

Northern Illinois University
A Component Unit of the State of Illinois

Report Required under *Government Auditing Standards*
For the Year Ended June 30, 2024
Performed as Special Assistant Auditors for
the Auditor General, State of Illinois

Northern Illinois University
A Component Unit of the State of Illinois

Report Required Under *Government Auditing Standards*
For the Year Ended June 30, 2024

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Other Reports Issued Under a Separate Cover

Northern Illinois University's Federal Single Audit and State Compliance Examination for the year ended June 30, 2024 will be issued under a separate cover. Additionally, the University's financial statements as of and for the year ended June 30, 2024 have been issued under a separate cover.

**Northern Illinois University
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**Report Required Under *Government Auditing Standards*
For the Year Ended June 30, 2024**

UNIVERSITY OFFICIALS

President	Lisa C. Freeman
Executive Vice President and Provost	Laurie Elish-Piper
Vice President for Administration and Finance and Chief Financial Officer	George Middlemist
Vice President for Research and Innovation Partnerships (from July 2024)	Richard Mocarski
Vice President for Research and Innovation Partnerships (August 2023 – June 2024)	Yvonne Harris
Vice President and General Counsel	Bryan Perry
Vice President for Enrollment Management, Marketing and Communications	Sol Jensen
Vice President for Outreach, Engagement and Regional Development	Rena Cotsones
Vice President for University Advancement	Catherine Squires
Director of Internal Audit	Danielle Schultz

Financial Management

Associate Vice President for Finance and Treasury	Shyree Sanan
Controller	Jason Askin
Deputy Controller	Greg Martyn
Financial Reporting Manager	Kathy Marshall

NIU Board Members

Chair	Montel Gayles
Vice Chair	John R. Butler
Secretary	Dennis Barsema
Trustees	Eric Wasowicz Rita Athas Veronica Herrero Leland Strom
Student Trustee	Aidan O'Brien

NIU Office is located at:
300 Altgeld Hall
DeKalb, Illinois 60115

**Northern Illinois University
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**Report Required Under *Government Auditing Standards*
For the Year Ended June 30, 2024**

Summary

The audit of the accompanying financial statements of Northern Illinois University (University) was performed by RSM US LLP in accordance with *Government Auditing Standards*. This report is an integral part of that audit.

Based on their audit, the auditors expressed an unmodified opinion on the University's basic financial statements, issued under a separate cover.

Summary of Findings

The auditors identified two matters involving the University's internal control over financial reporting that they considered to be significant deficiencies.

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Findings				
2024-001	5	2023/2023	Financial Statement Errors	Significant Deficiency
2024-002	7	2023/2023	Leases and SBITA Errors	Significant Deficiency
Prior Findings Not Repeated				
A	8	2023/2023	Capital Assets	
B	8	2023/2023	Effective Interest Rate	

Exit Conference

This report was discussed with University personnel at an exit conference on February 24, 2025. Attending were: Brian Caputo - University Associate Vice President, Jason Askin - University Controller, Kathy Marshall - University Financial Reporting Manager, Thomas Kizziah - OAG Senior Audit Manager, Kelly Kirkman – RSM Partner, and Ronnie Christopher – RSM Senior Manager.

The responses to the recommendations were provided by Jason Askin, Controller, via email correspondence on February 25, 2025.

**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

RSM US LLP

Independent Auditor's Report

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Trustees
Northern Illinois University

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the business-type activities, fiduciary activities, and the aggregate discretely presented component units of Northern Illinois University (the University), a component unit of the State of Illinois, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated February 27, 2025. Our report includes a reference to other auditors who audited the financial statements of Northern Illinois University Foundation and the Northern Illinois Research Foundation, discretely presented component units of the University, as described in our report on the University's financial statements.

The financial statements of the Northern Illinois University Foundation and the Northern Illinois Research Foundation were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the Northern Illinois University Foundation and the Northern Illinois Research Foundation or that are reported on separately by those auditors who audited the financial statements of the Northern Illinois University Foundation and the Northern Illinois Research Foundation.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings as items 2024-001 and 2024-002, that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The University's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the University's responses to the findings identified in our audit and described in the accompanying schedule of findings. The University's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Schaumburg, Illinois
February 27, 2025

**Northern Illinois University
A Component Unit of the State of Illinois**

**Report Required Under Government Auditing Standards
Schedule of Findings
For the Year Ended June 30, 2024**

Finding 2024-001 Financial Statement Errors

Northern Illinois University (the University) did not properly adjust its financial statements for certain transactions.

The University prepares year-end entries to adjust the financial statements for transactions recorded during the year that do not represent revenues or expenses for the fiscal year. When testing the University's recorded revenues and expenses we noted the following matters:

- The University's fiscal year 2023 entry to remove from revenue and expense cash basis transactions related to direct loans was miscalculated. The University properly adjusted expenses but did not remove \$1,621,668 of revenue, which resulted in fiscal year 2023 year-end accounts receivable and revenue being overstated by the same amount. The University did not correct this error in fiscal year 2024 and therefore fiscal year 2024 year-end accounts receivable and net position are overstated by \$1,621,668. The University elected not to record an adjusting entry for this matter.
- The University incorrectly recorded an agreement with a third-party for student scholarships. Based on the nature of the arrangement, the agreement with the third-party represents an agency transaction and therefore should not result in revenue or expense for the University. The University improperly set up this agreement in the general ledger, resulting in an overstatement of accounts payable of approximately \$890,000, an understatement of opening net position of approximately \$415,000, and an understatement of revenue of approximately \$475,000 in fiscal year 2024. The University elected not to record an adjusting entry for this matter.
- The University incorrectly debited unearned revenue for approximately \$778,000 of Pell grants that relate to the summer term. Pell revenue is recognized when disbursed to students and therefore should not impact unearned revenue at year-end. This resulted in an understatement of unearned revenue of approximately \$778,000, understatement of opening net position of approximately \$681,000, and understatement of expenses of approximately \$97,000 in fiscal year 2024. The University elected not to record an adjusting entry for this matter.

Generally accepted accounting principles require transactions be reported in the period incurred. Additionally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University to establish and maintain a system, or systems, of internal fiscal and administrative controls. Proper internal controls should ensure all transactions are properly recorded in the financial statements.

University officials stated that the direct loan condition noted dates back to the prior year error. The process was corrected in FY24 but the resulting balance from the prior year error and passed adjustment was not corrected. The third-party agreement condition noted was due to an isolated error in the setup of this particular agreement. The Pell unearned revenue condition resulted from an error in the setup of the summer tuition deferral related to Pell revenue applicable to the summer term.

Errors in year-end entries could result in material misstatements within the University's financial statements. (Finding Code No. 2024-001, 2023-002)

**Northern Illinois University
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**Report Required Under *Government Auditing Standards*
Schedule of Findings
For the Year Ended June 30, 2024**

Finding 2024-001 Financial Statement Errors (Continued)

Recommendation:

We recommend the University review its process to record year-end transactions to ensure balances are properly recorded in the University's financial statements.

University Response:

Accepted. The University will conduct a comprehensive review of each finding. The University will correct the carryforward impact of the prior year direct loan elimination error. The University will correct the setup of the third-party agreement error noted. Lastly, the University will adjust its process for deferring summer tuition to ensure that Pell revenue applicable to the summer term is appropriately recognized and excluded from the deferral calculation.

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Schedule of Findings
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Finding 2024-002 Lease and SBITA Errors

Northern Illinois University (the University) incorrectly recorded certain agreements which met the requirements of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, and GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*.

While reviewing the University's lease agreements, we noted an error where the University mistakenly recorded a lease liability of approximately \$175,000 instead of recording a lease receivable, as the University was the lessor, not the lessee.

Additionally, while reviewing the University's technology agreements, we noted an agreement that should have been recorded in fiscal year 2023 but was not recorded until fiscal year 2024. Further, the University recorded the payments at incorrect amounts. The University's year-end assets and liabilities would have increased approximately \$360,000 if this agreement was accounted for appropriately.

GASB Statement No. 87 states assets which an entity has a non-cancellable right to use for a period longer than one year should be recognized in the statement of net position as intangible right to use assets and lease liabilities.

GASB Statement No. 96 states an entity should recognize a right to use subscription asset and a corresponding liability for agreements that convey control of another party's IT software, alone or in combination with tangible capital assets, for a period longer than one year.

Additionally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University to establish and maintain a system, or systems, of internal fiscal and administrative controls. Proper internal controls should ensure all transactions are properly recorded in the financial statements.

University officials stated that both conditions were due to data entry errors not identified during the entry and review process.

Failure to properly evaluate lease and technology agreements could result in a material misstatement within the University's financial statements. (Finding Code No. 2024-002, 2023-003)

Recommendation:

We recommend the University correct the lease and technology agreement in its tracking software in fiscal year 2025. We further recommend the University enhance their procedures over the review of potential lease and technology agreements for proper inclusion within the University's financial statements.

University Response:

Accepted. The University will enhance its review procedures to ensure that all leases and technology agreements are properly evaluated and accounted for in accordance with GASB Statement No. 87, *Leases* and GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*.

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Schedule of Findings
For the Year Ended June 30, 2024**

Prior Findings Not Repeated

A. Capital Assets

During the prior audit, the University did not properly record and reconcile certain capital asset balances.

During the current audit, our sample testing over capital assets did not identify similar errors.
(Finding Code No. 2023-001)

B. Effective Interest Rate

During the prior audit, the University was not utilizing the effective interest rate method for amortizing debt premiums on bond issuances as required by generally accepted accounting principles.

During the current audit, we found no issues with the method used for amortizing debt premiums.
(Finding Code No. 2023-004)