

LEGISLATIVE
AUDIT
COMMISSION



Review of
Northern Illinois University
Year Ended June 30, 1999

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REVIEW: 4126
NORTHERN ILLINOIS UNIVERSITY
YEAR ENDED JUNE 30, 1999

FINDINGS/RECOMMENDATIONS - 5

ACCEPTED - 1
IMPLEMENTED - 4

REPEATED RECOMMENDATIONS - 0

PRIOR AUDIT FINDINGS/RECOMMENDATIONS - 2

This review summarizes the audit of Northern Illinois University for the year ended June 30, 1999, filed with the Legislative Audit Commission March 21, 2000. The auditors performed a financial and compliance audit in accordance with State law and the requirements of the federal Single Audit Act and OMB Circular A-133. The auditors stated that the financial statements were fairly presented.

Northern Illinois University was founded as a State teachers' school in 1895, and obtained university status in 1957. The University acquired a law school in 1978, and an engineering program in 1985. The University's main campus is located in DeKalb, Illinois, with other Education Centers in Rockford, Hoffman Estates and Naperville. Since January 1, 1996, Northern Illinois University has operated under its own board of trustees.

Dr. John E. LaTourette was the President of the University during the audit period. Dr. John G. Peters became President of the University in June 2000. Dr. Peters has no previous association with NIU.

General Information

Following is a comparative summary of gross assets of the University at the dates indicated:

	1999	1998
Current Funds -		
Unrestricted	\$ 43,281,000	\$ 30,842,000
Restricted	4,188,000	3,555,000
Loan Funds	7,645,000	7,460,000
Endowment Funds	846,000	473,000
Plant Funds	520,899,000	513,230,000
Agency Funds	225,000	134,000
TOTAL	\$ 577,084,000	\$ 555,694,000

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Information on full-time equivalent employees by function is as follows:

	1999	1998
Faculty/administrative	1,946	1,919
Civil service	1,618	1,587
Student employees	621	561
Miscellaneous	49	29
Total	4,234	4,096

Full-time equivalent student enrollment, including undergraduate, graduate, and professional, and average cost per full-time equivalent student, was as follows at the beginning of the school year:

	FY99	FY98
Full-time equivalent students	17,928	17,517
Cost per FTE student	\$ 7,378	\$ 7,032

Expenditures From Appropriations and The Income Fund

Appendix A presents a summary of expenditures from appropriations and the Income Fund for FY99 and FY98. The General Assembly appropriated a total of \$101,459,800 in FY99. Total expenditures in FY99 equaled \$101,032,475, compared to \$96,971,100 in FY98, an increase of \$4,061,375, or 4.2%. The University spent an additional \$49.7 million from \$51 million received through the Income Fund. Most of the increase in expenditures from appropriated funds in FY99 compared to FY98 was related to the increase in the number of personnel.

Accrued Vacation and Sick Pay

Northern Illinois University's liability, as of June 30, 1999, for accrued vacation was \$9,436,720 as compared to \$8,781,873 one year earlier. As of June 30, 1999, the liability for sick leave totaled \$16,075,921, compared to \$16,931,133 one year earlier. This represents an increase of 7.5% in the liability for accrued vacation, and 5% decrease for accrued sick pay over the liability one year earlier. As a result of recording the University's liability for vested sick and vacation pay, the University had a deficit fund balance in its current unrestricted funds of \$6.4 million as of June 30, 1999. This deficit will be refunded through future appropriations as the terminating employees leave the University.

Current Income and Expenditures

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The table appearing in Appendix B presents a summary of current income and expenditures for the years ended June 30, 1999 and 1998. Total revenues as of June 30, 1999 were \$300,100,000, compared to \$287,061,000 as of June 30, 1998. The following chart shows revenues by source for FY99:

Revenues	FY99
State Appropriations	43.2%
Tuition and Fees	22.9
Federal Grants and Contracts	7.6
Auxiliary Enterprises	18.9
Sales & Services Educational Activities	2.3
Other, Private Gifts, Investment Income	5.1

Expenditures and mandatory transfers increased from \$281,393,000 in FY98 to \$296,678,000 in FY99. The following chart indicates expenditures by type for FY99:

Expenditures	FY99
Instruction	31.9%
Research	3.6
Academic Support	7.8
Staff Benefits	10.1
Auxiliary Enterprises	19.5
Plant	5.5
Student Aid	7.5
Institutional Support	6.4
Other	7.7

The above "Other" category consists of public service, student services, and transfers.

Accounts Receivable

The University's accounts receivable, excluding student loans, totaled \$15,890,761, as of June 30, 1999, with an allowance for doubtful accounts of \$3,615,453, resulting in a net of \$12,275,308. One year earlier the gross accounts receivable totaled \$13,673,320, with an allowance for doubtful accounts of \$2,909,909, resulting in a net amount of \$10,764,021. Thus the University's accounts receivable, both gross and net, have increased in the last year. Current funds accounts receivable consists primarily of amounts due from students (\$9.9 million), other agencies (\$4 million), and interest.

Property and Equipment

Appendix C summarizes the changes in property and equipment for FY99 and FY98. The FY99 ending balance was \$2.0 million more, or .4% higher than the beginning balance in FY99. The \$470.3 million in property and equipment is comprised of \$44.2 million in land and

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land improvements; \$256 million in buildings; \$163.9 million in equipment; and \$6.2 million in construction in progress.

Foundation Payments to the University

Appendix D summarizes funds provided by and to Northern Illinois University Foundation during FY99 and FY98. During FY99, the University engaged the Northern Illinois University Foundation under contract to provide fund-raising services. The University paid or provided services to the Foundation totaling \$578,992 during FY99. As required by the contract, the Foundation fully repaid the University. Total funds provided by the Foundation to the University equaled \$5,972,823, compared to \$3,805,207 in FY98.

The Foundation handles all activities and administers all funds of the Northern Illinois University Alumni Association, which is a separate legal entity. \$160,927 of the total given to the University by the Foundation in FY99 came from the Alumni Association.

Tuition and Fee Waivers

During FY99, Northern Illinois University granted \$10,969,155 in tuition and fee waivers compared to \$10,779,000 in FY98. Appendix E provides a summary of the tuition and fee waivers granted in FY99.

Accountants' Findings and Recommendations

Condensed below are the five findings and recommendations presented in the audit report. There were no findings repeated from prior audits. The following recommendations are classified on the basis of information provided by Kathe M. Shinham, Associate Vice President for Finance and Facilities, Northern Illinois University, in a letter dated October 17, 2000.

Accepted

4. Continue efforts to fully implement the recommendations made in the Management Audit of Tuition and Fee Waivers.

Findings: The University had not fully implemented the recommendations made in the Management Audit of Tuition and Fee Waivers (released in April 1998). The University had not developed a comprehensive policy in tuition waivers including a process for determining the total waivers to be awarded and the process for allocating waivers within the University and the responsibility for recordkeeping of units involved in awarding waivers. Also missing

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were policies on ROTC waivers, a specific cut-off date, and a checklist on waivers. No internal audits of waivers were performed during FY99.

Complete written records are necessary since waivers were \$10.9 million, or 18% of graduate and undergraduate tuition revenues at the University in FY99.

Response: Accepted. The University has redrafted and modified policies and procedures for all waivers to provide a standard format which incorporates the elements outlined by the Auditor General. Each individual waiver policy has been specifically reviewed and approved by the appropriate vice president.

Additionally, the University has expanded global Tuition and Fee Waiver Policy to incorporate suggestions made by the auditors. This policy, which has been approved by President Peters, requires all waiver programs to be consistent with Illinois Statutes, Guidelines issued by IBHE, and Board of Trustee Regulations.

NIU has also developed a new report to facilitate management of waivers which is routinely distributed to departments administering each waiver type. This allows departments to verify actual waivers applied to students' accounts.

Implemented

1. **Submit federal reimbursement reports timely to ensure that funds are received promptly. (Federal)**

Findings: Four monthly federal reimbursement reports submitted for two contracts tested were submitted 10 to 15 days late.

Response: Implemented. The University has taken actions to ensure federal reimbursement reports are submitted when due.

2. **Perform bank reconciliations in a timely manner and review and approve their preparation to ensure that reconciling items are appropriately addressed and promptly investigated.**

Findings: The University failed to perform timely bank reconciliations on seven major bank accounts recorded in one general ledger account. The reconciliations prepared were also not reviewed and approved timely. Average monthly receipts and disbursements in these accounts, which included interbank transfers, were approximately \$61 million.

University officials stated that the reconciliations were not timely prepared because accounting staff were involved in activities related to the conversion to the new accounting system.

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Response: Implemented. Reconciliations are now completed within 30 days of bank statement receipt.

3. Establish procedures to ensure that the annual report is submitted as required by State law.

Implemented - concluded

Findings: The University did not submit annual reports in FY99 or FY98 to the Governor by November 15th as required by law.

Response: Implemented. The University has implemented procedures to ensure this requirement is met.

5. Develop formal policies and procedures for the review of unemployment benefit activity that includes protesting all cases of potential ineligibility, review of quarterly charge statements for accuracy, and timely response of IDES requests for information.

Findings: The University's failure to develop adequate controls over the review of the unemployment benefit claims and payments has resulted in questionable unemployment benefits being paid.

During the audit period, 22 former/current employees received \$33,047 in unemployment benefits. The following problems were noted in the review of 20 of the 22 benefit recipients:

- In 6 of 20 cases, the University failed to protest potentially ineligible unemployment claims. Three individuals resigned their employment; two individuals were filing for benefits between academic terms; and one individual was fired.
- In 4 of 20 cases, individuals received vacation payments.
- In 1 case, the individuals continued to work at the University while receiving unemployment benefits.
- In 2 of 20 cases, the University lacked documentation, such as leave dates, to evaluate the appropriateness of the benefits paid.

The University pays 20% of the unemployment benefits while the State pays 80%.

Response: Implemented. The University has documented policies and procedures which facilitate compliance with IDES requirements.

Emergency Purchases

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The Illinois Purchasing Act (30 ILCS 505/1) states, "The principle of competitive bidding and economical procurement practices shall be applicable to all purchases and contracts..." The law also recognizes that there will be emergency situations when it will be impossible to conduct bidding. It provides a general exemption for emergencies "involving public health, public safety, or where immediate expenditure is necessary for repairs to State property in order to protect against further loss of or damage ... prevent or minimize serious disruption in State services or to insure the integrity of State records. The chief procurement officer may promulgate rules extending the circumstances by which a purchasing agency may make "quick purchases", including but not limited to items available at a discount for a limited period of time.

State agencies are required to file an affidavit with the Auditor General for emergency procurements that are an exception to the competitive bidding requirements per the Illinois Purchasing Act. The affidavit is to set forth the circumstance requiring the emergency purchase. The Commission receives quarterly reports of all emergency purchases from the Office of the Auditor General. The Legislative Audit Commission is directed to review the purchases and to comment on abuses of the exemption.

During FY99 the University filed one affidavit for an emergency purchase totaling \$40,000 to honor a grant for testing pre-high school students.

Headquarters Designations

The State Finance Act requires all State agencies to make semiannual headquarters reports to the Legislative Audit Commission. Each State agency is required to file reports of all of its officers and employees for whom official headquarters have been designated at any location other than that at which their official duties require them to spend the largest part of their working time. Northern Illinois University indicated as of July 1999, the University had 47 employees assigned to locations other than official headquarters.

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APPENDIX A

Summary of Appropriations and Expenditures and the Income Fund

Appropriations	FY99	FY98
General Revenue Fund	\$ 89,204,400	\$ 85,187,100
Educational Assistance Fund	12,255,400	11,784,000
TOTAL APPROPRIATIONS	\$ 101,459,800	\$ 96,971,100
 Expenditures		
General Revenue Fund		
Personal services	75,773,600	\$ 72,369,100
Medicare	382,300	356,700
Contractual services	6,419,000	6,281,800
Travel	581,000	581,000
Commodities	1,778,500	1,778,500
Equipment	2,122,700	2,122,700
Telecommunications	770,200	770,200
Operate auto equipment	161,100	161,100
Awards, grants, & matching funds	198,375	175,700
Permanent improvements	590,300	590,300
Total General Revenue Fund	88,777,075	85,187,100
 Education Assistance Fund		
Personal services	8,524,500	8,524,500
Contractual services	1,636,500.0	1,636,500.0
Commodities	170,400.0	170,400.0
Equipment	1,475,500	1,279,100
Capital improvements	448,500	173,500
Total Education Assistance Fund	12,255,400	11,784,000
TOTAL EXPENDITURES FROM APPROPRIATIONS	101,032,475	96,971,100
 Income Fund		
Personal services	29,075,042	28,764,389
Medicare	743,197	968,860
Contractual services	10,802,126	9,524,215
Travel	722,913	463,910
Commodities	817,711	839,856
Awards, grants & matching funds	892,949	185,336
Institutional Support	9,711	-
Equipment & library books	4,306,284	3,133,481
Telecommunications	581,196	558,213
Automotive	141,785	153,005
Capital repairs & permanent improvements	1,593,128	535,636
Unemployment compensation benefits	7310	-
Total Income Fund	\$ 49,693,352	\$ 45,126,901

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APPENDIX B

Current Funds
Summary of Revenues, Expenditures and Other Changes

Revenues	<u>FY99</u>	<u>FY98</u>
Educational & general:		
Tuition & Fees	\$ 68,593,000	64,969,000
State Appropriations	129,510,000	123,237,000
Federal & State grants & other contracts	22,806,000	20,256,000
Private gifts, grants & contracts	4,345,000	4,685,000
Sales & services of educational activities	6,967,000	13,963,000
Investment income	482,000	1,210,000
Other sources	10,752,000	3,635,000
Auxilliary enterprises	<u>56,645,000</u>	<u>55,106,000</u>
Total Revenues	<u>300,100,000</u>	<u>287,061,000</u>
<u>Expenditures & Mandatory Transfers</u>		
Educational & general		
Instruction	94,855,000	89,763,000
Research	10,707,000	10,537,000
Public service	10,586,000	9,534,000
Academic support	23,333,000	22,129,000
Student services	10,096,000	10,143,000
Operation & maintenance of plant	16,250,000	15,623,000
Institutional support	18,937,000	17,975,000
Staff benefits	30,072,000	28,005,000
Student aid	22,267,000	19,454,000
Retirement & Student Loans	<u>1,835,000</u>	<u>1,535,000</u>
Total educational & general	<u>238,938,000</u>	<u>224,698,000</u>
Auxiliary enterprise expenditures	<u>57,740,000</u>	<u>56,695,000</u>
Other additions (deductions)	2,026,000	(2,820,000)
Net increase (decrease) in Fund Balance	<u>5,448,000</u>	<u>2,848,000</u>
Total Expenditures	<u>\$ 296,678,000</u>	<u>\$ 281,393,000</u>

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APPENDIX C

Summary of Property and Equipment

	FY99	FY98
Balance, July 1	\$ 468,261,699	\$ 444,719,929
Add - Buildings	14,163,723	1,172,078
Equipment	(4,355,682)	13,152,297
Construction in progress	16,552,504	13,299,520
Land	191,762	3,428,568
Land Improvements	5,609,055	-
Total additions	32,161,362	31,052,463
Deduct - Equipment	6,308,591	6,491,587
Buildings		39,846
Land	250	-
Construction in progress	23,786,618	979,260
Total deductions	30,095,459	7,510,693
Balance, June 30	\$ 470,327,602	\$ 468,261,699

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APPENDIX D

Summary of Funds Provided by and to the Foundation

	FY99	FY98
Funds/Services provided by the University	\$ 578,992	\$ 429,614
Funds provided to the University		
Considered unrestricted for guidelines purposes:		
Totally unrestricted	337,996	249,807
Administrative & office expense	203,842	59,586
Restricted only as to campus, college or department and generally available for ongoing University operations	540,045	1,983,282
Provided for library books, equipment, and improvements	31,173	467,853
Total, guidelines unrestricted	1,113,056	2,760,528
Considered restricted for guidelines purposes:		
Scholarships	344,561	257,927
Equipment purchases	2,681,733	118,161
Other	1,833,473	668,591
Total, guidelines restricted	4,859,767	1,044,679
Total funds provided to the University	\$ 5,972,823	\$ 3,805,207

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APPENDIX E

Tuition and Fee Waivers

	<u>FY99</u>
<u>Mandatory Waivers</u>	
General Assembly	\$ 431,615
ROTC	141,131
Teacher Education (Special Education)	332,580
DCFS	24,011
Children of Employees	<u>141,375</u>
Total Mandatory Waivers	<u>\$ 1,070,712</u>
<u>Discretionary Waivers</u>	
Faculty/Administrative	204,775
Civil Service	183,134
Children of Employees	24,563
Academic/Other Talent	2,548,847
Athletic	479,842
Gender Equity in Intercollegiate Athletics	451,560
Out of State Students	<u>59,096</u>
Total Discretionary Waivers	<u>\$ 3,951,817</u>
Cooperating Professionals	<u>\$ 436,014</u>
Graduate Assistants	<u>\$ 5,478,483</u>
All Other	
Interinstitutional/Related Agencies	6,778
Retired University Employees	9,060
Children of Deceased Employees	8,377
Contract/Training Grants	<u>7,914</u>
GRAND TOTAL	<u>\$ 10,969,155</u>
