



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:**

<b>Total this audit:</b>	<b>1</b>
<b>Total last audit:</b>	<b>1</b>
<b>Repeated from last audit:</b>	<b>1</b>

**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**

<b>FINANCIAL OPERATIONS</b>	<b>2013</b>	<b>2012</b>
<b>Operating Revenues</b>		
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>
<b>Operating Expenses</b>		
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)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
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
<b>NET NONOPERATING REVENUES (EXPENSES)</b>	<u>104,412,476</u>	<u>96,611,326</u>
<b>INCREASE IN NET POSITION.....</b>	<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>
<b>SELECTED ACCOUNT BALANCES</b>	<b>2013</b>	<b>2012</b>
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
<b>PRESIDENT</b>		
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.**

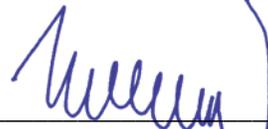
We recommended the University implement procedures to ensure that refunds are processed timely and accurately in order to facilitate accurate financial reporting and to be in compliance with federal regulations.

**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.



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WILLIAM G. HOLLAND  
Auditor General

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**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.