

REPORT DIGEST

**NORTHERN ILLINOIS UNIVERSITY
FINANCIAL AND COMPLIANCE AUDIT
(In accordance with the Federal Single Audit
Act of 1984 and OMB Circular A-133)
For the year ended June 30, 1994**

{Expenditures and Activity Measures are summarized on the reverse page.}

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

COMPLIANCE REPORT

UNCOLLATERALIZED BANK DEPOSITS

The University maintained accounts at banks that did not provide sufficient collateral to cover deposits that exceeded Federal deposit insurance limitations.

We tested thirteen bank accounts maintained by the University and noted five different times when their bank balances exceeded the Federal deposit insurance limitation of \$100,000. The excess uncollateralized amounts ranged from \$3,143 to \$643,565 for the audit period. (Finding 1, page 7)

University officials agreed with our finding and recommendation to eliminate uncollateralized balances. They said the last steps have been taken to monitor the account balances on a routine basis. They also said the University accounts had all been collateralized from December 9, 1993 through June 30, 1994.

FAILURE TO FILE GAAP REPORT TIMELY

The University failed to file its GAAP Reporting Package within the deadline stipulated by the Comptroller's Uniform Accounting System (CUSAS).

In both Fiscal years 1993 and 1994, the University did not file its GAAP Reporting Package until the first week in November. Per CUSAS, the University is required to file its GAAP Reporting Package with the Comptroller's Office by October 15th of each year. The late filings of the GAAP package also delayed the timely completion of the audited financial statements as required by the University's Revenue Bond indenture. The Revenue Bond requires the University to have audited financial statements available for review within 120 days of its year-end.

We also noted several deficiencies and inefficiencies in the accounting department which contributed to delays in the financial reporting process. (Finding 2, page 8)

University officials concurred with our finding and recommendation to allocate sufficient staff and resources towards the preparation of the GAAP Reporting Package.

IMPROPER ISSUANCE OF PERSONAL TRAVEL ADVANCES

The University continued to issue travel advances to individuals contrary to the Legislative Audit Commission's (LAC) recommendation that personal travel advances should not be given.

The University's policy continued to permit the issuance of temporary advances to employees who are required to travel on University business.

Through an audit of the Northern Illinois University Foundation (Foundation), we noted a request that a \$10,000 fund be established by the Foundation to loan money to University

employees for travel advances. However, the LAC has taken the position that advances should be issued for group travel only and not for individual travel. Therefore, the establishment of this fund would circumvent the Legislative Audit Commission's recommendation on travel advances. **This Finding has been repeated since 1986.** (Finding 6, page 13)

University officials accepted our recommendation to discontinue issuing travel advances. They said the Foundation account was closed to any further travel advance activity. They also said it should be noted that only one travel advance had been issued since the Foundation account was closed. (For previous agency responses, see Digest Footnote 1.)

CONTRACTOR CERTIFICATION NOT REQUESTED

The University did not require nonbid contractors to certify that they or their close relatives are not State employees. In our testing of contracts, we noted 12 of the 25 contracts tested were nonbid contracts. None of these 12 nonbid contracts contained a certification that indicated the contractor was not being paid as a State employee.

The Illinois Purchasing Act prohibits a person employed by the State to have or acquire any State contract, unless an exemption has been obtained from the Governor. As a prudent business practice, the University should include a certification by the vendor on this point for its nonbid contracts. (Finding Code No. 94-1)

The University did not concur with our recommendation, and stated it did not wish to create an additional burden in its nonbid contract process by requiring an unnecessary certification.

INADEQUATE CONTROLS OVER FACULTY SABBATICAL LEAVE

The University's controls over sabbatical leave for its faculty continue to be inadequate.

Eleven out of 57 sabbatical leave reports were not submitted to the Provost-Personnel Office. In addition, another 24 out of the 57 reports were not submitted within the University's 60-day requirement.

The University's Constitution and Bylaws require faculty members returning from sabbatical leave to submit a written report describing the scholarly activity within 60 days following resumption of their regular duties. (Finding 12, page 19)

University officials agreed with our finding and recommendation to better control sabbatical leaves. They stated that a procedure had been implemented requiring follow-up letters to be sent to sabbatical leave participants who have not submitted their reports.

OTHER FINDINGS

The remaining findings are less significant and have been given appropriate attention by the University. We will review the University's progress towards the implementation of our recommendations in our next compliance audit.

Mr. Douglas J. Moore, Controller, provided the University's responses.

AUDITOR'S OPINION

Our auditor state that the financial statements of Northern Illinois University at June 30, 1994 are fairly presented.

WILLIAM G. HOLLAND, Auditor General

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SUMMARY OF AUDIT FINDINGS

Number of Current Audit Prior Audit

Audit findings 2425

Repeated audit findings 1411

Prior recommendations implemented
or not repeated 1117

SPECIAL ASSISTANT AUDITORS

Arthur Andersen & Co. were our special assistant auditors for this audit.

DIGEST FOOTNOTES

#1: IMPROPER ISSUANCE OF PERSONAL TRAVEL ADVANCES - Previous University Responses.

*1993:"The University concurs with this recommendation and will discontinue issuing travel advances to individuals on March 1, 1994. The University will continue to issue advances for group travel as allowed by the Legislative Audit Commission."

1992:"In July of 1991, the University revised its travel advance policies and all but eliminated personal travel advances. Travel advances are issued for group travel or travel by students participating in events where travel is supported by University funds."

1990:"Effective July 1, 1991, the University will eliminate the issuance of travel advances for individual travel by its employees. Following the position of the Legislative Audit Commission, the University will continue to issue travel advances for group travel by the athletic teams and for students participating in events where travel is supported by University funds."

1988:"The University does not concur with this recommendation because it disagrees with the Auditor General's interpretation that travel advances are illegal. However, the University has substantially reduced the number of travel advances since fiscal year 1986. In addition, employees are now eligible to participate in corporate card programs offered through American Express and Diners Club. The use of the corporate cards reduces the need for cash advances by individuals. This has resulted in the bulk of the remaining travel advances being issued for group travel, not trips by individuals."

1986:"The University disagrees with this recommendation because it does not agree with the Auditor General's interpretation that travel advances are illegal. However, the University has taken steps to reduce the use of travel advances as much as possible. One such step is the implementation of an American Express Corporate Card system. Since the program's implementation, there has been a 20% reduction in travel advances from fiscal year 1985 to fiscal year 1986 as the result of the recent adoption of this program. In addition, the University expects to be able to limit advances to less than one-half of the current level within the next twelve months."

*Note: Beginning in fiscal year 1993, financial and compliance Single Audits are conducted annually.

NORTHERN ILLINOIS UNIVERSITY
 FINANCIAL AND COMPLIANCE AUDIT
 For The Two Years Ended June 30, 1994 (in Thousands)

FINANCIAL OPERATIONS (CURRENT FUNDS)	FY 1994	FY 1993
REVENUES		
Appropriations	\$ 88,348	\$ 84,929
Student tuition and fees	54,788	52,146
Grants, contracts, and gifts	22,358	22,451
Sales and services of educational departments	11,859	10,179
Auxiliary enterprises	45,994	47,137
Other	<u>941</u>	<u>709</u>
TOTAL	<u>\$ 224,288</u>	<u>\$ 217,551</u>
EXPENDITURES AND MANDATORY TRANSFERS		
Instruction	\$ 79,994	\$ 75,256
Research	9,834	9,500
Public service	7,856	7,186
Academic support	19,265	18,286
Student services	9,138	8,608
Institutional support	14,004	13,611
Operation of plant	13,847	13,840
Staff benefits	7,864	8,178
Scholarships and fellowships	14,635	14,955
Auxiliary enterprises	44,022	42,964
Mandatory transfers	<u>7,560</u>	<u>7,052</u>
Total	<u>\$ 228,019</u>	<u>\$ 219,436</u>
ACCOUNT BALANCES (ALL FUNDS)	FY 1994*	FY 1993
Cash and short-term investments	\$ 15,415	\$ 20,550
Investments	\$ 19,004	\$ 23,435
Buildings, land, and equipment	\$ 367,471	\$ 322,203
Accrued compensated absences	\$ 21,022	\$ 18,694
Revenue bonds payable	\$ 47,180	\$ 47,474
Fund balances (deficit)		
Unrestricted	\$ (4,716)	\$ (2,958)
Restricted	\$ 2,152	\$ 1,278
U.S. government advances refundable	\$ 5,584	\$ 4,622
Net investment in Plant	\$ 304,980	\$ 258,218
SUPPLEMENTARY INFORMATION (In whole numbers)	FY 1994	FY 1993
<u>Employment Statistics</u>		
Appropriated funds:		
Faculty/administrative	1,537	1,579
Civil services	1,110	1,125
Student employees	157	168
Nonappropriated funds:		
Faculty/administrative	332	307
Civil services	631	624
Student employees	475	468
Total Employees	4,242	4,271
<u>Selected Activity Measures</u>		
Annual full-time equivalent students - undergraduate	14,580	15,365
Annual full-time equivalent students - graduate	3,001	3,155
Full-time equivalent cost per student	\$2,969	\$2,729
Classroom Utilization - maximum	62.5%	66.2%
UNIVERSITY PRESIDENT		
During Audit Period: Dr. John E. LaTourette		
Currently: Dr. John E. LaTourette		
*Includes the University Foundation		