



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, 2023**

Release Date: March 28, 2024

FINDINGS THIS AUDIT: 6	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	1	2	3	2022	23-2		
Category 2:	1	2	3	2020	23-1		
Category 3:	0	0	0	2019		23-04	
TOTAL	2	4	6	2017		23-05	
FINDINGS LAST AUDIT: 4							

INTRODUCTION

This digest covers the Northeastern Illinois University’s (University) Financial Audit as of and for the year ended June 30, 2023. The University’s Compliance Examination and Single Audit will be issued in separate reports.

SYNOPSIS

- (23-01) The University did not have adequate internal control over reporting its census data and did not have a reconciliation process to provide assurance census data submitted to its pension and other postemployment benefits plans was complete and accurate.
- (23-02) The University did not timely complete and did not have adequate review of its year-end reconciliations
- (23-04) The University did not document independent internal control reviews over service providers.

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
FINANCIAL AUDIT
For the Year Ended June 30, 2023

STATEMENT OF NET POSITION (in thousands)	2023	2022
Assets		
Cash and cash equivalents.....	\$ 86,822	\$ 86,000
Accounts and student loans receivable, net.....	22,112	21,638
Capital assets, net.....	172,122	169,339
Other.....	2,207	744
Total Assets.....	283,263	277,721
Deferred Outflows of Resources.....	1,322	1,949
Liabilities		
Accounts payable and accrued liabilities.....	18,411	13,683
Unearned revenues.....	3,781	3,689
Subscription liabilities.....	2,666	-
Accrued compensated absences.....	5,124	5,354
Revenue bonds and Certificates of participation.....	41,485	44,332
Other post-employment benefits.....	10,111	27,234
Other.....	152	360
Total Liabilities.....	81,730	94,652
Deferred Inflows of Resources.....	50,070	40,736
Net Position		
Net investment in capital assets.....	102,718	99,990
Restricted.....	5,869	7,680
Unrestricted.....	44,197	36,612
Total Net Position.....	\$ 152,784	\$ 144,282
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (in thousands)	2023	2022
Revenues		
State appropriations.....	\$ -	\$ 37,345
On-Behalf and Special Funding for fringe benefits.....	-	48,684
Tuition and fees, net.....	34,384	39,666
Auxiliary enterprises.....	1,682	1,679
Federal and State grants and other contracts.....	12,003	52,398
Capital additions.....	-	1,254
Other.....	2,780	2,071
Total Revenues.....	50,849	183,097
Expenses		
Instruction.....	62,317	83,793
Research.....	1,296	1,368
Public service.....	4,472	5,754
Academic support.....	8,031	10,336
Student services.....	9,235	12,444
Institutional support.....	16,193	24,259
Operation and maintenance of plant.....	12,140	16,089
Scholarships and fellowships.....	6,695	15,033
Auxiliary enterprises.....	5,514	6,456
Depreciation.....	7,930	5,985
Interest.....	-	1,771
Total Expenses.....	133,823	183,288
Increase in net position.....	\$ (82,974)	\$ (191)
UNIVERSITY PRESIDENT		
Current: Interim President - Dr. Katrina Bell-Jordan		
During Audit Period: President - Dr. Gloria Gibson (Up to 6/30/23)		

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

INADEQUATE INTERNAL CONTROLS OVER CENSUS DATA

Internal controls over census data need improvement

The University did not have adequate internal control over reporting its census data and did not have a reconciliation process to provide assurance census data submitted to its pension and other postemployment benefits (OPEB) plans was complete and accurate.

Census data is demographic data (date of birth, gender, years of service, etc.) of the active, inactive, or retired members of a pension or OPEB plan. The accumulation of inactive or retired members' census data occurs before the current accumulation period of census data used in the plan's actuarial valuation (which eventually flows into each employer's financial statements), meaning the plan is solely responsible for establishing internal controls over these records and transmitting this data to the plan's actuary. In contrast, responsibility for active members' census data during the current accumulation period is split among the plan and each member's current employer(s). Initially, employers must accurately transmit census data elements of their employees to the plan. Then, the plan must record and retain these records for active employees and then transmit this census data to the plan's actuary.

We noted the University's employees are members of both the State Universities Retirement System (SURS) for their pensions and the State Employees Group Insurance Program sponsored by the State of Illinois, Department of Central Management Services (CMS) for their OPEB. In addition, we noted these plans have characteristics of different types of pension and OPEB plans, including single employer plans and cost-sharing multiple-employer plans.

Additionally, CMS' actuary uses census data for employees of the State's public universities provided by SURS, along with census data for the other participating members provided by the State's four other pension plans, to prepare their projection of the liabilities of CMS' plan. Finally, SURS' actuary and CMS' actuary used census data transmitted by the University during Fiscal Year 2021 to project pension and OPEB-related balances and activity at the plans during Fiscal Year 2022, which is incorporated into the University's Fiscal Year 2023 financial statements.

During testing we noted the following:

- The University had not performed an initial complete reconciliation of its census data recorded by SURS to its internal records to establish a base year of complete and accurate census data.

An initial complete reconciliation had not been performed

Instances of data transmission errors noted during cut-off testing

- After establishing a base year, the University had not developed a process to annually obtain from SURS the incremental changes recorded by SURS in their census data records and reconcile these changes back to the University’s internal supporting records.
- During our cut-off testing of data transmitted by the University to SURS, we noted 1 instance of an active employee becoming inactive and 1 instance of an inactive employee becoming active were reported to SURS after the close of the fiscal year in which the event occurred. There was also 1 instance previously reported that impacted the June 30, 2021 census data. (Finding 1, Pages 88-90)

We recommended the University continue to work with SURS to complete the base year reconciliation of Fiscal Year 2021 active members’ census data from its underlying records to a report of census data submitted to SURS’ actuary and CMS’ actuary and after completing an initial full reconciliation, the University may limit the annual reconciliations to focus on the incremental changes to the census data file from the prior actuarial valuation, provided no risks are identified that incomplete or inaccurate reporting of census data may have occurred during prior periods. We also recommend any errors identified during this process should be promptly corrected by either the University or SURS, with the impact of these errors communicated to both SURS’ actuary and CMS’ actuary. We further recommended the University ensure all events occurring within a census data accumulation year are timely reported to SURS so these events can be incorporated into the census data provided to SURS’ actuary and CMS’ actuary.

University agreed with the auditors

University officials agreed with the finding.

LACK OF CONTROLS OVER YEAR-END REVIEWS AND RECONCILIATIONS

The University did not timely complete and did not have adequate review of its year-end reconciliations.

During testing we noted the following:

Improper cutoff recognition between fiscal years noted

- We noted a Fiscal Year payment for 4 invoices totaling \$310,443 which should have been accrued for in Fiscal Year 2023, an invoice totaling \$100,950 which should have been accrued for in Fiscal Year 2023, and a vendor with 3 invoices totaling \$15,000 which should have been accrued for in Fiscal Year 2024 but were accrued for in Fiscal Year 2023.

Inability to generate accurate data from new Payroll and Human Resources system resulted in use of estimates for payroll deferrals and accruals

- When University went live on April 16, 2023 with their new Payroll and Human Resources system there were conversion issues with how the activity was calculated and recorded in the University's general ledger. Several corrections had to be made to both employee pay and amounts posted into the University's general ledger. Due to the inability to get accurate data from the new system, the University recorded estimates for deferred faculty pay and accrued sick and vacation as of June 30, 2023, based on historical trend information and recorded an additional liability of \$483,130. The University also recorded an entry in late October for retroactive pay of \$1,245,337 that was paid in July 2023 for Fiscal Year 2023.

Untimely federal and state grant receivables reconciliation

- The University did not reconcile federal and state grant receivables and revenue until October 2023. The University recorded a receivable of \$1,502,692, federal grant revenues of \$2,029,994, and a net reduction of state grant and other grant revenues by \$527,757.

Untimely SBITA analysis

- The University did not complete a final analysis and recording of subscription-based information technology arrangements (SBITAs) until November 2023. The amounts recorded increased assets by \$3,326,049, liabilities (current and noncurrent) by \$3,009,333, as well as impacted several expense accounts including rent expense and amortization. (Finding 2, Pages 91-92)

We recommended the University strengthen its internal controls by performing timely and accurate reconciliations throughout the year, as well as, at year end. In addition, we recommended the University closely monitor allocation of resources based on priorities to ensure there are sustained internal controls on a consistent basis.

University agreed with the auditors

University officials agreed with the finding.

LACK OF CONTROLS OVER REVIEW OF INTERNAL CONTROLS OVER SERVICE PROVIDERS

The University did not document independent internal control reviews over service providers.

The University entered into agreements with various service providers to assist with significant processes such as (1) receipts processing for online credit card payments, (2) disbursement processing of purchasing card, (3) handling of Perkins student loans, (4) tracking of property and equipment, and (5) hosting its Enterprise Application System.

Provided listing of services providers was incomplete

We requested the University to provide a population of service providers. In response to this request, the University provided a listing of service providers. However, our testing noted the listing contained all vendors of the University Technology Services. In addition, we identified service providers from testing that were not on the list. Due to this deficiency, we were unable to conclude the University's records were sufficiently precise and detailed under the Professional Standards promulgated by the American Institute of Certified Public Accountants (AU-C § 330, AU-C § 530, and AT-C § 205.36) to test the University's controls over service providers.

Even given the population limitation, we selected five service providers from the listing provided by the University. During our testing, we noted the University had not:

University failed to establish adequate policies or procedures over service providers

- Established a documented and comprehensive policy or procedures to guide vendor's due diligence when onboarding third-party service provider.
- Established documented policies and procedures to monitor performance and contractual compliance of service providers.

University failed to map CUEC from service providers

- Mapped the Comprehensive User Entity Controls (CUECs) noted in service providers' to existing internal controls at the University. (Finding 4, Pages 95-96)

We recommended the University strengthen its controls in identifying and documenting all service providers. Further, we recommended the University:

- Continue to obtain and document its review of SOC reports (including subservice organizations) or conduct independent internal control reviews at least annually.
- Establish a regular review process to monitor specified performance measures, problems encountered, and compliance with contractual terms with the service providers.
- Monitor and document the operation of the CUECs relevant to the University's operations.

University agreed with the auditors

University officials agreed with the finding.

OTHER FINDINGS

The remaining findings pertain to noncompliance with the Fiscal Control and Internal Audit Act, computer security weaknesses and lack of adequate change management controls. We will review the University's progress towards

the implementation of our recommendations in our next financial audit.

AUDITOR’S OPINION

The auditors stated the financial statements of the University as of and for the year ended June 30, 2023 are fairly stated in all material respects.

This financial audit was conducted by Plante & Moran, PLLC.

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