

509 SOUTH SIXTH STREET, ROOM 151  
SPRINGFIELD, ILLINOIS 62701-1878  
PHONE: 217/782-6046  
FAX: 217/785-8222  
TDD: 217/524-4646



100 WEST RANDOLPH STREET, SUITE 4-100  
CHICAGO, ILLINOIS 60601-3219  
PHONE: 312/814-4000  
FAX: 312/814-4006

OFFICE OF THE AUDITOR GENERAL  
WILLIAM G. HOLLAND

**REPORT DIGEST**

**NORTHERN ILLINOIS UNIVERSITY  
FINANCIAL AND COMPLIANCE AUDIT**  
(In accordance with the Federal Single Audit  
Act of 1984 and OMB Circular A-133)  
For the year ended June 30, 1993

**SYNOPSIS**

- We found eight instances in which the University's bank balance exceeded Federal deposit insurance limitations. The uncollateralized amounts ranged from \$6,367 to \$3.9 million.
- The University failed to amend a contract prior to incurring \$32,000 in additional costs. These services were not included in the original \$5,800 contract.
- The University continues to issue travel advances to individuals contrary to the Legislative Audit Commission's decision that travel advances to individuals should not be given.
- The University did not properly account for sick and vacation pay.
- The University's controls over sabbatical leaves for its faculty were inadequate.
- The University combined four separate accounting entities within its revenue bond fund enterprises into one reporting entity in violation of the University Guidelines adopted by the Legislative Audit Commission.

**NORTHERN ILLINOIS UNIVERSITY**  
**FINANCIAL AND COMPLIANCE AUDIT**  
**For The Two Years Ended June 30, 1993**

FINANCIAL OPERATIONS (CURRENT FUNDS)	FY 1993	FY 1992
<b>REVENUES</b>		
Appropriations . . . . .	\$ 84,929,000	\$ 88,899,000
Student tuition and fees . . . . .	52,146,322	46,786,025
Grants, contracts, and gifts . . . . .	22,450,149	21,001,300
Sales and services of educational departments . . . . .	10,179,347	7,442,737
Auxiliary enterprises . . . . .	47,136,696	46,712,703
Other . . . . .	709,646	734,069
<b>Total . . . . .</b>	<b><u>\$217,551,160</u></b>	<b><u>\$211,575,834</u></b>
<b>EXPENDITURES AND MANDATORY TRANSFERS . . . . .</b>		
Instruction . . . . .	\$ 75,255,788	\$ 73,626,819
Research . . . . .	9,500,280	9,618,284
Public service . . . . .	7,186,302	5,290,253
Academic support . . . . .	18,286,300	17,235,962
Student services . . . . .	8,608,152	8,213,492
Institutional support . . . . .	13,611,271	13,088,353
Operation of plant . . . . .	13,839,442	13,120,343
Staff benefits . . . . .	8,177,558	6,659,111
Scholarships and fellowships . . . . .	14,955,176	13,559,424
Auxiliary enterprises . . . . .	42,964,103	41,212,629
Mandatory transfers . . . . .	7,051,462	8,461,593
<b>Total . . . . .</b>	<b><u>\$219,435,834</u></b>	<b><u>\$210,086,263</u></b>
<b>SELECTED ACCOUNT BALANCES (ALL FUNDS)</b>		
	FY 1993	FY 1992
Cash and short-term investments . . . . .	\$ 9,736,716	\$ 14,731,933
Investments . . . . .	41,692,873	26,912,840
Buildings, land, and equipment . . . . .	322,203,360	293,643,518
Accrued compensated absences . . . . .	18,693,503	16,442,129
Revenue bonds payable . . . . .	47,474,119	28,318,703
Fund balances (deficit):		
Unrestricted . . . . .	(2,958,250)	(1,254,927)
Restricted . . . . .	1,277,757	1,144,325
U.S. government advances refundable . . . . .	4,621,939	5,433,120
Net investment in plant . . . . .	285,217,622	252,579,240
<b>SUPPLEMENTARY INFORMATION</b>		
	FY 1993	FY 1992
<b>Employment Statistics</b>		
Appropriated funds:		
Faculty/administrative . . . . .	1,579	1,613
Civil services . . . . .	1,125	1,141
Student employees . . . . .	168	170
Nonappropriated funds:		
Faculty/administrative . . . . .	307	296
Civil services . . . . .	624	621
Student employees . . . . .	468	469
<b>Total Employees . . . . .</b>	<b><u>4,103</u></b>	<b><u>4,310</u></b>
<b>Selected Activity Measures</b>		
Annual full-time equivalent students - undergraduate . . . . .	15,365	16,007
Annual full-time equivalent students - graduate . . . . .	3,155	3,119
Full-time equivalent cost per student . . . . .	\$2,729	\$2,548
Classroom Utilization - maximum . . . . .	65.75%	65.60%
<b>UNIVERSITY PRESIDENT</b>		
During Audit Period: Dr. John E. LaTourette		
Currently: Dr. John E. LaTourette		

## FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

### COMPLIANCE REPORT

#### UNCOLLATERALIZED BANK DEPOSITS

The University did not require banks to provide sufficient collateral to cover deposits that exceeded Federal deposit insurance limitations.

We tested ten bank accounts maintained by the University and noted eight different times when their bank balances exceeded the Federal deposit insurance limitation of \$100,000. The excess uncollateralized amounts ranged from \$6,367 to \$3,954,256 for the audit period. (Finding 1, page 8)

University officials agreed with our finding and recommendation. They said steps have been taken to reduce the chance funds will temporarily be in excess of collateral. They also said additional staff have been assigned to work in the cash management and investment area.

#### FAILURE TO PROPERLY AMEND CONTRACTS

The University failed to amend one of its contracts prior to incurring expenses for additional services not included in the original contract.

After completion of the services, a professional service contract for \$5,800 was amended to include \$32,000 of additional services not covered by the original contract. Lack of planning led to the necessity for incurring these additional costs beyond the original contract. (Finding 3, page 10)

University officials agreed with our finding and recommendation. They said that every effort is being made to assure amendments are executed in a timely manner.

#### IMPROPER ISSUANCE OF PERSONAL TRAVEL ADVANCES

The University continued to issue travel advances to individuals contrary to the Legislative Audit Commission's (LAC) decision that personal travel advances should not be given.

University policy permits temporary advances to be issued to employees who are required to travel on University business. However, the LAC has taken the position that advances should be issued for group travel only and not for individual travel.

The University has implemented the use of a corporate credit card system for its employees and feels this will reduce the need for cash advances. The University also raised the minimum actual cash requirement necessary to receive a travel advance from \$200 to \$400. According to University officials this has caused the number of travel advances to drop from 318 issued in fiscal year 1992 to 231 in 1993. However, of the fiscal year 1993 total, 36 were personal travel advances. (Finding 7, page 14)

University officials agreed with our finding and recommendation. They said the practice of issuing travel advances to individuals will be discontinued as of March 1, 1994.

### **IMPROPER SICK AND VACATION PAY COMPUTATION**

The University is not properly accounting for sick and vacation pay.

Four of 35 employee compensated absence records tested for proper sick and vacation accrual contained errors. Three of the four errors found resulted in a total under accrual of \$25,324. The fourth error resulted in an over accrual of \$13,151. The following types of errors were noted:

- One employee was paid accumulated benefits through June 30, 1993; even though the individual retired prior to the end of the fiscal year.
- Two employees' accumulated benefit totals were incorrectly omitted from the year-end sick and vacation accrual computation.
- One employee's accumulated benefit total was incorrectly put into the year-end accrual calculation.

Sick and vacation time earned should be correctly recorded to properly reflect the University's liability. (Finding 14, page 21)

University officials agreed with our finding and recommendation. They said a new procedure is being designed to replace the current process, and it should eliminate errors.

### **INADEQUATE CONTROLS OVER FACULTY SABBATICAL LEAVE**

The University's Constitution and Bylaws require faculty members returning from sabbatical leave to submit a written report describing the scholarly activity within 60 days following resumption of their regular duties. The Constitution also states individuals assume a professional obligation to return to the University for a period of at least one year subsequent to the leave.

The University's controls over sabbatical leave for its faculty were inadequate.

Six out of 17 fall 1992 sabbatical leave reports were not submitted to the Provost-Personnel Office within the University's 60-day requirement. The University does not have a formal written policy to bind sabbatical leave participants to the terms of their leave. In addition, no formal agreement exists requiring sabbatical leave participants to remain at the University for one year after completing the sabbatical. (Finding 17, page 25)

University officials agreed with our finding and recommendation. They stated steps would be taken to make sure the current procedure to track the submission of sabbatical leave reports would be followed. They also said the notification letter has been revised to inform sabbatical leave participants of their obligation to return to the University for at least one year after the leave.

### **IMPROPER COMBINING OF ACCOUNTING ENTITIES**

The University continues to combine its four separate accounting entities within its revenue bond fund enterprises into one reporting entity in violation of the University Guidelines 1982.

University Guidelines 1982 only allows for the grouping of accounting entities for activities or enterprises that are substantially similar and rationally related. As of June 30, 1992, the University had elected to combine the following accounting entities within the revenue bond funds: Residence Halls, Holmes Student Center, Recreational Facilities, and Campus Parking. Upon combination of the entities, the calculation for possible excess funds does not result in any excess. Excess funds of any of the four separate entities that might have been required to be deposited into the State Treasury could not be determined. This combination of entities violated the University Guidelines 1982 which were adopted by the Legislative Audit Commission. (Finding 1, page 4 of Supplementary Information Report)

University officials did not agree with our finding. They said that the Financial Statements and excess fund calculations were prepared in accordance with accounting entities approved by the Board of Regents. They also said that they would continue to monitor the operations of each component group within the system.

### **OTHER FINDINGS**

The remaining findings are less significant and have been given appropriate attention by the University. We will review the University's progress towards the implementation of our recommendations in our next compliance audit.

Mr. Douglas J. Moore, Controller, provided the University's responses.

**AUDITOR'S OPINION**

Our auditors state that the financial statements of Northern Illinois University at June 30, 1993 are fairly presented.



---

WILLIAM G. HOLLAND, Auditor General

WGH:WLB:ak  
June 22, 1994

**SUMMARY OF AUDIT FINDINGS**

<u>Number of</u>	<u>Current Audit</u>	<u>Prior Audit</u>
Audit findings	25	28
Repeated audit findings	11	13
Prior recommendations implemented or not repeated	17	15

**SPECIAL ASSISTANT AUDITORS**

Arthur Andersen & Co. were our special assistant auditors on this engagement.