



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

NORTHEASTERN ILLINOIS UNIVERSITY

FINANCIAL AUDIT

For the Year Ended: June 30, 2013

Release Date: December 19, 2013

Summary of Findings:

| | |
|----------------------------------|----------|
| Total this audit: | 1 |
| Total last audit: | 1 |
| Repeated from last audit: | 1 |

SYNOPSIS

The University did not properly identify all students who withdrew from the University and did not determine or return the unearned portion of Title IV aid provided to all students who withdrew from the University. This resulted in inaccuracies in the amounts reported in the financial statements and noncompliance with federal regulations.

{Expenditures and Activity Measures are summarized on the reverse page.}

NORTHEASTERN ILLINOIS UNIVERSITY

FINANCIAL AUDIT

For the Year Ended June 30, 2013

| FINANCIAL OPERATIONS | 2013 | 2012 |
|--|-----------------------|-----------------------|
| Operating Revenues | | |
| Student tuition and fees, net..... | \$ 54,804,774 | \$ 56,276,791 |
| Federal grants and contracts | 18,572,471 | 13,005,164 |
| State and local grants..... | 1,959,867 | 2,272,522 |
| Nongovernmental grants and contracts..... | 714,533 | 1,057,662 |
| Auxiliary enterprises..... | 3,597,316 | 3,743,385 |
| Other operating revenues..... | 4,084,073 | 4,458,941 |
| Total Operating Revenues..... | <u>83,733,034</u> | <u>80,814,465</u> |
| Operating Expenses | | |
| Instruction..... | 82,967,356 | 78,899,658 |
| Research..... | 977,984 | 1,031,275 |
| Public service..... | 16,701,833 | 12,623,930 |
| Academic support..... | 11,252,587 | 10,569,274 |
| Student services and programs..... | 16,657,338 | 13,077,999 |
| Institutional support..... | 16,179,347 | 11,957,194 |
| Operation and maintenance of plant..... | 15,828,556 | 15,309,594 |
| Scholarships and fellowships..... | 8,194,388 | 8,498,231 |
| Auxiliary enterprises..... | 5,266,697 | 4,999,239 |
| Depreciation expense..... | 4,456,619 | 4,836,851 |
| Other operating expenses..... | 893,777 | 1,462,165 |
| Total Operating Expenses..... | <u>179,376,482</u> | <u>163,265,410</u> |
| Operating Loss..... | (95,643,448) | (82,450,945) |
| NONOPERATING REVENUES (EXPENSES) | | |
| State appropriations - general revenue fund..... | 37,807,600 | 40,228,500 |
| Payments on behalf of the University..... | 50,028,479 | 39,101,845 |
| Pell Grant..... | 17,775,249 | 18,719,529 |
| Investment income..... | 172,249 | 186,144 |
| Interest on Indebtedness..... | (2,218,518) | (1,673,942) |
| Capital additions provided by the State of Illinois..... | 681,685 | - |
| Other, net..... | 165,732 | 49,250 |
| NET NONOPERATING REVENUES (EXPENSES) | <u>104,412,476</u> | <u>96,611,326</u> |
| INCREASE IN NET POSITION..... | <u>8,769,028</u> | <u>14,160,381</u> |
| Net position, beginning of year..... | 144,146,581 | 129,986,200 |
| Net position, end of year..... | <u>\$ 152,915,609</u> | <u>\$ 144,146,581</u> |
| SELECTED ACCOUNT BALANCES | 2013 | 2012 |
| Cash and cash equivalents..... | \$ 68,579,084 | \$ 49,252,846 |
| Cash and cash equivalents - Restricted..... | 15,884,401 | 2,944,566 |
| Receivables, net..... | 24,616,525 | 22,620,798 |
| Capital Assets, net | 120,847,114 | 119,292,265 |
| Accrued Compensated Absences..... | 6,760,805 | 6,320,588 |
| Revenue Bonds Payable..... | 17,165,000 | 17,350,000 |
| Certificates of Participation, net..... | 46,142,254 | 18,285,585 |
| Net Position..... | 152,915,609 | 144,146,581 |
| PRESIDENT | | |
| During Audit Period and Currently: Dr. Sharon K. Hahs | | |

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**FAILURE TO IDENTIFY AND REFUND TITLE IV AID
IN A TIMELY MANNER**

**Controls over Title IV Aid need
improvement**

The University did not properly identify all students who withdrew from the University. The University also did not determine or return the unearned portion of Title IV aid provided to all students who withdrew from the University. This resulted in inaccuracies in the amounts reported in the financial statements and noncompliance with Federal Regulations.

In our testing of unofficial withdrawal determinations over students receiving Title IV aid and who failed to receive a passing grade in any of their classes (703 students), we noted one student that should have been considered to have unofficially withdrawn from the University, but for which the University had not made this determination.

**The University relied upon the last
login date to the learning portal**

Furthermore, in our testing of the withdrawal date determination for students receiving Title IV aid and who withdrew from the University after completing 60% or more of the payment period, we noted that the University relied on the date that the student last logged into the University's online learning portal for 161 students who received \$576,919 of Title IV aid during the payment period.

**The semester mid-point should have
been used by the University to
determine withdraw date**

Since the University had not documented the students actively participated in an academic activity at their last login, the login date cannot be used to determine the withdrawal date. Therefore, the mid-point of the semester should have been used as the students' withdrawal date for the unearned Title IV refund calculation. Consequently, the University should have calculated and returned the unearned Title IV aid disbursed to these students based on the student having earned 50% of their Title IV aid rather than considering the aid to have been 100% earned.

**The University has recourse against
the students**

In response to our testing and inquiries, the University is in the process of calculating the unearned Title IV aid which should have been refunded to the Department of Education (ED) and for which the University has recourse against the students for payment.

**Maximum understatement of the
liability and receivable is \$289,154**

Since the liability to ED had not been identified timely, the University's financial statements understated current liabilities for refundable grant revenues and also understated student receivables, net of an allowance for doubtful accounts. Since the maximum understatement totals \$289,154, the University's financial statements were not considered to be materially misstated as a result of these errors. (Finding 1, Pages 54-56)
This finding was first reported in 2010.

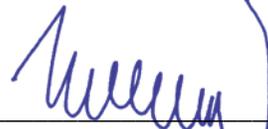
We recommended the University implement procedures to ensure that refunds are processed timely and accurately in order to facilitate accurate financial reporting and to be in compliance with federal regulations.

University agrees with the auditors

University officials agreed with the finding and recommendation. (For the previous University response, see Digest footnote #1)

AUDITORS' OPINION

Our auditors state the University financial statements as of June 30, 2013 and for the year then ended, are fairly presented in all material respects.



WILLIAM G. HOLLAND
Auditor General

WGH:TLK:rt

SPECIAL ASSISTANT AUDITORS

CliftonLarsonAllen were our special assistant auditors.

DIGEST FOOTNOTE

**#1 FAILURE TO IDENTIFY AND REFUND TITLE IV
AID IN A TIMELY MANNER – Previous University
Response**

2012: The University concurs with the finding and recommendation.