

**STATE OF ILLINOIS  
NORTHEASTERN ILLINOIS UNIVERSITY  
COMPLIANCE EXAMINATION  
(In Accordance with the Single Audit Act  
and OMB Circular A-133)**

For the Year Ended June 30, 2006  
Performed as Special Assistant Auditors for  
the Auditor General, State of Illinois

**State of Illinois  
 Northeastern Illinois University  
 Compliance Examination  
 (In Accordance with the Single Audit Act  
 and OMB Circular A-133)  
 For the Year Ended June 30, 2006**

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**State of Illinois**  
**Northeastern Illinois University**  
**Compliance Examination**  
**(In Accordance with the Single Audit Act**  
**and OMB Circular A-133)**  
**For the Year Ended June 30, 2006**

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Northeastern Illinois University  
 Financial Audit for the year ended June 30, 2006

Northeastern Illinois University Foundation  
 Financial Audit for the year ended June 30, 2006

**State of Illinois  
Northeastern Illinois University**

**Agency Officials**

President	Dr. Salme Harju Steinberg
Vice President for Finance and Administration	Mr. Mark Wilcockson, CPA
Associate Vice President - Financial and Administrative Affairs	Mr. David Jonaitis
Director of Financial Affairs / Controller	Ms. Peggy Ho
Acting Director of Internal Audit	Mr. Ronald Cierny, CPA
Executive Director - Office of University Budgets	Dr. Helen Ang

Agency offices are located at:

5500 North St. Louis Avenue  
Chicago, Illinois 60625

November 15, 2006

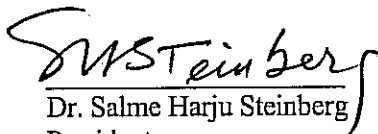
E. C. Ortiz & Co., LLP  
333 S. Des Plaines Street, Suite 2-N  
Chicago, Illinois 60661

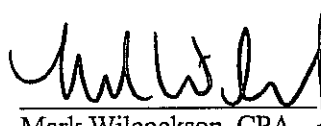
Ladies and Gentlemen:

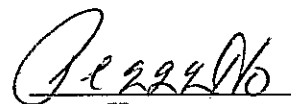
We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grants that could have a material effect on the operations of Northeastern Illinois University (University). We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the University's compliance with the following assertions during the year ended June 30, 2006. Based on this evaluation, we assert that during the year ended June 30, 2006, the University has materially complied with the assertions below.

- A. The University has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The University has obligated, expended, received and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The University has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. The State revenues and receipts collected by the University are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. The money or negotiable securities or similar assets handled by the University on behalf of the State or held in trust by the University have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,  
Northeastern Illinois University

  
Dr. Salme Harju Steinberg  
President

  
Mark Wilcockson, CPA  
Vice President for Finance  
and Administration

  
Peggy Ho  
Director of Financial  
Affairs/Controller

**State of Illinois  
Northeastern Illinois University**

**Compliance Report**

**Summary**

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

**Auditors' Reports**

The Independent Accountants' Report on State Compliance, on Internal Control Over Compliance and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant non-standard language.

**Summary of Findings**

<u>Number of</u>	<u>This Report</u>	<u>Prior Report</u>
Findings	7	6
Repeated findings	3	1
Prior recommendations implemented or not repeated	3	1

Details of findings are presented in a separately tabbed report section.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
FINDING (GOVERNMENT AUDITING STANDARDS)		
06-1	18	Failure to Apply Appropriate Accounting Principles
FINDINGS (FEDERAL COMPLIANCE)		
06-2	21	Inadequate Controls Over University Equipment Acquired from Grant Funds
06-3	24	Federal PELL Grant Program (PELL) Disbursements Not Properly and Timely Reported

**State of Illinois  
Northeastern Illinois University**

**Compliance Report**

**Summary of Findings, Continued**

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
FINDINGS (STATE COMPLIANCE)		
06-4	26	Inadequate Controls Over University Property and Equipment
06-5	31	Time Sheets Not Required
06-6	33	Noncompliance with Required Contracting Procedures
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PRIOR FINDING NOT REPEATED (GOVERNMENT AUDITING STANDARDS)		
06-8	37	Inadequate Controls Over Bank Reconciliations
PRIOR FINDING NOT REPEATED (FEDERAL COMPLIANCE)		
06-9	38	Quarterly Expenditure Reports Not Submitted Timely
PRIOR FINDING NOT REPEATED (STATE COMPLIANCE)		
06-10	38	Ethics Training for New Employees Not Completed Within the Required Timeframe

**State of Illinois  
Northeastern Illinois University**

**Compliance Report**

**Exit Conference**

The University waived having an exit conference in a letter dated December 8, 2006, from the University's Vice President for Finance and Administration, Mark Wilcockson.

Responses to the recommendations were provided by Mark Wilcockson in a letter dated December 20, 2006.

The financial audit report for the year ended June 30, 2006 is issued under a separate cover.





**INDEPENDENT ACCOUNTANTS' REPORT ON STATE COMPLIANCE,  
ON INTERNAL CONTROL OVER COMPLIANCE, AND ON  
SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES**

Honorable William G. Holland  
Auditor General  
State of Illinois

**Compliance**

As Special Assistant Auditors for the Auditor General, we have examined Northeastern Illinois University's (University) compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the year ended June 30, 2006. The management of the University is responsible for compliance with these requirements. Our responsibility is to express an opinion on the University's compliance based on our examination.

- A. The University has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The University has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The University has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. The State revenues and receipts collected by the University are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the University on behalf of the State or held in trust by the University have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the University's compliance with specified requirements.

In our opinion, the University complied, in all material respects, with the aforementioned requirements during the year ended June 30, 2006. However, the results of our procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of State findings and questioned costs as findings 06-4 to 06-7. As required by the Audit Guide, immaterial findings relating to instances of noncompliance excluded from this report have been reported in a separate letter to your office.

### **Internal Control**

The management of the University is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations. In planning and performing our examination, we considered the University's internal control over compliance with the aforementioned requirements in order to determine our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General.

Our consideration of internal control over compliance with the aforementioned requirements would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws and regulations that would be material in relation to one or more of the aforementioned requirements being examined may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance that we consider to be material weaknesses. However, the results of our procedures disclosed other matters involving internal control which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of State findings and questioned costs as finding 06-4. As required by the Audit Guide, immaterial findings relating to internal control deficiencies excluded from this report have been reported in a separate letter to your office.

### **Supplementary Information for State Compliance Purposes**

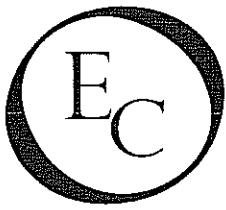
As Special Assistant Auditors for the Auditor General, we have audited the basic financial statements of the business-type activities of the University and its aggregate discretely presented component unit as of and for the year ended June 30, 2006, which comprise the University's basic financial statements, and have issued our report thereon dated November 15, 2006. The accompanying supplementary information, as listed in the Table of Contents as Supplementary Information for State Compliance Purposes, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the University. The 2006 Supplementary Information for State Compliance Purposes, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2006, taken as a whole. We have also previously audited, in accordance with auditing standards generally accepted in the United States, the University's basic financial statements for the year ended June 30, 2005. In our report dated November 28, 2005, we expressed an unqualified opinion on those statements. In our opinion, the 2005 Supplementary Information for State

Compliance Purposes, except for the portion marked "unaudited" is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2005, taken as a whole.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, and University management, and is not intended to be and should not be used by anyone other than these specified parties.

*E. C. Ortiz + Co., LLP*

November 15, 2006



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

Honorable William G. Holland  
Auditor General  
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the basic financial statements of Northeastern Illinois University (University) and its aggregate discretely presented component unit as of and for the year ended June 30, 2006 and have issued our report thereon dated November 15, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the University's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 06-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider item 06-1 to be a material weakness. We noted certain deficiencies in the design or operation of internal control over financial reporting which do not meet the criteria for reporting herein and which are reported as State compliance findings in the schedule of findings. We also noted certain immaterial instances of internal control deficiencies, which we have reported to management of the University in a separate letter dated November 15, 2006.

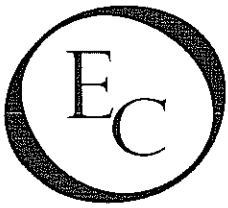
## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters which are reported as State compliance findings in the schedule of findings. We also noted certain matters which we have reported to management of the University in a separate letter dated November 15, 2006.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, University management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*E. C. Whiz & Co., LLP*

November 15, 2006



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable William G. Holland  
Auditor General  
State of Illinois

Compliance

We have audited the compliance of Northeastern Illinois University (University) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the University's compliance with those requirements.

In our opinion, the University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 06-2 and 06-3.

## Internal Control Over Compliance

The management of the University is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the University's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the University's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 06-2.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that could be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

## Schedule of Expenditures of Federal Awards

We have audited the financial statements of the business-type activities and the aggregate discretely presented component unit of Northeastern Illinois University as of and for the year ended June 30, 2006 and have issued our report thereon dated November 15, 2006. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprised the University's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, University management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*E. C. Ortiz & Co., LLP*

November 15, 2006

**SCHEDULE OF FINDINGS  
AND  
QUESTIONED COSTS**



**State of Illinois  
Northeastern Illinois University**

**Single Audit - Summary of Auditors' Results**

*For the Year Ended June 30, 2006*

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Reportable condition(s) identified that are not considered to be material weakness(es)?  Yes  None reported
- Noncompliance material to financial statements noted?  Yes  No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Reportable condition(s) identified that are not considered to be material weakness(es)?  Yes  None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?  Yes  No

**State of Illinois  
Northeastern Illinois University**

**Single Audit - Summary of Auditors' Results (Continued)**

*For the Year Ended June 30, 2006*

Identification of major programs:

<u>CFDA#</u>	<u>Name of Federal Program or Cluster</u>
	Student Financial Assistance Cluster
	TRIO Cluster
84.287	Twenty-First Century Community Learning Centers
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs
84.359	Early Reading First - Roots of Language and Literacy

Dollar threshold used to distinguish between type A and type B Programs:

\$ 693,598

Auditee qualified as low-risk auditee?

       Yes   X   No

**State of Illinois**  
**Northeastern Illinois University**

**CURRENT FINDING - Government Auditing Standards**

*For the Year Ended June 30, 2006*

06-1. *Failure to Apply Appropriate Accounting Principles*

The University did not properly record several transactions and, as a result, did not properly apply the appropriate generally accepted accounting principles (GAAP).

We noted the following in our audit of financial statements originally submitted by the University to the Office of the State Comptroller:

- The University issued Certificates of Participation (COP) Series 2006 in the amount of \$15,060,000 to finance the acquisition, development and implementation of an Enterprise Resource Planning (ERP) system. The original issue discount of \$94,315 was included as part of debt issuance costs and presented as “deferred charges” instead of a direct deduction from the COP liability balance.
- In fiscal year 2005, the University paid consulting fees of \$673,800 for the ERP system from the Income Fund. The University reimbursed the Income Fund upon receipt of the COP proceeds during the current year by recognizing other operating revenues in the Income Fund and recording other operating expenses in the ERP Project Fund. In the Statement of Activities, this interfund transaction was not eliminated.
- During the current year, the University paid the maintenance fee for the ERP system totaling \$93,365 for the period March 2006 to February 2007. A portion of the maintenance fee for fiscal year 2007 amounting to \$62,243 was expensed during the current year instead of being recorded to a prepaid expense account. Also, the University made payments subsequent to the fiscal year totaling \$347,532 for fixed fee services from July to September 2006 relating to the ERP system and accrued and recorded these as expenses during the current year.
- The University incurred about \$2 million of expenses related to the Library fire which included restoration costs totaling \$563,004 and demolition and clean-up costs of \$1.4 million. The restoration costs were not capitalized as building costs.

The University subsequently revised the financial statements and submitted revised accounting reports to the Office of State Comptroller to include the adjustments necessary to apply the appropriate generally accepted accounting principles.

# State of Illinois

## Northeastern Illinois University

### **CURRENT FINDING - Government Auditing Standards (Continued)**

*For the Year Ended June 30, 2006*

The following accounting principles apply to the above transactions:

- Statewide Accounting and Managements System (SAMS) Manual Procedure 03.50.20 states that the discount or premium resulting from the issuance of long-term debt instruments is not an asset or liability separable from the debt instrument which gave rise to it. It further states that the discount or premium for debt should be reported as a direct deduction from or addition to the face amount of the debt.
- Governmental Accounting Standards Board (GASB) Statement No. 35, requires the accrual basis of accounting for business type activities. Financial Accounting Standards Board (FASB) Concepts Statement No.1 requires that the financial effects of transactions should be recorded in the periods in which those transactions occur rather than in periods in which cash is paid. The accrual basis of accounting requires expenses to be recognized when incurred.
- Statewide Accounting and Managements System (SAMS) Manual Procedure 03.50.10 requires that the amount paid for services in advance should be deferred and recorded as a “prepaid asset” in the statement of net assets. It also requires that the amount paid for professional services should be reported as expense in the period for which the liability is incurred.
- GASB Statement No. 34 states that eliminations should be made in the Statement of Activities to remove the “doubling-up” effect of interfund activities.
- University Procedures requires costs for the physical alteration of any space and/or existing utility service which increases the service life of the building through extensive replacement of any building component, or modification to a building which changes or improves its use or function be treated differently from building maintenance costs and should be capitalized. GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* requires that the restoration or replacement of an impaired capital asset should be reported as a separate transaction from the impairment loss and associated insurance recovery. The cost to restore the damaged portion of the capital asset generally excludes noncapitalizable costs, such as demolition or cleaning, and costs related to improvements or additions to the capital asset.

According to University personnel, the above exceptions occurred due to oversight and staff being involved in the ERP project training and meetings. The exception relating to the accounting for the transactions on the fire was due to delay in the receipt of pertinent information to separate the capitalizable restoration costs from the noncapitalizable expenses.

**State of Illinois  
Northeastern Illinois University**

**CURRENT FINDING - Government Auditing Standards (Continued)**

*For the Year Ended June 30, 2006*

Failure to apply the applicable generally accepted accounting principles resulted in inaccurate and incomplete financial statements submitted with the original GAAP Package. (Finding Code No. 06-1)

***Recommendation***

We recommend that the University establish procedures to ensure that transactions which include special terms and reporting be carefully reviewed for proper accounting and recognition of related transactions. If necessary, accounting and reporting guidance should be obtained from technical resources to be in conformity with generally accepted accounting principles. In addition, year-end cut-off entries for accruals should be reviewed to ensure that they are charged to the proper account and to the correct fiscal year.

***University Response***

The University concurs with this finding and agrees that transactions which include special terms and reporting should be carefully reviewed and recorded. The University commits significant staff effort to adhere to generally accepted accounting principles in the recording and reporting of all transactions. The exceptions related to the Series 2006 Certificates of Participation (COP), a type of debt which was issued for the first time by the University to fund an enterprise resource planning system, were due to the misinterpretation of the original issue discount on the COP, and oversight in reviewing vendor invoices and interfund transfers. The University subsequently revised and submitted its financial statements to the Office of the State Comptroller.

The University will continue to commit significant staff effort and strengthen its procedures to ensure that proper generally accepted accounting principles will be adhered to.

**State of Illinois**  
**Northeastern Illinois University**

**CURRENT FINDINGS - Federal Compliance**

*For the Year Ended June 30, 2006*

**Federal Agency:** U.S. Department of Education

**Program Name:** Gaining Early Awareness and Readiness for Undergraduate Programs

**CFDA # and Program Expenditures:** #84.334A (\$8,810,129)

**Questioned Costs:** \$3,640

06-2. *Inadequate Controls Over University Equipment Acquired from Grant Funds*

The University did not have adequate controls over its equipment acquired from grant funds.

Part of the University's work plan for the Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP) is the Parent Programs. In this project, parents of GEAR UP students participate in the parent development sequence wherein participants who completed all three technology class series annually will earn a refurbished computer to maintain their computer skills, support their child's education using technology, and have a resource to use in the college application and financial aid process.

In our physical identification of 71 items from the property records, we noted the following:

- The tag number for two (2) items with a total value of \$1,433 representing a monitor and a computer did not match the tag number in the Property Listing. The University subsequently updated the Property records.
- Thirteen (13) refurbished computers totaling \$3,640, donated to the participants, were not documented by a Grant Transfer Form supporting the transfer of equipment.
- Thirty-nine (39) refurbished computers totaling \$10,920 purchased for parents of grant participants were erroneously tagged and recorded in the Property Listing. The purchase order specifically indicated that these computers were for the parents and therefore not the property of the University. The University subsequently corrected the Property records and deleted these items.

# State of Illinois

## Northeastern Illinois University

### **CURRENT FINDINGS - Federal Compliance (Continued)**

*For the Year Ended June 30, 2006*

The Office of Management and Budget (OMB) Circular A-110 (Sub Part C – Post Award Requirements, Section 34 – Equipment) requires that equipment records be maintained accurately and include the Federal stock number and other identification number and ultimate disposition data including date of disposal.

University Fiscal Agent Handbook on Grant Transfer of Property (Section H9) states that some grants provide for the purchase of property on behalf of project partners or participants who are not University employees or students. It requires the Grant Fiscal Agent to prepare the *Grant Transfer of Property (2014)* form to document the transfer of property, purchased with grant funds, from a grant account to another entity.

University Fiscal Agent Handbook on Tagging University Equipment (Section H3) states that the Fiscal Agent must advise Property Control of all equipment changes within their area or unit. The Fiscal Agent must also furnish Property Control with information pertaining to all property that has been donated, constructed, or was previously unreported. Property Control will tag all University property and advise General Accounting of all equipment changes.

University officials stated that the University had procedures in place in maintaining the property records however the exceptions noted relate to a lack of adherence to University procedures. Additionally, Property Control incorrectly tagged the computers purchased on behalf of the parents and recorded them in the property records.

Inadequate controls over University property and equipment results in inaccurate and incomplete property records. Failure to document the transfer of equipment acquired from grant funds resulted in noncompliance with OMB and University policies and procedures. (Finding Code No. 06-2)

#### ***Recommendation***

We recommend the University adhere to its procedures to ensure that property and equipment records are accurately maintained and updated. The University should also ensure that transfers of equipment acquired from grant funds are properly documented.

**State of Illinois**  
**Northeastern Illinois University**

**CURRENT FINDINGS - Federal Compliance (Continued)**

*For the Year Ended June 30, 2006*

***University Response***

The University concurs with the recommendation that we should adhere to our procedures to ensure that property and equipment records are properly maintained, particularly, as this finding reports, when a grant includes the transfer of computers to grant recipients or parents. All fiscal agents involved in grants will be reminded through a letter from Property Control of the procedures involving the purchasing of equipment through grants and the submission of Grant Transfer of Property form as found on the University website.



**State of Illinois  
Northeastern Illinois University**

**CURRENT FINDINGS - Federal Compliance (Continued)**

*For the Year Ended June 30, 2006*

**Federal Agency:** U.S. Department of Education

**Program Name:** Federal Pell Grant Program

**CFDA # and Program Expenditures:** #84.063 (\$7,908,305)

**Questioned Costs:** None – Procedural Finding Only

**06-3. Federal Pell Grant Program (Pell) Disbursements Not Properly and Not Timely Reported**

Based on our review of the first Pell disbursements report for Fall 2005, we noted that Pell disbursements for the Summer 2005 for 46 students were not reported within 30 days after disbursements. These Pell disbursements were reported 26 to 46 days late.

The U.S. Department of Education uses the information submitted in the Common Origination and Disbursement (COD) to book loans, account for awarded grants, and reconcile school cash drawdowns from the Treasury to individual student disbursements.

Our detailed testing of 59 students who received Pell grants in Fall 2005 and Spring 2006 resulted in the following:

- Differences in the disbursement dates between the student's accounts in the University system and the disbursement dates in the COD files of the Department of Education were noted. The disbursement dates for the COD reported for Fall 2005 was one day late, while for Spring 2006 it was 12 days early.
- Pell disbursement in Fall 2005 for one student was reported 16 days late.

Based on the requirements for the Federal Pell Grant Program, an institution must report student payment data within 30 calendar days after the institution makes a payment to the student or becomes aware of the need to make an adjustment to previously reported or expected student payment data.

University officials stated that the delay in reporting and the differences in the disbursement dates were due to the system problems encountered in extracting the student data for Pell reporting. The University is aware of the problem and is in the process of correcting the deficiency by assigning additional staff to complete this reporting requirement.

**State of Illinois**  
**Northeastern Illinois University**

**CURRENT FINDINGS - Federal Compliance (Continued)**

*For the Year Ended June 30, 2006*

Failure to submit accurate records in a timely manner results in noncompliance with the federal program guidelines. In addition, submission of inaccurate records might result in fines and reduction in the University's Pell allocation. (Finding Code No. 06-3)

***Recommendation***

We recommend the University ensure that Federal Pell Grant expenditure and disbursement date information is accurately reported to the U.S. Department of Education within 30 days of being disbursed.

***University Response***

The University concurs with the recommendation. The Financial Aid Office will assign additional personnel to ensure that Pell Reporting is completed in a timely fashion.

# State of Illinois

## Northeastern Illinois University

### CURRENT FINDINGS - State Compliance

*For the Year Ended June 30, 2006*

#### 06-4. Inadequate Controls Over University Property and Equipment

Northeastern Illinois University (University) did not have adequate controls over its property and equipment.

In our physical identification of 110 items in the property records, we noted the following:

- Thirty-two (32) equipment items tested with a total value of \$73,389 were not tagged with the University decal. These items consisted of: a multimedia lectern, an LCD monitor, a digital camera, a scanner, a computer monitor, 2 televisions, 2 conference phones, a portable radio, 3 office furniture, and 19 laptops. The LCD monitor and 2 televisions were still in the unopened boxes. The University subsequently affixed the University decal on these items.
- Information in the property records for fifty (50) equipment items tested were not updated as follows:
  - The tag number affixed for thirty-six (36) items with a total value of \$31,676 representing a laptop, 18 computer monitors, and 17 CPUs did not match the tag number in the Property Listing. Thirty-four (34) of these items were affixed with two tag numbers. Neither of the two tags affixed matched the tag number in the Property Listing.
  - Thirteen (13) items with a total value of \$24,750 were found in a different location. These items were a multi-probe system, a television, a weight training machine, a typewriter, 2 file cabinets, 5 projectors, and 2 printers.
  - A projector amounting to \$146 was no longer in use but not reported as surplus.

The University subsequently updated the property records.

During our tracing to the Property Listing of items physically identified, we noted that 20 equipment items tested were not included in the Property Listing. These items represent a radio, a digital exciter, and 18 laptops. The University subsequently updated the property records.

In our review of the Property Listing submitted by the University to the Department of Central Management Services (DCMS) on August 1, 2006, we noted that equipment valued under \$500 considered as high theft items were not reported.

**State of Illinois**  
**Northeastern Illinois University**

**CURRENT FINDINGS - State Compliance (Continued)**

*For the Year Ended June 30, 2006*

During our review of deletions made during the fiscal year, we also noted the following:

- Two (2) items with a total value of \$2,036 representing a laptop and a monitor were transferred to another State agency without reporting the required necessary information such as the historical cost, purchase price, and purchase date.
- Four (4) items with a total value of \$17,128 representing a microform fermentor, a polarograph, a console computing analog field, and a spectronic were deleted in the Property Listing before a Property Change Notice was completed.
- A laptop computer valued at \$1,810 was erroneously deleted from the Property Listing. The University subsequently reactivated the item in the Property system.

In our detailed testing of 60 equipment vouchers, we noted the following:

- Ten (10) items with a total value of \$11,548 representing 6 refurbished computers and 4 laptops were donated to grant participants. No supporting documents were available to evidence the transfer of the items.
- Fifty-nine (59) items with a total value of \$52,508 representing 18 laptops, 13 digital cameras, 24 camcorders, 3 monitors, and a television included in the Property Listing were not included in the Inventory of Equipment submitted to DCMS. Forty-one (41) of these items were valued under \$500 but are considered high theft items.

During our review of University controls over off-campus use of equipment and physical verification of the 30 laptops personally assigned, we noted the following:

- Ten (10) off-campus equipment use forms for laptops obtained from Property Control were not completed properly. The forms had missing information such as signature of actual user, the justification for being off-campus, and the Fiscal Agent's approval.
- The user name for twelve (12) laptops with a total value of \$29,190 was not indicated or did not match the username in the Property Listing.
- The tag number affixed on a laptop amounting to \$2,258 did not match the tag number in the Property Listing.
- The serial number of a laptop amounting to \$1,821 did not match the serial number in the Property Listing.

# State of Illinois

## Northeastern Illinois University

### CURRENT FINDINGS - State Compliance (Continued)

*For the Year Ended June 30, 2006*

- Two (2) laptops tested with a total value of \$4,976 were not tagged with the University decal. The University subsequently affixed the University decal on these items.
- Two (2) laptops with a total value of \$6,697 were not found.
- A laptop with a total value of \$2,548 was defective and no longer in use but not reported as surplus.
- Off-campus equipment use forms were not prepared for 6 laptops assigned to employees.

Department of Central Management Services Property Control Rules (44 Illinois Administrative Code 5010) requires each piece of equipment to be marked with a unique six-digit identification number and that all additions, deletions, or other changes be made within 30 days. It also requires all equipment with an acquisition value of \$500 or more to be reported to DCMS by the holding agency. It further states that equipment with an acquisition value of less than \$500 is not subject to reporting; however, agencies will be responsible for establishing and maintaining internal control records over these items. In addition, it also requires that all items of equipment with an acquisition value of under \$500 are not required to be reported to DCMS, except that all firearms, cameras, calculators, antiques, and other items subject to theft must be reported regardless of acquisition cost.

Statewide Accounting Management System (SAMS) Procedure 29.10.10 requires agencies to maintain detailed property records and update property records as necessary to reflect the current balance of State property. Such detail records are to be organized by major asset category and include the following information for each asset: (1) Cost (or other value); (2) function and activity; (3) reference to acquisition source document; (4) acquisition date and date placed in service; (5) name and address of vendor; (6) short description of asset; (7) organization unit charged with custody; (8) location; (9) fund and account from which the item was purchased; (10) method of acquisition; (11) estimated useful life; (12) estimated salvage value; (13) date, method and authorization of disposition; (14) tag number; (15) accumulated depreciation; (16) depreciation method; (17) depreciation convention; and (18) insured value (if applicable).

University Fiscal Agent Handbook on Off-Campus Use of Property (Section H4) requires that an *Off-Campus Equipment Use Contract* be submitted to the accountable fiscal agent, Department Chair, Director, or other designee, describing the equipment, reason for off campus use, date to be taken, and expected date of return.

# State of Illinois

## Northeastern Illinois University

### CURRENT FINDINGS - State Compliance (Continued)

*For the Year Ended June 30, 2006*

University Fiscal Agent Handbook on Grant Transfer of Property (Section H9) states that some grants provide for the purchase of property on behalf of project partners or participants who are not University employees or students. It requires the Grant Fiscal Agent to prepare the *Grant Transfer of Property (2014)* form to document the transfer of property, purchased with grant funds, from a grant account to another entity.

University Fiscal Agent Handbook on Property Change Notice (Section M10) states that the *Property Change Notice* form enables Property Control to maintain current status and location information required to effectively control all University property. It also requires the completed form, processed by the fiscal agent initiating the change, to be submitted to Property Control.

University officials changed staffing in the Property Control area and stated that many of the exceptions noted occurred before implementation of new University procedures and that the other exceptions relate to delay in notification and training of University employees on the new procedures.

The University implemented new procedures during the end of the fiscal year which include numeric tagging of all items valued \$500 or more and high theft items valued less than \$500 within 10 business days upon receipt of the equipment, entry in property control records within a month, annual physical inventory of all equipment, completion and review of all *Off-Campus Equipment Use Contracts*, and identification of satellite campus Property Custodian.

Inadequate controls over University property and equipment results in inaccurate and incomplete property records. It could also result in incorrect accounting information and could cause unnecessary equipment expenditures and inaccurate financial reporting. Loss of University property and equipment may not be detected timely or remain undetected without an accurate property inventory listing and/or strict compliance with University property control procedures. Failure to submit the complete Inventory of Equipment with an acquisition value of \$500 or more and high theft items valued under \$500 resulted in noncompliance with DCMS Property Control Rules. (Finding Code Nos. 06-4, 05-3, 04-2)

# State of Illinois

## Northeastern Illinois University

### **CURRENT FINDINGS - State Compliance (Continued)**

*For the Year Ended June 30, 2006*

#### ***Recommendation***

We recommend the University adhere to its procedures to ensure that property and equipment records are accurately maintained and updated. The University should also improve its controls over off-campus use of property and equipment by reviewing the forms submitted by the employees for completeness and accuracy. Periodic physical inventories should be conducted and property records should be updated with the results of the inventory. We also recommend the University ensure submission of a complete Inventory of Equipment with DCMS and establish and maintain internal control records over items valued less than \$500. Additionally, the University should ensure that their staffing is adequate to accomplish the other recommendations noted.

#### ***University Response***

The University concurs with the recommendation that we should adhere to our procedures to ensure that the property and equipment records are accurately maintained and believes that the University has improved the property control since this finding was first reported. The University instituted two forms for the use of equipment off-campus – the Off-campus Use of Property and Equipment Form and the Laptop Equipment Agreement (which includes off-campus use). The revised forms and additional review will improve control in the noted areas.

The University concurs that periodic physical inventories should be performed and property records updated. The University also agrees that additional staffing likely is needed to accomplish this. The University has submitted a complete Inventory of Equipment with DCMS in the time frame given to the University by DCMS. The University has also instituted the tagging of items valued at less than \$500 with a “Property of the State of Illinois Northeastern Illinois University” tag. Purchase Orders of all equipment are kept on file with property control.

**State of Illinois**  
**Northeastern Illinois University**

**CURRENT FINDINGS - State Compliance (Continued)**

*For the Year Ended June 30, 2006*

06-5. *Timesheets Not Required*

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

The Act required the Illinois Board of Higher Education (IBHE), with respect to State employees of public universities, to adopt and implement personnel policies. The Act (5 ILCS 430/5-5(c)) 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 IBHE adopted personnel policies for public universities on February 3, 2004 in accordance with the Act. The University has not incorporated these policies into the University's policies.

During our review of time sheets for 60 employees during the year, we noted that 22 employees documented time to the nearest quarter hour and 38 employees were using the "negative" timekeeping system whereby the employee is assumed to be working unless noted otherwise. Of the 22 employees required to submit time sheets, 2 employees did not submit their time sheets for one pay period.

University procedures do not require time reports documenting the time spent each day on official State business to the nearest quarter hour to be submitted for faculty, administrative and professional, exempt civil service, student aide, and graduate assistants. The employees documenting time to the nearest quarter hour were only non-exempt civil service, work study, temporary help, and hourly professional.

University officials stated that based on the Audit Corrective Action Plan, the University determined not to implement a short-term paper-based system and is instead working with its ERP contractor to implement an electronic timekeeping system.

By not requiring positive time reporting from its employees, the University is not in compliance with the Act. (Finding Code Nos. 06-5, 05-4)

***Recommendation***

We recommend the University amend its policies to require all employees to submit time reports in compliance with the Act.



**State of Illinois**  
**Northeastern Illinois University**

**CURRENT FINDINGS - State Compliance (Continued)**

*For the Year Ended June 30, 2006*

*University Response*

The University concurs with this finding and, as noted, has begun implementation of an electronic timekeeping system. The system was developed with our ERP consultant and is currently being pilot tested. Training and implementation on the system is being phased-in and will continue for the next several months.

# State of Illinois

## Northeastern Illinois University

### CURRENT FINDINGS - State Compliance (Continued)

*For the Year Ended June 30, 2006*

#### 06-6. Noncompliance with Required Contracting Procedures

The University did not comply with certain required contracting procedures.

During our tests of contractual service expenditures, we noted the following:

- Nine of 30 contracts (30%) were not filed with the Office of the State Comptroller as of fiscal year end. The University filed the Contract Obligation Documents with attachments other than the contracts. All of the 9 contracts were executed in the current fiscal year and were incurred against locally held funds.
- Four of 30 contracts (13%) were not filed within 15 days of execution. The contracts were filed 197 to 539 days late. Late filing affidavits were not on file.
- Amendments to the amount in the purchase orders totaling \$174,754 covering 2 contracts were not supported by revised contracts.
- Amendments to 2 other contracts for an increase of \$401,105 were executed during the fiscal year but were not filed with the Office of the State Comptroller.
- Two contracts totaling \$14,811 were not approved prior to performance of services.

In our detailed testing of vouchers, we also noted the following:

- Payments for computer purchases to a single vendor totaling \$130,931 were not advertised in the Illinois Procurement Bulletin as sole source since they were not competitively bid. There was also no contract formally executed for the purchases.
- Maintenance renewal services for the fiscal year amounting to \$23,006 and purchase of uniforms amounting to \$15,543 were not covered by written contracts.
- Purchases of books, journals, art materials, catering and bus services (\$3,000 and above) from 15 different vendors totaling \$89,063 did not show whether vendor quotes or competitive quotes were obtained.
- A printing services contract amounting to \$31,223 was executed 90 days after delivery of the printed materials.

# State of Illinois

## Northeastern Illinois University

### **CURRENT FINDINGS - State Compliance (Continued)**

*For the Year Ended June 30, 2006*

The Illinois Procurement Code (30 ILCS 500/20-80(b)) and SAMS Procedure 15.10.40 require all state agencies to file contracts exceeding \$10,000 with the State Comptroller within 15 calendar days after execution. It also requires that all modifications to any contract be filed with the State Comptroller. An Affidavit for Late Filing must be completed for any contract liability not filed within thirty (30) days of execution. In addition, 30 ILCS 500/20-80(d) states that when the contract for services involving professional or artistic services is not reduced to writing prior to the commencement of the contract, the agency should file the contract and “an affidavit, signed by the chief executive officer of the agency or her designee, stating that the services for which payment is being made were agreed to before commencement of the services and setting forth an explanation of why the contract was not reduced to writing before the services commenced.”

SAMS Procedure 15.20.10 states, “File Only contracts, including contracts paid entirely from locally held funds, do not require obligation and are not entered into the SAMS system. They must, however, be filed with the Illinois Office of the Comptroller (IOC) and must meet all IOC documentation and certification requirements.”

The Illinois Administrative Code, Title 44, Section 526.2025 states that sole source procurement is permissible when a requirement is available from only a single supplier or when only one supplier is deemed economically feasible. It requires publication in the Procurement Bulletin of the notice of intent to contract at least 14 days prior to execution of the contract and also to publish the notice of contract awarded on a sole source basis.

The University’s Fiscal Agent Handbook requires vendor quotes (faxed or written) to accompany requisitions of \$2,500 to \$9,999.

The University had procedures in place to file the contracts with the State Comptroller, however, University officials stated that there was miscommunication between two administrative offices and some contracts were not filed. Contracts, amendments to contracts, and advertisements were not performed due to oversight.

Failure to reduce the contract for services to writing exposes the University to potential liabilities and unnecessary legal costs in case of dispute over the scope of services and responsibilities. Failure to file contracts and contract modifications with the Office of the State Comptroller on a timely basis resulted in noncompliance with State statutes and regulations. Failure to adhere to a competitive bidding process or requiring vendor quotations may result in the University not getting the lowest possible cost for the services provided. Failure to advertise the notice of intent to contract or notice of award on a sole source basis resulted in noncompliance with the Illinois Administrative Code. (Finding Code Nos. 06-6, 05-5)

**State of Illinois**  
**Northeastern Illinois University**

**CURRENT FINDINGS - State Compliance (Continued)**

*For the Year Ended June 30, 2006*

***Recommendation***

We recommend the University adhere to its procedures to ensure all contracts over \$10,000 are filed with the Office of the State Comptroller in accordance with State statutes and regulations. We further recommend that an Affidavit for Late Filing should be completed for any contract liability not filed within thirty (30) days of execution. Required vendor quotations, competitive solicitation procedures, and advertisements must be observed in all instances.

***University Response***

The University concurs with the recommendation that it adhere to its procedures that ensure all contracts over \$10,000 are filed with the Office of the State Comptroller in accordance with State statutes and regulations. It is noted that mitigating circumstances can potentially delay timely filing and, accordingly, an Affidavit for Late Filing must be filed within thirty (30) days of execution.

The University also concurs with the recommendation to obtain required vendor quotations, and perform competitive solicitation procedures and advertisements. The University Purchasing Department will review its internal bidding procedures and revise where appropriate to meet requirements and the rules proscribed by the State of Illinois Procurement Code.

**State of Illinois**  
**Northeastern Illinois University**

**CURRENT FINDINGS - State Compliance (Continued)**

*For the Year Ended June 30, 2006*

**06-7. Noncompliance with University Payroll Distribution Procedures**

During our year-end payroll observation, we reviewed the payroll distribution log for the fiscal year and we noted that paycheck envelopes were released to employees who were not authorized representatives. Five of the 11 units under the Vice President of Student Affairs Department showed that there were 9 pay periods wherein paycheck envelopes were distributed to employees that were not authorized representatives to pick-up the paycheck envelopes.

The University's Fiscal Agent Handbook on Payroll Distribution (Section 13) requires the Controller's representative to release paycheck envelopes to authorized department representatives only. Authorized department representatives are to distribute paychecks to employees and authorized unit representatives upon presentation of identification.

University officials stated that procedures are in place for payroll distribution but the exceptions noted were due to oversight by the department representatives.

Failure to distribute paycheck envelopes to authorized department or unit representatives resulted in noncompliance with the University policies and procedures and increases the risk of misappropriation of the paychecks. (Finding Code No. 06-7)

***Recommendation***

We recommend the University adhere to its procedures to ensure that paycheck envelopes are only released to authorized department and unit representatives.

***University Response***

The University concurs that University procedures should be followed and corrective action will be implemented. For clarification, the finding does not involve the initial distribution of paychecks from the Controller's Office to the major departments. This is the most significant area of internal control over paycheck distribution. The finding relates to the distribution of checks from a major department to the individual departments or employees. In those cases, the department representatives picking up the paychecks were well known and appropriate, but had not signed on as the alternate agents for check pick-up.

**State of Illinois**  
**Northeastern Illinois University**

**Prior Finding Not Repeated**  
*For the Year Ended June 30, 2006*

**Government Auditing Standards**

06-8. *Inadequate Controls Over Bank Reconciliations*

Status: Implemented.

It was recommended that the University require bank reconciliations be prepared 30 days from receipt of the bank statements. In addition, the Controller or a person independent of the preparer should review and approve the bank reconciliations monthly to ensure accuracy and timeliness of preparation. It was also recommended that the University ensure that required reconciliations are performed during employee leaves.

Our testing disclosed that bank reconciliations were prepared timely and reviewed by a person independent of the preparer. (Finding Code No. 05-1)

**State of Illinois**  
**Northeastern Illinois University**

**Prior Finding Not Repeated**

*For the Year Ended June 30, 2006*

**Federal Compliance**

06-9. *Quarterly Expenditure Reports Not Submitted Timely*

Status: Implemented.

It was recommended that the University comply with all the reporting requirements of its grant agreements and ensure timely submission of reports. It was also recommend that a calendar of reporting deadlines be compiled and be monitored by the grant fiscal administration to ensure compliance.

Our testing disclosed that quarterly expenditure reports were submitted timely and monitored by the grant fiscal administration. (Finding Code No. 05-2)

**State Compliance**

06-10. *Ethics Training for New Employees Not Completed Within the Required Timeframe*

Status: Implemented.

It was recommended that the University develop and implement procedures to ensure that employees complete ethics training within six months of their initial date of employment.

During the current engagement, the University implemented a new procedure wherein ethics training is incorporated into the orientation for new employees. However, we noted certain exceptions which occurred before the implementation of the new University procedures which were not considered significant and therefore reported in the letter of immaterial findings. (Finding Code No. 05-6)

**State of Illinois**  
**Northeastern Illinois University**

**Supplementary Information for State Compliance Purposes**

*For the Year Ended June 30, 2006*

**Summary**

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

- Fiscal Schedules and Analysis
  - Schedule of Expenditures of Federal Awards
  - Notes to the Schedule of Expenditures of Federal Awards
  - Schedule of Net Appropriations, Expenditures, Lapsed Balances and Balances Reappropriated
  - Comparative Schedule of Net Appropriations, Expenditures, Lapsed Balances and Balances Reappropriated
  - Comparative Schedule of Income Fund Revenues and Expenditures
  - Schedule of Changes in Capital Assets
  - Analysis of Significant Variations in Expenses
  - Analysis of Significant Variations in Revenues
  - Analysis of Significant Lapse Period Spending
  - Analysis of Significant Account Balances
  - Summary of Indirect Cost Reimbursement Funds
- Analysis of Operations
  - University Functions and Planning Program
  - University Enrollment and Employee Information (Unaudited)
  - Emergency Purchases
  - Illinois First Projects
  - Schedule of Federal and Nonfederal Expenditures
  - Service Efforts and Accomplishments (Unaudited)
  - Schedule of Tuition and Fee Waivers (Unaudited)
  - University Bookstore Information (Unaudited)
- Special Data Requirements for Audits of Universities
  - University Reporting in Accordance with University Guidelines
  - Schedule of Indirect Cost Funds to be deposited into the University Income Fund as Required by 1982 University Guidelines (1997 Amended)
  - Other Entities and Auxiliary Enterprises - Calculation Sheet for Current Excess Funds
  - Description of Accounting Entities
  - Other Entities and Auxiliary Enterprises - Balance Sheets
  - Other Entities and Auxiliary Enterprises - Schedule of Changes in Fund Balances - Current Funds
  - Summary of Foundation Payments to the University



**State of Illinois**  
**Northeastern Illinois University**

**Supplementary Information for State Compliance Purposes**  
*For the Year Ended June 30, 2006*

**Summary, Continued**

The auditors' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report section states that it has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the auditors' opinion, except for that portion marked "unaudited", on which no opinion is expressed, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

STATE OF ILLINOIS  
NORTHEASTERN ILLINOIS UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Pass-Through Number	FY 2006 Expenditures
<b>MAJOR PROGRAMS</b>			
<u>DEPARTMENT OF EDUCATION</u>			
STUDENT FINANCIAL ASSISTANCE CLUSTER			
Federal Pell Grant Program	84.063		\$ 7,908,305
Federal Supplemental Educational Opportunity Grants	84.007		383,932
Federal Work-Study Program	84.033		502,708
Federal Perkins Loan Program - Federal Capital Contributions (Note 2)	84.038		
Federal Family Education Loan Program (Note 3)	84.032		
TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER			<u>\$ 8,794,945</u>
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334		<u>\$ 8,810,129</u>
TRIO CLUSTER			
TRIO - Talent Search Program	84.044		\$ 388,326
TRIO - Upward Bound Program	84.047A		376,088
TRIO - Upward Bound Math and Science Competition	84.047M		243,303
TRIO - McNair Post-Baccalaureate Achievement	84.217		<u>220,656</u>
TOTAL TRIO CLUSTER			<u>\$ 1,228,373</u>
Early Reading First			
<i>Roots of Language and Literacy</i>	84.359		<u>\$ 1,208,982</u>
Twenty-First Century Community Learning Centers			
Passed-Through Illinois State Board of Education			
<i>Title IV - 21st Century Community Learning Centers</i>	84.287	2005-4421-00	\$ 93,628
<i>Title IV - 21st Century Community Learning Centers</i>	84.287	2006-4421-00	453,656
<i>Title IV - 21st Century Community Learning Centers</i>	84.287	2005-4421-04	36,680
<i>Title IV - 21st Century Community Learning Centers</i>	84.287	2006-4421-04	<u>456,280</u>
			<u>\$ 1,040,244</u>
TOTAL DEPARTMENT OF EDUCATION			<u>\$ 21,082,673</u>
<b>TOTAL MAJOR PROGRAMS</b>			<u>\$ 21,082,673</u>
<b>OTHER PROGRAMS</b>			
<u>DEPARTMENT OF EDUCATION</u>			
Higher Education Institutional Aid			
<i>Strengthening Institutions - Hispanic Serving Institutions</i>	84.031		<u>\$ 228,160</u>

The accompanying notes are an integral part of this schedule.

STATE OF ILLINOIS  
NORTHEASTERN ILLINOIS UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Pass-Through Number	FY 2006 Expenditures
Bilingual Education Training Grants <i>Training for All Teachers</i>	84.195B		\$ 211,748
Fund for the Improvement of Postsecondary Education <i>FIPSE Comprehensive Program</i>	84.116		\$ 134,398
Rehabilitation Long-Term Training <i>Rehabilitation Counseling</i>	84.129		\$ 96,853
Special Education - Personnel Preparation to Improve Services and Results for Children with Disabilities <i>Special Education - Personnel Preparation to Improve Services and Results for Children with Disabilities</i>	84.325		\$ 69,874
Child Care Access Means Parents in School <i>Child Care Access Means Parents in Schools</i>	84.335		\$ 35,142
School Leadership <i>Star School Leadership Project</i>	84.363		\$ 30,108
Capacity Building for Traditionally Underserved Populations <i>Rehabilitation Counseling Capacity Building Project</i>	84.315		\$ 29,883
Improving Teacher Quality State Grants Passed-Through Illinois Board of Higher Education <i>No Child Left Behind</i>	84.367	None	\$ 439,395
Arts in Education Passed-Through Beacon Street Gallery <i>Arts Impacting Achievement</i>	84.351	None	\$ 210,459
Minority Science and Engineering Improvement Passed-Through St. Augustine College <i>Minority Science and Engineering Program</i>	84.120	None	\$ 20,514
TOTAL DEPARTMENT OF EDUCATION			\$ 1,506,534

NATIONAL SCIENCE FOUNDATION

RESEARCH AND DEVELOPMENT CLUSTER

Mathematical and Physical Sciences <i>Robust Numerical Methods in Polynomial Algebra with Approximate Data</i>	47.049		23,816
<i>Topics in Stochastic Control, Portfolio Optimization and Credit Risk Analysis</i>	47.049		6,077
<i>Research in Undergradual Institutions: Hamiltonian Instability</i>	47.049		113

The accompanying notes are an integral part of this schedule.

STATE OF ILLINOIS  
NORTHEASTERN ILLINOIS UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Pass-Through Number	FY 2006 Expenditures
Passed-Through Purdue University <i>Undergraduate Research Centers</i>	47.049	501-1324-01	43,959
			<u>73,965</u>
Education and Human Resources <i>The Chicago Math Scholars Program</i>	47.076		21,999
Passed-Through City College of New York <i>Peer- Led Team-Learning: National Dissemination by the Workshop Project</i>	47.076	40443	134,468
Passed-Through Chicago State University <i>Illinois Louis Stokes Alliance for Minority Participation</i>	47.076	None	31,462
			<u>187,929</u>
TOTAL RESEARCH AND DEVELOPMENT CLUSTER			<u>\$ 261,894</u>
TOTAL NATIONAL SCIENCE FOUNDATION			<u>\$ 261,894</u>
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Substance Abuse and Mental Health Services - Projects of Regional and National Significance <i>Campus Suicide Awareness and Prevention Program</i>	93.243		<u>\$ 46,805</u>
Block Grants for Prevention and Treatment of Substance Abuse Passed-Through Illinois Department of Human Services <i>Substance Abuse Prevention</i>	93.959	10C6002591	<u>\$ 39,652</u>
Developmental Disabilities Basic Support and Advocacy Grants Passed-Through Illinois Council on Developmental Disabilities <i>Teacher Preparation in Undergraduate College/University Programs</i>	93.630	2203	<u>\$ 25,464</u>
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>\$ 111,921</u>
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Equal Opportunity in Housing <i>College Housing Debt Service Grant Program</i>	14.000		<u>\$ 70,000</u>
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>\$ 70,000</u>

The accompanying notes are an integral part of this schedule.

STATE OF ILLINOIS  
 NORTHEASTERN ILLINOIS UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Pass-Through Number	FY 2006 Expenditures
<b><u>DEPARTMENT OF STATE</u></b>			
Educational Partnerships Program <i>Educational Partnership with Tanzania</i>	19.424		\$ <u>60,227</u>
TOTAL DEPARTMENT OF STATE			\$ <u>60,227</u>
<b><u>DEPARTMENT OF AGRICULTURE</u></b>			
Soil and Water Conservation Passed-Through Great Lakes Commission <i>Soil and Water Conservation</i>	10.902	None	\$ <u>23,384</u>
TOTAL DEPARTMENT OF AGRICULTURE			\$ <u>23,384</u>
<b><u>DEPARTMENT OF INTERIOR</u></b>			
National Cooperative Geologic Mapping Program <i>Geologic Mapping of the Mokena Quadrangle for Informed Land Use Planning</i>	15.810		\$ <u>3,292</u>
TOTAL DEPARTMENT OF INTERIOR			\$ <u>3,292</u>
TOTAL OTHER PROGRAMS			\$ <u>2,037,252</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u>23,119,925</u>

The accompanying notes are an integral part of this schedule.

**State of Illinois  
Northeastern Illinois University**

**Notes to the Schedule of Expenditures of Federal Awards**

*For the Year Ended June 30, 2006*

**1. Significant Accounting Policy**

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards by federal agency and program represent the financial assistance transactions of the State of Illinois, Northeastern Illinois University which are recorded on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

**2. Student Loan Program Administered by the University**

The University administered the following federal loan program during the year ended June 30, 2006:

**Perkins Loan Program CFDA #84.038**

Outstanding Balance - July 1, 2005	\$ 2,802,572
Additions:	
Interest income	39,507
Other income	<u>65,428</u>
Total Additions	<u>104,935</u>
Deductions:	
Loans cancelled or written off	69,576
Administrative charges	35,102
Collection costs	40,870
Decrease in allowance for doubtful accounts	<u>16,288</u>
Total Deductions	<u>161,836</u>
Outstanding Balance - June 30, 2006	<u>\$ 2,745,671</u>

**3. Guaranteed Loans**

During the year ended June 30, 2006, the University awarded \$10,046,093 in new loans under the Federal Family Education Loan Program (CFDA #84.032).

**4. Waived Matching Requirement**

During the year ended June 30, 2006, the State of Illinois, Northeastern Illinois University was granted a waiver from the U.S. Department of Education that released the University from the requirement of matching any Federal Work Study (FWS) funds and any Federal Supplemental Education Opportunity Grant (FSEOG) funds.

**State of Illinois**  
**Northeastern Illinois University**

**Schedule of Net Appropriations, Expenditures, Lapsed Balances and Balances Reappropriated\***  
*Appropriations for Fiscal Year 2006*  
*Fourteen months ended August 31, 2006*

	Appropriations (Net After Transfers)	Expenditures Through June 30, 2006	Lapse Period Expenditures July 1, to August 31, 2006	Total Expenditures	Balances Lapsed	Balances Reappropriated July 1, 2006
<b>APPROPRIATED FUNDS</b>						
General Revenue Fund 001 (Public Act 94-0015):						
Personal services	\$ 34,779,000	\$ 34,778,998	\$ -	\$ 34,778,998	\$ 2	\$ -
Social Security - Medicare Contributions	408,300	408,286	-	408,286	14	-
Employer Contributions to Group Insurance	1,072,600	1,072,600	-	1,072,600	-	-
Contractual Services	2,217,800	1,635,454	579,677	2,215,131	2,669	-
Equipment	600,000	485,294	108,761	594,055	5,945	-
Match Federal Title II Programs	170,000	91,801	7,345	99,146	70,854	-
<b>Total General Revenue Fund</b>	<b>39,247,700</b>	<b>38,472,433</b>	<b>695,783</b>	<b>39,168,216</b>	<b>79,484</b>	<b>-</b>
Capital Development Fund 141 (Public Act 94-0015):						
Equipment and Remodeling of Buildings	2,071,805	-	-	-	-	2,071,805
<b>Total Appropriated Funds</b>	<b>41,319,505</b>	<b>38,472,433</b>	<b>695,783</b>	<b>39,168,216</b>	<b>79,484</b>	<b>2,071,805</b>
<b>NON-APPROPRIATED FUNDS</b>						
Northeastern Illinois University Income Fund - 037 (**):						
Personal services	-	24,408,006	339,435	24,747,441	-	-
Contributions to Social Security System	-	427,698	-	427,698	-	-
Contractual Services	-	5,351,415	612,924	5,964,339	-	-
Travel	-	150,927	9,450	160,377	-	-
Commodities	-	695,135	105,729	800,864	-	-
Equipment	-	1,167,242	69,359	1,236,601	-	-
Telecommunication services	-	505,300	27,897	533,197	-	-
Operation of Automotive Equipment	-	16,197	1,235	17,432	-	-
Permanent improvements	-	559,468	32,135	591,603	-	-
Awards, grants and matching funds	-	256,953	-	256,953	-	-
<b>Total Income Fund</b>	<b>-</b>	<b>33,538,341</b>	<b>1,198,164</b>	<b>34,736,505</b>	<b>-</b>	<b>-</b>
<b>Grand Total</b>	<b>\$ 41,319,505</b>	<b>\$ 72,010,774</b>	<b>\$ 1,893,947</b>	<b>\$ 73,904,721</b>	<b>\$ 79,484</b>	<b>\$ 2,071,805</b>

\* The information contained in this schedule was taken from the University records which have been reconciled to those of the Office of State Comptroller.

\*\* The University Income Fund is not an appropriated fund, therefore no appropriation or lapsed balances are presented.

**State of Illinois**  
**Northeastern Illinois University**

**Comparative Schedule of Net Appropriations, Expenditures,  
Lapsed Balances and Balances Reappropriated\***  
*For the Years Ended June 30, 2006, 2005, and 2004*

	<b>Fiscal Years</b>		
	<b>2006</b>	<b>2005</b>	<b>2004</b>
	<b>PA 94-0015</b>	<b>PA 93-0842</b>	<b>PA 93-0090</b>
General Revenue Fund-001:			
Appropriations (Net after transfers)	\$ 39,247,700	\$ 39,227,700	\$ 39,077,689
Expenditures:			
Personal services	34,778,998	33,655,098	38,051,122
Social Security - Medicare Contributions	408,286	400,000	-
Employer Contributions to Group Insurance	1,072,600	1,072,600	-
Contractual Services	2,215,131	2,629,784	-
Equipment	594,055	1,198,189	-
Match Federal Title II Programs	99,146	248,159	248,793
Total Expenditures	39,168,216	39,203,830	38,299,915
Lapsed Balances	\$ 79,484	\$ 23,870	\$ 777,774
	<b>Fiscal Years</b>		
	<b>2006</b>	<b>2005</b>	<b>2004</b>
	<b>PA 94-0015</b>	<b>PA 93-0842</b>	<b>PA 93-0090</b>
Capital Development Fund - 141			
Appropriations (Net after transfers)	\$ 2,071,805	\$ 2,071,805	\$ 2,134,209
Expenditures:			
Equipment and Remodeling of Buildings	-	-	62,404
Balances Reappropriated	\$ 2,071,805	\$ 2,071,805	\$ 2,071,805
Grand Total, All Funds			
Total Appropriations (Net after transfers)	\$ 41,319,505	\$ 41,299,505	\$ 41,211,898
Total Expenditures	39,168,216	39,203,830	38,362,319
Lapsed Balances	\$ 79,484	\$ 23,870	\$ 777,774
Balances Reappropriated	\$ 2,071,805	\$ 2,071,805	\$ 2,071,805

\* The information contained in this schedule was taken from the University records which have been reconciled to those of the State Comptroller.



**State of Illinois**  
**Northeastern Illinois University**

**Comparative Schedule of Income Fund Revenues and Expenditures\***

*For the Years Ended June 30, 2006 and 2005*

	2006	2005
Fund balance, beginning of year	<u>\$ (8,250,073)</u>	<u>\$ (2,736,772)</u>
Income fund revenues:		
Tuition	34,510,585	29,810,831
Rental income	29,159	30,333
Investment income	379,121	343,421
Miscellaneous	<u>2,033,254</u>	<u>501,355</u>
Total income fund revenues	<u>36,952,119</u>	<u>30,685,940</u>
Income fund expenditures:		
Personal services (including change in accrued compensated absences)	24,439,203	22,475,453
Social security, medicare, health and life insurance	427,699	289,787
Contractual services	5,953,605	7,085,465
Travel	163,948	153,217
Commodities	816,350	787,216
Equipment and library books	1,366,926	1,415,550
Telecommunications	515,493	720,141
Operation of automotive	16,197	9,782
Awards, grants and matching funds	263,408	143,576
Permanent improvements	698,477	1,102,729
Tuition and fee waivers	<u>2,555,402</u>	<u>2,016,325</u>
Total income fund expenditures	<u>37,216,708</u>	<u>36,199,241</u>
Fund balance, end of year	<u><u>\$ (8,514,662)</u></u>	<u><u>\$ (8,250,073)</u></u>

*\* This schedule has been prepared on the accrual basis of accounting.*

**State of Illinois  
Northeastern Illinois University**

**Schedule of Changes in Capital Assets\***

*For the Years Ended June 30, 2006, 2005, and 2004*

	Balance June 30, 2004		Balance June 30, 2005		Balance June 30, 2006	
	Additions	Deductions	Additions	Deductions	Additions	Deductions
Land	\$ 3,481,601	\$ -	\$ 3,481,601	\$ -	\$ -	\$ -
Land improvements	9,123,205	776,608	9,735,851	163,962	712,014	-
Building and building improvements	96,002,907	1,826,284	95,600,267	2,228,924	421,748	-
Equipment	33,002,060	2,920,197	34,233,623	1,688,634	2,001,775	1,723,877
Library books	17,032,426	886,747	17,919,173	-	934,516	-
Construction in progress	3,071,026	15,750,079	18,821,105	-	2,289,338	-
<b>Total</b>	<b>\$ 161,713,225</b>	<b>\$ 22,159,915</b>	<b>\$ 179,791,620</b>	<b>\$ 4,081,520</b>	<b>\$ 6,359,391</b>	<b>\$ 1,723,877</b>
						<b>\$ 184,427,134</b>

\* This schedule has been prepared from the University's property control records. These records are maintained on a basis prescribed by the Department of Central Management Services and differ from the information presented in the basic financial statements due to the higher capitalization thresholds which were adopted for financial reporting purposes. These records have been reconciled to the property records submitted to the Office of the State Comptroller.

**State of Illinois  
Northeastern Illinois University**

**Analysis of Significant Variations in Expenses  
For the Year Ended June 30, 2006**

Following are explanations for significant variances between expense accounts exceeding \$50,000 and 15%:

	<b>2006</b>	<b>Increase (Decrease)</b>	<b>2005</b>	<b>Comments</b>
Depreciation expense	\$ 4,169,179	\$ 605,651	\$ 3,563,528	Increase mainly due to the catch-up depreciation of several equipment not depreciated in fiscal year 2005, recorded during the current year.
Other operating expenses	1,607,214	1,396,576	210,638	Increase due to various expenses on the Enterprise Resource Planning (ERP) system.
Interest on indebtedness	1,180,342	184,563	995,779	Increase due to the interest paid for the \$15 million Certificates of Participation (COP) issued during the current year.

**State of Illinois  
Northeastern Illinois University**

**Analysis of Significant Variations in Revenues**

*For the Year Ended June 30, 2006*

Following are explanations for significant variances between revenue accounts exceeding \$50,000 and 15%:

	<b>2006</b>	<b>Increase (Decrease)</b>	<b>2005</b>	<b>Comments</b>
Student tuition and fees, net of scholarships	\$ 32,821,397	\$ 4,635,285	\$ 28,186,112	Increase was due to a 9.6% increase in the undergraduate tuition rate and a modest increase in student enrollment.
Other operating revenues	2,664,272	609,870	2,054,402	Increase was due to the following: (1) increase in health insurance fee of \$400,000 during the fiscal year and (2) collection of \$105,000 in outstanding balance fees (nonrefundable fee of \$50 per semester charged to the student's outstanding balance effective fiscal year 2006).
Investment income	557,334	172,288	385,046	Increase due to income earned on the investment of the COP proceeds and increase in interest rates during the fiscal year.
Other nonoperating revenues	586,370	516,370	70,000	Increase mainly attributed to the impairment gain recognized due to the University Library fire.
Gain (loss) on disposal of capital assets	\$ 10,908	\$ 154,721	\$ (143,813)	Loss in fiscal year 2005 was due to the demolition of Parking Lot K.

**State of Illinois  
Northeastern Illinois University**

**Analysis of Significant Variations in Revenues, Continued**  
*For the Year Ended June 30, 2006*

Following are explanations for significant variances between revenue accounts exceeding \$50,000 and 15%:

	<b>2006</b>	<b>Increase (Decrease)</b>	<b>2005</b>	<b>Comments</b>
Capital additions provided by State of Illinois	616,636	(2,293,695)	2,910,331	Decrease mainly due to the Capital Development Board project for the renovation of Building C, Building E, and Science Building, which were substantially completed in fiscal year 2005.

**State of Illinois**  
**Northeastern Illinois University**

**Analysis of Significant Lapse Period Spending**

*For the Year Ended June 30, 2006*

Significant lapse period spending pertains mainly to contractual services of \$1,192,601, personal services of \$339,435, and equipment expenditures of \$178,120 paid from the Income Fund and General Revenue Fund in July and August 2006 for expenditures incurred prior to July 1<sup>st</sup>.

**State of Illinois**  
**Northeastern Illinois University**

**Analysis of Significant Account Balances**

*For the Years Ended June 30, 2006 and 2005*

**Cash and Investments**

The University's cash and investments are classified as follows:

	2006	2005
Cash and cash equivalents	\$ 2,945,652	\$ 5,960,370
Restricted cash and cash equivalents	9,101,135	2,767,284
Short-term investments	5,880,470	1,001,560
Investments - noncurrent assets	10,012,835	8,797,555
	<u>\$ 27,940,092</u>	<u>\$ 18,526,769</u>

The University's cash and investments were held in the following accounts:

Deposits held at U.S. Bank		
University 2004 Bond Reserve Account	\$ 59,205	\$ 29,501
University 2004 Bond Account	434,046	426,544
University 1997 Bond Reserve Account	21,863	1,430
University 1997 Bond Account	356,936	426,463
University 1973 Bond Reserve Account	5,117	21,457
University 1973 Bond Account	229,517	114,790
Certificate of Participation Installment	12,567	-
Deposits held at Pittsburgh National Bank	32,856	81,542
Deposits held at Bank One		
University Operating Account	1,399,139	1,054,572
University Clearing Account	(1,395,677)	(1,482,144)
University Payroll Account	(513,606)	(712,784)
University 2004 Bond Proceeds	527,745	850,260
Student Union Revenue Fund	163	300
Repair and Replacement Account	2,616	1,339
Non-Instructional Facility Reserve	46,239	56,068
Equipment Reserve	54,784	51,644
University Emergency Loan Account	(300)	(385)
Certificate of Participation Installment Proceeds	4,894,843	-
University Clearing Money Market Account	2,472,785	3,915,991
University Investment Pool Account	5,880,470	6,977,438
Repair and Replacement Money Market Account	402,029	753,185
U.S. Treasury Notes	9,945,585	1,529,791
Federal Home Loan Bank Bonds	1,202,457	1,164,039
Federal Home Loan Mortgage Corporation Note	129,065	127,847
Federal Farm Credit Bank	756,337	-
Illinois Funds	970,351	3,125,021
Petty Cash - all accounts	12,960	12,860
	<u>\$ 27,940,092</u>	<u>\$ 18,526,769</u>

As of June 30, 2006, all deposit amounts were fully collateralized with federal government securities pledged by the applicable financial institution, were invested in U.S. government securities, money market mutual funds, or were on deposit with Illinois Funds. The Illinois Funds includes investment in U.S. government-backed securities which yielded an average annual rate of 4.834% during fiscal year 2006. The University has the right to withdraw its participation from the pool at any point in time. The U.S. Treasury Notes have interest rates of 2.375-4.750%. The Federal Home Loan Bank Bonds have interest rates of 2.150% - 5.375%. The Federal Home Loan Mortgage Corporation Note has interest rate of 3.070%. The Federal Farm Credit Bank has interest rate of 5.930%.

**State of Illinois**  
**Northeastern Illinois University**

**Analysis of Significant Account Balances, Continued**  
*For the Years Ended June 30, 2006 and 2005*

**Accounts Receivable**

The University's accounts receivable (net of allowance for doubtful accounts) are classified as follows:

	2006	2005
Grants	\$ 3,187,416	\$ 3,566,901
Student loans	2,426,479	2,345,895
Tuition and fees	2,805,277	2,019,564
Other receivables	2,857,351	1,238,767
	<u>\$ 11,276,523</u>	<u>\$ 9,171,127</u>

Grants receivable consists of amounts due from the federal government and other granting sources at the end of the fiscal year.

Student loans receivable consist almost entirely of student loans issued under the Federal Perkins Loan Program.

Tuition and fees receivable increased due to the 9.6% increase in the undergraduate tuition and fee rates and a modest increase in student enrollment in fiscal year 2006.

Other receivables consist primarily of amounts due from State appropriations, students, parking fines, library fines and other miscellaneous receivables. The increase is mainly attributable to the accrual of insurance reimbursements of \$1.9 million for the fire that occurred in the University Library and CTC campus.

The aging of such receivables, by type, as of June 30, 2006, is as follows:

	Current	1-2 years	2-3 years	Over 3 years	Total
Grants	<u>\$ 3,187,416</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,187,416</u>
Student loans					
Perkins loan	\$ 2,740,742	\$ 97,267	\$ 80,000	\$ 204,520	\$ 3,122,529
Emergency loan	18,132	2,708	2,391	26,751	49,982
Total student loans	<u>\$ 2,758,874</u>	<u>\$ 99,975</u>	<u>\$ 82,391</u>	<u>\$ 231,271</u>	3,172,511
Allowance for doubtful accounts					(746,032)
Net student loans					<u>\$ 2,426,479</u>
Tuition and fees					
From students	\$ 2,256,110	\$ 312,713	\$ 199,105	\$ 39,131	\$ 2,807,059
Third party reimbursements	955,700	-	-	-	955,700
Total tuition and fees	<u>\$ 3,211,810</u>	<u>\$ 312,713</u>	<u>\$ 199,105</u>	<u>\$ 39,131</u>	3,762,759
Allowance for doubtful accounts					(957,482)
Net tuition and fees					<u>\$ 2,805,277</u>
Other receivables					
Parking fines	\$ 56,990	\$ 33,442	\$ 50,860	\$ 218,503	\$ 359,795
Library fines	11,708	76,199	46,771	422,533	557,211
Other accruals	2,731,904	-	-	-	2,731,904
Total other receivables	<u>\$ 2,800,602</u>	<u>\$ 109,641</u>	<u>\$ 97,631</u>	<u>\$ 641,036</u>	3,648,910
Allowance for doubtful accounts					(791,559)
Net other receivables					<u>\$ 2,857,351</u>



**State of Illinois**  
**Northeastern Illinois University**

**Analysis of Significant Account Balances, Continued**

*For the Year Ended June 30, 2006*

Inventories

	<u>2006</u>	<u>2005</u>
Inventories	\$ <u>124,030</u>	\$ <u>90,375</u>

Inventories are valued at cost (first-in, first-out method) or market, whichever is lower, and primarily consist of office and printing supplies and vending machine merchandise. The variance is insignificant.

Deferred Charges

	<u>2006</u>	<u>2005</u>
Deferred summer term tuition waivers	\$ 171,066	\$ 112,643
Prepaid expenses	<u>62,243</u>	<u>-</u>
Total deferred charges	\$ <u>233,309</u>	\$ <u>112,643</u>

The University defers a portion of the revenues related to its summer term based on the number of class days before and after June 30. Tuition waivers related to the summer term are deferred in the same manner. Increase in deferred charges is primarily due to prepayments made by the University for the Enterprise Resource Planning (ERP) costs.

Unamortized Bond Issue Costs

	<u>2006</u>	<u>2005</u>
Unamortized bond issue costs	\$ <u>821,320</u>	\$ <u>564,701</u>

The increase in unamortized bond issue costs is mainly due to the costs of issuance of the Certificates of Participation (COP) during the fiscal year.

Liabilities

A comparative analysis of liabilities of the University is provided below:

	<u>2006</u>	<u>2005</u>
Accounts payable and accrued payroll	\$ 6,142,964	\$ 5,510,670
Deferred tuition and fees	3,224,584	2,479,588
Revenue bonds payable	21,420,000	21,730,000
Certificates of participation, net	14,967,290	-
Funds held in custody for others	157,360	145,028
Liability for compensated absences	<u>11,251,004</u>	<u>11,553,035</u>
Total Liabilities	\$ <u>57,163,202</u>	\$ <u>41,418,321</u>

**State of Illinois**  
**Northeastern Illinois University**

**Analysis of Significant Account Balances, Continued**  
*For the Year Ended June 30, 2006*

The increase in total liabilities is attributable to several factors like delayed processing of payments during the fiscal yearend due to late submission of vendor invoices, increase in deferred tuition and fees due to a 9.6% undergraduate tuition rate increase and a modest increase in enrollment, and the issuance of the \$15,060,000 COP to finance the acquisition, development, and implementation of an ERP system.

**State of Illinois  
Northeastern Illinois University**

**Summary of Indirect Cost Reimbursement Funds**

*For the Year Ended June 30, 2006*

Fund Balance - June 30, 2005 \$ 1,416,096

Add: Reimbursement Revenues

ACT4L Training Teachers	\$ 15,683	
Academic Enhancements	25,110	
Advanced Reading	7,054	
Antioch School	1,130	
Arthur: Education Excellence	1,009	
Beacon: Arts Impacing Achieving	36,375	
Bookstore	20,140	
Bridges to Future	1,805	
Campus Recreation	34,005	
Campus Suicide Awareness	3,467	
Chicago Housing Authority	82,900	
Child Care Access Programs	2,603	
Child Care Center	26,929	
Chicago Public Schools	56,435	
Chicago State University	1,132	
Cicero Public School	6,942	
College Work Study Program	26,085	
Comprehensive Programs	9,955	
Fast Paced Programs	5,182	
Gear Up Programs	442,265	
Health Services	12,934	
Interactive Teaching	5,388	
McNair Scholarship Program	16,449	
Minority Institution	11,092	
Mostly Music	1,190	
Muticultural Arts	6,000	
NCLB: Learning Together	21,601	
New Trier High School District	5,100	
Non-Credit Contracts	6,521	
Parking Lot Administration	99,910	
Pep Villa Park	3,556	
Performing Arts	6,479	
Perkins Loan Program	35,101	
PLTL: National Dissemination	26,459	
Purdue University	12,112	
Rehabilitation Counseling Capacity	2,214	
Rehabilitation Long-term Training	2,384	
Robust Number Methods	5,408	
Roots of Language	284,329	
SEOG	18,282	
St. Augustine College	1,423	
Star School Leadership	2,230	
State Match Account	1,481	
State Pre Kindergarten	5,887	
Student Government	24,361	
Student Union	81,623	
Talent Search Programs	28,506	
Teacher Preparation	1,550	
Technology Initiatives	47,218	
Upward Bound	52,615	
Vending Services	12,821	
West Chicago Prairie Insect	2,120	
21st Century Learning Center	69,771	
Other Sources	26,791	<u>1,747,112</u>
Total Available		<u>3,163,208</u>

Less: Expenditures and Transfer

Academic Services	211,344	
Administrative Services	321,293	
Student Services	56,516	
Funds transferred to Income Fund	826,133	<u>1,415,286</u>

Fund Balance - June 30, 2006

\$ 1,747,922

# State of Illinois Northeastern Illinois University

## Analysis of Operations

*For the Year Ended June 30, 2006*

## University Functions and Planning Program

### Description of Planning System:

#### Functions

The University's major goal is "...to serve the people of the State of Illinois by providing quality higher education at the bachelor's and master's degree level in the liberal arts, professional education and such other areas as would enhance the State's delivery of post-secondary instruction to the citizens of the Chicago area." The University accomplishes its mission by offering undergraduate and graduate degree courses, non-degree courses and community services.

#### Planning

Included in the University's Priorities Statements for fiscal years 2007 through 2012 are the highest priorities of the University and serve as the planning documents in the development of new and expanded programs, the reallocation of current sources, and requests for new funds to support initiatives. The University has identified seven major goals to be pursued: 1) Recruiting and retaining a diverse student body, both at the undergraduate and graduate levels through coordinated and strategic enrollment management; 2) Fostering a student/learner-centered community that supports successful outcomes; 3) Creating a University environment which fosters excellence in teaching, learning and scholarship through the use of information technology and learning resources; 4) Strengthening and expanding international educational opportunities to enhance understanding of social, cultural, economic, political, and scientific aspects of a global society; 5) Collaborating with external constituents to provide instruction, research, and service programs that build upon the programmatic strengths of the University and are consistent with the University's instructional, research, and service missions; 6) Securing the necessary resources to enhance working conditions for faculty and staff and to meet programmatic needs; and 7) Allocating resources through the development of integrated budget, planning, assessment and evaluation processes which clearly address the University's strengths, weaknesses, opportunities, challenges, goals and priorities. Also outlined in the University's Priorities Statements are the specific strategies to be used to achieve the objectives.

The state-level budget and planning process is derived from the Illinois State Board of Higher Education and involves both a top-down and bottom-up approach. The University evaluates planning and results on an annual basis, beginning at the departmental level and eventually resulting in reviews by the President and the Board of Trustees. Evaluations are used to obtain information regarding the University's progress towards reaching their objectives. Reports are created showing University results, which are then submitted to the Illinois State Board of Higher Education for review and discussion.

**State of Illinois**  
**Northeastern Illinois University**

**Analysis of Operations, continued**

*For the Year Ended June 30, 2006*

**University Functions and Planning Program, continued**  
**Description of Planning System:**

Auditor's Assessment of Planning Program

A planning process exists at Northeastern Illinois University both at the department and the University-wide level. The University has established written long-term and short-term goals in its planning process. Each fiscal year, new goals and objectives are developed and the University is held accountable on its progress in the next fiscal year. Implementation of the University goals and objectives is dependent upon the level of funding received from the State. The University's planning process has been designed and implemented to meet the needs of the University and the requirements of the State.

Location, Address and Head of the University

Dr. Salme Harju Steinberg, President  
Northeastern Illinois University  
Chicago, Illinois 60625

**State of Illinois**  
**Northeastern Illinois University**

**Analysis of Operations, continued**

*For the Year Ended June 30, 2006*

**University Enrollment and Employee Information (Unaudited)**

Enrollment Information

Enrollments of both undergraduate and graduate students for each term (including extension centers and part-time students) for the school years 2005-2006 and 2004-2005 as shown in the Board of Trustees' Enrollment Report were as follows:

	<u>2005-06</u>	<u>2004-05</u>
Fall	12,227	12,164
Spring	11,528	11,404
Summer	6,467	6,644

Average Annual Full Time Equivalent (FTE) Enrollment

In FY06, the University had an average FTE enrollment of 8,669 students, comprised of 6,986 undergraduates and 1,683 graduate students. This number was calculated in accordance with the Illinois Board of Higher Education guidelines as follows: annual undergraduate semester credit hours (SCH) divided by 30. It is assumed that a full time undergraduate student enrolls for 15 hours per term, 2 terms per year. The same logic was used to calculate graduate FTE, except that SCH was divided by 24. It is assumed that a full time graduate student enrolls for 12 hours per term, 2 terms per year.

Annual Cost per FTE Student

The University, like all other public universities in Illinois, is required to submit to the Illinois Board of Higher Education an annual cost study. This cost study calculates the number of dollars per credit hour by discipline and student level. Operating costs are accounted for in this study.

Assuming an undergraduate FTE enrolls for two terms at 15 hours per term, and that a graduate FTE enrolls for 2 terms at 12 hours per term, the fiscal 2006 annual costs per FTE, calculated by dividing the total costs of instruction by the corresponding FTE, were as follows: a) undergraduate - \$7,525, and b) graduate - \$10,340.

Costs per Credit Hour

The University's costs per credit hour (based upon total expenditures for instruction divided by total credit hours) for fiscal years 2006 and 2005 is as follows:

	<u>2006</u>	<u>2005</u>
Costs per Credit Hour	<u>\$ 284</u>	<u>\$ 273</u>

**State of Illinois  
Northeastern Illinois University**

**Analysis of Operations, continued**

*For the Year Ended June 30, 2006*

**University Enrollment and Employee Information (Unaudited),  
Continued**

Student/Faculty Ratio

The University's student/faculty ratio (based upon full time equivalent students and faculty on a staff year basis) for fiscal years 2006 and 2005 is as follows:

	<u>2006</u>	<u>2005</u>
Student/Faculty Ratio	<u>16:1</u>	<u>16:1</u>

Employee Information

The average number of employees at the University during fiscal years 2006 and 2005 is as follows:

	<u>2006</u>	<u>2005</u>
Administration	268	257
Faculty	431	436
Civil Service	467	469
Students	<u>369</u>	<u>399</u>
Total Employees	<u>1,535</u>	<u>1,561</u>

**State of Illinois**  
**Northeastern Illinois University**

**Analysis of Operations, continued**

*For the Year Ended June 30, 2006*

**Emergency Purchases**

The University reported the following emergency purchases to the Office of the Auditor General during fiscal year 2006 due to the fire that occurred at the Ronald Williams Library Building and Chicago Teacher's Center Building in November 2005 and January 2006, respectively:

<u>Description of Emergency Purchases</u>	<u>Actual Cost</u>
<i>Ronald Williams Library Building</i>	
Purchase of disaster restoration services	\$767,507.70
Purchase of disaster restoration services	600,480.83
Purchase of carpeting and installation services	44,046.17
Purchase and installation of ventilation ductwork	43,300.00
Purchase and installation of acoustical ceiling tiles	156,120.00
Purchase of guard services	29,374.15
Purchase of guard services	42,390.00
<i>Chicago Teacher's Center Building</i>	
Purchase of disaster restoration services	\$129,525.96

**Illinois First Projects**

The University did not receive any funding under the Illinois First Program.

**Schedule of Federal and Nonfederal Expenditures**

	<u>Amount</u>	<u>Percentage</u>
Federal Funds	\$ 23,119,925	18.8%
Nonfederal Funds	<u>100,014,640</u>	<u>81.2%</u>
Total	<u>\$ 123,134,565</u>	<u>100.0%</u>

Note: Total expenditures from nonfederal funds represent the difference between total University expenses per Statement of Revenues, Expenses and Changes in Net Assets and total federal funds expended per Schedule of Expenditures of Federal Awards.



**STATE OF ILLINOIS  
NORTHEASTERN ILLINOIS UNIVERSITY  
ANALYSIS OF OPERATIONS  
FOR THE YEAR ENDED JUNE 30, 2006**

**SERVICE EFFORTS AND ACCOMPLISHMENTS: (UNAUDITED)**

**Mission Statement:**

Northeastern Illinois University is committed to excellence, access, diversity and community. The most important facets of the University's mission are to offer high quality undergraduate and graduate programs to a broad spectrum of students and to work with communities to improve the lives of those in the greater Chicago metropolitan area and the State of Illinois. To these ends, the University attaches primary importance to excellence in teaching, with emphasis also given to pure and applied research and to academic and public service.

**Program Goals:**

(1) To serve a population that is diverse in age, culture, language, and race; and (2) To provide students and faculty with opportunities to integrate field-based learning, research and public service with classroom instruction.

	Fiscal Year 2004 Actual	Fiscal Year 2005 Actual	Fiscal Year 2006 Target	Fiscal Year 2006 Actual
<b><u>Input Indicators</u></b>				
Total expenditures - all sources (in thousands) (a)	\$108,935.20	\$114,204.00	\$114,184.30	\$117,850.10
Total expenditures - state appropriated funds (in thousands)	\$38,362.30	\$39,203.80	\$39,247.70	\$38,961.90
Total staff - all fund sources (b)	1,466	1,493	1,493	1,490
Total staff - state appropriated fund sources (b)	1,112	1,132	1,132	1,143
<b><u>Output Indicators</u></b>				
Undergraduate headcount enrollment	8,985	9,305	N/A	9,418
Total headcount enrollment	11,825	12,164	12,227	12,227
Percent: part-time student enrollment (c)	53.8%	54.3%	54.3%	53.6%
Baccalaureate degrees conferred	1,162	1,247	N/A	1,364
Master's degrees conferred	507	558	N/A	595
Minority Graduates: percent of total baccalaureate degrees conferred	48.6%	47.4%	N/A	47.7%
Minority Graduates: percent of total Master's degrees	35.5%	36.9%	N/A	35.1%

NA - Information was not available or not applicable to the period presented.

STATE OF ILLINOIS  
 NORTHEASTERN ILLINOIS UNIVERSITY  
 ANALYSIS OF OPERATIONS  
 FOR THE YEAR ENDED JUNE 30, 2006

**SERVICE EFFORTS AND ACCOMPLISHMENTS: (UNAUDITED) (continued)**

	Fiscal Year 2004 Actual	Fiscal Year 2005 Actual	Fiscal Year 2006 Target	Fiscal Year 2006 Actual
<b><u>Outcome Indicators</u></b>				
Percent of graduates employed full-time (d)	75.9%	81.2%	N/A	N/A
Percent of graduates employed part-time (d)	9.8%	8.0%	N/A	N/A
Percent of graduates unemployed and not seeking employment (d)	5.4%	7.2%	N/A	N/A
Percent of graduates employed full-time in a related field (d)	66.5%	79.5%	N/A	N/A
Percent of graduates earning a post-baccalaureate degree (d)	31.7%	46.4%	N/A	N/A
Percent of graduates satisfied with career path preparation provided by the undergraduate education experience (d)	72.8%	92.0%	N/A	N/A
Percent of graduates satisfied with post-graduate employment (d)	76.8%	92.7%	N/A	N/A
Six year graduation rate: first-time, full-time freshman (c)	15.2%	16.9%	N/A	N/A
Percent of baccalaureate degree recipients employed or enrolled in further education within one year of graduation	90.6%	N/A	N/A	N/A
Annual number of students completing requirements for initial teacher certification	312	306	N/A	N/A
<b><u>External Benchmarks</u></b>				
Six-year graduation rate: statewide average (c)	56.7%	58.9%	N/A	N/A
Instructional cost per credit hour: public university average, all instructional levels (in dollars)	\$281.99	\$302.80	N/A	N/A
Percent of total expenditures (all sources) devoted to Instruction: public university average	26.2%	26.9%	26.9%	26.9%
Percent of total expenditures (all sources) devoted to Research and Public Service: public university average	23.4%	23.6%	23.6%	23.0%
Percent of total expenditures (all sources) devoted to Academic and Student Support: public university average	23.8%	24.6%	24.6%	24.3%

NA - Information was not available or not applicable to the period presented.

STATE OF ILLINOIS  
 NORTHEASTERN ILLINOIS UNIVERSITY  
 ANALYSIS OF OPERATIONS  
 FOR THE YEAR ENDED JUNE 30, 2006

**SERVICE EFFORTS AND ACCOMPLISHMENTS: (UNAUDITED) (continued)**

	Fiscal Year 2004 Actual	Fiscal Year 2005 Actual	Fiscal Year 2006 Target	Fiscal Year 2006 Actual
<b><u>External Benchmarks (continued)</u></b>				
Percent of total expenditures (all sources) devoted to all other programs: public university average (e)	26.6%	24.9%	24.9%	25.8%
Undergraduate tuition and mandatory fees: annual based on thirty credit hours, public university average (in dollars) (f)	\$5,682.00	\$6,185.00	\$6,954.00	N/A
Undergraduate tuition and mandatory fees as a percentage of Illinois per capita disposable income	13.8%	15.3%	N/A	N/A
Percent of undergraduate students receiving some form of financial aid: public university average	66.8%	69.6%	N/A	N/A
Percent of undergraduate students receiving grant or scholarship assistance: public university average	50.3%	50.2%	N/A	N/A
Percent of undergraduate students receiving loan assistance: public university average	42.4%	44.2%	N/A	N/A
Percent of undergraduate students receiving employment assistance: public university average	21.0%	20.3%	N/A	N/A
<b><u>Efficiency/Cost-Effectiveness</u></b>				
Instructional cost per credit hour, all instructional levels (in dollars)	\$260.88	\$272.91	N/A	N/A
Percent of total expenditures (all sources) devoted to Instruction	35.9%	36.0%	36.0%	37.0%
Percent of total expenditures (all sources) devoted to Research and Public Service	11.7%	14.3%	14.3%	14.3%
Percent of total expenditures (all sources) devoted to Academic and Student Support	21.5%	20.3%	20.3%	21.4%

N/A - information was not available or not applicable to the period presented.

**STATE OF ILLINOIS  
NORTHEASTERN ILLINOIS UNIVERSITY  
ANALYSIS OF OPERATIONS  
FOR THE YEAR ENDED JUNE 30, 2006**

**SERVICE EFFORTS AND ACCOMPLISHMENTS: (UNAUDITED) (continued)**

	Fiscal Year 2004 Actual	Fiscal Year 2005 Actual	Fiscal Year 2006 Target	Fiscal Year 2006 Actual
<b><u>Efficiency/Cost-Effectiveness (continued)</u></b>				
Percent of total expenditures (all sources) devoted to all other programs (e)	30.9%	29.4%	29.4%	27.3%
Undergraduate tuition and mandatory fees: annual based on thirty credit hours (in dollars) (f)	\$4,331.00	\$4,932.00	\$6,306.00	N/A
Percent of undergraduate students receiving some form of financial aid	48.8%	N/A	N/A	N/A
Percent of undergraduate students receiving grant or scholarship assistance	41.4%	N/A	N/A	N/A
Percent of undergraduate students receiving loan assistance	14.9%	N/A	N/A	N/A
Percent of undergraduate students receiving employment assistance	5.7%	N/A	N/A	N/A

N/A - information was not available or not applicable to the period presented.

**Footnotes**

- a Total expenditures include expenditures from appropriated funds as well as from restricted and non-appropriated fund sources. For this report, appropriated funds include the state General Revenue Fund and the University Income Fund.
- b Staff levels reference the number of staff years (a measure of staff effort over a twelve-month period) supported by respective fund sources. State appropriated funds include university income funds.
- c Institutions with high ratios of part-time students will have longer time to graduation.

STATE OF ILLINOIS  
NORTHEASTERN ILLINOIS UNIVERSITY  
ANALYSIS OF OPERATIONS  
FOR THE YEAR ENDED JUNE 30, 2006

**SERVICE EFFORTS AND ACCOMPLISHMENTS: (UNAUDITED) (continued)**

- d Data regarding graduate employment, attainment, and career path preparation/satisfaction was obtained from the Illinois Board of Higher Education's Baccalaureate Follow-Up Survey. The Survey is conducted annually on a rolling cycle that surveys graduates one, five, and nine years after graduation. Data provided reflects the class of 2003 one year out (FY 2004), and the class of 2000 five years out (FY 2005).
- e All other programs include Institutional Support, Operation and Maintenance of Physical Plant, and Independent Operations, including student housing and food service operations.
- f Entry-level tuition and fees.

STATE OF ILLINOIS  
NORTHEASTERN ILLINOIS UNIVERSITY  
ANALYSIS OF OPERATIONS  
FOR THE YEAR ENDED JUNE 30, 2006

**SCHEDULE OF TUITION AND FEE WAIVERS (UNAUDITED)**  
(In Thousands of Dollars)

	Undergraduate				Graduate			
	Tuition Waived		Fees Waived		Tuition Waived		Fees Waived	
	Recipients	Value of Waivers	Recipients	Value of Waivers	Recipients	Value of Waivers	Recipients	Value of Waivers
<b><u>MANDATORY WAIVERS</u></b>								
Teacher Special Education	11	\$ 32.1	11	\$ 7.8	21	\$ 44.9	21	\$ 8.4
General Assembly	41	90.4	41	2.2	4	7.9	4	0.8
ROTC	7	12.3	5	0.5	-	-	-	-
DCFS	4	8.1	2	1.3	-	-	-	-
Children of Employees	40	43.9	-	-	-	-	-	-
Senior Citizens	2	3.2	-	-	-	-	-	-
Honorary Scholarships	-	-	-	-	1	0.4	-	-
Veterans Grants & Scholarships	243	326.3	243	56.2	27	14.7	27	2.5
<b><u>(SUBTOTAL)</u></b>	<b>348</b>	<b>516.3</b>	<b>302</b>	<b>68.0</b>	<b>53</b>	<b>67.9</b>	<b>52</b>	<b>11.7</b>
<b><u>DISCRETIONARY WAIVERS</u></b>								
Faculty/Administrators	-	-	-	-	50	45.5	50	5.8
Civil Service	48	46.2	48	6.8	56	45.5	56	5.9
Academic/Other Talent	365	513.9	-	-	573	472.9	-	-
Foreign Exchange Students	52	213.2	52	13.0	35	162.6	35	10.6
Student Need-Financial Aid	-	-	-	-	33	50.2	-	-
Student Need-Special Programs	76	78.7	-	-	-	-	-	-
Cooperating Professionals	-	-	-	-	123	65.6	-	-
Research Assistants	-	-	-	-	9	12.6	9	2.0
Teaching Assistants	-	-	-	-	30	63.3	30	9.1
Other Assistants	-	-	-	-	126	379.5	126	47.7
Interinstitutional/Related Agencies	35	33.9	35	7.5	12	11.8	12	2.1
Children of Deceased Employees	1	3.5	1	0.5	-	-	-	-
Contract/Training Grants	-	-	-	-	141	72.1	121	8.8
All Other - Emergency Waiver- Student affected by Hurricane Katrina	7	14.4	7	1.9	-	-	-	-
<b><u>(SUBTOTAL)</u></b>	<b>584</b>	<b>903.8</b>	<b>143</b>	<b>29.7</b>	<b>1,188</b>	<b>1,381.6</b>	<b>439</b>	<b>92.0</b>
Total	<b>932</b>	<b>\$ 1,420.1</b>	<b>445</b>	<b>\$ 97.7</b>	<b>1,241</b>	<b>\$ 1,449.5</b>	<b>491</b>	<b>\$ 103.7</b>

**State of Illinois  
Northeastern Illinois University**

**Analysis of Operations, continued**  
*For the Year Ended June 30, 2006*

**University Bookstore Information**

The summary of University bookstore information for fiscal year 2006 is as follows:

Contracted/Rents to Students/University operated	Contracted
Contractor	Beck's Bookstore, Inc.
Contract Term	07/01/01 – 06/30/11
Amount of Gross Sales for bookstore	\$6,243,661
Amount (if any) to be paid to bookstore by the University	None
Commissions	\$402,811
Commission terms	7.5% of Net Sales
Given exclusive rights	Yes
Competition/ "Other" nearby/On-campus bookstores	Barnes and Noble

# State of Illinois

## Northeastern Illinois University

### Special Data Requirements for Audits of Universities

For the year ended June 30, 2006

#### University Reporting in Accordance with University Guidelines

In accordance with an Office of the Auditor General, July 25, 2000, memorandum entitled "Matters Regarding University Audits" (Memorandum), certain supplemental data is required to be reported for University audits. The table below cross references the memorandum requirements (indicated by number and letter paragraph references) to the University financial statements and audit reports for the year ended June 30, 2006, where such special data is found.

#### Compliance Findings

13(a) At June 30, 2006, no findings of noncompliance with *University Guidelines* were noted.

#### Indirect Cost Reimbursements

13(b) A statement of the sources and applications of indirect cost reimbursements is included in this report on page 58.

13(c) The University's calculation sheet for indirect cost carry-forward is included in this report on page 74. The excess funds were deposited to the Income Fund within 45 days after the end of the lapse period.

#### Tuition Charges and Fees

13(d) No instances of tuition being diverted to auxiliary enterprise operations were noted.

#### Auxiliary Enterprises, Activities and Accounting Entities

13(e) Identification of each specific accounting entity and descriptions of the sources of revenue and purpose of each are presented in this report on page 76.

13(f) Entity financial statements are presented on pages 77 and 78 of this report. The entity financial statements should be read in conjunction with Northeastern Illinois University's audited financial statements for the year ended June 30, 2006.

13(g) The University's calculation sheet for current excess funds is presented in this report on page 75. There were no excess funds required to be deposited to the Income Fund.

13(h) Support received by Auxiliary Enterprises from State appropriated funds for retirement and group insurance benefits is presented in footnote 8 on page 42 of the financial audit report.

13(i) A Statement of revenue and expenditures for various bond indenture required accounts is presented on page 38 of the financial audit report.



# State of Illinois

## Northeastern Illinois University

### Special Data Requirements for Audits of Universities

*For the year ended June 30, 2006*

#### University Reporting in Accordance with University Guidelines, Continued

- 13(j) The revenue bond fund accounting conforms to the terms of the bond issue, including all covenants thereto.
- 13(k) A list and description of non-instructional facilities reserves are presented on page 47 of the financial audit report.

#### University Related Organizations

- 13(l) The University recognizes the Northeastern Illinois University Foundation (Foundation) as a University Related Organization. The University has designated no organization as “Independent Organizations” as defined in Section VII of *University Guidelines*.
- 13(m) The Foundation does not pay the University for services provided. Compensation is in the form of University support. See page 79 of this report for details related to services and support provided.
- 13(n) The University does not pay the Foundation for services provided. Compensation is in the form of services and facilities provided. See footnote 7 on pages 40 and 41 of the financial audit report for details related to services and support provided.
- 13(o) At June 30, 2006, there are no unreimbursed subsidies to the Foundation from the University or appropriated funds.
- 13(p) There is no debt financing provided by the Foundation.

#### Other Topics

- 13(q) Schedules of cash and investments held by the University are presented in the Analysis of Significant Account Balances section of this report on page 54 and in footnote 2 on pages 27 through 30 of the financial audit report for the year ended June 30, 2006.
- 13(r) Income from the investment of pooled funds is credited to the University’s Income Fund. Income from the investment of non-pooled funds is credited to the fund making the investment.
- 13(s) Costs per full time equivalent student are presented on page 61 in this report.

**State of Illinois**  
**Northeastern Illinois University**

**Special Data Requirements for Audits of Universities**

*For the year ended June 30, 2006*

**University Reporting in Accordance with University Guidelines, Continued**

- 13(t) Neither the University nor the Foundation has purchased any real estate during the year ended June 30, 2006.
- 13(u) In March 2006, the University issued Certificates of Participation Series 2006 in the amount \$15,060,000. The Series 2006 Certificates were issued to finance the acquisition, development, and implementation of an enterprise resource planning system. See footnote 6 on page 40 of the financial audit report.

**State of Illinois**  
**Northeastern Illinois University**

**Schedule of Indirect Cost Funds to be Deposited into the University Income Fund as Required by the 1982 University Guidelines (Amended 1997)**

*For the year ended June 30, 2006*

1.	Cash and cash equivalents balance:	
	Cash and cash equivalents	<u>\$ 1,757,309</u>
2.	Allocated reimbursements:	
	Total indirect cost reimbursements allocated for expenditure for the fiscal year completed:	
	\$1,438,000: enter 30% of this amount	431,400
3.	Unallocated reimbursements:	
	Lesser of the actual unallocated indirect cost reimbursements for the year completed OR 10 % of total indirect cost allocations for the year completed	143,800
4.	Encumbrances and current liabilities paid in the lapse period:	
	Current liabilities and encumbrances	<u>41,977</u>
5.	Indirect cost carry-forward	<u>617,177</u>
	Excess cash to be deposited to the University Income Fund	<u><u>\$ 1,140,132</u></u>

State of Illinois  
Northeastern Illinois University

Other Entities and Auxiliary Enterprises

Calculation Sheet for Current Excess Funds  
June 30, 2006

	Student Fee Programs	Public Service Activities	Student and Staff Services	Service Departments	Other Educational Services	Educational Contracts	Student Union	Auxiliary Enterprises				
								Parking Administration	Lot	Auxiliary Enterprises		
1. Current available funds												
Cash	A. \$859,674	\$273,142	\$383,774	(\$1,359,526)	\$517,605	\$72,207	\$1,203,816	\$541,676			\$194,504	
2. Working capital allowance												
Highest month's expenditures	500,391	89,828	808,440	1,368,203	866,231	70,727	1,049,785	278,145			86,065	
Encumbrances and current liabilities paid in lapse period	350,773	24,339	8,547	261,932	25,577	11,157	15,914	50,332			5,542	
Deferred income	231,089		33,269				116,915	110,727				
Refundable deposits							128,241				71,311	
Working capital allowance	B. 1,082,253	114,167	850,256	1,630,135	891,808	81,884	1,310,855	439,204			162,918	
3. Current excess funds (margin of compliance):												
Deduct B from A	C. (222,579)	158,975	(466,482)	(2,989,661)	(374,203)	(9,677)	(107,039)	102,472			31,586	
4. Calculation of income fund remittance:												
An entity may offset excess capital or current funds within the entity.												
Enter the amount to be offset, if any, here	D. (646,908)										(552,525)	(1,262,938)
Enter the algebraic sum of C and D and remit the amount due, if any, for deposit in the Income Fund											(450,053)	(1,231,352)
<b>Excess Funds Offset</b>												
Buildings and improvements		\$ 11,969,960									\$ -	\$ 24,411,220
Land and land improvements		\$ 134,366									\$ -	\$ 274,022
Parking		\$ -									\$ 4,265,753	\$ -
Equipment		\$ 208,460									\$ 629,748	\$ 143,381
Maximum - 5% for buildings and improvements		\$ 598,498									\$ -	\$ 1,220,561
Maximum - 5% for land improvements		6,718									426,575	13,701
Maximum - 10% for parking		-									125,950	-
Maximum - 20% for equipment		41,692									125,950	28,676
Total Excess Funds Offset		\$ 646,908									\$ 552,525	\$ 1,262,938

# State of Illinois

## Northeastern Illinois University

### Description of Accounting Entities

*For the year ended June 30, 2006*

Accounting entities as defined by the 1982 (Amended 1997) Legislative Audit Commission Guidelines and their primary revenue sources are as follows:

#### Activities

*Student Fee Programs* are organized student activities funded primarily by student fees.

*Public Service Activities* are noncredit conferences, seminars, short courses and other services offered to the public for a fee. The primary revenue source is the fee charged to participants.

*Student and Staff Services* are services offered at a charge to University staff and students.

*Service Departments* provide products or services to organizational units within the University. Charges for services provide the revenue.

*Other Educational Services* are activities related to the educational process which incidentally generate products or services made available to the public for a charge.

*Educational Contracts* are courses for credit which are presented by, and have the course content coordinated with, a government unit, community organization or private business.

#### Auxiliary Enterprises

*Student Union* is an operation financed by revenue bonds with principal operations, including food service, vending machines, conference and assembly space, and information services.

*Parking Lot Administration* provides the operation, maintenance, and development of the University parking facilities. Revenues come from charges for parking and fines.

*Other Auxiliary Enterprises* are self-supporting activities that include vending machines, child care, bookstore, and student card services.

State of Illinois  
Northeastern Illinois University

Other Entities and Auxiliary Enterprises  
Balance Sheets  
June 30, 2006

	Student Programs	Indirect Cost	Public Service Activities	Student and Staff Services	Service Departments	Other				Auxiliary Enterprises										
						Educational Services	Educational Contracts	Student Union	Parking Administration	Lot	Auxiliary Enterprises	Other								
												Auxiliary	Totals							
<b>Assets</b>																				
Current Fund Assets																				
Cash and investments	\$ 859,674	\$ 1,757,309	\$ 273,142	\$ 383,774	\$ (1,359,526)	\$ 517,605	\$ 72,207	\$ 1,203,816	\$ 541,676	\$ 194,504	\$ 4,444,181									
Accounts receivable - Net	186,037	-	-	-	1,200,035	-	-	181,344	111,572	-	1,678,988									
Inventories	-	-	-	-	119,955	-	-	4,075	-	-	124,030									
Total	1,045,711	1,757,309	273,142	383,774	(39,536)	517,605	72,207	1,389,235	653,248	194,504	6,247,199									
Plant Fund Assets																				
Cash and investments	538,330	-	101,478	46,534	1,432,813	74,538	9,392	1,563,164	370,991	252,045	4,389,285									
Land and land improvements	1,260,940	-	134,366	117,192	121,936	51,995	801	634,433	4,265,753	274,022	6,861,438									
Buildings and construction in progress	6,831,192	-	1,746,701	466,399	1,474,184	847,487	303,985	5,456,836	15,551,703	3,485,599	36,164,086									
Equipment	3,973,359	-	208,460	42,613	6,681,793	2,771,145	322,673	860,392	629,748	143,381	15,633,564									
Total	12,603,821	-	2,191,005	672,738	9,710,726	3,745,165	636,851	8,514,825	20,818,195	4,155,047	63,048,373									
Total assets	\$ 13,649,532	\$ 1,757,309	\$ 2,464,147	\$ 1,056,512	\$ 9,671,190	\$ 4,262,770	\$ 709,058	\$ 9,904,060	\$ 21,471,443	\$ 4,349,551	\$ 69,295,572									
<b>Liabilities</b>																				
Current Fund Liabilities																				
Accounts payable and accrued liabilities	\$ 204,824	\$ 9,387	\$ 22,749	\$ 8,548	\$ 202,669	\$ 11,198	\$ 9,091	\$ 138,807	\$ 37,367	\$ 5,095	\$ 649,735									
Deferred income	231,088	-	-	33,269	-	-	-	116,915	110,727	-	491,999									
Refundable deposits	-	-	-	-	-	-	-	128,241	-	71,312	199,553									
Total	435,912	9,387	22,749	41,817	202,669	11,198	9,091	383,963	148,094	76,407	1,341,287									
Plant Fund Liabilities																				
Accounts payable and accrued liabilities	677	-	-	-	-	1,542	1,104	-	-	-	3,323									
Revenue bonds payable	-	-	-	-	-	-	-	4,450,000	16,970,000	-	21,420,000									
Total	677	-	-	-	-	1,542	1,104	4,450,000	16,970,000	-	21,423,323									
Total liabilities	436,589	9,387	22,749	41,817	202,669	12,740	10,195	4,833,963	17,118,094	76,407	22,764,610									
Fund balance																				
Current	609,799	1,747,922	250,393	341,957	(242,205)	506,407	63,116	1,005,272	505,154	118,097	4,905,912									
Reserves - Plant	537,653	-	101,478	46,534	1,432,813	72,996	8,288	1,563,164	370,991	252,045	4,385,962									
Investment in Plant	12,065,491	-	2,089,527	626,204	8,277,913	3,670,627	627,459	2,501,661	3,477,204	3,903,002	37,239,088									
Total fund balance	13,212,943	1,747,922	2,441,398	1,014,695	9,468,521	4,250,030	698,863	5,070,097	4,353,349	4,273,144	46,530,962									
Total liabilities and fund balance	\$ 13,649,532	\$ 1,757,309	\$ 2,464,147	\$ 1,056,512	\$ 9,671,190	\$ 4,262,770	\$ 709,058	\$ 9,904,060	\$ 21,471,443	\$ 4,349,551	\$ 69,295,572									

**State of Illinois**  
**Northeastern Illinois University**

**Other Entities and Auxiliary Enterprises**  
**Schedule of Changes in Fund Balances - Current Funds**

*For the Year Ended June 30, 2006*

<b>Accounting Entities and Auxiliary Enterprises</b>	<b>Balance June 30, 2005</b>	<b>Revenues</b>	<b>Expenditures and Transfers</b>	<b>Balance June 30, 2006</b>
Student Fee Programs	\$ 475,857	\$ 3,002,527	\$ 2,868,585	\$ 609,799
Indirect Cost	1,416,096	1,747,112	1,415,286	1,747,922
Public Service Activities	166,714	518,661	434,982	250,393
Student and Staff Services	412,335	1,898,434	1,968,812	341,957
Service Departments	262,858	3,414,283	3,919,346	(242,205)
Other Educational Services	181,169	703,148	377,910	506,407
Educational Contracts	69,876	243,648	250,408	63,116
Student Union	591,579	2,450,185	2,036,492	1,005,272
Parking Lot Administration	213,107	2,015,700	1,723,653	505,154
Other Auxiliary Enterprises	101,283	538,583	521,769	118,097
<b>Total</b>	<b>\$ 3,890,874</b>	<b>\$ 16,532,281</b>	<b>\$ 15,517,243</b>	<b>\$ 4,905,912</b>

**State of Illinois**  
**Northeastern Illinois University**

**Summary of Foundation Payments to the University**

*For the year ended June 30, 2006*

During fiscal year 2006, the University engaged the Foundation, under contract, to provide fundraising services. As provided in the contract agreement, the University advanced \$ -0- in funds and provided an additional \$347,327 of services to the Foundation. As required by the contract, the Foundation repaid the University, using funds considered unrestricted for purposes of the University Guidelines computations. In addition, the Foundation gave the University non-qualifying restricted funds. Presented below is a summary of all funds that the Foundation gave to the University during the audit period.

Funds considered UNRESTRICTED for purposes  
of the guidelines computations:

- Totally Unrestricted	\$ 1,500
- Restricted only as to campus, college or department and generally available for on-going University operations:	
- Given to specific departments	<u>184,093</u>
Total funds considered Unrestricted	185,593

Funds considered RESTRICTED for purposes  
of the guidelines computations:

- Given for scholarships	<u>161,734</u>
Total funds provided to the University by the Foundation	347,327

The Foundation also provided fundraising activities for the University.  
The value of the activities on a time and material basis were:

- Fundraising expenses	<u>112,590</u>
Total financial and service support	<u>\$ 459,917</u>