LEGISLATIVE
AUDIT
COMMISSION

Review of
Northern Illinois University

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REVIEW: #4582
NORTHERN ILLINOIS UNIVERSITY
YEAR ENDED JUNE 30, 2024

RECOMMENDATIONS – 15

IMPLEMENTED/PARTIALLY IMPLEMENTED – 15

REPEATED RECOMMENDATIONS – 9

PRIOR AUDIT FINDINGS/RECOMMENDATIONS – 17

This review summarizes the auditors' report on the compliance examination of the Northern Illinois University year ended June 30, 2024, filed with the Legislative Audit Commission on May 6, 2025. The report was conducted in accordance with *Government Auditing Standards* and State law.

Northern Illinois University was founded as a state teachers' school in 1895. The goal of the University is to advance social mobility, help people grow and succeed, and bring about positive change in the world. The University's main campus is located in DeKalb, Illinois, with other campuses in Rockford and Naperville. 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.

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.

Appropriations and Expenditures

	FY23		FY24	
Appropriations ($ thousands)	**Approp**	**Expend**	**Approp**	**Expend**
GENERAL FUNDS				

Operational Expenses	92,194.6	92,194.6	98,648.3	98,648.3
TOTAL GENERAL FUNDS	**92,194.6**	**92,194.6**	**98,648.3**	**98,648.3**
OTHER STATE FUNDS				
Grants				
Scholarship Grant Awards	22.0	21.8	22.0	22.0
TOTAL OTHER STATE FUNDS	**22.0**	**21.8**	**22.0**	**22.0**
TOTAL	**92,216.6**	**92,216.4**	**98,670.3**	**98,670.3**

Accountants' Findings and Recommendations

Condensed below are the 15 findings and recommendations included in the audit report. Of these, 9 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 July 9, 2025.

1. The auditors recommend the University review its process to record year-end prepaids and cash basis transactions to ensure revenue and expense amounts are properly recorded in the University's financial statements.

<u>FINDING:</u> *(Financial Statements) – First reported 2023, Last reported 2024*

Northern Illinois University (University) did not properly adjust its financial statements for certain revenue and expense transactions.

The University prepares year-end entries to adjust the financial statements for transactions recorded during the year that do not represent revenues or expenses for the fiscal year. When testing the University's recorded revenues and expenses the auditors noted the following matters:

- The University's fiscal year 2023 entry to remove from revenue and expense cash basis transactions related to direct loans was miscalculated. The University properly adjusted expenses but did not remove $1,621,668 of revenue, which resulted in fiscal year 2023 year-end accounts receivable and revenue being overstated by the same amount. The University did not correct this error in fiscal year 2024 and therefore fiscal year 2024 year-end accounts receivable and net position are overstated by $1,621,668. The University elected not to record an adjusting entry for this matter.
- The University incorrectly recorded an agreement with a third-party for student scholarships. Based on the nature of the arrangement, the agreement with the third-party represents an agency transaction and therefore should not result in revenue or expense for the University. The University improperly set up this agreement in the general ledger, resulting in an overstatement of accounts payable of approximately $890,000, an understatement of opening net position of

approximately $415,000, and an understatement of revenue of approximately $475,000 in fiscal year 2024. The University elected not to record an adjusting entry for this matter.

- The University incorrectly debited unearned revenue for approximately $778,000 of Pell grants that relate to the summer term. Pell revenue is recognized when disbursed to students and therefore should not impact unearned revenue at year-end. This resulted in an understatement of unearned revenue of approximately $778,000, understatement of opening net position of approximately $681,000, and understatement of expenses of approximately $97,000 in fiscal year 2024. The University elected not to record an adjusting entry for this matter.

Generally accepted accounting principles require transactions be reported in the period incurred. Additionally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University to establish and maintain a system, or systems, of internal fiscal and administrative controls. Proper internal controls should ensure all transactions are properly recorded in the financial statements.

University officials stated that the direct loan condition noted dates back to the prior year error. The process was corrected in FY24 but the resulting balance from the prior year error and passed adjustment was not corrected. The third-party agreement condition noted was due to an isolated error in the setup of this particular agreement. The Pell unearned revenue condition resulted from an error in the setup of the summer tuition deferral related to Pell revenue applicable to the summer term.

Errors in year-end entries could result in material misstatements within the University's financial statements.

UNIVERSITY RESPONSE:

Accepted. The University will conduct a comprehensive review of each finding. The University will correct the carryforward impact of the prior year direct loan elimination error. The University will correct the setup of the third-party agreement error noted. Lastly, the University will adjust its process for deferring summer tuition to ensure that Pell revenue applicable to the summer term is appropriately recognized and excluded from the deferral calculation.

UPDATED RESPONSE:

Implemented.

The University has conducted a comprehensive review of each component of the finding and has taken steps to strengthen its year-end financial process to prevent similar issues in the future. In response to the identified issues, the errors have been corrected and the processes have been discussed with the relevant areas to ensure accurate understanding and reporting. These actions are part of a broader effort to ensure the accuracy and completeness of year-end financial entries.

2. The auditors recommend the University correct the lease and technology agreement in its tracking software in fiscal year 2025. They further recommend the University enhance their procedures over the review of potential lease and technology agreements for proper inclusion within the University's financial statements.

FINDING: *Lease and SBITA Errors – First reported 2023, Last reported 2024*

Northern Illinois University (University) incorrectly recorded certain agreements which met the requirements of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases,* and GASB Statement No. 96, *Subscription-Based Information Technology Arrangements.*

While reviewing the University's lease agreements, the auditors noted an error where the University mistakenly recorded a lease liability of approximately $175,000 instead of recording a lease receivable, as the University was the lessor, not the lessee.

Additionally, while reviewing the University's technology agreements, they noted an agreement that should have been recorded in fiscal year 2023 but was not recorded until fiscal year 2024. Further, the University recorded the payments at incorrect amounts. The University's year-end assets and liabilities would have increased approximately $360,000 if this agreement was accounted for appropriately.

GASB Statement No. 87 states assets which an entity has a non-cancellable right to use for a period longer than one year should be recognized in the statement of net position as intangible right to use assets and lease liabilities.

GASB Statement No. 96 states an entity should recognize a right to use subscription asset and a corresponding liability for agreements that convey control of another party's IT software, alone or in combination with tangible capital assets, for a period longer than one year.

Additionally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University to establish and maintain a system, or systems, of internal fiscal and administrative controls. Proper internal controls should ensure all transactions are properly recorded in the financial statements.

University officials stated that both conditions were due to data entry errors not identified during the entry and review process.

Failure to properly evaluate lease and technology agreements could result in a material misstatement within the University's financial statements.

UNIVERSITY RESPONSE:

Accepted. The University will enhance its review procedures to ensure that all leases and technology agreements are properly evaluated and accounted for in accordance with

GASB Statement No. 87, *Leases,* and GASB Statement No. 96, *Subscription-Based Information Technology Arrangements.*

Federal Agencies: U.S. Department of Education

Program Names: Student Financial Assistance Cluster: Federal Direct Student Loans

ALN #s: 84.268

Award Numbers: N/A; Federal Awards Year 2023 – 2024

Questioned Costs: None

UPDATED RESPONSE:
Implemented.
The University has updated its procedures to ensure that all leases and technology agreements are properly evaluated and accounted for in accordance with GASB Statement No. 87, *Leases*, and GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*.

3. **The auditors recommend the University review current processes for reporting to NSLDS and implement procedures to ensure submissions are reported timely and accurately.**

FINDING: *Errors in Reporting for NSLDS – New*

Northern Illinois University (University) did not properly report enrollment changes for certain students who received federal student aid to the National Student Loan Data System (NSLDS) and the internal controls in place did not identify the errors.

Out of 40 students tested, they noted 1 (2.5%) student in which the University did not report the correct enrollment effective date to the NSLDS at the Program Level.

Out of 40 students tested, they noted 1 (2.5%) student in which the University did not report the correct enrollment effective date to the NSLDS at the Campus Level.

Out of 40 students tested, they noted 1 (2.5%) student in which the University did not timely report the enrollment effective date to the NSLDS at the Campus Level.

The sample was not intended to be, and was not, a statistically valid sample.

The Code of Federal Regulations (34 CFR 685.309) requires enrollment status changes for students to be reported to NSLDS within 30 days or within 60 days if the student with the status change will be reported on a scheduled transmission within 60 days of the change in status. Regulations require the status to include an accurate effective date.

According to the NSLDS Enrollment Reporting Guide, a student's Program-Level enrollment status should be reported with the same enrollment status as that student's campus-level enrollment status for all programs the student is enrolled in at that location, even if the student is not currently taking coursework that applies to a particular program. If the student has withdrawn or graduated from an academic program, a "terminal enrollment status" of 'W' or 'G,' as appropriate, should be reported for that program, even if the student is still taking coursework applicable to other programs in which the student is enrolled.

Uniform Grant Guidance (2 CFR 200.303) requires nonfederal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure enrollment reporting is completed properly

University officials also stated the Program Level exception was the result of a misinterpretation of NSLDS reporting requirements regarding the appropriate effective date to provide in the event that a student's withdrawal is processed on a later date than the withdrawal's effective date.

If the NSLDS system is not properly updated with the student information, over awards could occur should the student transfer to another institution and the student may not properly enter the repayment period.

UNIVERSITY RESPONSE:

Accepted. The University will take steps to address the recommendation in this finding. The University will correct the software issues which caused some students with the new withdrawal grade code to not have a withdrawal status calculated correctly at the campus level. The University will provide additional training and guidance to address the misinterpretation of withdrawal status effective date reporting which caused an error at the program level.

Federal Agencies: U.S. Department of Education

Program Names: Fund for the Improvement of Postsecondary Education

ALN #s: 84.116

Award Numbers: P116Z230260; Federal Awards Year 2023 – 2024

Questioned Costs: None

UPDATED RESPONSE:
Implemented.
The University will correct the software issue, which resulted from the introduction of a new withdrawal grade code not previously in use and caused the error at the campus level. In addition, the university will provide additional training and guidance to address the misinterpretation that caused the error at the program level.

4. **The auditors recommend the University review current processes for small purchases and simplified acquisition transactions to ensure purchase requisitions forms are completed correctly.**

FINDING: *Internal Controls Over Procurement - New*

Northern Illinois University (University) included incorrect documentation within purchase requisition forms for small purchases and simplified acquisition procurement transactions at the time of approval of the purchase which did not allow a reviewer to determine the appropriateness of the procurement method in the Fund for the Improvement of Postsecondary Education program.

The University's internal controls over purchases include review and approval of purchase requisitions in PeopleSoft that document the procurement method selected.

Out of four small purchase procurement transactions tested, four transactions (100%) were approved based on a form that summarized the incorrect procurement method. The University incorrectly indicated on a small purchase waiver form that the transactions were exempt from procurement under Illinois Procurement Code (30 ILCS 500 / 1-13(b)(8)).

Out of four transactions tested meeting the simplified acquisition threshold, four transactions (100%) were approved based on a form that summarized the incorrect procurement method. The University incorrectly indicated on a small purchase waiver form that the transactions were exempt from procurement under Illinois Procurement Code (30 ILCS 500 / 1-13(b)(8)).

Based on additional information provided to auditors during their testing, the University did have other documentation to support the history of the procurement, including rationale for the method of procurement and there were no indications that procurement methods used were inappropriate.

The sample was not intended to be, and was not, a statistically valid sample.

Uniform Grant Guidance (2 CFR 200.303) requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure procurement procedures are properly followed and support is properly maintained as required by 2 CFR 200.318.

University officials stated that staff turnover and lack of training on policies and procedures governing procurements subject to 2 CFR 200 led to the incorrect documentation on the purchase requisitions.

If the purchase requisition forms contain an incorrect rationale for the procurement method selected, the University could approve payments of federal funds to vendors that do not meet federal regulations.

UNIVERSITY RESPONSE:
Accepted. The University has already initiated a review of current processes and is taking steps to address the recommendation.

UPDATED RESPONSE:
Implemented.
The University has already initiated a review of current processes and is implementing enhanced protocols for new staff to ensure a stronger understanding and adherence to best practices.

5. **The auditors recommend the University dedicate specific resources to complete annual reconciliations of census data and to submit certifications and potential errors identified by the required due date. Auditors further recommend the University promptly reconcile the Fiscal Year 2022 and Fiscal Year 2023 census data, submit the required certifications and any potential errors noted to SURS, and work with SURS to address any differences noted.**

FINDING: *Uncompleted Census Data Reconciliation – First reported 2023, Last reported 2024*

Northern Illinois University (University) did not complete its annual census data reconciliation and certifications.

During their testing, the auditors noted the University had not reconciled changes in its State Universities Retirement System (SURS) member data to University records or submitted the required census data reconciliation certifications for fiscal year 2023 data, as required by SURS, as of year-end. The fiscal year 2023 reconciliation was due by May 31, 2024.

Additionally, they noted the fiscal year 2022 reconciliation and subsequent certification that was due by May 31, 2023, was not completed and submitted to SURS as of June 30, 2024.

In accordance with the American Institute of Certified Public Accountants' Audit and Accounting Guide: State and Local Governments, SURS stated employee census data should be reconciled annually by each university to a report provided by SURS and used by SURS' and the Department of Central Management Services' (CMS) actuaries. This reconciliation process helps mitigate the risk of using incomplete or inaccurate data and ensures the accuracy of reported pension and other post-employment benefit (OPEB) balances. Further, this reconciliation process ensures the completeness of employer and plan data, reduces payroll errors, confirms personnel files are up-to-date, and most importantly decreases the risks of financial misstatements. SURS requested the University to reconcile its Fiscal Year 2022 census data, certify to SURS that the reconciliation and eligibility review was completed, and report any potential data errors found by May 31, 2023. SURS requested the University to reconcile its Fiscal Year 2023 census data, certify to SURS that the reconciliation and eligibility review was completed, and report any potential data errors found by May 31, 2024.

In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University to establish and maintain an effective system, or systems, of internal controls. Effective internal controls should ensure reconciliations are completed by required due dates.

University officials stated the University has been actively engaged with officials from SURS since FY22 regarding their project to verify all employee's pensionable earnings, termination dates, and other employment data since the early 1970's. This project consumes significant staffing resources as University officials need to manually review paper personnel files and legacy systems from before the implementation of the University's current ERP system in 2001 to validate data.

Failure to perform and submit the required certifications could lead to reduced reliability of pension and OPEB related information and balances.

UNIVERSITY RESPONSE:

Accepted. The University has been actively engaged with officials from SURS since FY22 regarding their project to verify all employee's pensionable earnings, termination dates, and other employment data since the early 1970's. This project consumes significant staffing resources as university officials need to manually review paper personnel files and legacy systems from before the implementation of the university's current ERP system in 2001 to validate data. The University recognizes that the delay in this reconciliation causes frustration but has been actively communicating auditor progress to SURS officials. The University has sent the FY22 report to the State as of March 30, 2025; the FY23 audit will be submitted on April 30, 2025, and the FY24 audit on May 30, 2025.

UPDATED RESPONSE:

Implemented.

The University prioritized the reconciliations of the FY22, FY23, and FY24 data and all reconciliations were completed by June 30, 2025. We also appreciate the valuable guidance and collaboration from the SURS office throughout this process, which contributed to the ultimate completion of the reconciliations.

6. The auditors 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.

<u>FINDING:</u> *Inadequate Internal Controls over Census Data – This finding has been repeated since 2020.*

Northern Illinois University (University) did not have adequate internal control over reporting its census data 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.

The auditors 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, they 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 2022 to project pension and OPEB-related balances and activity at the plans during Fiscal Year 2023, which is incorporated into the University's Fiscal Year 2024 financial statements.

During testing, the auditors noted the following:

- During their cut-off testing of data transmitted by the University to SURS, they noted 35 instances of an active employee becoming inactive were reported to SURS after the close of the fiscal year in which the event occurred. There were also 2 instances previously reported that still impacted the June 30, 2022 census data.

The auditors provided SURS' actuary and CMS' actuary with the exceptions they identified during their 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 2023.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University to 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 that the exceptions occurred due to untimely processing of status changes for employees separating from the University at the end of the fiscal year. The other two incidents are considered isolated events carried over from prior testing due to the lag in the underlying census data and timing of testing and compliance examination period.

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.

UNIVERSITY RESPONSE:
Accepted. The University procedure for salaried employee is to complete an event after final vacation payout has been paid to the employee. Vacation payouts are paid the pay period after an employee terminates. The University has prioritized processing of status changes before the end of the fiscal year to ensure that they are completed within 30-days of the vacation payout. Due to the one year lag in the underlying census data relative to the compliance examination of census data report, implementation of corrective action will not take effect until fiscal year 2024 census data which will be reported in the compliance examination of census data for the year ended June 30, 2025.

UPDATED RESPONSE:
Implemented.
The University has updated its current practices and procedures to ensure controls and timely submission of the census data.

7. The auditors recommend the University continue its efforts to develop and implement a program to require all employees to submit time sheets in accordance with the Act.

FINDING: *Failure to Submit Proper Time Reporting – This finding has been repeated since 2005.*

Northern Illinois University (University) did not require all employees to submit time sheets, as required by the State Officials and Employees Ethics Act.

During their testing of 80 employees, the auditors noted that seventeen faculty employees (21%) did not submit time sheets documenting time spent each day on official State business to the nearest quarter hour.

The State Officials and Employees Ethics Act (Act) (5 ILCS 430) requires the University to adopt personnel policies consistent with the Act. The Act (5 ILCS 430/5-5 (c)) further states, “The policies shall require State employees to periodically submit time sheets documenting the time spent each day on official State business to the nearest quarter hour.”

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University to establish and maintain a system, or systems, of internal fiscal and administrative controls. Effective internal controls should ensure compliance with the Act and appropriate review of time sheets.

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

University officials stated the University has a system in place that captures time worked as required by the State Officials and Employees Ethics act for salaried supportive professional staff and civil service employees.

By not requiring appropriate time sheets from all its employees, the University lacks complete documentation of the time spent by faculty and staff on official State business as contemplated by the Act.

UNIVERSITY RESPONSE:
Accepted. The University will continue to work with legislators to remove the time reporting requirement of the State Officials and Employees Ethics Act requirement for faculty and graduate assistants and engage the University's legislative team to collaborate with the other universities to initiate recommended legislation to remove the requirement. Additionally, the University is implementing an automated timekeeping and leave reporting system to help streamline the recording of time, including those for employees required to submit time under the Act.

UPDATED RESPONSE:
Partially Implemented.
The University did not require all employees to submit time sheets, as required by the State Officials and Employees Ethics Act, and will continue to collaborate with legislators and other universities to remove the requirement for faculty and graduate assistants. For these employees, there are additional time reporting mechanisms in place and implementation of the SOEAA requirement is impractical because of the nature of their

work. Additionally, the University is implementing an automated timekeeping and leave reporting system.

8. The auditors recommend the University enhance its controls over the processing of commercial card program transactions to ensure employees comply with policies and procedures.

FINDING: *Inadequate Controls over Procurement Card Use – This finding has been repeated since 2021.*

Northern Illinois University (University) has not established adequate controls over its Commercial Card Program (P-Cards).

The University operates a P-card system that allows individuals throughout the University to make small purchases (defined as less than $5,000) on a credit card, which is directly paid by the University on a monthly basis. The University's policies require employees allowed a P-card to complete training on P-card procedures and sign an agreement stipulating they will use the card in accordance with the University's policies. The agreement must also be approved by the employee's manager prior to the P-card being issued. The University's policies require all transactions on a card to be approved by the cardholder's manager. Receipts and other related support for the transaction must be provided to the manager for review with the transaction and retained. There were 437 cardholders with transactions during the period of examination who incurred a total of $10,839,407.

During their review of a sample of 60 P-card transactions, totaling $48,911, made by 60 employees, they noted the following:

- Six transactions (10%), totaling $8,935, had no record of being approved, and there has been no proper segregation of duties over these transactions.
- 27 transactions (45%), totaling $15,155, were not approved timely. The approvals ranged from one to 28 days late.
- Four employees (7%) did not sign the commercial card agreement acknowledging that they will follow the P-card policies and procedures.
- One employee (2%) did not complete the annual required refresher training on P-card procedures.

The University's Commercial Card Program Policies and Procedures Section V states the approving manager must approve cardholder transactions in the card system by the second business day of the following month. Additionally, Section VI states participates of the P-card program are required to take an annual refresher course on policies and procedures.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University to establish and maintain a system, or systems, of internal fiscal and administrative controls.

Effective internal controls should ensure the commercial card program policies and procedures are being followed.

This finding was first noted during the examination of the year ended June 30, 2021. In subsequent years, the University has been unsuccessful in implementing a corrective action plan.

University officials stated the responsible departments did not follow the requirements of the NIU Commercial Card Program policies and procedures.

Failure to properly adhere to policies and procedures could expose the University to misuse of cards or fraudulent transactions.

UNIVERSITY RESPONSE:
Accepted. University officials will continue to issue monthly communications to reinforce the obligation of cardholders and approvers to comply with established commercial card policies and procedures. Furthermore, NIU Card Services will implement temporary suspensions of card privileges for individuals who fail to adhere to the monthly reconciliation requirements or who do not complete the mandatory annual refresher training.

UPDATED RESPONSE:
Implemented.
The University recognizes the long-standing challenges with Procurement Card compliance and will take a more comprehensive approach to address this issue. In addition to ongoing training, the University will review and refine internal procedures to ensure more effective controls over card use. To enforce compliance, temporary suspensions of card privileges will be implemented for those who fail to meet the established requirements. As part of our efforts to improve efficiency and oversight, the University is also moving toward a model of shared services and greater centralization, which will streamline processes and enhance accountability.

9. The auditors recommend the University take appropriate measures to ensure employee performance reviews are conducted in accordance with policy and that every employee receives an evaluation.

FINDING: *Uncompleted Performance Reviews – This finding has been repeated since 2018.*

Northern Illinois University (University) did not conduct performance reviews for employees in accordance with University policies and does not require performance reviews for all categories of employees.

The University has policies in place governing the performance reviews of civil service staff, supportive professional staff (SPS), and union faculty, however, it does not have policies requiring performance reviews for student employees, extra-help (temporary) employees, or non-union faculty members. In addition, during their testing of 30 employees who worked at the University for the time required to perform a meaningful evaluation, the auditors noted that three (10%) employees, who were covered by the University's performance evaluation policy, did not have a performance review performed during the fiscal year in accordance with University policy.

The University's performance review policy for civil service staff and SPS specifies annual performance reviews as they are a key component of employee development. The University policy for union faculty specifies department chairs are to provide evaluations by March 15th of the previous calendar year to union faculty members in their department.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University to establish and maintain a system, or systems, of internal fiscal and administrative controls. Effective internal controls should ensure employee performance reviews are conducted in accordance with policies and that all employees receive a performance evaluation.

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

University officials stated the lack of performance evaluations was due to constraints and limitations on managing the current performance systems, i.e., it is not automated, no reminders, no system to engage supervisors to complete them consistently on a timely basis.

Performance evaluations are a systematic and uniform approach used for the development of employees and communication of performance expectations to employees. Performance evaluations should serve as the foundation for salary adjustments, promotion, demotion, discharge, recall, and reinstatement decisions.

UNIVERSITY RESPONSE:

Accepted. The University has evaluated and is automating the performance evaluation process, starting with probationary employees. The first release of the automated performance evaluation system will occur in Summer of 2025, and the annual performance evaluation will begin in the Summer of 2026. These changes will assist with the reminders and tracking for management to complete the required performance evaluations. The University will continue to train and develop procedures for supervisors to timely complete the evaluations.

UPDATED RESPONSE:

Partially Implemented.

The University intends to explore a multi-phased approach to using existing technology to automate the tracking and collecting of performance evaluations in fiscal year 2025. In the short term, a system will be set up to automate reminders and track the current paper-based process. The long-term goal is to fully integrate the performance evaluation form into the university's ERP system, eliminating the need for paper forms.

10. The auditors recommend the University provide the payroll warrant information to the Office of the Secretary of State annually as required.

FINDING: *Noncompliance with the State Comptroller's Act - New*

Northern Illinois University (University) is not in compliance with the State Comptroller's Act.

During testing, they noted the University had not submitted payroll warrant information to the Office of the Secretary of State during fiscal year 2024.

The State Comptroller's Act (15 ILCS 405/13.1) requires the University to submit the total number of payroll warrants drawn by the University to be paid from funds retained in their own treasuries with the Office of the Secretary of State.

University officials stated exceptions were due to not establishing policies and procedures to comply with the Act as the University was not aware of the mandate requirements.

Failure to provide the required information to the Office of the Secretary of State represents noncompliance with State law.

UNIVERSITY RESPONSE:
Accepted. The University has joined the State Comptroller's Office to seek a legislative solution to resolve this issue. The University already sends each payroll warrant to the Comptroller's office, as required, for each pay period.

UPDATED RESPONSE:
Partially Implemented.
During FY24 it was noted that the university had not submitted payroll warrant information to the Office of the Secretary of State. Upon further examination, it was found that the university submits the information to the Comptroller's database on a semi-monthly basis as payroll is processed which does not meet the requirements of the mandate. The updated use of the database makes this requirement obsolete. The University has involved NIU Legislative Affairs to work with state-wide stakeholders to develop a legislative solution to this requirement.

11. The auditors recommend the University conduct a BIA to identify and prioritize critical IT systems and components.

FINDING: *Weaknesses in Controls over Contingency Planning – New*

Northern Illinois University (University) did not ensure adequate disaster recovery planning and testing was conducted during the examination period.

During the examination of the University's contingency plan, they noted the University did not perform a Business Impact Analysis (BIA) to identify and prioritize critical IT systems and components.

The *Contingency Planning Guide for Information Technology Systems* published by the National Institute of Standards and Technology requires entities to conduct a BIA as part of the contingency planning process.

The *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology, Contingency Planning section requires entities to develop contingency plans for systems to achieve continuity of operations for organizational missions and business functions along with addressing system restoration and implementation of alternative missions or business processes when systems are compromised or breached. It emphasizes the importance of BIA as a critical component of contingency planning. BIA helps organizations identify and prioritize their critical systems and processes, assess the potential impacts of disruptions, and develop strategies to mitigate those impacts. This ensures that organizations can maintain or quickly resume essential functions in the event of a disruption.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation.

University officials stated that they had developed a disaster recovery (DR) plan. However, the institution was not aware of the guidelines in the Contingency Planning Guide for Information Technology Systems publication that recommends the inclusion of a BIA within the DR Plan.

Failure to conduct BIA hinders the ability for the University to identify and prioritize critical IT systems and components. Without performing BIA, the University could have trouble aligning business processes and systems, determining maximum tolerable downtime, and set objectives for recovery times. Failure to develop a contingency plan over a critical application increases the risk and timing to return the application back to normal operation after an event that damages the system.

<u>UNIVERSITY RESPONSE:</u>
Accepted. The process of creating a Business Impact Analysis (BIA) for the University's functional areas (and their corresponding Business Continuity Plans) is a large project. University leadership will engage the Project Management Office to commence a project to identify functional areas, their priority, and then create their Business Continuity Plans. It is expected that this will be a multi-year project started in the third quarter of 2025. The

Business Impact Analysis will have a special focus within the Division of Information Technology starting in September 2025.

UPDATED RESPONSE:
Partially Implemented.
The University will evaluate and monitor the associated risks and initiate a project to create Business Impact Analysis (BIA) reports for departments within the University.

12. The auditors recommend the University implement controls to monitor the encryption and disposal of all their devices.

FINDING: *Weaknesses in Controls over the Security and Control of Confidential Information – New*

Northern Illinois University (University) had weaknesses over the security and control of confidential information.

During the examination of the University's security and control of confidential information, it was noted:

- The University did not ensure that 13 out of 40 (33%) devices tested were encrypted. However, during the examination, it was noted that the 13 devices are being monitored for endpoint detection and response to ensure that the devices are protected from threats like malware and unauthorized access.
- The University did not ensure that 2 out of 40 (5%) media devices tested were properly disposed of. The auditors identified during their testing that both devices were not tagged and therefore, their disposal was not tracked.

The *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology, Media Protection (MP-5, MP-6) and System and Communication Protection (SC-28) sections, require entities to develop controls for the protection of confidentiality and integrity of information processed, in transit, and at rest utilizing encryption techniques and tracking of media destruction.

University officials stated that they did not ensure all devices were encrypted and properly disposed of.

Failure to have devices encrypted and properly disposed of may result in confidential or personal information not being adequately protected or properly and timely disposed of.

UNIVERSITY RESPONSE:
Accepted. The University will review their policy on encryption of devices and make appropriate updates by June 30, 2025. Additionally, the University will review the inventory database looking for anomalies and make corrections by June 30, 2025.

UPDATED RESPONSE:
Partially Implemented
The University will improve the policies around machine encryption and review the inventory database and reporting requirements. The University has implemented a new purchasing process to better identify computer inventory. In addition, as part of a recent reorganization, the Ethics and Compliance Office has placed a stronger emphasis on privacy and the appropriate retention of records, further bolstering our efforts to safeguard confidential information.

13. The auditors recommend the University implement controls to ensure that anti-virus status is enabled and trackable for all devices.

FINDING: *Weakness in Controls over System Security – New*

Northern Illinois University (University) had not implemented adequate security and controls over the midrange environment.

During their testing of a sample of 40 servers, the auditors noted 16 (40%) did not have anti-virus enabled.

The *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology, System Information and Integrity (SI-3, SI-4) and Program Management (PM-5) sections, require entities to develop controls for malicious code protection mechanisms (signature or non-signature based), and system monitoring, and establishing a system inventory for management and reporting.

University officials stated that the physical servers are outdated and are not compatible with an endpoint detection system and an antivirus system. Further, University officials noted that some servers noted above did not have any Endpoint Detection and Response (EDR) solution enabled.

Failure to have anti-virus enabled on all servers might result in servers not being secured and exposed to inappropriate activity.

UNIVERSITY RESPONSE:
Accepted. Five (5) servers used by third-party NIU Network entities that were very low risk and very low utilization will be shut down by December 31, 2025. All other server without an “anti-virus” solution are virtual hosts; there is no “anti-virus” solution for virtual hosts. These servers will be recorded as a risk and monitored. Other mitigations will be completed by September 30, 2025.

UPDATED RESPONSE:
Partially Implemented.

The University will improve monitoring, reporting, and coverage of anti-virus software on servers and eliminate problem servers. *Five (5) servers used by third-party NIU Network entities that were very low risk and very low utilization will be shut down by December 31, 2025. All other server without an "anti-virus" solution are virtual hosts; there is no "anti-virus" solution for virtual hosts. These servers will be recorded as a risk and monitored. Other mitigations will be completed by September 30, 2025.*

14. The auditors recommend the University ensure all employees, including new hires, complete the required training within the required timeline. They also recommend the University develop and review cybersecurity policies timely.

FINDING: *Weaknesses in Cybersecurity Programs and Practices – This finding has been repeated since 2022.*

Northern Illinois University (University) had weaknesses in the internal controls related to cybersecurity programs and practices.

During their testing of the University's cybersecurity programs, practices, and control of confidential information, the auditors noted:

- Three of 15 (20%) newly hired employees tested did not complete the new hire information security awareness training.
- Four of 15 (27%) newly hired employees tested did not complete the new hire information security awareness training in the required timeframe. The training was completed between 20 and 118 days late.

Additionally, during their testing of management's review over policies surrounding cybersecurity, it was determined that the following policies were not addressed within a 3-year cadence:

- System Access and Security Policy
- Acceptable Use Policy
- Access Control Policy
- Change Management Process
- Financial Management System Database Backups.

As a result of their testing, the auditors further determined that there is not a formalized policy over the below topics:

- Backup Verification, Timeframes, & Offsite Storage
- Multi-Factor Authentication
- Anti-Virus Policy
- Data Classification Policy

The Framework for Improving Critical Infrastructure Cybersecurity published by the National Institute of Standards and Technology requires entities to provide cybersecurity training and communicate security policies. Additionally, the University's Information Security Awareness Training Policy requires employees to complete all assigned training within 30 days of the training being made available. The training material is made available to a newly hired employee on their first day and once annually to other employees.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain an effective system, or systems, of internal control. Effective internal controls should ensure employees complete training within the required timeframe.

The *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology (NIST), requires entities to have established procedures reviewed and updated on a routine basis.

University officials stated that they do not have a formalized process in place when an update is required for a policy. It goes through a chain of review and approval and the policy is formally updated. But in the instance when an update is not required, the University does perform an initial review over its security policies but if no changes are required there is no process to formally update the documentation. Therefore, no evidence of review is captured.

The lack of adequate cybersecurity training could result in the University’s confidential and personal information being mishandled or unsecured due to lack of awareness resulting in potential vulnerabilities susceptible to cyber-attacks and unauthorized disclosure. Failure to update policies on a 3-year cadence may result in policies to not have proper requirements established and communicated.

UNIVERSITY RESPONSE:
Accepted. The University will review Division of Information Technology policies and create a management framework for review and creation. The University will create or update the policies listed. Additionally, the University will review, update, and normalize the policy around training of employees. The expected completion is December 31, 2025.

UPDATED RESPONSE:
Partially Implemented.
The University will review its policies and create a framework for review and policy creation. Additionally, the University will review, update, and normalize the processes around employee training including the potential revocation of access for those not in compliance.

15. The auditors recommend the University to terminate separated users’ access on the last day of employment and conduct annual reviews of users’ access.

FINDING: *Inadequate Controls over Terminated Employee User Accounts – This finding has been repeated since 2021.*

Northern Illinois University (University) did not terminate separated employee's user accounts having access to Financial Management System.

During the examination, they noted users' access was not timely removed for the following:

- For 3 out of 6 sampled terminated users (50%) tested, the access was not removed timely (i.e. within 2 days as required per the policy). Access was removed between 1 and 182 days late.
- Additionally, 4 others terminated users still appeared active and their access was not disabled after their termination date as per the active user listing dated August 14, 2024.

Additionally, auditors noted the University had not developed a policy requiring reviews of individual access rights on at least an annual basis or requiring timely reviews and notification of employee separations to Human Resources (HR).

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation.

The *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology, Account Management section promotes controls for ensuring access to system resources are appropriately authorized. Additionally, the University's System Access and Security Policy documents users are required to be removed within 24 hours of their termination date.

University officials stated that their procedures are insufficient to force uniform notification to HR when an employee exits the University in the timeframe established by the University's policy.

Failure to implement effective controls over termination access to the environment, applications, and data could result in unauthorized access and manipulation of data.

UNIVERSITY RESPONSE:
Accepted. The University will review its policies around terminations, benchmark best practices, and update the requirements around entry dates to ensure adequate timeframes for processing terminations. The University will also review required access termination timeframes and review a plan for atypical terminations. Additionally, the

University will review, update, and normalize the policy around departmental review of employee access.

UPDATED RESPONSE:
Partially Implemented.
The University is implementing annual communications with departments regarding proper offboarding as well as formally documenting internal procedures for processing terminations. Additionally, the University will review, update, and normalize the policy around departmental review of employee 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.

Notice of all emergency procurement shall be provided to the Procurement Policy Board and published in the online electronic Bulletin no later than five business days after the contract is awarded. Notice of intent to extend an emergency contract shall be provided to the Procurement Policy Board and published in the online electronic Bulletin at least 14 days before the public hearing.

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.

Northern Illinois University had one emergency purchase in the third quarter of FY24 for $108,437.10 in other funds to replace two police interceptor SUV squad cars that have exceeded their expected life cycle. The UAW strike meant there was no window for ordering nor did the state contract vendor have any available inventory.

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 12, 2024, Northern Illinois University had 459 employees assigned to locations others than official headquarters.