from the financial statements

- As part of its closing process, the University removed all billed fall 2014 tuition and fee revenue from unearned revenue and accounts receivable. This revenue was unearned as of June 30, 2014 and as of that date the University had no legal claim to receive any payments. However, \$1,140,000 of the billed charges had been prepaid by students and should have remained on the University's Statement of Net Position.
- The University did not include the employer portion of Medicare taxes in its accrual calculation for compensated absences in accordance with GAAP. This understated the balance of compensated absences by \$259,000. (Finding 1, pages 5-9) **This finding has been repeated since 2011.**

We recommended the University improve controls over financial reporting to ensure accurate presentation and

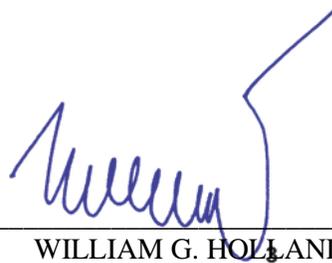
disclosure of their annual financial statements.

University agrees with the auditors

University officials concurred with the finding and stated they are in the process of documenting the policies and procedures for the year-end close process. They expect to have this completed by April 30, 2015. *(For the previous University response, see Digest Footnote #1.)*

AUDITOR'S OPINION

Our auditors stated the financial statements of Northern Illinois University as of June 30, 2014, and for the year then ended, are fairly stated in all material respects.

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

SPECIAL ASSISTANT AUDITORS

Our Special Assistant Auditors for this audit were McGladrey LLP.

DIGEST FOOTNOTES

#1 – Financial Reporting Process

2013 - The University agrees.