



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

NORTHEASTERN ILLINOIS UNIVERSITY

Single Audit and Compliance Examination
 For the Year Ended June 30, 2016

Release Date: March 29, 2017

FINDINGS THIS AUDIT: 17				AGING SCHEDULE OF REPEATED FINDINGS			
				Repeated Since	Category 1	Category 2	Category 3
	<u>New</u>	<u>Repeat</u>	<u>Total</u>	2015		16-06, 16-07 16-17	
Category 1:	0	0	0				
Category 2:	7	10	17	2014		16-11	
Category 3:	<u>0</u>	<u>0</u>	<u>0</u>	2013		16-08, 16-09, 16-16	
TOTAL	7	10	17	2010		16-04, 16-05	
FINDINGS LAST AUDIT: 14				2005		16-10	

INTRODUCTION

This Digest covers our federal Single Audit and Compliance Examination of the Northeastern Illinois University (University) for the year ended June 30, 2016. A separate Financial Audit as of and for the year ending June 30, 2016, was previously released on February 2, 2017. In total, this report contains 17 findings, three of which were reported in the Financial Audit.

SYNOPSIS

- (16-04) The University did not have adequate controls in place over the awarding of student financial aid.
- (16-05) The University did not timely return the unearned portion of student financial aid from students who withdrew from the University.
- (16-11) The University did not have adequate controls over its property and equipment.
- (16-12) The University did not comply with the requirements of the Fiscal Control and Internal Auditing Act.

Category 1: Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with laws and regulations (material noncompliance).
Category 2: Findings that are **significant deficiencies** in internal control and **noncompliance** with laws and regulations.
Category 3: Findings that have **no internal control issues but are in noncompliance** with laws and regulations.

{Financial data is summarized on next page.}

NORTHEASTERN ILLINOIS UNIVERSITY
SINGLE AUDIT AND COMPLIANCE EXAMINATION
For the Year Ended June 30, 2016

INCOME FUND REVENUES AND EXPENDITURES	2016	2015
Fund Balance, beginning of year.....	\$ 43,182,475	\$ 55,820,026
Income Fund Revenues		
Tuition.....	\$ 58,819,093	\$ 57,947,089
Rental Income.....	110,782	67,095
Investment Income.....	19,188	17,518
Miscellaneous.....	1,666,403	765,880
Total Income Fund Revenues.....	<u>\$ 60,615,466</u>	<u>\$ 58,797,582</u>
Income Fund Expenditures		
Personal Services (including change in accrued compensated absences).....	\$ 57,050,055	\$ 34,709,690
Social Security, Medicare, Health and Life Insurance.....	2,130,544	1,022,971
Contractual Services.....	9,831,609	10,740,149
Travel	214,099	305,062
Commodities.....	718,098	1,079,126
Equipment and Library Books.....	725,071	1,681,998
Telecommunications.....	605,063	680,767
Operation of Automotive.....	26,425	37,879
Awards, Grants and Matching Funds.....	1,308,142	1,569,172
Permanent Improvements.....	6,406,547	13,926,655
Tuition and Fee Waivers.....	4,058,513	3,668,886
Other Expenditures.....	2,853,210	2,012,778
Total Income Fund Expenditures.....	<u>\$ 85,927,376</u>	<u>\$ 71,435,133</u>
Fund Balance, end of year.....	<u>\$ 17,870,565</u>	<u>\$ 43,182,475</u>
SUPPLEMENTARY INFORMATION (UNAUDITED)		
Employment Statistics		
Administration	337	322
Faculty.....	608	549
Civil Service.....	602	613
Students.....	455	378
Total Employees.....	<u>2,002</u>	<u>1,862</u>
Selected Activity Measures		
Average Annual Full-time equivalent students.....	6,913	7,119
Full-time equivalent cost per student - Undergraduate.....	\$ 11,177	\$ 11,504
Full-time equivalent cost per student - Graduate.....	\$ 14,599	\$ 15,288
PRESIDENT		
During Audit Period: Dr. Sharon Hahs (Until September 30, 2016)		
Currently: Dr. Richard Helldobler (Interim President since October 1, 2016)		

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

**WEAKNESSES IN AWARDING OF STUDENT
FINANCIAL AID**

The University did not have adequate controls in place over the awarding of student financial aid.

We tested a sample of 40 students who received student financial aid and noted the following:

Student was paid \$877 in excess of the award amount for FWS

- One student was paid \$877 in excess of the award amount for Federal Work-Study (FWS) program. The unmet need of this student allows only for an adjustment in award of \$138 and over award threshold of \$300. Thus, the University should have reimbursed the Department of Education for the excess expense and drawdown of \$439.

In addition, an adjustment to increase budget for this student was not properly recorded and the document supporting this adjustment was not scanned into the University's Financial Aid system until noted by the auditors.

Approval for manual adjustments to financial aid was not properly documented

- For 7 students, the approval of the Financial Aid Director or Associate Director to adjust the cost of attendance to allow special conditions as stated in the University policies and procedures were not documented.

Lack of documentation for manual adjusts to financial aid was the result of verbal approval practice use by the University

In addition, the required Budget Adjustment Worksheet and documents supporting manual budget adjustments for these 7 students were not scanned into the University's Financial Aid system. We also noted it is the practice of the University to allow verbal approval in making manual budget adjustments. (Finding 4, pages 25-27). **This finding has been repeated since 2010.**

We recommended the University improve its procedures over the awarding of student financial aid to ensure awards are made accurately and approval of manual budget adjustments are adequately documented.

University agrees with auditors

University officials agreed with the finding and stated they have already completed an initial review of steps needed. (For the previous University response, see Digest Footnote #1.)

UNTIMELY RETURN OF UNEARNED STUDENT FINANCIAL AID

The University did not timely return the unearned portion of the Title IV aid provided to all students who withdrew from the University.

University failed to return Title IV grants totaling \$2,300 within 45 days

During our review of 40 students awarded with Title IV grants who withdrew from classes during the Academic Year 2015-2016, we noted the University failed to return funds totaling \$2,300 for two (5%) students within 45 days from the withdrawal date (3 to 5 days late). (Finding 5, pages 28-29). **This finding has been repeated since 2010.**

We recommended the University strengthen its controls over processing of returns of Title IV funds to ensure these are made timely in compliance with federal regulations.

University agrees with auditors

University officials agreed with the finding and stated they have already completed an initial review of steps needed. (*For the previous University response, see Digest Footnote #2.*)

INADEQUATE CONTROLS OVER UNIVERSITY PROPERTY AND EQUIPMENT

The University did not have adequate controls over its property and equipment.

In our physical identification of 20 items in the property records, we noted the following:

Five equipment items, totaling \$9,268, were not located during testing

- Five (25%) equipment items with a total value of \$9,268 were not found. The University did not file a missing asset investigation notice for these items.
- Seventy three laboratory instruments totaling \$39,968 were sent by the University to a third party recycling unit in 2011 without the approval of Central Management Services (CMS). The 73 laboratory instruments are no longer with the University but are still included in the property records pending approval of deletion from CMS.

During our tracing of 20 items physically identified to the property records as of June 30, 2016, we noted the following:

Four equipment items totaling \$5,065 were not included in University property listing

- Four (20%) equipment items with a total value of \$5,065 were not included in the property listing of the University.

Obsolete CPU, totaling \$3,690, identified

- A CPU (5%) with a value of \$3,690 was identified as obsolete. (Finding 11, pages 39-41). **This finding has been repeated since 2014.**

We recommended the University adhere to its procedures to ensure property and equipment records are accurately maintained and updated with proper approval.

University agrees with auditors

University officials agreed with the finding and stated they will develop necessary controls. (*For the previous University response, see Digest Footnote #3.*)

NONCOMPLIANCE WITH THE FISCAL CONTROL AND INTERNAL AUDITING ACT

The University did not fully comply with the Fiscal Control and Internal Auditing Act (FCIAA).

University failed to perform audits relating to the major systems of internal accounting and administrative control

During testing, auditors noted the University performed only two internal audit reviews during Fiscal Year 2016 as outlined in the University's Fiscal Years 2016 and 2017 Internal Audit Plan. The internal auditor conducted the annual FCIAA reviews and the annual GAAP audit required by the Financial Reporting Standards Board Act. However, there were no audits performed relating to the major systems of internal accounting and administrative control as required. (Finding 12, page 42).

We recommended the University ensure compliance with the requirements of the FCIAA in planning and performing the University's internal control.

University agrees with auditors

University officials agreed with the finding and stated they will develop necessary steps to assure audits are completed.

OTHER FINDINGS

The remaining findings are reportedly being given attention by the University. We will review the University's progress towards the implementation of our recommendations in our next engagement.

AUDITOR'S OPINIONS

The Financial Audit report was previously released. The auditors stated the financial statements of the University as of and for the year ended June 30, 2016 are fairly stated in all material respects.

The auditors also conducted a Single Audit of the University as required by the Uniform Guidance. The auditors stated the University complied, in all material respects, with the types of compliance requirements that could have a direct and material effect on the University's major federal programs for the year ended June 30, 2016.

ACCOUNTANT'S OPINION

The auditors conducted a Compliance Examination of the University for the year ended June 30, 2016, as required by the Illinois State Auditing Act. The auditors stated the University complied, in all material respects, with the requirements described in the report.

This engagement was conducted by E.C. Ortiz & Co., LLP.

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BRUCE L. BULLARD
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

FJM:JGR

DIGEST FOOTNOTES

#1 – AWARDING OF STUDENT FINANCIAL AID

2015: The University concurs with this finding and recommendation.

#2 – RETURN OF UNEARNED STUDENT FINANCIAL AID

2015: The University concurs with this finding and recommendation.

#3 – PROPERTY AND EQUIPMENT CONTROLS

2015: The University concurs with this recommendation.