



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

NORTHEASTERN ILLINOIS UNIVERSITY

Financial Audit
 For the Year Ended June 30, 2015

Release Date: Hgdt wct { '6.'4238

FINDINGS THIS AUDIT: 1	AGING SCHEDULE OF REPEATED FINDINGS																							
	Repeated Since	Category 1	Category 2	Category 3																				
<table border="1"> <thead> <tr> <th></th> <th><u>New</u></th> <th><u>Repeat</u></th> <th><u>Total</u></th> </tr> </thead> <tbody> <tr> <td>Category 1:</td> <td>1</td> <td>0</td> <td>1</td> </tr> <tr> <td>Category 2:</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>Category 3:</td> <td><u>0</u></td> <td><u>0</u></td> <td><u>0</u></td> </tr> <tr> <td>TOTAL</td> <td>1</td> <td>0</td> <td>1</td> </tr> </tbody> </table>		<u>New</u>	<u>Repeat</u>	<u>Total</u>	Category 1:	1	0	1	Category 2:	0	0	0	Category 3:	<u>0</u>	<u>0</u>	<u>0</u>	TOTAL	1	0	1	No Repeat Findings			
	<u>New</u>	<u>Repeat</u>	<u>Total</u>																					
Category 1:	1	0	1																					
Category 2:	0	0	0																					
Category 3:	<u>0</u>	<u>0</u>	<u>0</u>																					
TOTAL	1	0	1																					
FINDINGS LAST AUDIT: 3																								

INTRODUCTION

This digest covers the Northeastern Illinois University's Financial Audit as of and for the year ended June 30, 2015. The Northeastern Illinois University's Compliance Examination (including the Single Audit) covering the year ended June 30, 2015 will be issued at a later date.

SYNOPSIS

- **15-1** The University had inadequate internal controls over the review and approval of journal entries and bank reconciliations.

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, 2015

FINANCIAL OPERATIONS	2015	2014
Operating Revenues		
Student tuition and fees, net.....	\$ 46,741,433	\$ 47,693,146
Federal grants and contracts	16,941,667	16,535,373
State and local grants.....	2,345,836	3,188,777
Nongovernmental grants and contracts.....	416,645	394,282
Auxiliary enterprises.....	3,335,193	3,489,734
Other operating revenues.....	4,721,416	4,104,707
Total Operating Revenues.....	<u>74,502,190</u>	<u>75,406,019</u>
Operating Expenses		
Instruction.....	85,647,459	80,578,599
Research.....	1,355,888	977,462
Public service.....	16,037,620	15,312,242
Academic support.....	10,851,107	10,290,657
Student services and programs.....	16,663,729	17,827,029
Institutional support.....	18,907,110	19,531,980
Operation and maintenance of plant.....	18,628,002	16,940,704
Scholarships and fellowships.....	8,895,232	10,033,988
Auxiliary enterprises.....	5,401,735	5,346,184
Depreciation expense.....	4,818,688	4,533,895
Other operating expenses.....	179,226	591,322
Total Operating Expenses.....	<u>187,385,796</u>	<u>181,964,062</u>
Operating Loss.....	(112,883,606)	(106,558,043)
NONOPERATING REVENUES (EXPENSES)		
State appropriations - general revenue fund.....	36,898,800	37,847,400
Payments on behalf of the University.....	55,534,524	48,950,555
Federal grants - Pell and SEOG.....	17,244,083	17,461,981
State Grants - MAP.....	7,398,845	8,020,741
Investment income.....	27,022	93,021
Interest on indebtedness.....	(2,131,665)	(1,505,864)
Capital additions provided by the State of Illinois.....	2,676,269	1,071,189
Gain (Loss) on disposal of capital assets.....	(20,222)	935
Net Nonoperating Revenues (Expenses).....	<u>117,627,656</u>	<u>111,939,958</u>
INCREASE IN NET POSITION.....	<u>4,744,050</u>	<u>5,381,915</u>
Net position, beginning of year.....	155,057,089	149,675,174
Cumulative effect of a change in accounting principle.....	892,450	-
Net Position, beginning of year, as restated.....	<u>155,949,539</u>	<u>149,675,174</u>
Net position, end of year.....	<u>\$ 160,693,589</u>	<u>\$ 155,057,089</u>
SELECTED ACCOUNT BALANCES		
Cash and cash equivalents.....	\$ 51,228,838	\$ 64,016,576
Cash and cash equivalents - Restricted.....	\$ 1,452,706	\$ 8,868,765
Receivables, net.....	\$ 20,720,866	\$ 21,214,273
Capital Assets, net	\$ 163,182,297	\$ 145,514,228
Accrued Compensated Absences.....	\$ 7,146,808	\$ 6,779,398
Revenue Bonds Payable.....	\$ 15,477,549	\$ 16,970,000
Certificates of Participation, net.....	\$ 43,924,866	\$ 45,286,000
Net Position.....	<u>\$ 160,693,589</u>	<u>\$ 155,057,089</u>
PRESIDENT		
During Audit Period and Currently: Dr. Sharon K. Hahs		

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

NEED TO IMPROVE CONTROLS OVER JOURNAL ENTRIES AND BANK RECONCILIATIONS

Journal entry and bank reconciliation controls need improvement

Northeastern Illinois University (University) did not have adequate controls over the review and approval of journal entries and bank reconciliations.

Erroneous journal entry totaled \$401,081

In our performance of auditing procedures on grant revenue, we noted that an erroneous journal entry posted to the University's accounting system resulted in an overstatement of beginning net position and an understatement of grant revenue for the fiscal year ended June 30, 2015 totaling \$401,081.

Three of the journal entries that we tested were not reviewed prior to entry into the accounting system

In addition, our testing of six journal entries for review and approval revealed that three of these entries were not reviewed or approved by another individual prior to entry into the University's accounting system.

Also, in our review of bank reconciliations prepared for the months of September 2014, February 2015 and June 2015, we noted that although the bank reconciliations were prepared within one week of the end of the respective month, the reconciliations were not reviewed and approved by a person independent of the preparer in a timely manner.

Bank reconciliations not reviewed timely

Specifically, one reconciliation from September 2014 was not reviewed until December 12, 2014, four reconciliations from February 2015 were not reviewed until June 16, 2015, and six reconciliations from June 2015 were not reviewed until various dates in August 2015. (Finding 1, pages 64-65)

We recommended the University implement procedures to ensure that all journal entries are reviewed and approved by another individual prior to entry into the University's accounting system and that bank reconciliations be reviewed in a timely manner.

University agrees with the auditors

University officials concurred 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, 2015 are fairly presented in all material respects.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

FJM:TLK

SPECIAL ASSISTANT AUDITORS

Our Special Assistant Auditors for this audit were CliftonLarsonAllen LLP.