



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, 2022**

Release Date: March 23, 2023

FINDINGS THIS AUDIT: 4	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	1	1	2020	22-1		
Category 2:	1	2	3	2019		22-03	
Category 3:	0	0	0	2017		22-02	
TOTAL	1	3	4				
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, 2022. The University's Compliance Examination and Single Audit will be issued in separate reports.

SYNOPSIS

- (22-1) 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.
- (22-4) The University did not have an adequate review of its year-end reconciliations and reports.

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.

NORTEASTERN ILLINOIS UNIVERSITY
FINANCIAL AUDIT
For the Year Ended June 30, 2022

STATEMENT OF NET POSITION (in thousands)	2022	2021
Assets		
Cash and cash equivalents.....	\$ 86,000	\$ 82,363
Accounts and student loans receivable, net.....	21,638	21,223
Capital assets, net.....	169,339	173,666
Other.....	744	2,281
Total Assets.....	<u>277,721</u>	<u>279,533</u>
Deferred Outflows of Resources.....	<u>1,949</u>	<u>2,827</u>
Liabilities		
Accounts payable and accrued liabilities.....	13,683	10,268
Unearned revenues.....	3,689	1,394
Accrued compensated absences.....	5,354	6,563
Revenue bonds and Certificates of participation.....	44,332	47,050
Other post-employment benefits.....	27,234	35,270
Other.....	360	449
Total Liabilities.....	<u>94,652</u>	<u>100,994</u>
Deferred Inflows of Resources.....	<u>40,736</u>	<u>36,893</u>
Net Position		
Net investment in capital assets.....	99,990	101,467
Restricted.....	7,680	7,549
Unrestricted.....	36,612	35,457
Total Net Position.....	<u>\$ 144,282</u>	<u>\$ 144,473</u>
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (in thousands)	2022	2021
Revenues		
State appropriations.....	\$ 37,345	\$ 35,567
On-Behalf and Special Funding for fringe benefits.....	48,684	70,973
Tuition and fees, net.....	39,666	45,510
Auxiliary enterprises.....	1,679	1,516
Federal and State grants and other contracts.....	52,398	52,664
Capital additions.....	1,254	1,880
Other.....	2,071	1,030
Total Revenues.....	<u>183,097</u>	<u>209,140</u>
Expenses		
Instruction.....	83,793	94,618
Research.....	1,368	995
Public service.....	5,754	10,240
Academic support.....	10,336	10,500
Student services.....	12,444	12,541
Institutional support.....	24,259	23,968
Operation and maintenance of plant.....	16,089	16,279
Scholarships and fellowships.....	15,033	8,885
Auxilliary enterprises.....	6,456	6,471
Depreciation.....	5,985	6,236
Interest.....	1,771	1,864
Total Expenses.....	<u>183,288</u>	<u>192,597</u>
Increase in net position.....	<u>\$ (191)</u>	<u>\$ 16,543</u>
UNIVERSITY PRESIDENT		
During Audit Period & Current: President - Dr. Gloria Gibson		

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 pensions 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 2020 to project pension and OPEB-related balances and activity at the plans during Fiscal Year 2021, which is incorporated into the University's Fiscal Year 2022 financial statements.

During testing we noted the following:

An initial complete reconciliation had not been performed

- 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.

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 24 instances of an active employee becoming inactive and 2 instances of an active employee becoming retired 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, 2020 census data. (Finding 1, Pages 87-89)

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 and ensure all eligible employees are reported to SURS, along with any required employee and employer contributions.

University agreed with the auditors

University officials agreed with the finding.

LACK OF ADEQUATE REVIEW OF YEAR-END RECONCILIATIONS AND REPORTS

The University did not have an adequate review of its year-end reconciliations and reports.

During testing we noted the following:

Instances of assets not being properly capitalized noted

- We identified one asset within the fixed asset system which was expensed but should have been capitalized within the University's general ledger. Additional testing was completed and three additional items were expensed that should have been capitalized. The University passed on adjusting the immaterial error.
- We noted the University had exclusive access to a gas line since inception of an agreement in 2015 when a

Asset not being properly amortized noted

deposit of \$880,012 was recorded as other assets. The asset should have been amortized over the term of the agreement of 10 years. The University made a \$572,008 journal entry to book the cumulative accumulated amortization reducing the asset to the correct balance as of June 20, 2022.

- We found multiple invoices with improper cutoff between Fiscal Year 2022 and Fiscal Year 2023. Based on our testing, we noted:
 - a. One invoice totaling \$151,970 which should have been accrued for in Fiscal Year 2022 but was not identified as part of the above process;
 - b. Two invoices totaling \$24,036 accrued for as part of the above process that related to Fiscal Year 2023; and,
 - c. Additional invoices of approximately \$315,000 identified by the University's General Accounting team as relating to Fiscal Year 2022 as part of the above process but not recorded due to their individual insignificance.

Instances of improper cutoff between fiscal years noted

The University passed on adjusting the immaterial error.

Recognized unearned revenue for summer sessions improperly calculated

- We found that the calculation of unearned revenue for summer sessions improperly recognized only a portion of unearned revenue based on cash payments and did not properly recognize the appropriate amount of unearned revenue and accounts receivable for amounts owed by students based on gross tuition and fee revenue. The University made a journal entry recording additional accounts receivable and unearned revenue totaling \$2.6 million which had no impact on the change in net position as of June 30, 2022. (Finding 4, Pages 94-96)

We recommended the University strengthen its internal controls related to financial reporting of assets and liabilities, including an independent secondary review to ensure information agrees to supporting documentation and are properly recorded. We further recommended the University ensure sessions that cross over the University's year end are properly recognized.

University agreed with the auditors

University officials agreed with the finding.

OTHER FINDINGS

The remaining findings pertain to computer security weaknesses and inadequate reviews of internal controls over service providers. 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, 2022 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