



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

NORTHEASTERN ILLINOIS UNIVERSITY

Single Audit and State Compliance Examination
 For the Year Ended June 30, 2018

Release Date: March 14, 2019

FINDINGS THIS AUDIT: 21	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	0	0	2017		18-03, 18-07, 18-16, 18-21	
Category 2:	9	12	21	2016		18-11, 18-13	
Category 3:	0	0	0	2015		18-02, 18-09, 18-20	
TOTAL	9	12	21	2013		18-10, 18-19	
FINDINGS LAST AUDIT: 18				2005		18-12	

INTRODUCTION

This digest covers our federal Single Audit and Compliance Examination of the Northeastern Illinois University (University) for the year ended June 30, 2018. A separate Financial Audit as of and for the year ended June 30, 2018, was previously released on January 29, 2019. In total, this report contains 21 findings, one of which was reported in the Financial Audit.

SYNOPSIS

- (18-03) The University inaccurately calculated and did not timely return the Title IV funds for students who withdrew from the University.
- (18-07) The University did not ensure time and effort reports were timely submitted by employees.
- (18-13) The University did not comply with the Fiscal Control and Internal Auditing Act and International Standards for the Professional Practice of Internal Auditing.
- (18-17) The University did not have adequate controls over its property and equipment.

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, 2018

INCOME FUND REVENUES AND EXPENDITURES	2018	2017
Fund Balance, beginning of year.....	\$ 10,895,257	\$ 17,870,565
Cumulative effect of changes in accounting principle.....	(40,804,501)	-
Prior period adjustment	-	1,098,700
Fund Balance, beginning of year, as restated.....	<u>\$ (29,909,244)</u>	<u>\$ 18,969,265</u>
Income Fund Revenues		
Tuition.....	\$ 64,168,468	\$ 59,300,515
Rental Income.....	153,165	178,628
Investment Income.....	470,641	129,843
Miscellaneous.....	2,099,528	1,893,619
Total Income Fund Revenues.....	<u>\$ 66,891,802</u>	<u>\$ 61,502,605</u>
Income Fund Expenditures		
Personal Services (including change in accrued compensated absences).....	\$ 16,535,919	\$ 46,817,018
Social Security, Medicare, Health and Life Insurance.....	4,593,794	1,594,859
Contractual Services.....	8,092,284	11,753,112
Travel	163,393	174,119
Commodities.....	717,932	631,899
Equipment and Library Books.....	935,144	551,978
Telecommunications.....	447,676	462,066
Operation of Automotive.....	40,330	36,347
Awards, Grants and Matching Funds.....	1,430,414	1,354,789
Permanent Improvements.....	190,001	16,246
Tuition and Fee Waivers.....	4,283,611	4,115,451
Loss on cancelled capital project.....	1,596,538	-
Other Expenditures.....	3,382,702	2,068,729
Total Income Fund Expenditures.....	<u>\$ 42,409,738</u>	<u>\$ 69,576,613</u>
Fund Balance, end of year.....	<u>\$ (5,427,180)</u>	<u>\$ 10,895,257</u>
SUPPLEMENTARY INFORMATION (UNAUDITED)	2018	2017
Employment Statistics (Full-time equivalent)		
Faculty.....	401	430
Other Academic Professionals.....	170	209
Administration.....	160	157
Other Professionals.....	243	251
Support Staff.....	<u>108</u>	<u>143</u>
Total Employees.....	<u>1,082</u>	<u>1,190</u>
Selected Activity Measures		
Average Annual Full-time equivalent students - Undergraduate.....	5,157	5,497
Average Annual Full-time equivalent students - Graduate.....	1,139	1,071
Full-time equivalent cost per student - Undergraduate.....	\$ 12,336	\$ 11,351
Full-time equivalent cost per student - Graduate.....	\$ 14,053	\$ 14,692
PRESIDENT		
During Audit Period: Dr. Richard Helldobler, Interim President (through 3/31/18); Dr. Wamucii Njogu, Interim President (4/1/18 through 5/31/18); Dr. Gloria Gibson, President (effective 6/1/18)		
Currently: Dr. Gloria Gibson, President		

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**INACCURATE CALCULATION AND UNTIMELY
RETURN OF TITLE IV FUNDS**

The University inaccurately calculated and did not timely return the Title IV funds for students who withdrew from the University.

**Title IV funds, totaling \$2,393,
returned 118 to 164 days late**

**Erroneous calculation resulted in
deficient return of Title IV funds
amounting to \$933.**

During testing of 40 students awarded with Title IV grants who withdrew from classes during the Academic Year 2017-2018, we noted the University returned Title IV funds, totaling \$2,393, for two (5%) students 118 to 164 days late. In addition, we noted the University erroneously calculated the return of Title IV funds for one (3%) student. The erroneous calculation resulted in deficient return of Title IV funds amounting to \$933. The University subsequently returned the shortage to the U.S. Department of Education. (Finding 3, pages 22-23)

We recommended the University strengthen its procedures to ensure accurate calculation and timely return of Title IV funds.

University agrees with auditors

University officials agreed with the finding.

**TIME AND EFFORT REPORTS NOT TIMELY
SUBMITTED**

The University did not ensure time and effort reports were timely submitted by employees.

**2 of 6 employees tested submitted
reports certifying their time 33 to 35
days late.**

During our review of payroll documents for 6 employees who received salaries from federally funded grants, we noted 2 (33%) employees submitted their time and effort reports 33 to 35 days after the required due date. (Finding 7, pages 31-32)

We recommended the University improve its procedures on time and effort reporting to ensure timely submission of the reports and compliance with University policy and Federal regulations.

University agrees with auditors

University officials agreed with the finding.

**NONCOMPLIANCE WITH THE FISCAL CONTROL
AND INTERNAL AUDITING ACT**

The University did not comply with the Fiscal Control and Internal Auditing Act and International Standards for the Professional Practice of Internal Auditing.

**University did not undergo a peer
review since Fiscal Year 2012**

During testing of the University's internal auditing activities, we noted the University's Internal Audit department did not

undergo a peer review since the last external quality assurance completed in Fiscal Year 2012.

Two-year internal audit plan was not approved timely

In addition, we noted the two-year internal audit plan for Fiscal Year 2018-2019 was not adopted until November 16, 2017.

University Internal Audit division did not perform outlined audits

Lastly, we noted the planned audit coverage for Fiscal Year 2018 included audit of property control and information technology that were not completed. These audits were subsequently move to the Fiscal Year 2019 plan. (Finding 13, pages 41-42) **This finding has been repeated since 2016.**

We recommended the University ensure completion of audits of major systems of internal accounting and administrative control at least once every two years. We also recommended the University promptly arrange an external assessment of its internal audit activity to comply with the Institute of Internal Auditors' Standards.

University agrees with auditors

University officials agreed with the finding and stated they have already initiated a peer review and audit plan. (*For the previous University response, see Digest Footnote #1.*)

INADEQUATE CONTROLS OVER UNIVERSITY PROPERTY AND EQUIPMENT

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

During our physical identification of 20 items from the property records to the item, we noted the following:

- Two (10%) equipment items consisting of a laptop and a camera totaling \$2,616 could not be located. The University filed a missing asset investigation report for these items.
- Two (10%) equipment items consisting of a speaker and a media player totaling \$3,074 did not have tag numbers.
- Two (10%) equipment items consisting of a precision nimbus balance and a podium totaling \$3,498 were found in a location different from the location indicated in the property records

University property could not be located, was not properly tagged, was found in different locations than reported on property records , or was reported missing but later found

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

- One laptop (5%) amounting to \$1,302 did not have a tag number.
- Eight (40%) equipment items totaling \$26,552 were found in a location different from the location indicated in the property records. These equipment items consisted of

desktops, band saw machine, fog machine, projector, and a printer.

- Two (10%) equipment items totaling \$2,194 were declared missing and removed from the property records but were found during the auditor's observation. These equipment items consisted of a laptop and a central processing unit.

In addition, during our testing of 25 vouchers totaling \$388,200, we noted the following:

- Various equipment items purchased such as laboratory equipment, chairs, heating and cooling incubator, laptops and tablets, and check signer machine totaling \$75,194 from six vouchers (24%) were not timely recorded in the property record. These items were recorded 38 to 162 days after the vouchers were paid.
- A pneumatic positioning unit (4%) purchased amounting to \$1,534 was not tagged and was not included in the property records.

University property recently purchased was not recorded timely or at all

During our tour of the University's facilities, inquiry with employees, and review of University's records, we noted the following:

- Four telephone units totaling \$676 did not have accurate description of its location in the property records.
- Six equipment items totaling \$16,612 consisting of ethernet switches and interactive display/monitor were listed on the University property records but could not be located.

Further, during our review of property records, we noted 45 active and inactive wireless devices were not included in the property record and were not marked with a unique identification number. (Finding 17, pages 50-52)

We recommended the University adhere to its procedures to ensure property and equipment records are accurately maintained and University assets are properly accounted for.

University agrees with auditors

University officials agreed with the finding.

OTHER FINDINGS

The remaining findings are reportedly being given attention by University officials. 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 Northeastern Illinois University as of and for the year ended June 30, 2018 are fairly stated in all material respects.

The auditors also conducted a Single Audit of the University as required by the Uniform Guidance. Our 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, 2018.

ACCOUNTANT'S OPINION

The accountants conducted a compliance examination of the University for the year ended June 30, 2018, as required by the Illinois State Auditing Act. The accountants stated the University complied, in all material respects, with the requirements described in the report.

This Single Audit and State Compliance Examination 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

DIGEST FOOTNOTE

#1 – Noncompliance with the Fiscal Control and Internal Auditing Act:

2017: The University agrees with the finding and recommendation. The University has developed and is in the process of completing a two-year annual plan covering the required areas of the FCIAA. The Audit Plan includes a quality assurance review that will be conducted in Fiscal Year 2019. The University has a singular internal auditor and that position was vacant for the last three months of Fiscal Year 2017 and first two months of Fiscal Year 2018.