



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, 2017**

Release Date: March 13, 2018

FINDINGS THIS AUDIT: 1	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	0	0	No Repeat Findings			
Category 2:	1	0	0				
Category 3:	<u>0</u>	<u>0</u>	<u>0</u>				
TOTAL	1	0	0				
FINDINGS LAST AUDIT: 3							

INTRODUCTION

This digest covers the Northeastern Illinois University's (University) Financial Audit as of and for the year ended June 30, 2017. The University's Compliance Examination (including the Single Audit) covering the year ended June 30, 2017 will be issued at a later date.

SYNOPSIS

- (17-01) The University did not have adequate controls over financial close and reporting.

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 information is summarized on next page.}

NORTHEASTERN ILLINOIS UNIVERSITY

FINANCIAL AUDIT

For the Year Ended June 30, 2017

FINANCIAL OPERATIONS	2017	2016
Operating Revenues		
Student tuition and fees, net.....	\$ 49,430,541	\$ 48,851,607
Federal grants and contracts	19,538,483	19,697,354
State and local grants.....	1,608,400	1,895,321
Nongovernmental grants and contracts.....	919,199	1,001,507
Auxiliary enterprises.....	2,954,003	2,937,532
Other operating revenues.....	4,372,542	4,147,599
Total Operating Revenues.....	<u>78,823,168</u>	<u>78,530,920</u>
Operating Expenses		
Instruction.....	92,540,544	87,352,075
Research.....	2,136,674	1,200,863
Public service.....	17,838,794	18,434,739
Academic support.....	10,914,041	10,066,336
Student services and programs.....	16,739,240	16,537,739
Institutional support.....	19,973,247	18,236,139
Operation and maintenance of plant.....	17,092,183	16,343,573
Scholarships and fellowships.....	6,754,998	7,853,324
Auxiliary enterprises.....	5,250,333	5,055,280
Depreciation expense.....	7,018,475	5,560,519
Other operating expenses.....	471,365	1,275,614
Total Operating Expenses.....	<u>196,729,894</u>	<u>187,916,201</u>
Operating Loss.....	(117,906,726)	(109,385,281)
NONOPERATING REVENUES (EXPENSES)		
State appropriations - general revenue fund.....	19,562,103	10,694,997
Payments on behalf of the University.....	71,523,784	60,747,243
Federal grants - Pell and SEOG.....	15,421,315	16,059,826
State Grants - MAP.....	3,249,086	3,419,612
Investment income.....	130,012	19,431
Interest on indebtedness.....	(2,166,228)	(2,318,862)
Capital additions.....	1,006,843	255,757
Gain (Loss) on disposal of capital assets.....	16,420	1,861
Net Nonoperating Revenues (Expenses).....	<u>108,743,335</u>	<u>88,879,865</u>
INCREASE (DECREASE) IN NET POSITION.....	<u>(9,163,391)</u>	<u>(20,505,416)</u>
Net position, beginning of year, as previously reported.....	140,188,173	160,693,589
Prior period adjustments.....	453,186	-
Net Position, beginning of year, as restated.....	<u>140,641,359</u>	<u>160,693,589</u>
Net position, end of year.....	<u>\$ 131,477,968</u>	<u>\$ 140,188,173</u>
SELECTED ACCOUNT BALANCES		
Cash and cash equivalents.....	\$ 20,770,367	\$ 28,734,042
Cash and cash equivalents - Restricted.....	\$ 3,672,253	\$ 2,219,474
Receivables, net.....	\$ 13,444,651	\$ 14,936,178
Capital Assets, net	\$ 197,270,603	\$ 167,403,927
Accrued Compensated Absences.....	\$ 6,678,328	\$ 6,803,544
Revenue Bonds Payable.....	\$ 15,247,496	\$ 15,513,782
Certificates of Participation, net.....	\$ 41,220,451	\$ 42,837,253
Net Position.....	<u>\$ 131,477,968</u>	<u>\$ 140,188,173</u>
PRESIDENT		
During Audit Period: Dr. Sharon K. Hahs (until 9/30/16); Dr. Richard Helldobler (Interim effective 10/1/16)		
Currently: Dr. Richard Helldobler (Interim)		

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

**INADEQUATE CONTROLS OVER FINANCIAL
CLOSE AND REPORTING**

The University did not have adequate controls over financial close and reporting to allow management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements timely. We noted the following:

University misclassified its student receivables and related allowance for doubtful accounts

- The University misclassified its student receivables and related allowance for doubtful accounts totaling \$11,241,739 and \$9,602,549, respectively, as noncurrent assets instead of current assets on the University's financial statements.

University error in its student receivables resulting in an understatement of bad debts and allowance for doubtful accounts of \$753,828

- The University erroneously categorized a portion of its student receivables aged over 365 days in the 91 to 180 days category resulting in an understatement of bad debts and allowance for doubtful accounts of \$753,828.

University misclassified expenses and revenues on the University's financial statements

- The University misclassified the allocated health, dental, and life insurance expenses of operation and maintenance plant program to the institutional support program totaling \$2,616,441.

University did not remove its share of Excess Liquid Capital totaling \$165,518 from the University's Federal Perkins Loan Revolving Fund

- The University classified its revenues from student and staff services and public service activities as revenues of auxiliary enterprises instead of other operating revenues totaling \$324,863 on the University's financial statements.
- The University did not remove the University's share of Excess Liquid Capital totaling \$165,518 from the University's Federal Perkins Loan Revolving Fund after the return of federal share to the Department of Education. As such, the restricted net position for student loans and unrestricted net assets were overstated and understated, respectively.

University did not consistently ensure noncapital assets are reported as restricted when necessary

- The University did not consistently ensure noncapital assets are reported as restricted when constraints upon the use of the associated net positions, externally imposed by creditors, change the availability of the assets. As such, an adjustment to reclassify noncapital assets totaling \$1,404,363 from unrestricted to restricted classification was necessary.

University misclassified \$412,480 of restricted net position as unrestricted

- The University misclassified the net position of funds restricted for repair and replacement of the auxiliary system totaling \$412,480, as unrestricted. (Finding 1, pages 62-64)

We recommended the University review its current process for the preparation and review of the annual financial statements to ensure financial information is complete, accurate, and prepared in accordance with GAAP.

University agrees with the auditors

University officials agreed with the recommendation.

AUDITOR'S OPINION

The auditors stated the financial statements of Northeastern Illinois University as of and for the year ended June 30, 2017 are fairly stated in all material respects.

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

SIGNED ORIGINAL ON FILE

JANE CLARK
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