



STATE OF ILLINOIS  
**OFFICE OF THE  
 AUDITOR GENERAL**

William G. Holland, Auditor General

**SUMMARY REPORT DIGEST**

**NORTHERN ILLINOIS UNIVERSITY**

Single Audit and State Compliance Examination  
 For the Year Ended June 30, 2014

Release Date: March 26, 2015

FINDINGS THIS AUDIT: 9	New	Repeat	Total	AGING SCHEDULE OF REPEATED FINDINGS			
				Repeated Since	Category 1	Category 2	Category 3
<b>Category 1:</b>	<b>0</b>	<b>1</b>	<b>1</b>	2012		14-6	
<b>Category 2:</b>	<b>6</b>	<b>2</b>	<b>8</b>	2011	<b>14-1</b>		
<b>Category 3:</b>	<b>0</b>	<b>0</b>	<b>0</b>	2005		14-3	
<b>TOTAL</b>	<b>6</b>	<b>3</b>	<b>9</b>				
<b>FINDINGS LAST AUDIT: 9</b>							

**INTRODUCTION**

This digest covers our Single Audit and Compliance Examination of Northern Illinois University for the year ended June 30, 2014. A separate Financial Audit as of and for the year ending June 30, 2014, was previously released on February 11, 2015. In total, this report contains 9 findings, one of which was reported in the Financial Audit.

**SYNOPSIS**

- (14-2) The University's process to evaluate its compliance with the Fiscal Control and Internal Auditing Act was not adequate.
- (14-5) The University submitted incomplete TA-2 forms to the Legislative Audit Commission and also improperly reimbursed an employee for travel to and from headquarters.
- (14-6) The University's internal controls over contract approvals and the inclusion of required certifications is inadequate.

**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.

{Financial data is summarized on the next page.}

**NORTHERN ILLINOIS UNIVERSITY**  
**COMPLIANCE EXAMINATION AND SINGLE AUDIT**  
**For the Year Ended June 30, 2014**

<b>COMPARATIVE SCHEDULE OF INCOME FUND REVENUES AND EXPENSES</b>	<b>FY 2014</b>	<b>FY 2013</b>
<b>INCOME FUND REVENUES</b>		
Tuition, net of waivers.....	\$ 149,997,163	\$ 146,735,608
Material fees.....	7,948,370	7,483,316
Other.....	1,955,274	2,015,114
Total Revenues.....	<u>\$ 159,900,807</u>	<u>\$ 156,234,038</u>
<b>INCOME FUND EXPENSES</b>		
Personal services.....	\$ 89,284,746	\$ 86,994,444
FICA/Medicare.....	2,386,535	2,354,085
Contractual services.....	34,670,280	35,379,192
Travel.....	1,420,249	1,177,246
Commodities.....	2,817,444	2,206,490
Awards/grants and matching funds.....	7,516,421	14,450,499
Equipment and library books.....	20,634,840	9,180,657
Telecommunications.....	522,708	1,325,899
Automotive.....	644,207	588,812
Capital repairs and permanent improvements.....	1,253,785	3,589,988
CMS health insurance.....	1,204,000	1,204,000
Unemployment compensation benefits.....	63,228	65,220
Total Expenses.....	<u>\$ 162,418,443</u>	<u>\$ 158,516,532</u>
<b>EMPLOYMENT STATISTICS (UNAUDITED)</b>		
	<b>FY 2014</b>	<b>FY 2013</b>
Faculty and Administrative.....	2,335	2,381
Civil Service.....	1,461	1,454
Student Employees.....	435	519
Miscellaneous contracts.....	201	195
Total Employees.....	<u>4,432</u>	<u>4,549</u>
<b>ENROLLMENT STATISTICS (UNAUDITED)</b>		
	<b>FY 2014</b>	<b>FY 2013</b>
Fall term enrollment.....	17,511	18,238
Spring term enrollment.....	15,862	16,603
<b>PRESIDENT</b>		
During Examination Period and Current: Dr. Douglas D. Baker		

**FINDINGS, CONCLUSIONS, AND  
RECOMMENDATIONS**

**FAILURE TO COMPLY WITH THE FISCAL  
CONTROL AND INTERNAL AUDITING ACT**

The University did not comply with the internal control evaluation guidelines established by the Illinois Comptroller.

To evaluate its compliance with the Fiscal Control and Internal Auditing Act (Act), the University sends out evaluation forms to vice presidents of key departments for completion. These forms contain compliance attributes and the vice presidents are to indicate if their department is in compliance with the attribute, partial compliance, or complete non-compliance.

If a department is not in compliance or is only in partial compliance, the form is to be returned with an explanation of the compliance issue and the corrective action being taken. These forms are returned to a reviewer who determines the University's overall compliance with the Act based on the responses.

During our testing of this process we noted:

**3 of the 10 evaluation forms not returned**

- Three of the ten evaluation forms sent to the vice presidents were not returned.
- One of the returned evaluation forms indicated that the department was only in partial compliance with 18 of the 25 attributes and no explanation was provided for the corrective action being taken.
- One of the returned evaluation forms indicated that the department was only in partial compliance with 1 of the 25 attributes and no explanation was provided for the cause of the non-compliance or the corrective action being taken.

**Lack of documentation to support any follow-up procedures**

There was no documentation to support whether the reviewer performed follow-up procedures to determine how the University's overall compliance with the Act was impacted by the departments that indicated they were in partial compliance or by the departments that did not return evaluation forms. (Finding 2, pages 16-17).

We recommended the University revise its control procedures over the review of the individual departments' certifications so that all certifications are completed and all indications of non-compliance are fully assessed and documented prior to the University's annual certification as a whole to the Office of the Auditor General.

**University agrees with the auditors**

University officials agreed with the finding and recommendation and stated they will review its control procedures over the certification process and modify as necessary.

**NEED TO PROPERLY COMPLETE TA-2 FORMS**

The University submitted incomplete TA-2 forms to the Legislative Audit Commission (Commission) and improperly reimbursed an employee for travel to and from headquarters.

TA-2 forms are filed semi-annually with the Commission to report when the official headquarters of an employee differs from the location the employee performs most of his/her official duties and the reason for the difference. The University has each of its departments complete a TA-2 form listing the employees within the department meeting the criterion for filing with the Commission.

**Reasons were not specified on the TA-2 form for the official headquarters of an employee**

Out of the 25 TA-2 forms tested, we noted two forms for the same employee did not specify the reason the employee's official headquarters differed from where the employee performed the majority of their official duties and also did not include the last four digits of the employee's social security number.

**\$31,945 of travel expenses should not have been reimbursed to this employee**

During our testing of travel expenditures we noted that \$31,945 of the \$46,501 tested were reimbursements to the above mentioned employee for travel between the employee's home and the official headquarters listed on the TA-2 forms. Travel expenses between an employee's official headquarters and home are not reimbursable. (Finding 5, pages 20-21)

We recommended the University implement procedures so that all required fields of the TA-2 forms are accurately completed prior to the filing of the forms with the Commission. Further, we recommended the University recoup unreimbursable travel expenses from the employee.

**University agrees with the auditors**

University officials agreed with the finding and recommendation and stated they will review its procedures and communication process to ensure TA-2 forms are completed accurately. The University also stated that they will review the circumstances surrounding the employee and evaluate the necessity of recouping any unreimbursable travel expenses that have been paid to the employee.

## INCOMPLETE DOCUMENTATION IN CONTRACTS

### Need to improve controls over contracts

The University has not established adequate internal controls over contracts to ensure that they are approved prior to performance and contain all necessary certifications. During our review of 66 contracts executed during the year ending June 30, 2014 totaling \$71,566,183 we noted the following:

### 15 contracts not approved prior to performance

- 15 of the contracts were not approved prior to performance.
- 3 of the contracts were missing one or more certifications. (Finding 6, pages 22-23) **This finding was first reported in 2012.**

We recommended the University implement appropriate procedures so that contracts are properly approved prior to performance and include all required certifications.

### University agrees with the auditors

University officials agreed with the finding and recommendation and stated they are developing methods of contract review and signatory approval that will address the timeliness of approvals. (*For the previous University response, see Digest Footnote #1.*)

## OTHER FINDINGS

The remaining findings are reportedly being given attention by University officials. We will review progress toward implementation of our recommendations in our next audit.

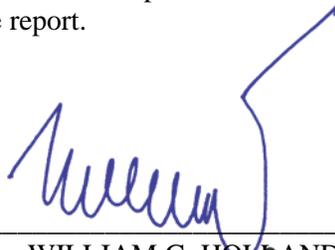
## AUDITOR'S OPINION

The financial audit report was previously released. The auditors stated the financial statements of Northern Illinois University as of and for the year ended June 30, 2014, are fairly stated in all material respects.

The auditors also conducted a Single Audit of the University as required by OMB Circular A-133. 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 each of the University's major federal programs for the year ended June 30, 2014.

## **ACCOUNTANT'S OPINION**

The accountants conducted a compliance examination of the University for the year ended June 30, 2014, 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.



---

WILLIAM G. HOLLAND  
Auditor General

WGH:TLK

## **SPECIAL ASSISTANT AUDITORS**

Our Special Assistant Auditors for this engagement were McGladrey.

## **DIGEST FOOTNOTES**

**#1 – Incomplete Documentation in Contracts**  
2013: The University agrees.