

NORTHERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois

Report Required Under
Government Auditing Standards

For the Year Ended June 30, 2022

Performed as Special Assistant Auditors for
the Auditor General, State of Illinois



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NORTHERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
Government Auditing Standards Report
For the Year Ended June 30, 2022

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NORTHERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
Government Auditing Standards Report
For the Year Ended June 30, 2022

NORTHERN ILLINOIS UNIVERSITY

UNIVERSITY OFFICIALS

President	Dr. Lisa C. Freeman
Executive Vice President and Provost	Beth Ingram
Vice President for Administration and Finance and Chief Financial Officer (July 1, 2021 through April 20, 2022) Interim (from May 1, 2022 through December 15, 2022)	Sarah Chinniah Dr. James Cofer
Vice President for Administration and Finance and Chief Financial Officer (from January 17, 2023)	Dr. George Middlemist
Vice President for Research and Innovation Partnerships	Gerald Blazey
Vice President and General Counsel	Bryan Perry
Vice President for Enrollment Management, Marketing and Communications	Sol Jensen
Vice President for Outreach, Engagement and Regional Development	Rena Cotsones
Vice President for University Advancement	Catherine Squires
Director of Internal Audit	Danielle Schultz

FINANCIAL STAFF

Associate Vice President for Finance and Treasury Controller Deputy Controller Financial Reporting Manager	Shyree Sanan Jason Askin Greg Martyn Kathy Marshall
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NIU BOARD MEMBERS

Chair	Eric Wasowicz
Vice Chair	Rita Athas
Secretary	Montel Gayles
Trustees	Bob Pritchard John R. Butler Dennis Barsema Veronica Herrero
Student Trustee	Jacob Sommer

NIU Office is located at:

300 Altgeld Hall
DeKalb, Illinois 60115

NORTHERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
***Government Auditing Standards* Report**
For the Year Ended June 30, 2022

Summary

The audit of the financial statements of Northern Illinois University (the University) was performed by CliftonLarsonAllen LLP in accordance with *Government Auditing Standards*. This report is an integral part of that audit.

Based on their audit and the reports of other auditors, the auditors expressed unmodified opinions on the University's basic financial statements.

Exit Conference

The University waived an exit conference in correspondence from Jason Askin, Controller, on January 18, 2023. The responses to the recommendations were provided by Jason Askin, Controller, in correspondence dated January 18, 2023.



**INDEPENDENT AUDITORS' REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Frank J. Mautino
Auditor General, State of Illinois
and
Board of Trustees
Northern Illinois University

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, fiduciary activities, and the aggregate discretely presented component units of Northern Illinois University (University), collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and we have issued our report thereon dated January 25, 2023.

Our report includes a reference to other auditors who audited the financial statements of the aggregate discretely presented component units, as described in our report on the University's financial statements. The financial statements of the Northern Illinois University Foundation and the Northern Illinois Research Foundation, component units of the University, were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control or compliance and other matters associated with these component units.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings as items 2022-001 and 2022-002, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

Honorable Frank J. Mautino
Auditor General, State of Illinois
and
Board of Trustees
Northern Illinois University

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as item 2022-001 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as item 2022-002 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as item 2022-001.

University's Responses to the Findings

Government Auditing Standards requires the auditor to perform limited procedures on the University's responses to the findings identified in our audit and described in the accompanying Schedule of Findings. The University's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

CliftonLarsonAllen LLP

Oak Brook, Illinois
January 25, 2023

NORTHERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS
For the Year Ended June 30, 2022

Finding 2022-001 Inadequate Internal Controls over Census Data

Northern Illinois University (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 the 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 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:

- 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.
- 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 31 instances of an active employee becoming inactive and 1 instance of an active employee becoming retired were reported to SURS after the close of the fiscal year in which the event occurred.
- During detail testing, we noted 1 of 30 (3%) members tested had their birth date reported to SURS incorrectly, which was off by 10 years.

NORTHERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS
For the Year Ended June 30, 2022

We provided SURS' actuary and CMS' actuary with the exceptions we identified during our testing, along with the results of census data testing at the State Employees Retirement System of Illinois, and determined the net effect of these errors, along with the errors of other plan participants, was immaterial to SURS' and CMS' pension and OPEB-related balances and activity at the plans during Fiscal Year 2021.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds applicable to operations are properly recorded and accounted for to permit the preparation of reliable financial reports and to maintain accountability over the State's resources.

University officials indicated the base year reconciliation process was not established until Fiscal Year 2021, which is currently being performed by University staff. In addition, they indicated the late reported events were due to a staffing shortage during its year-end peak time. Finally, they indicated the incorrect birth date appeared to be an isolated data entry error.

Failure to ensure complete and accurate census data was reported to SURS reduces the overall reliability of pension and OPEB-related balances and activity reported in the University's financial statements, the financial statements of other employers within both plans, and the State of Illinois' Annual Comprehensive Financial Report. (Finding Code No. 2022-001, 2021-001, 2020-001)

Recommendation

We recommend 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. 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. 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.

Further, we recommend the University ensure all events occurring within a census data accumulation year are timely and accurately reported to SURS so these events can be incorporated into the census data provided to SURS' actuary and CMS' actuary.

University Response

Accepted. The University currently has real time processes and procedures in place for processing certifications, changes, and terminations in the SURS and CMS systems. The University has established a corrective action plan to address the audit recommendation and has prioritized its full implementation during the current fiscal year.

NORTHERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS
For the Year Ended June 30, 2022

Finding 2022-002 Inadequate Internal Controls over Revenue Recognition

Northern Illinois University (University) did not have adequate internal controls over the recognition of revenue and unearned revenue during the fiscal year ended June 30, 2022.

The University did not properly recognize unearned revenues earned during the year from the sale of tickets and facility rental agreements related to athletic events. The effect of this misstatement in the University's financial statements was an overstatement of current liabilities of \$733,160 and an understatement of auxiliary revenue of \$836,705 with an offsetting understatement of expenses of \$103,545. The University posted an audit adjustment to correct these errors in its financial statements as of June 30, 2022.

GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, paragraph 16, states revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions should be recognized when the exchange takes place.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, paragraph 23, states revenue from exchange transactions generally should be recognized when an exchange, in the ordinary course of operations, is effected unless the circumstances are such that the collection of the exchange price is not reasonably assured. Accordingly, revenues from exchange transactions should generally be accounted for at the time a transaction is completed, with appropriate provision for uncollectible accounts.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University establish and maintain a system, or systems, of internal fiscal and administrative controls. Effective internal controls should include procedures to ensure adherence to accounting principles generally accepted in the United States of America and the appropriate presentation of revenue amounts reported in the University's financial statements.

University officials stated this error was isolated to athletics unearned revenue and occurred due to oversight caused by turnover within the athletics department.

The failure to properly recognize revenue in the proper period could result in material misstatement in the University's financial statements. (Finding Code No. 2022-002)

Recommendation

We recommend the University implement controls to ensure unearned revenue is properly recognized as it is earned in accordance with accounting standards.

University Response

Accepted. The University has internal controls to ensure that revenue is properly recognized as it is earned in accordance with generally accepted accounting principles. This was an isolated and immaterial error related to athletics unearned revenue. The University will retrain department staff to ensure that unearned revenue is appropriately reconciled and recognized in accordance with generally accepted accounting principles.

**NORTHERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
PRIOR YEAR FINDINGS NOT REPEATED
For the Year Ended June 30, 2022**

None noted.



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