



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, 2014**

Release Date: January 29, 2015

FINDINGS THIS AUDIT: 3	AGING SCHEDULE OF REPEATED FINDINGS		
	New	Repeat	Total
Category 1:	2	0	2
Category 2:	1	0	1
Category 3:	0	0	0
TOTAL	3	0	3
FINDINGS LAST AUDIT: 1	No Repeat Findings		

INTRODUCTION

This digest covers the Northeastern Illinois University's Financial Audit as of and for the year ended June 30, 2014. The Northeastern Illinois University's Compliance Examination (including the Single Audit) covering the year ended June 30, 2014 will be issued at a later date.

SYNOPSIS

- **(14-1)** The University has inadequate internal controls over identifying and recording accrued liabilities for financial reporting purposes.
- **(14-2)** The University has not established adequate internal controls over recording the historical cost of capital assets.
- **(14-3)** The University did not properly apply Generally Accepted Accounting Principles in the preparation of its financial statements.

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.}

NORTHEASTERN ILLINOIS UNIVERSITY

FINANCIAL AUDIT

For the Year Ended June 30, 2014

FINANCIAL OPERATIONS	2014	2013
Operating Revenues		
Student tuition and fees, net.....	\$ 47,693,146	\$ 54,804,774
Federal grants and contracts	16,535,373	18,572,471
State and local grants.....	3,188,777	1,959,867
Nongovernmental grants and contracts.....	394,282	714,533
Auxiliary enterprises.....	3,489,734	3,597,316
Other operating revenues.....	4,104,707	4,084,073
Total Operating Revenues.....	<u>75,406,019</u>	<u>83,733,034</u>
Operating Expenses		
Instruction.....	80,578,599	82,967,356
Research.....	977,462	977,984
Public service.....	15,312,242	16,701,833
Academic support.....	10,290,657	11,252,587
Student services and programs.....	17,827,029	16,657,338
Institutional support.....	19,531,980	16,179,347
Operation and maintenance of plant.....	16,940,704	15,828,556
Scholarships and fellowships.....	10,033,988	8,194,388
Auxiliary enterprises.....	5,346,184	5,266,697
Depreciation expense.....	4,533,895	4,456,619
Other operating expenses.....	591,322	893,777
Total Operating Expenses.....	<u>181,964,062</u>	<u>179,376,482</u>
Operating Loss.....	(106,558,043)	(95,643,448)
NONOPERATING REVENUES (EXPENSES)		
State appropriations - general revenue fund.....	37,847,400	37,807,600
Payments on behalf of the University.....	48,950,555	50,028,479
Federal grants - Pell and SEOG.....	17,461,981	17,775,249
State Grants - MAP.....	8,020,741	*
Investment income.....	93,021	172,249
Interest on indebtedness.....	(1,505,864)	(2,218,518)
Capital additions provided by the State of Illinois.....	1,071,189	681,685
Loss on disposal of capital assets.....	935	165,732
Net Nonoperating Revenues (Expenses).....	<u>111,939,958</u>	<u>104,412,476</u>
INCREASE IN NET POSITION.....	<u>5,381,915</u>	<u>8,769,028</u>
Net position, beginning of year.....	152,915,609	144,146,581
Prior year adjustments.....	(3,240,435)	-
Net Position, beginning of year, as restated.....	<u>149,675,174</u>	<u>144,146,581</u>
Net position, end of year.....	<u>\$ 155,057,089</u>	<u>\$ 152,915,609</u>

*State MAP grant was included in operating revenue in 2013

SELECTED ACCOUNT BALANCES	2014	2013
Cash and cash equivalents.....	\$ 64,016,576	\$ 68,579,084
Cash and cash equivalents - Restricted.....	\$ 8,868,765	\$ 15,884,401
Receivables, net.....	\$ 21,214,273	\$ 24,616,525
Capital Assets, net	\$ 145,514,228	\$ 120,847,114
Accrued Compensated Absences.....	\$ 6,779,398	\$ 6,760,805
Revenue Bonds Payable.....	\$ 16,970,000	\$ 17,165,000
Certificates of Participation, net.....	\$ 45,286,060	\$ 46,142,254
Net Position.....	<u>\$ 155,057,089</u>	<u>\$ 152,915,609</u>

PRESIDENT

During Audit Period and Currently: Dr. Sharon K. Hahs

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**INADEQUATE CONTROLS OVER IDENTIFYING
AND RECORDING ACCRUED LIABILITIES**

Liabilities not identified or recorded

The University has not established adequate internal controls over identifying and recording accrued liabilities for financial reporting purposes.

Subsequent to the release of the University's financial statements for the year ended June 30, 2013, University management determined that expenses and the related liability for employees who had completed contracted services as of June 30, 2013, but had not received final payment for these services, had not been properly recorded.

**Prior period adjustment of
\$2,832,752 was made to reduce
unrestricted net position**

Consequently, University management recorded a prior period adjustment to correct this error. The adjustment reduced unrestricted net position as of June 30, 2013 by \$2,832,752 for the unrecorded liability as of that date. (Finding 1, pages 55-56)

We recommended the University implement procedures to ensure that all accrued liabilities are properly identified and recorded in the University's accounting records in order to facilitate accurate financial reporting.

University agrees with the auditors

The University agreed with our finding.

**INADEQUATE CONTROLS OVER RECORDING THE
HISTORICAL COST OF CAPITAL ASSETS**

Capital assets not recorded properly

The University has not established adequate internal controls over recording the historical cost of capital assets.

Subsequent to the release of the University's financial statements for the year ended June 30, 2013, University management determined that net interest cost incurred on borrowed funds during the period of construction of capital assets through June 30, 2013 had incorrectly been charged to expense rather than properly capitalized as a component of the cost of acquiring those assets.

**Prior period adjustment of \$439,138
was made to increase unrestricted
net position**

Consequently, University management recorded a prior period adjustment to correct this error. The adjustment recorded by the University increased net position as of June 30, 2013 by \$439,138 for the cumulative capitalized interest costs as of that date. (Finding 2, pages 57-58)

We recommended the University implement procedures to ensure that the historical cost of capital assets is properly calculated and recorded in the University's accounting records

in order to facilitate accurate financial reporting.

University agrees with the auditors

The University agreed with our finding.

IMPROVEMENTS NEEDED IN THE PREPARATION OF THE FINANCIAL STATEMENTS

Errors noted in the preparation of the financial statements

The University did not properly apply Generally Accepted Accounting Principles in the preparation of the financial statements.

During the audit we noted the following:

Premiums and discounts were erroneously written off

- In implementing the provisions of Governmental Accounting Standards Board Statement 65 *Items Previously Reported as Assets and Liabilities*, the University erroneously wrote off premiums and discounts related to outstanding debt obligations totaling \$166,954 and \$59,699, respectively.

Financial statements had a negative restricted net position of \$738,235 for capital projects

- The originally submitted financial statements reflected a negative net position of \$738,235 as restricted for capital projects.

We proposed audit adjustments to correct the matters described above. University management reviewed, accepted and recorded the proposed adjustments. (Finding 3, pages 59-60)

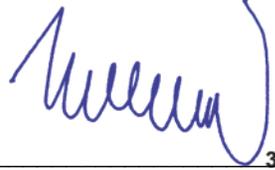
We recommended the University implement procedures to ensure that financial reporting is in accordance with accounting principles generally accepted in the United State of America.

University agrees with the auditors

The University agreed with the finding.

AUDITOR'S OPINION

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



WILLIAM G. HOLLAND
Auditor General

WGH:TLK

SPECIAL ASSISTANT AUDITORS

Our Special Assistant Auditors for this audit were
CliftonLarsonAllen LLP.