



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, 2017

Release Date: March 29, 2018

FINDINGS THIS AUDIT: 18	New	Repeat	Total	AGING SCHEDULE OF REPEATED FINDINGS			
				Repeated Since	Category 1	Category 2	Category 3
<b>Category 1:</b>	<b>0</b>	<b>0</b>	<b>0</b>	2016		17-09, 17-10, 17-12	
Category 2:	8	10	18	2015		17-02, 17-03, 17-16	
Category 3:	<u>0</u>	<u>0</u>	<u>0</u>	2013		17-07, 17-08, 17-15	
<b>TOTAL</b>	<b>8</b>	<b>10</b>	<b>18</b>	2005		17-11	
<b>FINDINGS LAST AUDIT: 17</b>							

**INTRODUCTION**

This Digest covers our federal Single Audit and Compliance Examination of the Northeastern Illinois University (University) for the year ended June 30, 2017. A separate Financial Audit as of and for the year ending June 30, 2017, was previously released on March 13, 2018. In total, this report contains 18 findings, one of which was reported in the Financial Audit.

**SYNOPSIS**

- (17-05) The University inaccurately calculated the return of the Title IV funds for students who withdrew from the University.
- (17-06) The University did not ensure time and effort reports were submitted or timely submitted by employees.
- (17-12) The University failed to comply with the Fiscal Control and Internal Auditing Act and International Standards for the Professional Practice of Internal Auditing.
- (17-14) The University did not comply with the University Guidelines on remittance of excess funds.

**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.

{Expenditures and Activity Measures are summarized on next page.}

**NORTHEASTERN ILLINOIS UNIVERSITY**  
**SINGLE AUDIT AND COMPLIANCE EXAMINATION**  
**For the Year Ended June 30, 2017**

<b>INCOME FUND REVENUES AND EXPENDITURES</b>	<b>2017</b>	<b>2016</b>
Fund Balance, beginning of year.....	\$ 17,870,565	\$ 43,182,475
Prior Period Adjustment.....	1,098,700	-
Fund Balance, beginning of year, as restated.....	<u>\$ 18,969,265</u>	<u>\$ 43,182,475</u>
<b>Income Fund Revenues</b>		
Tuition.....	\$ 59,300,515	\$ 58,819,093
Rental Income.....	178,628	110,782
Investment Income.....	129,843	19,188
Miscellaneous.....	1,893,619	1,666,403
Total Income Fund Revenues.....	<u>\$ 61,502,605</u>	<u>\$ 60,615,466</u>
<b>Income Fund Expenditures</b>		
Personal Services (including change in accrued compensated absences).....	\$ 46,815,018	\$ 57,050,055
Social Security, Medicare, Health and Life Insurance.....	1,594,859	2,130,544
Contractual Services.....	11,753,112	9,831,609
Travel .....	174,119	214,099
Commodities.....	631,899	718,098
Equipment and Library Books.....	551,978	725,071
Telecommunications.....	462,066	605,063
Operation of Automotive.....	36,347	26,425
Awards, Grants and Matching Funds.....	1,354,789	1,308,142
Permanent Improvements.....	16,246	6,406,547
Tuition and Fee Waivers.....	4,115,451	4,058,513
Other Expenditures.....	2,068,729	2,853,210
Total Income Fund Expenditures.....	<u>\$ 69,574,613</u>	<u>\$ 85,927,376</u>
Fund Balance, end of year.....	<u>\$ 10,897,257</u>	<u>\$ 17,870,565</u>
<b>SUPPLEMENTARY INFORMATION (UNAUDITED)</b>	<b>2017</b>	<b>2016</b>
<b>Employment Statistics</b>		
Administration .....	284	337
Faculty.....	593	608
Civil Service.....	517	602
Students.....	<u>636</u>	<u>455</u>
Total Employees.....	<u>2,030</u>	<u>2,002</u>
<b>Selected Activity Measures</b>		
Average Annual Full-time equivalent students.....	5,458	6,913
Full-time equivalent cost per student - Undergraduate.....	\$ 11,351	\$ 11,177
Full-time equivalent cost per student - Graduate.....	\$ 14,692	\$ 14,599
<b>PRESIDENT</b>		
During Audit Period: Dr. Sharon Hahs (through 9/30/16); Dr. Richard Helldobler, Interim President (effective 10/1/16)		
Currently: Dr. Richard Helldobler, Interim President		

**FINDINGS, CONCLUSIONS, AND**  
**RECOMMENDATIONS**

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

The University inaccurately calculated the return of the Title IV funds for students who withdrew from the University.

**Erroneous inclusion of room and board in institutional charges resulted in excessive return of Title IV funds totaling \$8,831**

During testing of 40 students awarded with Title IV grants who withdrew from classes during the Academic Year 2016-2017, we noted the University erroneously included the cost of room and board in the institutional charges for five (13%) students residing in the student residence hall that is under a concession arrangement with an operator entity. Contracts for room and board are entered between the students and the operator entity of the residence hall. The erroneous inclusion of room and board in the calculation of institutional charges resulted in excessive return of Title IV funds totaling \$8,831. (Finding 5, pages 26-27)

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

**University agrees with auditors**

University officials agreed with the finding and stated they will develop training, monitoring and controls to ensure accurate calculations of return of Title IV funds.

**TIME AND EFFORT REPORTS NOT SUBMITTED OR  
TIMELY SUBMITTED**

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

**25 of 46 employees tested who received salaries from federally funded grants did not submit reports certifying their time was expended on federally funded projects**

During our review of payroll documents for 46 employees who received salaries from federally funded grants, we noted 25 (54%) employees did not submit their time and effort reports certifying their efforts expended on federally funded projects to the University's Controller's Office for review. Subsequently, 13 employees submitted their time and effort reports 13 to 103 days after the September 30, 2017 due date. (Finding 6, pages 28-30)

We recommended the University improve its procedures on time and effort reporting process 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 and stated they plan to evaluate the current manual time and effort reporting processes for possible automation.

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

The University failed to comply with the Fiscal Control and Internal Auditing Act (FCIAA) and International Standards for the Professional Practice of Internal Auditing.

During testing of the University's internal auditing activities, we noted the following:

**University Internal Audit division did not perform outlined audits**

- The University's Internal Audit division did not perform the audits outlined in the University's Fiscal Year 2016 and 2017 Internal Audit Plan. No audits were completed relating to internal accounting and administrative controls, including testing of: (1) the obligation, expenditure, receipt, and use of public funds of the State and of funds held in trust; (2) grants received or made by the University completed during the current fiscal year; and (3) reviews of the design of major new electronic data processing systems and major modifications of those systems.
- The University submitted its FCIAA certification to the Office of the Auditor General six days after it was due.
- The University's Internal Audit division did not undergo a peer review since the last external quality assurance completed in Fiscal Year 2012. (Finding 12, pages 39-40)

**University submitted its FCIAA certification late**

**University Internal Audit division did not undergo a peer review**

We recommended the University ensure completion of audits of major systems of internal accounting and administrative control at least once every two years and submit its FCIAA certification to the Office of the Auditor General timely. 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 developed and are in the process of completing a two-year annual plan covering the required areas of the FCIAA.

## **NONCOMPLIANCE WITH THE UNIVERSITY GUIDELINES ON EXCESS FUNDS**

The University did not comply with the University Guidelines on remittance of excess funds.

**University failed to remit amounts due to the Income Fund from Educational Contracts Fund amounting to \$98,870**

During our testing of the University's compliance with the University Guidelines 1982 (As Amended 1997), we noted the University complied with the requirement to calculate excess fund on auxiliary enterprises and accounting entities but failed to remit amounts due to the Income Fund from Educational Contracts Fund amounting to \$98,870. (Finding 14, page 44)

**University agrees with auditors**

We recommended the University ensure compliance with all the requirements of the University Guidelines.

University officials agreed with the finding and stated they will assure compliance with the University Guidelines regarding calculations and transfers.

**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 the University as of and for the year ended June 30, 2017 are fairly stated in all material respects.

The auditors also conducted a Single Audit of the University as required by the Uniform Guidance. The 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, 2017.

**ACCOUNTANT'S OPINION**

The auditors conducted a Compliance Examination of the University for the year ended June 30, 2017, as required by the Illinois State Auditing Act. The auditors stated the University complied, in all material respects, with the requirements described in the report.

This engagement 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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