



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, 2019

Release Date: March 19, 2020

FINDINGS THIS AUDIT: 20				AGING SCHEDULE OF REPEATED FINDINGS			
	<u>New</u>	<u>Repeat</u>	<u>Total</u>	<u>Repeated Since</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>
Category 1:	0	0	0	2018		19-02, 19-04, 19-06, 19-10, 19-11, 19-12	
Category 2:	6	14	20	2017		19-03, 19-18	
Category 3:	0	0	0	2016		19-08	
TOTAL	6	14	20	2015		19-05, 19-17	
				2013		19-15, 19-16	
FINDINGS LAST AUDIT: 21				2005		19-09	

INTRODUCTION

This digest covers our federal Single Audit and Compliance Examination of Northeastern Illinois University (University) for the year ended June 30, 2019. A separate Financial Audit as of and for the year ended June 30, 2019, was previously released on March 2, 2020. In total, this report contains 20 findings, none of which were reported in the Financial Audit.

SYNOPSIS

- (19-01) The University did not timely notify students when federal student aid loan funds were credited to students' accounts.
- (19-03) The University did not comply with the internal controls and compliance requirements on allowable cost and costs principles.
- (19-04) The University did not communicate required program information to subrecipients of federal awards.
- (19-11) The University did not have adequate controls over its property and equipment.
- (19-13) The University did not comply with the College Student Immunization Act.

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.

NORTHEASTERN ILLINOIS UNIVERSITY
SINGLE AUDIT AND COMPLIANCE EXAMINATION
For the Year Ended June 30, 2019

INCOME FUND REVENUES AND EXPENDITURES	2019	2018
Fund Balance, beginning of year.....	\$ (5,427,180)	\$ 10,895,257
Cumulative effect of changes in accounting principle.....	-	(40,804,501)
Fund Balance, beginning of year, as restated.....	<u>\$ (5,427,180)</u>	<u>\$ (29,909,244)</u>
Income Fund Revenues		
Tuition.....	\$ 58,358,140	\$ 64,168,468
Rental Income.....	148,154	153,165
Investment Income.....	1,049,674	470,641
Miscellaneous.....	2,930,290	2,099,528
Total Income Fund Revenues.....	<u>\$ 62,486,258</u>	<u>\$ 66,891,802</u>
Income Fund Expenditures		
Personal Services (including change in accrued compensated absences).....	\$ 31,703,244	\$ 16,535,919
Social Security, Medicare, Health and Life Insurance.....	2,103,661	4,593,794
Contractual Services.....	11,504,223	8,092,284
Travel	188,951	163,393
Commodities.....	652,234	717,932
Equipment and Library Books.....	544,558	935,144
Telecommunications.....	438,971	447,676
Operation of Automotive.....	53,106	40,330
Awards, Grants and Matching Funds.....	1,343,063	1,430,414
Permanent Improvements.....	379,053	190,001
Tuition and Fee Waivers.....	4,340,182	4,283,611
Loss on cancelled capital project.....	93,378	1,596,538
Other Expenditures.....	3,262,301	3,382,702
Total Income Fund Expenditures.....	<u>\$ 56,606,925</u>	<u>\$ 42,409,738</u>
Fund Balance, end of year.....	<u>\$ 452,153</u>	<u>\$ (5,427,180)</u>
SUPPLEMENTARY INFORMATION (UNAUDITED)		
Employment Statistics (Full-time equivalent)		
Faculty.....	403	401
Other Academic Professionals.....	170	170
Administration.....	140	160
Other Professionals.....	255	243
Support Staff.....	106	108
Total Employees.....	<u>1,074</u>	<u>1,082</u>
Selected Activity Measures		
Average Annual Full-time equivalent students - Undergraduate.....	4,627	5,157
Average Annual Full-time equivalent students - Graduate.....	1,084	1,139
Full-time equivalent cost per student - Undergraduate.....	\$ 13,984	\$ 12,336
Full-time equivalent cost per student - Graduate.....	\$ 15,506	\$ 14,053
PRESIDENT		
During Audit Period: Dr. Gloria Gibson, President		
Currently: Dr. Gloria Gibson, President		

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**UNTIMELY NOTIFICATION OF DISBURSEMENT OF
LOAN AND TEACH GRANTS**

The University did not timely notify the students when federal student aid loan funds were credited to students' accounts.

25 students were notified 39 to 49 days after federal assistance was credited to the students' accounts

In testing 33 students who received Federal Direct Student Loans and Teacher Education Assistance for College and Higher Education Grants (TEACH Grant) during the fiscal year, we noted 25 (76%) students tested, in 46 disbursement transactions, were notified 39 to 49 days after the federal assistance was credited to the students' accounts. The total direct loan and TEACH Grants disbursed to these students was \$180,829. In addition, we noted 1 (3%) student was not notified of the change in their federal loan. (Finding 1, pages 17-18)

We recommended the University ensure compliance with the federal regulations regarding student notification.

University agrees with auditors

University officials agreed with the finding.

**WEAKNESSES OVER ALLOWABLE COSTS/COST
PRINCIPLES REQUIREMENTS**

The University did not comply with the internal controls and compliance requirements on allowable costs and costs principles.

14 of 29 employees tested submitted timesheets 9 to 42 days late

16 of 29 employees tested submitted timesheets that were not timely completed or approved

During our review of payroll documents for 29 employees, we noted the following:

- 14 (48%) employees submitted their time and effort reports 9 to 42 days after the required due date.
- Five (17%) employees did not submit timesheets for the period tested.
- 16 (55%) employees for pay periods tested were not timely completed and approved by the supervisor or unit head. The timesheets were approved one to 238 days late.

In addition, during our testing of 160 vouchers totaling \$798,503, we noted the following:

9 of 160 vouchers tested had missing required signatures or were charged to incorrect expenditure category

- Required signatures on purchase requisitions and travel authorization of 2 (1%) vouchers totaling \$3,456 were not obtained. The requisition forms for these vouchers totaling \$9,142, were increased, therefore requiring an additional level of approval, which was not obtained.

- Required signature of 6 (4%) vouchers totaling \$11,607 were not obtained.
- A voucher (1%) amounting to \$1,100 was charged to an incorrect expenditure category. (Finding 3, pages 21-24)

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. In addition, we recommended the University strengthen its controls over voucher processing to ensure compliance with the University policies and prevent and detect unauthorized transactions timely in compliance with the University policy and Federal regulations.

University agrees with auditors

University officials agreed with the finding.

FAILURE TO COMMUNICATE REQUIRED INFORMATION TO SUBRECIPIENTS

The University did not communicate required program information to subrecipients of federal awards.

University did not communicate required information for 4 of 6 subrecipients tested to comply with conditions of awards

During our testing of six subrecipients of the Research and Development Cluster, Higher Education Institutional Aid, and 21st Century Community Learning Centers, the University did not communicate the required information to 4 (67%) subrecipients with federal expenditures totaling \$131,256 to comply with federal statutes, regulations, and terms and conditions of the award. (Finding 4 pages 25-26)

We recommended the University implement uniform procedures across all departments to serve as a guideline in communicating required subaward information to subrecipients.

University agrees with auditors

University officials agreed with the finding.

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:

- One video set (5%) amounting to \$1,437 could not be located. The University filed a missing asset investigation report for this item after the auditor's observation.
- One ticket printer (5%) amounting to \$1,969 did not have a tag number.

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

- Two (10%) equipment items consisting of a laptop and a television totaling \$5,628 were found in a location different from the location indicated in the property records

During our tracing of 20 items physically identified to the property records, we noted three (15%) equipment items consisting of a projector, ticket printer, and a laptop totaling \$3,487 were found in a location different from the location indicated in the property records.

During our testing of 26 vouchers totaling \$499,603, we noted the following:

- Equipment items purchased consisting of fiber optic transceivers and telecommunication devices from two (8%) vouchers totaling \$72,889 were not tagged and were not included in the property records.
- Various equipment items purchased, such as music rotary filing cabinets and an HD scaling auto-switcher, totaling \$16,839 from two vouchers (8%), were not timely recorded in the property record. These items were recorded 103 and 160 days after the vouchers were paid.

University property recently purchased was not recorded timely or at all

During our review of the University annual inventory count certification, we noted the following:

- The University did not accurately report the results of its annual inventory count to CMS. The University had no discrepancy reported on its annual inventory certification as of October 2018 submitted in February 2019 to CMS. The University performed the annual inventory count between June 2018 to October 2018. During this timeframe, the University identified 1,887 unlocated items totaling \$1,193,524. 1,578 items totaling \$830,838 were non-computer items and 309 items totaling \$362,686 consisted of computers and laptops. The University prepared and submitted deletion requests for these unlocated items prior to the submission of its annual inventory certification to CMS, allowing the University to report that there were no discrepancies between its records and its annual inventory count.
- The University did not have written procedures to properly conduct the entire physical count process including the objective of the count, timing and types of counts, instructions for counting and recording, and researching and adjusting discrepancies, as well as procedures and trainings to new employees to perform the count. (Finding 11, pages 38-40)

Auditors noted weaknesses over University's annual inventory count

We recommended the University improve its procedures to ensure property and equipment records are accurately maintained, University assets are properly accounted for, and annual inventory counts are properly conducted and discrepancies accurately reported to CMS.

University agrees with auditors

University officials agreed with the finding.

NONCOMPLIANCE WITH THE COLLEGE STUDENT IMMUNIZATION ACT

The University did not comply with the requirements of the College Student Immunization Act (Act).

In Fiscal Year 2015, the University entered into a ground lease agreement as a lessor to lease its land to a lessee to develop, finance, construct, and operate the University's student housing facility. The student housing facility opened for occupancy in fall 2016.

During testing of 25 students enrolled in the academic year 2018-2019, we noted the following:

**23 of 25 students tested did not provide proof of immunizations or had incomplete immunizations
20 of these students were allowed to enroll in subsequent semesters.**

- The University did not obtain proof of immunizations against preventable communicable diseases for 14 (56%) students, of which 11 students enrolled in the subsequent semester without providing proof of immunization.
- The University did not inform 9 (36%) students of their incomplete immunization as prescribed by the Act and allowed these students to enroll in the subsequent semester.

In addition, the University did not file a report with the Department of Public Health (Department) as required by the Act. (Finding 13 pages 43-44)

We recommended the University require and maintain for inspection proof of immunization from students prior to allowing the students to attend the University. We also recommended the University file the required reports to the Department in compliance with the Act. Lastly, we recommended the University seek a formal Attorney General opinion on the applicability of the Act.

University agrees with auditors

University officials agreed with the finding.

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 Northeastern Illinois University as of and for the year ended June 30, 2019 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, 2019.

ACCOUNTANT'S OPINION

The accountants conducted a compliance examination of the University for the year ended June 30, 2020, 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 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

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