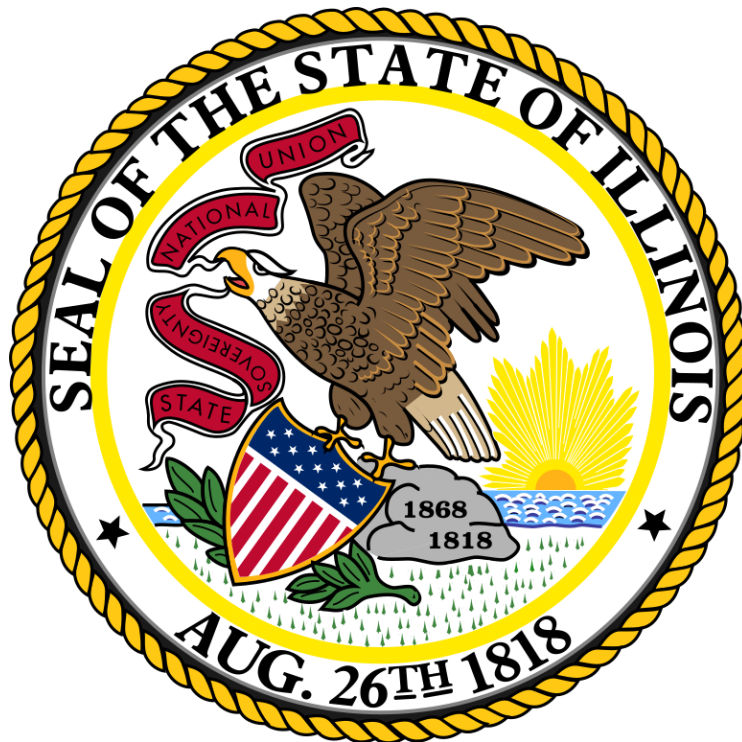


LEGISLATIVE AUDIT COMMISSION



Review of
Northern Illinois University
Year Ended June 30, 2020

622 Stratton Office Building
Springfield, Illinois 62706
217/782-7097

REVIEW #4527: FY20 Compliance Examination & Financial Audit – Northern Illinois University

**REVIEW: 4527
NORTHERN ILLINOIS UNIVERSITY
YEAR ENDED JUNE 30, 2020**

FINDINGS/RECOMMENDATIONS – 16

ACCEPTED - All

PARTIALLY IMPLEMENTED – 11

IMPLEMENTED – 3

UNDER STUDY – 2

REPEATED RECOMMENDATIONS – 9

PRIOR AUDIT FINDINGS/RECOMMENDATIONS – 12

This review summarizes the auditors' report on the compliance examination of the Northern Illinois University year ended June 30, 2020, filed with the Legislative Audit Commission on June 9, 2021, and the financial audit for the year ended on June 30, 2020, filed with the Audit Commission on June 2, 2021. The reports were conducted in accordance with *Government Auditing Standards* and State law. The auditors stated the Department's financial statements are fairly stated in all material respects.

Northern Illinois University was founded as a State teachers' school in 1895. The vision of the University now is to be the premier student-centered, research-focused public university in the Midwest. The University's main campus is located in DeKalb, Illinois, with other Centers in Rockford, Hoffman Estates, Naperville, Chicago, Oregon, and Lake County. Northern Illinois University Board is comprised of seven trustees appointed by the Governor with the advice and consent of the Senate, and one student trustee elected by NIU students.

NIU's mission is to empower students through educational excellence and experiential learning as they pursue knowledge, share their research and artistry, and engage communities for the benefit for the region, state, nation and world. NIU's vision is to be the engine for innovation to advance social mobility; promote personal, professional and intellectual growth; and transform the world through research, artistry, teaching and outreach.

In pursuing this vision and fulfilling their mission, they value and practice curiosity and creativity, equity and inclusion, ethics and integrity, and service and stewardship. (p: 66 Compliance)

Dr. Lisa Freeman was the President of the University during the audit period. Dr. Freeman was appointed Acting President in July 2017 and then President effective September 20, 2018. Dr. Freeman has served in many capacities at NIU, from Vice President for Research and Graduate Studies beginning in 2010 to Executive Vice President and Provost in 2017. She earned a doctor of veterinary medicine from Cornell and a doctor of philosophy degree from Ohio State University.

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General Information

Following is a comparative summary of Net Position of the University at June 30 (p: 7 Financial Audit).

	2019	2020
Current Assets	\$137,383,000	\$125,813,000
Noncurrent Assets	497,680,000	463,820,000
Deferred Outflows	7,056,000	7,136,000
Current Liabilities	(69,699,000)	(61,826,000)
Noncurrent Liabilities	(394,270,000)	(396,004,000)
TOTAL	\$167,845,000	\$129,848,000

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

	2019	2020
Facility/Administrative	2,041	1,883
Civil Service	1,430	1,556
Student Employees	303	231
Miscellaneous Contracts	108	96
Total	3,882	3,766

Full-time equivalent student enrollment, including undergraduate, graduate, and professional, and average cost per full-time equivalent student, was as follows:

	FY19	FY20
Full-time Equivalent Students	14,722	14,251
Cost Per FTE Student	\$ 15,382	\$ 16,620

The number of Overtime and Compensatory Hours Paid and their values during FY19 and FY20 were as follows:

	FY19		FY20	
	Hours Granted/ Paid	Value of Hours Granted/Paid	Hours Granted/ Paid	Value of Hours Granted/Paid
Overtime	41,729	\$1,388,411	33,224	\$1,168,125
Compensatory Time	8,464	262,513	19,931	\$167,725
Total	61,660	\$ 1,650,924	41,688	\$1,335,850

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Appropriations and Expenditures

The General Assembly appropriated a total of \$83.7 million in FY19 compared to \$87.8 in FY20. This represents a 5% increase of appropriated funds. Total expenditures from appropriations in FY19 were \$83.7 million compared to \$87.8 in FY12, an increase of \$4.1 million, or 5%. NIU spent an additional \$152.1 million from the Income Fund in 2019 and \$151.8 million in 2020. Lapsed balances were minimal in comparison to appropriations at \$12,177 in FY19 and \$15,550 in FY20.

Income Fund Revenue and Expenditures

The table appearing in Schedule 5 (p: 56) presents a statement of revenues, expenses, and changes in net position for the years ended June 30, 2019 and 2020. NIU saw an increase of \$2 million (rounded) in its net position in FY20. Total Income Fund revenues as of June 30, 2019 were \$153.9 million compared to \$155.6 million as of June 30, 2020. The following chart shows revenues by source for FY20:

Total Revenue and Expenditures

(pages 11-12 of Financial Audit)

Total Revenue in FY19 was \$492.8 million compared to \$497.3 in FY20, an increase of \$4.272 million.

Revenues	FY20
State Appropriations (general)	17.7%
State Appropriations (capital)	0.2%
Tuition and Fees (net of waivers)	23.3%
Pell Grants	5.1%
Illinois MAP Grants	4.5%
Other	0.9%
Auxiliary Enterprises	13.3%
Grants and Gifts	9.1%
Student Grants	6.6%
Sales & Services Educational Activities	5.0%
Fed Supplemental Ed Opp Grants	0.2%
Build America Bonds subsidy	0.5%
On-Behalf for Payments	5.0%
Special Funding for Fringe Benefits	15.2%

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Expenditures increased from \$517.25 million in FY19 to \$535.3 in FY20. The chart on the following page indicates expenditures by type for FY20:

Expenditures	FY20
Instruction	35%
Research	4.0%
Public Service	5.0%
Academic Support	7.0%
Student Services	4.0%
Operations & Plant	4.0%
Depreciation	5.0%
Institutional Support	10.0%
Student Aid	8.0%
Auxiliary Enterprises	13.0%
Interest	4.0%

Accounts Receivable

NIU's accounts receivable, excluding student loans, totaled \$45.9 million, as of June 30, 2020, with an allowance for doubtful accounts of \$23.3 million, resulting in a net of \$22.6 million. One year earlier gross accounts receivable totaled \$45.4 million, and net receivable totaled \$21.2 million, with an allowance for doubtful accounts of \$24.2 million. Accounts receivable (FY20) consists primarily of amounts due from student accounts (\$33.5 million), customer accounts (\$2.1 million), and grants receivable (\$10.3 million). (p: 39 of 2020 Financial Audit)

Changes in Property

The FY20 total changes in property ending balance showed an increase of \$11.8 million over the beginning balance. In FY20, the \$1.103 billion in changes in property was comprised of \$112.3 million in land and land improvements; \$979.1 million in buildings and leasehold improvements; \$239.0 million in equipment; \$3.8 million in intangible assets; and \$7.5 million in construction in progress. (p: 63 of 2020 Compliance)

Foundation Payments to the University

During FY20, 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 \$ 1.5 million during FY20. As required by the contract, the Foundation fully repaid the University. Total funds provided by the Foundation to NIU equaled \$11.4 million in FY19 compared to \$10.7 million in FY20. (p: 101 2020 Compliance)

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Tuition and Fee Waivers

During FY17, Northern Illinois University granted almost \$25.4 million in tuition and fee waivers compared to \$24.5 million in FY20. (p: 76, 2019 and p: 109, 2020 Compliance)

In FY20, mandatory waivers were 17.1% of all waivers and discretionary waivers made up 82.9% of the total waivers. Waivers that went to undergraduate students made up 32.6% of all waivers in FY20 and graduate students received the other 67.4% of the total waivers.

Accountants' Findings and Recommendations

Condensed below are the 16 findings and recommendations included in the audit report. Of these, nine are repeated from the previous audit. The following recommendations are classified on the basis of information provided by Northern Illinois University, via electronic mail received June 9, 2021.

- 1. The auditors recommend NIU implement controls to ensure census data events are timely and accurately reported to SURS and CMS.**

Further, the auditors recommend NIU work with SURS and CMS to develop an annual reconciliation process of its active members' census data from its underlying records to a report from each plan of census data submitted to the plan's actuary. After completing an initial full reconciliation, NIU 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.

Additionally, the auditors recommend NIU work with SURS and CMS to identify and address any unremitted or erroneously remitted employee and, if applicable, employer contributions related to these events.

Finally, due to the interrelatedness of SURS, the mobility of employees to change their employers within SURS, and a specific noncompliance matter regarding whether a person is eligible to participate in SURS identified during testing at Governors State University (please see Governors State University's FY20 financial audit report for more information), auditors recommend NIU work with both SURS and Governors State University to identify employees initially hired by Governors State University with a visa defined under subparagraphs (F), (J), (M), or (Q) of Section 1101(a)(15) of Title 8 of the United States Code who had not met the Internal Revenue Service's substantial presence test and started employment on and after July 1, 1991.

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FINDING: *(Inadequate Internal Controls over Census Data)*

NIU 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.

Auditors noted NIU's employees are members of both the State Universities Retirement System (SURS) for their pensions and the State Employees Group Insurance Program sponsored by the State of Illinois, CMS for their OPEB. In addition, auditors noted these plans have characteristics of different types of pension and OPEB plans, including single employer plans and cost-sharing multiple-employer plans.

During testing, auditors noted the following:

- 1) NIU had not performed an initial complete reconciliation of its census data recorded by SURS and CMS to its internal records to establish a base year of complete and accurate census data.
- 2) After establishing a base year, NIU had not developed a process to annually obtain from SURS and CMS the incremental changes recorded by SURS and CMS in their census data records and reconcile these changes back to the University's internal supporting records.

Upon due consideration and based upon the significance of these issues alone, auditors concluded a material weakness exists within NIU's internal controls related to ensuring both SURS and CMS can provide their respective actuaries with complete and accurate census data related to NIU. Even given these two exceptions, the auditors performed detail testing and certain data analysis tests and noted the following additional exceptions:

- 1) Auditors conducted data matches of (1) individuals pulled from NIU's records whom NIU believed should have been participating in SURS during the census data accumulation period throughout FY18 and (2) NIU's faculty members teaching a class during the census data accumulation period throughout FY18 to SURS' records. As a result of this testing, auditors identified eight individuals who had been improperly excluded from participating in SURS, which resulted in these people not having any employee contributions collected by NIU and reported to SURS during the census data accumulation period throughout FY18. Additionally, auditors identified three individuals who did not qualify to participate in SURS. As these persons had been deemed SURS-eligible, NIU collected and reported employee contributions to SURS during the census data accumulation period throughout FY18.

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- 2) Auditors performed an analysis of transactions reported by NIU to SURS during the census data accumulation period throughout FY18, noting the following problems:
- 9 of 542 (2%) employees reported as hired had actually been hired in other fiscal years. SURS determined the total potential impact to each employee's total service credit was it could be off by one-quarter to 1 year.
 - 1 of 5 (20%) employees reported as laid off by NIU were untimely reported to SURS by NIU. SURS determined the total potential impact to the former employee's total service credit was it could be off by one-quarter year.
 - 5 of 26 (19%) employees with a departure on a leave of absence had the start date of the leave of absence untimely reported to SURS by NIU. SURS determined the total potential impact to each of these employees' total service credit was it could be off by three-quarters to 23.5 years.
 - 1 of 13 (8%) employees with a return from a leave of absence had the end date of the leave of absence untimely reported to SURS by NIU. SURS determined the total potential impact to the former employee's total service credit was it could be off by one-half year.
- 3) As of the end of the census data accumulation year on June 30, 2018, auditors identified five employees where each employee's associated termination or rehire date(s) had been untimely reported to SURS. While these employees were all associated with the University at June 30, 2018, some or all of these untimely reports may have occurred at other public universities and community colleges across the State. SURS determined these errors resulted in the employees being misclassified between the active, retired, and inactive member categories within SURS. The total potential impact to each former employee's total service credit was it could be off between 0.0 and 1.75 years.

NIU officials indicated NIU has not performed a complete base year reconciliation of the SURS and CMS census data as the census data used in the actuarial valuations has not been provided to NIU. NIU has not established a process or procedure for performing a complete annual reconciliation of the incremental changes during the year with SURS and CMS due to oversight. The untimely event notices were likely a result of individuals not following university policy and procedures.

RESPONSE:

Accepted.

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UPDATED RESPONSE:

Under Study. The University has real time processes and procedures in place for processing certifications, changes, and terminations in the SURS and CMS systems. Current processes and procedures will be revised to ensure that census data submitted to pension and other postemployment benefits (OPEB) plans is complete and accurate.

Additionally, NIU will collaborate with SURS, CMS, and Governors State University to improve reporting of census data at both the university and plan levels.

- 2. The auditors recommend NIU establish and maintain internal controls to ensure program-level reporting is consistent with the campus-level enrollment status reporting.**

FINDING: *(Enrollment Status Reporting)*

Federal Agency: U.S. Department of Education (USDE)

Program Name: Student Financial Assistance Cluster

CONDITION FOUND

NIU did not complete enrollment status reporting to the U.S. Department of Education accurately or consistently with program enrollment requirements.

During the auditors testing from a statistically valid sample, auditors noted 2 of 40 students tested (5%) had instances in which the effective date and status inside the National Student Loan Data System (NSLDS) program-level enrollment reporting was not the same as the NSLDS campus-level enrollment reporting for effective date and status.

CAUSE

NIU officials stated that the data inconsistency between enrollment and program-level is a result of incorrect data submission due to system-entry error.

POSSIBLE ASSERTED EFFECT

If the program level reporting is inconsistent with the enrollment level reporting, NIU risks noncompliance.

RESPONSE:

Accepted.

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UPDATED RESPONSE:

Implemented. NIU has corrected the system error that caused the initial discrepancy, has retrained current staff, and has implemented a review process to ensure program-level reporting is consistent with the campus-level enrollment status reporting.

- 3. The auditors recommend NIU ensure student financial aid offered is appropriate based on federal regulations.**

FINDING: *(Inadequate Controls over Awarding of Direct Loans)*

Federal Agency: U.S. Department of Education (USDE)

Program Name: Student Financial Assistance Cluster

CONDITION FOUND

NIU did not appropriately re-evaluate student financial need after the fall semester.

During the auditors testing from a statistically valid sample, auditors noted one instance out of 40 students tested (3%), where the subsidized Stafford loan awarded to the student was less than the maximum amount for which they were eligible. The student was under-awarded by \$1,500.

CAUSE

NIU officials stated that the student was under awarded due to a manual input error as a result of an employee not following University policies and procedures.

POSSIBLE ASSERTED EFFECT

The students received additional unsubsidized loans to make up for the under-award of subsidized loans.

RESPONSE:

Accepted.

UPDATED RESPONSE:

Partially Implemented. NIU took immediate action to update its processes and to retrain staff to ensure compliance with federal regulations. NIU will develop an ad hoc system generated report to identify potential discrepancies in aid offered to students.

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- 4. The auditors recommend NIU perform and document a comprehensive risk assessment identifying internal and external risks to the security, confidentiality, and integrity of the students' information. In addition, NIU should ensure proper safeguards are in place to ensure the security of student information.**

FINDING: *(Information Technology Risk Assessment Not Performed)*

Federal Agency: U.S. Department of Education (USDE)

Program Name: Student Financial Assistance Cluster

CONDITION FOUND

NIU did not document required information technology risk assessments related to student information security.

As a requirement under NIU's Program Participation Agreement with the U.S. Department of Education, NIU must protect student financial aid information. However, during the auditors testing, they noted NIU did not conduct a risk assessment identifying internal and external risks to the security, confidentiality, and integrity of the student's information.

CAUSE

According to NIU officials, limited resources and competing priorities have impacted the University's ability to perform a comprehensive risk assessment.

POSSIBLE ASSERTED EFFECT

Without performing an adequate comprehensive risk assessment, NIU is at risk of noncompliance with the GLBA. In addition, there is a risk that NIU systems and information could be vulnerable to attacks or intrusions, and these attacks may not be detected in a timely manner.

RESPONSE:

Accepted.

UPDATED RESPONSE:

Under Study. The University currently has safeguards in place that ensure the security of student information. However, NIU will evaluate the feasibility of performing a comprehensive information technology risk assessment.

- 5. The auditors recommend NIU establish and maintain internal control procedure over contracts to ensure contracts are complete and properly approved prior to**

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performance, and that contract obligation documents are filed timely. Auditors also recommend NIU adhere to state laws and regulations.

FINDING: *(Inadequate Internal Controls over Contracts)*

NIU has not established adequate internal controls over contracts to ensure they are approved prior to performance and comply with all applicable state requirements.

During the auditors review of a sample of 40 contracts for year ending June 30, 2020, auditors noted the following:

- Fifteen contracts (38%) totaling \$2,213,921 were not approved prior to goods or services being provided. The contracts were executed between 2 to 85 days after the commencement of the services or the receipt of the goods.
- Five contracts (13%) totaling \$8,347,139 contained contract obligation documents that were not filed within 30 days of execution of the contract. The contract obligation documents were filed between 1 to 116 days late.
- Two contracts (5%) totaling \$49,987 did not have a change order contract obligation document filed with the Illinois Office of Comptroller. Each contract contained an order for delivery that exceeded \$20,000. The change order contract obligation documents were not yet filed as of June 30, 2020.
- Two contracts (5%) totaling \$15,500 did not obtain the vendor certification agreement prior to the approval of the contract. In one instance, the certification agreement was signed 33 days late. In the second instance, the certification agreement was not yet obtained as of June 30, 2020.
- One contract (3%) totaling \$1,766 did not contain the vendor's federal taxpayer identification number as required within the certification agreement.

During the review of 2 contracts with payments greater than \$3 million for the year ending June 30, 2020, auditors noted the following:

- One contract (50%) totaling \$4,711,032, contained a contract obligation document not filed within 30 days of execution of the contract. The contract obligation document was filed 31 days late.

During the review of 2 Real Property Leases for the year ending June 30, 2020, auditors noted the following:

- One contract (50%) totaling \$62,624 contained a contract obligation document not filed within 30 days of execution of the contract. The contract obligation document was filed 40 days late.

Finally, during the testing over 145 expenditures (totaling \$644,002), auditors noted the following:

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- One expenditure's underlying contract (0.7%) (totaling \$592) was not properly approved prior to the expenditure being incurred. The contract was executed 9 days after the commencement of the services or the receipt of the goods.

This finding was first noted during the examination of the year ended June 30, 2012. In subsequent years, NIU has been unsuccessful in implementing a corrective action plan.

NIU officials stated the errors and deficiencies noted above were due to several factors: a) departments/divisions did not follow University policies and procedures to ensure services/deliveries are not received prior to issuance of contracts; b) resource availability and swift change in work modality due to the pandemic contributed to contract obligation document delays; and c) the lack of financial disclosures and certifications was due to incorrect assessment of an exempted procurement type, including failure to obtaining Federal Taxpayer Identification Number.

RESPONSE:

Accepted. The University will implement the following corrective actions:

1. Educate campus departments on university policies and procedures.
2. Create vendor awareness and issue reminders through an improved workflow process in efforts to mitigate performance prior to the completion of a purchase order.
3. Implement filing requirements for all purchases exceeding \$20K, and
4. Retrain staff to obtain necessary documentation and process Emergency contracts in accordance with the Chief Procurement Office guidelines.

UPDATED RESPONSE:

Partially Implemented. NIU has begun establishing additional training for campus departments on university policies and procedures, creating vendor awareness and issuing reminders through an improved workflow process in efforts to mitigate performance prior to the completion of a purchase order. Also, staff are being retrained to implement filing requirements for all purchases exceeding \$20K, to obtain necessary documentation and process Emergency contracts in accordance with the Chief Procurement Office guidelines.

6. **The auditors recommend NIU continue its efforts to develop and implement a program to require all employees to submit time sheets in accordance with the Act. Auditors also recommend the University enforce existing policies and procedures requiring appropriate supervisory review of timesheets.**

FINDING: *(Failure to Submit Proper Time Reporting)*

NIU did not require all employees to submit time sheets as required by the State Officials and Employees Ethics Act.

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During the testing of a sample of 40 payroll transactions, auditors noted 19 employees (48%) (10 faculty and 9 Graduate Assistants) did not submit time sheets documenting the time spent each day on official state business to the nearest quarter hour. The auditor also noted 3 employees (8%) whose time sheets did not contain supervisory approval signatures.

This finding was first noted during the examination of the year ended June 30, 2005. In subsequent years, NIU has been unsuccessful in implementing a corrective action plan.

University officials stated the University has a system in place to capture time worked as required by the State Officials and Employees Ethics Act for salaried supportive professional staff and civil service employees. There are ongoing efforts to explore alternative strategies to capture such data for employees fitting the faculty and graduate assistant classifications. The missing supervisory approval signatures were a result of NIU personnel failing to comply with the written University policy.

By not obtaining appropriate time sheets from all of its employees, NIU lacks complete documentation of the time spent by faculty and staff on official State business as contemplated by the Act. In addition, by supervisors failing to review employee timesheets, errors could go undetected.

RESPONSE:

Accepted.

UPDATED RESPONSE:

Partially Implemented. NIU will continue to work with legislators to remove the requirement for faculty and graduate assistants and engage the university's legislative team to collaborate with the other universities to initiate legislation to remove the requirement. Until new legislation is passed, NIU will continue to remind departments of the current written university policy.

7. The auditors recommend NIU take appropriate measures to ensure employee performance reviews are conducted annually.

FINDING: *(Lack of Annual Performance Reviews)*

NIU did not conduct annual performance reviews for all its employees.

During the testing of 45 employees, auditors noted NIU was unable to provide evidence 19 employees (42%) received an annual performance evaluation during the year.

NIU officials stated the corrective measures implemented during the fiscal year were hindered by the unforeseen impacts of the global pandemic, including remote working environments, employee turnover, and shortages of staff, which resulted in the delayed completion of these employee performance evaluations.

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RESPONSE:

Accepted.

UPDATED RESPONSE:

Partially Implemented. NIU will continue to establish a reminder for supervisors of Supportive Professional Staff and required Civil Service evaluations.

8. The auditors recommend NIU enhance their controls over the process for preparing and reviewing the I-9 Forms to ensure compliance with USCIS requirements.

FINDING: *(Inadequate Controls over I-9 Forms)*

NIU has not established adequate controls over the completion of I-9 forms for employees hired by NIU.

During the review of a sample of forty (40) employee hires, auditors noted the following:

- Nine employees (23%) did not complete the preparer and/or translator certification portion of section 1 of the I-9 form.
- Three employees (8%) did not complete section 1 of the I-9 form on or before their respective hire date.
- Two employees (5%) did not have their verification of employee eligibility performed timely (within 3 days) by the University.
- Two employees (5%) did not input their name on section 2 of the I-9 form.
- Two employees (5%) failed to date their completion of section 1 of the I-9 form.
- One employee (3%) dated and completed the I-9 form prior to accepting the job offer.
- One employee (3%) did not provide their address in section 1 of the I-9 form.
- One employee (3%) did not have their first date of employment documented in Section 2 of the I-9 form.
- One employee personnel file (3%) failed to document the accepted job offer date and therefore couldn't be matched to the I-9 form.

This finding was first noted during the examination of the year ended June 30, 2018. In subsequent years, NIU has been unsuccessful in implementing a corrective action plan.

NIU Officials stated the responsible departments did not follow the requirements of the I-9 form and NIU Human Resource Service policies and procedures around hiring.

RESPONSE:

Accepted.

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UPDATED RESPONSE:

Partially Implemented. NIU implemented a new process in FY21 for Form I-9 employment eligibility verification. The I-9 verification has been centralized and is now automated as part of the new employee onboarding process and expected to address this audit recommendation. NIU will continue to review and enhance controls during its review of the I-9s.

- 9. The auditors recommend NIU enhance control procedures to ensure timely removal of terminated employees from the NIU payroll and additionally recommend NIU determine whether there were other instances of terminated employees receiving unearned compensation and take necessary actions to recover any other overpayments.**

FINDING: *(Inadequate Controls over Employee Terminations)*

NIU has failed to ensure necessary personnel actions occur timely for terminated employees.

During the testing of 10 terminated employees, auditors noted five (5) terminated employees (50%) were not properly removed from payroll timely resulting in these employees being paid past their termination date. The five employees received additional paychecks amounting to total gross pay of approximately \$10,906. After these overpayments were identified, NIU was able to recover the overpayment amounts from four of the five former employees.

NIU officials stated separation policies and procedures were not performed in a timely manner due to competing priorities, thereby resulting in overpayment of payroll to five terminated employees.

RESPONSE:

Accepted.

UPDATED RESPONSE:

Partially Implemented. NIU continues to educate hiring departments, clarify current guidelines, and review strategies to better implement and streamline the termination process of non-status employees.

- 10. The auditors recommend NIU adhere to written procedures and establish internal controls to ensure compliance with applicable statutory and regulatory requirements.**

FINDING: *(Noncompliance with the Business Enterprise for Minorities, Women, and Persons with Disabilities Act)*

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NIU did not comply with the Business Enterprise for Minorities, Women, and Persons with Disabilities Act (Act).

During the review of seven contract renewals (totaling \$2,637,000) for the year ending June 30, 2020, auditors noted seven contract renewals (100%) did not have sufficient evidence to determine whether they were reviewed 6 months prior to their renewal.

NIU officials stated all of the contract renewals were completed 6 months prior to their renewal; however, the part of the corrective action plan to address documenting support of the review was not finalized until the end of the fiscal year.

RESPONSE:

Accepted.

UPDATED RESPONSE:

Partially Implemented. NIU has made substantive steps to implement the various requirements of the Act and associated administrative requirements. Final corrective action to document efforts of contract renewals six months in advance to ensure compliance with the Act are being implemented.

- 11. The auditors recommend NIU review the activities of the accounting entities, ensure fees charged for services are sufficient to cover expenditures, and ensure subsidies between accounting entities do not occur.**

FINDING: *(Subsidies between Accounting Entities)*

NIU had subsidies between accounting entities during the current fiscal year.

During the testing of the University Guidelines, auditors noted the “Student Programs and Services” had negative cash balances (a negative cash balance is in effect an unbooked interfund payable/receivable), along with negative current funds balances at the beginning and the end of the fiscal year, thereby causing a subsidy between funds to occur.

This finding was first noted during the examination of the year ended June 30, 2018. In subsequent years, NIU has been unsuccessful in implementing a corrective action plan.

NIU officials stated the Student Programs and Services activity was in a subsidy position for the first time in FY18 due to the lingering impact of a two-year budget impasse and declining enrollment. NIU has a plan to balance revenues and expenses of this activity, however, the plan requires longer than the University Guidelines allowable one year timeframe.

The subsidy between accounting entities is a violation of the University Guidelines.

RESPONSE:

Accepted.

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UPDATED RESPONSE:

Partially Implemented. NIU implemented a multi-year plan to balance revenues and expenses of this activity, however, the plan has been delayed as a result of the COVID-19 pandemic. NIU will resume its multi-year planning efforts in FY22 which will address subsidies between accounting entities.

12. The auditors recommend NIU continue to strengthen its internal controls over the accountability of NIU property and equipment.

FINDING: *(Inadequate Controls over Property and Equipment)*

NIU did not fully comply with requirements applicable to its property and equipment.

Auditors reviewed NIU's property inventory certification, dated November 11, 2019, which was submitted to CMS. The inventory certification to CMS reported 105 items (totaling to \$151,926) that could not be located by NIU, of which 47 items (45%) were missing electronic data processing (EDP) equipment. These assets were acquired by NIU during past fiscal years. Included in this listing were chairs, computers, projectors, servers, iPads, electronic storage devices, microscopes, and other lab equipment.

During the review of NIU's adherence to policies and procedures over protecting and tracking equipment with confidential and sensitive information, they sampled five items from the 47 EDP items within the CMS inventory certification and noted the following:

- Four of five missing pieces of EDP equipment (80%) did not have a Missing Asset Internal Investigation Form filed in a timely manner, ranging from 84 to 1,122 days late.
- Two of five missing pieces of EDP (40%) did not have police reports filed in a timely manner, ranging from 258 to 867 days late.
- One of five missing pieces of EDP equipment (20%) did not have a Stolen Asset Police Report.
- One of five missing pieces of EDP equipment (20%) did not have an accurately filed police report, as NIU failed to provide the appropriate asset number when filing the police report.

This finding was first noted during the examination of the year ended June 30, 2015. In the subsequent years NIU has been unsuccessful in implementing a corrective action plan.

NIU Officials stated the responsible officers assigned across the campus did not follow the state laws and regulations, as well as NIU policies and procedures.

The lack of proper controls over equipment may result in theft and misuse of assets, resulting in a loss to NIU, as well as additional spending to replace those assets.

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RESPONSE:

Accepted.

UPDATED RESPONSE:

Implemented. NIU has established policies and procedures for accountability of missing items including review from senior leadership. NIU will continue to remind responsible officers on these policies and procedures.

13. The auditors recommend NIU develop and implement procedures to ensure compliance with the Act.

FINDING: *(Noncompliance with the Illinois Articulation Initiative Act)*

NIU did not submit a minimum of one course per major under the Illinois Articulation Initiative (Initiative) for some majors offered by the University.

During testing, auditors noted NIU did not have a minimum of one course included within the related Initiative major for its art, early childhood education, physics, and psychology degree programs.

NIU Officials stated full implementation of the Act requires coordination across multiple academic units and as a result implementation was delayed due to limited resources and competing priorities.

Failure to fully participate in the Initiative by submitting, at least, one course per Initiative major could hinder students looking to transfer to other institutions and represents noncompliance with State law.

RESPONSE:

Accepted.

UPDATED RESPONSE:

Partially Implemented. As appropriate, academic departments have submitted syllabi for courses identified by statewide faculty panels to the appropriate bodies for consideration for articulation. The Registrar will be responsible for ongoing compliance with the Illinois Articulation Initiative Act.

14. The auditors recommend NIU ensure required employee trainings are conducted annually in accordance with the Act.

FINDING: *(Lack of Annual Employee Trainings)*

NIU did not conduct trainings for its employees as required by The State Officials and Employees Ethics Act (Act).

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During the testing of 40 employees, auditors noted the following:

- Of the 10 new hires:
 - 5 employees (12.5%) did not complete their sexual harassment training within 30 days of being hired. The number of days late ranged from 12 days to 235 days.
 - 2 employees (5.0%) did not complete a sexual harassment training upon being hired.
- Of the 30 active employees, 4 employees (10.0%) did not complete an annual sexual harassment training during fiscal year 2020.

NIU officials stated the required employee trainings were not completed timely due to conflicts between the employee work schedules and the training dates offered and due to high staff turnover.

Failure to ensure employees receive timely sexual harassment training could result in employees being unaware of their responsibilities under the State Official and Employees Ethics Act.

RESPONSE:

Accepted.

UPDATED RESPONSE:

Partially Implemented. NIU will evaluate trainings completed as part of the employee onboarding process to ensure trainings are completed timely after hiring. Additionally, NIU will implement a reminder system to ensure that required annual trainings are completed timely.

15. The auditors recommend NIU strengthen its controls in identifying and documenting all service providers utilized. Further, auditors recommend NIU obtain or perform independent reviews of internal controls with service providers at least annually. In additions, auditors recommend NIU:

- **Establish procedures to obtain and review System and Organization Control (SOC) reports to ensure adequate controls had been established within the service providers' environment.**
- **Monitor and document the operation of the CUECs relevant to the University's operations.**
- **Either obtain and review SOC reports for subservice organizations or perform alternative procedures to satisfy itself that the existence of the subservice organization would not impact its internal control environment.**

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- **Document its review of the SOC reports and review all significant issues with subservice organizations to ascertain if a corrective action plan exists and when it will be implemented, any impacts to NIU, and any compensating controls.**

FINDING: *(Lack of Adequate Controls over the Review of Internal Controls over External Service Providers)*

NIU had weaknesses regarding the review of independent internal control reviews over its service providers.

The auditors requested NIU provide the population of service providers utilized by NIU to determine if they had reviewed the internal controls over the service providers. In response to their request NIU provided a listing of service providers; however, they did not provide documentation demonstrating the listing was complete.

Due to these conditions, they were unable to conclude the University's population records were sufficiently precise and detailed under the Professional Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.35).

Even give the population limitations noted above, auditors performed testing of the service providers utilized by NIU from the listing provided by the University.

NIU utilized service providers for various services:

- Credit card transaction processing;
- Student loan processing;
- Hosting services.

During the testing, auditors noted:

- NIU had not established procedures to obtain and review System and Organization Control (SOC) reports to ensure adequate controls had been established within the service providers' environment.
- Although NIU had obtained SOC reports for the list of service providers provided, an analysis of the reports and complementary user entity controls (CUECs) had not been conducted.

NIU management indicated they maintain a listing of vendors, however, the list does not designate vendors as service providers. NIU management also indicated they performed a review of the SOC reports but did not document their review over the specific considerations because of oversight.

Without having obtained and reviewed a SOC report or another form of independent internal control reviews, NIU does not have assurance the service providers' internal controls are adequate to ensure services provided are accurate and secure.

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RESPONSE:

Accepted.

UPDATED RESPONSE:

Partially Implemented. The University has procedures to obtain and review SOC reports for its service providers. However, the university will establish a process for documenting all service providers utilized and establish procedures for documenting its request and review of the SOC reports.

16. The auditors recommend NIU:

- **Establish a risk management framework to assist in ensuring its risks are identified, managed and mitigated where appropriate.**
- **Review the process and controls related to requiring new hires to complete information security training as part of the onboarding process. In addition, requirements for active employees to complete information security training should also be reviewed to ensure each employee completes the required training and maintain documentation of such.**
- **Review the process and controls related to disabling terminated users' accounts in all application systems to prevent unauthorized access or activity.**

FINDING: *(Weaknesses in Cybersecurity Programs and Practices)*

NIU has not implemented adequate internal controls related to cybersecurity programs and practices.

NIU carries out its mission through the use of IT, including various applications, which contains large volumes of confidential or personal information such as names, addresses, Social Security numbers and health information of its students.

The Illinois State Auditing Act (30 ILCS 5/3-2.4) requires the Auditor General to review State agencies and their cybersecurity programs and practices. During the examination of the NIU's cybersecurity program, practices, and control of confidential information, auditors noted:

- A formal risk management framework specifying how risks are identified, managed, and mitigated where appropriate had not been established.
- Documentation was not provided illustrating new hires had completed information security training as part of the onboarding process.
- 24 of 60 (40%) employees had not completed the annual information security training.

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- 9 of 60 (15%) terminated employees' application accounts had logged in after their termination date.

NIU officials indicated experienced employee turnover that impacted the tracking and facilitation of the required training programs. Additionally, the process for deactivating user accounts for terminated employees was reliant on a manual process.

The lack of adequate cybersecurity programs and practices could result in unidentified risk and vulnerabilities and ultimately lead to NIU's volumes of personal information being susceptible to cyber-attacks and unauthorized disclosure.

RESPONSE:

Accepted.

UPDATED RESPONSE:

Implemented. NIU has implemented an on-going process for tracking new hire security training. NIU has also implemented process enhancements to improve security training completion and is working to further enhance the process through automation, and NIU has implemented an automatic solution for disabling terminated user accounts access.

Emergency Purchases

The Illinois Procurement Code (30 ILCS 500/) states, "It is declared to be the policy of the state that the principles 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 when there exists a threat to public health or public safety, or when immediate expenditure is necessary for repairs to state property in order to protect against further loss of or damage to state property, to prevent or minimize serious disruption in critical state services that affect health, safety, or collection of substantial state revenues, or to ensure the integrity of state records; provided, however that the term of the emergency purchase shall not exceed 90 days. A contract may be extended beyond 90 days if the chief procurement officer determines additional time is necessary and that the contract scope and duration are limited to the emergency. Prior to the execution of the extension, the chief procurement officer must hold a public hearing and provide written justification for all emergency contracts. Members of the public may present testimony.

A chief procurement officer making such emergency purchases is required to file a statement with the Procurement Policy Board and the Auditor General to set forth the circumstance requiring the emergency purchase. The Legislative Audit 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.

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NIU had the following emergency purchase affidavits to prevent any disruption in university services for FY20:

- \$118,560 - Blackboard Transact, Inc. dba Transact Campus, Inc.(Campus ID card & point of sale system);
- \$118,457 – Broadcasters General Store, Inc. (Northern Public Radio transmitter); and
- \$50,317 – Frontier North, Inc. (Telephone trunking services).

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 its officers and employees for whom official headquarters have been designated at any location other than that at which official duties require them to spend the largest part of their working time.

As of July 2021, NIU had 227 employees assigned to locations other than official headquarters.