



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, 2018**

Release Date: January 29, 2019

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

INTRODUCTION

This digest covers the Northeastern Illinois University's (University) Financial Audit as of and for the year ended June 30, 2018. The University's Compliance Examination (including the Single Audit) covering the year ended June 30, 2018 will be issued at a later date.

SYNOPSIS

- (18-01) The University did not establish and implement adequate internal control procedures over student receivables and tuition billings.

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, 2018

FINANCIAL OPERATIONS	2018	2017
Operating Revenues		
Student tuition and fees, net.....	\$ 51,427,127	\$ 49,430,541
Grants and contracts	24,494,641	22,066,082
Auxiliary enterprises.....	2,784,179	2,954,003
Other operating revenues.....	2,136,585	4,372,542
Total Operating Revenues.....	<u>80,842,532</u>	<u>78,823,168</u>
Operating Expenses		
Instruction.....	94,692,935	92,540,544
Research.....	2,231,263	2,136,674
Public service.....	18,025,320	17,838,794
Academic support.....	9,644,253	10,914,041
Student services and programs.....	14,284,535	16,739,240
Institutional support.....	19,101,490	19,973,247
Operation and maintenance of plant.....	15,812,905	17,092,183
Scholarships and fellowships.....	7,016,472	6,754,998
Auxiliary enterprises.....	5,371,124	5,250,333
Depreciation expense.....	7,888,645	7,018,475
Other operating expenses.....	336,908	471,365
Total Operating Expenses.....	<u>194,405,850</u>	<u>196,729,894</u>
Operating Loss.....	(113,563,318)	(117,906,726)
NONOPERATING REVENUES (EXPENSES)		
State appropriations - general revenue fund.....	50,545,800	19,562,103
Payments on behalf of the University.....	63,931,592	71,523,784
Federal grants - Pell and SEOG.....	15,731,793	15,421,315
State Grants - MAP.....	17,021,541	3,249,086
Investment income.....	471,840	130,012
Interest on indebtedness.....	(2,107,522)	(2,166,228)
Capital additions.....	1,644,302	1,006,843
Gain (Loss) on disposal of capital assets.....	(1,595,573)	16,420
Net Nonoperating Revenues (Expenses).....	<u>145,643,773</u>	<u>108,743,335</u>
INCREASE (DECREASE) IN NET POSITION.....	<u>32,080,455</u>	<u>(9,163,391)</u>
Net position, beginning of year.....	131,477,968	140,188,173
Cumulative effect of a change in accounting principle.....	(40,804,501)	453,186
Net Position, beginning of year, as restated.....	<u>90,673,467</u>	<u>140,641,359</u>
Net position, end of year.....	<u>\$ 122,753,922</u>	<u>\$ 131,477,968</u>
SELECTED ACCOUNT BALANCES		
Cash and cash equivalents.....	\$ 54,340,252	\$ 20,770,367
Cash and cash equivalents - Restricted.....	\$ 4,023,308	\$ 3,672,253
Receivables, net.....	\$ 18,932,719	\$ 13,444,651
Capital assets, net	\$ 189,818,634	\$ 197,270,603
Accounts payable and accrued liabilities.....	\$ 10,218,988	\$ 9,189,462
Revenue bonds payable.....	\$ 14,976,210	\$ 15,247,496
Certificates of participation, net.....	\$ 39,538,653	\$ 41,220,451
Net Position.....	<u>\$ 122,753,922</u>	<u>\$ 131,477,968</u>
PRESIDENT		
During Audit Period: Dr. Richard Helldobler (Interim through March 31, 2018); Dr. Wamucii Njogu (Interim, April 1, 2018 through May 31, 2018); Dr. Gloria Gibson (effective from June 1, 2018)		
Currently: Dr. Gloria Gibson		

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**INADEQUATE CONTROLS OVER STUDENT
RECEIVABLES AND TUITION BILLINGS**

The University did not establish and implement adequate internal control procedures over student receivables and tuition billings.

We noted the following:

University improperly classified student accounts with credit balances against students' receivable

As of June 30, 2018, there were 837 students with credit balances totaling \$311,155

- The University improperly classified student accounts with credit balances against students' receivable. In our testing of receivable aging schedule of 47 students, we noted two (4%) student accounts had credit balances totaling \$1,780. The credit balances pertained to student overpayments from prior years which were supposedly refunded to students. As of June 30, 2018, there were 837 students with credit balances totaling \$311,155. The University subsequently reclassified the credit balances to accounts payable.

University erroneously billed students lower tuition rates

As of June 30, 2018, there were 86 students incorrectly billed totaling \$16,397

- The University did not ensure correct tuition rates were billed to students. In our testing of tuition fee billings of 25 students, we noted three (12%) students erroneously billed lower tuition rates than the approved student tuition rates by the University's Board of Trustees. These students were noted to be included under the fall 2011, summer 2013 and second bachelor's cohorts. As of June 30, 2018, there were 86 students incorrectly billed totaling \$16,397. (Finding 1, pages 69-70)

We recommended University management provide adequate oversight over student receivables and tuition billings to ensure student accounts are properly classified in the financial statements and students are billed with accurate student tuition fee rates.

University agrees with the auditors

University officials agreed with the recommendation and stated going forward, the University will increase the frequency in running necessary procedures to address student credit balances and implement a secondary review when applying new tuitions rates in the system.

AUDITOR'S OPINION

The auditors stated the financial statements of the University as of and for the year ended June 30, 2018 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