

**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, 2007
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, 2007**

Table of Contents	<u>Page(s)</u>
Agency Officials	1
Management Assertion Letter	2
Compliance Report	
Summary	3-5
Auditors' Reports	
Independent Accountants' Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes	6-8
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	9-11
Schedule of Findings and Questioned Costs	12
Single Audit - Summary of Auditors' Results	13-14
Current Findings - Federal Compliance	15-19
Current Findings - State Compliance	20-38
Prior Finding Not Repeated - Federal Compliance	39
Prior Finding Not Repeated - State Compliance	39
Financial Statement Report	
The University's financial statement report for the year ended June 30, 2007, which includes the report of independent auditors, management's discussion and analysis, basic financial statements, supplementary information, and the independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of basic financial statements performed in accordance with <i>Government Auditing Standards</i> has been issued separately.	
Supplementary Information for State Compliance Purposes	
Summary	40-41
Fiscal Schedules and Analysis	
Schedule of Expenditures of Federal Awards	42-46
Notes to the Schedule of Expenditures of Federal Awards	47
Schedule of Net Appropriations, Expenditures, Lapsed Balances and Balances Reappropriated	48

**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, 2007**

Table of Contents, Continued	<u>Page(s)</u>
Comparative Schedule of Net Appropriations, Expenditures, Lapsed Balances and Balances Reappropriated	49
Comparative Schedule of Income Fund Revenues and Expenditures	50
Schedule of Changes in Capital Assets	51
Analysis of Significant Variations in Expenses	52
Analysis of Significant Variations in Revenues	53
Analysis of Significant Lapse Period Spending	54
Analysis of Significant Account Balances	55-59
Summary of Indirect Cost Reimbursement Funds	60-61
Analysis of Operations	
University Functions and Planning Program	62-63
University Enrollment and Employee Information (Unaudited)	64-65
Emergency Purchases	66
Illinois First Projects	66
Schedule of Federal and Nonfederal Expenditures	66
Service Efforts and Accomplishments (Unaudited)	67-70
Schedule of Tuition and Fee Waivers (Unaudited)	71
University Bookstore Information (Unaudited)	72
Special Data Requirements for Audits of Universities	
University Reporting in Accordance with University Guidelines	73-75
Schedule of Indirect Cost Funds to be deposited into the University Income Fund as Required by 1982 University Guidelines (1997 Amended)	76
Other Entities and Auxiliary Enterprises - Calculation Sheet for Current Excess Funds	77
Description of Accounting Entities	78
Other Entities and Auxiliary Enterprises - Balance Sheets	79
Other Entities and Auxiliary Enterprises - Schedule of Changes in Fund Balances - Current Funds	80
Summary of Foundation Payments to the University	81

**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, 2007**

Table of Contents, Continued

Related Reports Published Under Separate Covers

Northeastern Illinois University
Financial Audit for the Year Ended June 30, 2007

Northeastern Illinois University Foundation
Financial Audit for the Year Ended June 30, 2007
Compliance Examination for the Two Years Ended June 30, 2007

**State of Illinois
Northeastern Illinois University**

Agency Officials

President

Dr. Sharon Hahs
(02/01/07 to present)

Dr. Salme Harju Steinberg
(07/01/06 to 01/31/07)

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



Northeastern
Illinois
University

5500 NORTH ST. LOUIS AVENUE
CHICAGO, ILLINOIS 60625-4699

773 / 442-5400

PRESIDENT OF THE UNIVERSITY

December 19, 2007

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 grant agreements that could have a material effect on the operations of the 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, 2007. Based on this evaluation, we assert that during the year ended June 30, 2007, 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. 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.

Yours very truly,

Northeastern Illinois University

Dr. Sharon K. Hahs
President

Mark Wilcockson, CPA
VP for Finance and Administration

Peggy Ho
Director of Financial Affairs

**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>Compliance</u>	<u>Financial</u>	<u>Prior</u>
	<u>Report</u>	<u>Report</u>	<u>Compliance</u>
			<u>Report</u>
Findings	7	1	7
Repeated findings	5	0	3
Prior recommendations implemented or not repeated	1	1	3

Details of *Federal* and *State Compliance* findings are presented in a separately tabbed report section of this report. Details of *Government Auditing Standards* findings are issues related to significant deficiencies and material weaknesses in internal control over financial reporting. Findings related to *Government Auditing Standards* have been issued separately with the University's Financial Statement Audit.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

<u>Item No.</u>	<u>Page(s)</u>	<u>Description</u>
		FINDING (<i>GOVERNMENT AUDITING STANDARDS</i>)
07-1	50-51	Improper Cut-Off Procedures for Expenditures
		PRIOR FINDING NOT REPEATED (<i>GOVERNMENT AUDITING STANDARDS</i>)
07-2	52	Failure to Apply Appropriate Accounting Principles

**State of Illinois
Northeastern Illinois University**

Compliance Report

Summary of Findings, Continued

<u>Item No.</u>	<u>Page(s)</u>	<u>Description</u>
FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE)		
07-3	15-17	Inadequate Monitoring of Disbursements to Partner Schools for Grant Programs
07-4	18-19	Inadequate Controls Over University Equipment Acquired from Grant Funds
FINDINGS (STATE COMPLIANCE)		
07-5	20-26	Inadequate Controls Over University Property and Equipment
07-6	27-28	Timesheets Not Required
07-7	29-32	Noncompliance with Required Contracting Procedures
07-8	33-34	Noncompliance with University Payroll Distribution Procedures
07-9	35-38	Inadequate Controls Over Voucher Processing
PRIOR FINDING NOT REPEATED (FEDERAL COMPLIANCE)		
07-10	39	Federal Pell Grant Program (PELL) Disbursements Not Properly and Not Timely Reported
PRIOR FINDINGS NOT REPEATED (STATE COMPLIANCE)		

None

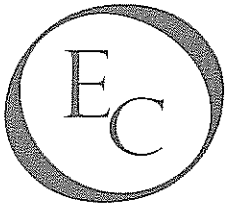
**State of Illinois
Northeastern Illinois University**

Compliance Report

Exit Conference

The University waived having an exit conference in a letter dated December 6, 2007, 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 17, 2007.



**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, 2007. 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.

We conducted our examination 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 listed in the first paragraph of this report 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 requirements listed in the first paragraph of this report during the year ended June 30, 2007. However, the results of our procedures disclosed instances of noncompliance, 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 07-5 to 07-9. 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 listed in the first paragraph of this report. In planning and performing our examination, we considered the University's internal control over compliance with the requirements listed in the first paragraph of this report 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, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to comply with the requirements listed in the first paragraph of this report such that there is more than a remote likelihood that noncompliance with a requirement that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 07-5 to 07-9 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a requirement listed in the first paragraph of this report will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

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.

The University's responses to the findings identified in our examination are described in the accompanying schedule of findings and questioned costs. We did not examine the University's responses and, accordingly, we express no opinion on them.

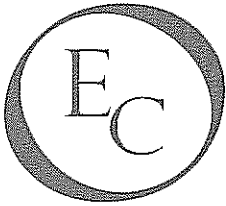
Supplementary Information for State Compliance Purposes

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, 2007, which collectively comprise the University's basic financial statements, and have issued our report thereon dated December 19, 2007. 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 2007 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, 2007, 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, 2006. In our report dated November 15, 2006, we expressed an unqualified opinion on those statements. In our opinion, the 2006 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, 2006, 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, Board of Trustees, 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

December 19, 2007



E.C. ORTIZ & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS

**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, 2007. The University's major federal programs are identified in the summary of auditors' 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, 2007. 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 07-3 and 07-4.

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 07-3 and 07-4 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider item 07-3 to be 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, 2007 and have issued our report thereon dated December 19, 2007. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise 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.

The University's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the University's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, Board of Trustees, 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. Oltin & Co. LLP

December 19, 2007

**SCHEDULE OF FINDINGS
AND
QUESTIONED COSTS**

**State of Illinois
Northeastern Illinois University**

Single Audit - Summary of Auditors' Results
For the Year Ended June 30, 2007

Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Significant Deficiency(ies) identified that are not considered to be material weakness(es)? Yes X None reported
- Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? X Yes No
- Significant Deficiency(ies) identified that are not considered to be material weakness(es)? X Yes None reported

Type of auditors' 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?

 X Yes No

State of Illinois
Northeastern Illinois University

Single Audit - Summary of Auditors' Results, Continued
For the Year Ended June 30, 2007

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:

\$ 812,695

Auditee qualified as low-risk auditee?

 Yes X No

State of Illinois
Northeastern Illinois University

CURRENT FINDINGS - Federal Compliance

For the Year Ended June 30, 2007

Federal Agency: U.S Department of Education

Program Name	CFDA #	Program Expenditures
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	(\$11,223,405)
Roots of Language and Literacy	84.359	(1,227,421)
Twenty-First Century Community Learning Centers	84.287	(1,836,364)
Star School Leadership Project	84.363	(396,379)

Questioned Costs: None

07-3 *Inadequate Monitoring of Disbursements to Partner Schools for Grant Programs*

The University did not properly monitor its disbursements to partner schools for grant programs.

The University received grants from the U.S. Department of Education for the Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP), Roots of Language and Literacy (ROLL), and Star School Leadership Project (Star Search). The University was also a recipient of the Twenty-First Century Community Learning Center (21st Century) grant from the U.S. Department of Education passed through the Illinois State Board of Education (IBHE). To carry-out the objectives of the different grants, the University entered into contracts with different schools (partner schools) to render professional services.

During our review of voucher expenditures, we noted that the University did not obtain supporting detailed documentation for invoices submitted by the partner schools. The University also did not monitor the timely billing of grant expenditures by these partner schools as well as their submission of required quarterly expenditure reports.

During our review of the detailed documentation of billings from partner schools subsequently obtained by the University as a result of our audit inquiries, we noted the following:

- Seven (7) vouchers paid to five partner schools for three grant programs were for professional services of \$653,859 (GEAR-UP \$587,255, ROLL \$33,813, and 21st Century \$32,791) and \$511,500 (GEAR-UP \$497,402 and ROLL \$14,098) performed during fiscal years 2006 and 2007, respectively. All of these vouchers, totaling \$1,165,359, were initially reported in the Schedule of Expenditures of Federal Awards (SEFA) as 2007 expenditures.

State of Illinois
Northeastern Illinois University

CURRENT FINDINGS - Federal Compliance, Continued

For the Year Ended June 30, 2007

- Five (5) vouchers paid subsequent to June 30, 2007 to four partner schools for two grant programs were for professional services of \$866,057 (GEAR-UP \$775,002 and Star Search \$91,055) and \$237,717 (GEAR-UP \$209,221 and Star Search \$28,496) performed during fiscal years 2007 and 2008, respectively. All these vouchers totaling \$1,103,774 were initially recorded as fiscal year 2008 expenses.
- Two (2) unpaid invoices as of June 30, 2007 from two partner schools for GEAR-UP program totaling \$486,233 were for professional services of \$425,372 and \$60,861 performed during fiscal years 2007 and 2008, respectively. The fiscal year 2007 expenditures were not initially recorded in the University's general ledger.

The University subsequently recorded the expenditures for fiscal year 2007 to reflect the proper balances in the financial statements and the SEFA.

The Office of Management and Budget (OMB) Circular A-110 (Subpart C Post-Award Requirements, Section 21 (b.7) - Standards for Financial Management Systems) requires the recipient's financial management system to provide accounting records including cost accounting records that are supported by source documentation.

OMB Circular A-133 (Subpart C Auditees, Section 310 (a) and (b) - Financial Statements) states that the auditee shall prepare financial statements that reflect its financial position, results of operations, and where appropriate, cash flows for the fiscal year audited. The auditee shall also prepare a Schedule of Expenditures of Federal Awards for the period covered by the auditee's financial statements.

The sub-contract agreement between the University and the partner schools requires the partner schools from the different grant programs to submit detailed quarterly invoices to the University. The University is also required by IBHE to submit quarterly expenditure reports.

According to University management, the above exceptions were due to the following: 1) late receipt of billings from partner schools with inadequate support, and 2) inadequate oversight by the project directors.

Failure to review the details of the invoices and monitor the timely receipt of invoice billings from partner schools may result in payments for improper charges and non-reimbursement to the University in case of invoice disputes. Failure to monitor the submission of quarterly expenditure reports resulted in the University not being able to adequately track grant expenditures for accuracy and timeliness as it relates to recording these expenditures in the proper period on their financial statements and on their SEFA. This also resulted in inaccurate quarterly expenditure reports submitted to IBHE. (Finding Code No. 07-3)

State of Illinois
Northeastern Illinois University

CURRENT FINDINGS - Federal Compliance, Continued

For the Year Ended June 30, 2007

Recommendation

We recommend the University ensure that invoices are not processed for reimbursement until detailed supporting documentation is obtained from the partner schools and reviewed by the project director. Further, the University should also establish procedures to ensure that invoices from partner schools are obtained on a timely basis and that partner schools submit their quarterly reports on the required due dates.

University Response

The University concurs with this audit finding and recommendation. Project directors at the Chicago Teachers Center and other project directors within the College of Education will establish procedures to ensure the timely submission of invoices and appropriate supporting detail from the partner schools so that expenditures can be recorded accurately and in a timely manner.

State of Illinois
Northeastern Illinois University

CURRENT FINDINGS - Federal Compliance, Continued

For the Year Ended June 30, 2007

Federal Agency: U.S Department of Education

Program Name: Gaining Early Awareness and Readiness for Undergraduate Programs

CFDA # and Program Expenditures: #84.334 (\$11,223,405)

Questioned Costs: \$17,685

07-4 *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 addition, GEAR-UP program also provides resources to partner schools which support classroom instruction to enhance teaching.

In our detailed testing of 60 equipment vouchers, we noted that 22 refurbished computers with a total value of \$6,446 were donated to grant participants but were not supported with the Grant Transfer of Property forms.

During our review of deletions made during the fiscal year, we noted that a projector valued at \$11,239 was donated but the University could not provide the Grant Transfer of Property form to evidence the transfer.

The Office of Management and Budget (OMB) Circular A-110 (Sub Part C - Post Award Requirements, Section 34 - Equipment, Section F) requires that equipment records shall be maintained accurately and include location, the condition of the equipment, and the ultimate disposition data.

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* form to document the transfer of property purchased with grant funds, from a grant account to another entity.

State of Illinois
Northeastern Illinois University

CURRENT FINDINGS - Federal Compliance, Continued

For the Year Ended June 30, 2007

University officials stated that the exceptions noted related to a lack of adherence to University procedures.

Failure to document the transfer of equipment acquired from grant funds resulted in noncompliance with OMB and University policies and procedures. (Finding Code Nos. 07-4, 06-2)

Recommendation

We recommend the University adhere to its procedures to ensure that transfers of equipment acquired from grant funds are properly documented.

University Response

The University concurs with the audit finding that the transfer of donated equipment acquired from grant funding was not properly documented. These issues will be addressed by strengthening procedures to document the appropriate transfer of equipment from grant funded accounts and improving coordination between the project directors and property control.

State of Illinois
Northeastern Illinois University

CURRENT FINDINGS - State Compliance

For the Year Ended June 30, 2007

07-5 *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 108 items in the property records, we noted the following:

- Five (5) items tested with a total value of \$35,113 were not tagged with the University decal. These items consisted of: a motorola repeater, an air sterilizer, and 3 portable radios. The University subsequently affixed the University decal on these items.
- Eight (8) items with a total value of \$21,675 were not found. These items consisted of: a projector, a camcorder, a catalyst, a laptop, a computer monitor, and 3 pieces of office furniture. The University subsequently deleted 1 of the 8 items from the Property Listing, as supported by the Property Change Notice (PCN) form. The remaining 7 items will be deleted pending related PCN forms.
- A camcorder valued at \$2,341 was donated to a grant participant but no Grant Transfer of Property form was available to evidence the transfer.
- Three (3) laptops with a total value of \$7,147 assigned off-campus to employees were not supported with Off-Campus Equipment Use forms. In addition, the property listing did not show these laptops as being off campus as the location. The University subsequently prepared the forms for these laptops and updated the property listing.
- Information in the property records for fifty (51) equipment items tested were not updated as follows:
 - Twenty-seven (27) items with a total value of \$276,247 were found in different locations. No PCN forms were prepared to support the changes in location. These items consisted of: 2 pieces of exercise equipment, 5 switches/servers, 2 radios, 2 projectors, 5 office furniture, 4 cameras, an air conditioner, 2 printers, a television, a camcorder, a computer monitor, and a laptop.
 - Room locations were not indicated in the Property Listing for 20 items with a total value of \$114,567. These items consisted of: 2 radios, 4 printers, a recorder, 4 pieces of office furniture, a catalyst, a camcorder, a projector, a server, computer hardware, 2 computer monitors, a shredder, and a laptop.

State of Illinois
Northeastern Illinois University

CURRENT FINDINGS - State Compliance, Continued

For the Year Ended June 30, 2007

- A printer valued at \$5,997 was already scrapped but not yet deleted in the Property Listing.

The University subsequently updated the property records.

During our tracing to the Property Listing of items physically identified, we noted that 9 items were not included in the Property Listing. These items consisted of: a data system, 2 projectors, a camcorder, a computer monitor, a piece of computer hardware, and 3 pieces of telecommunications equipment. The University subsequently updated the property records.

In our review of the Property Listing as of October 31, 2006 submitted by the University to the Department of Central Management Services (DCMS) on November 13, 2006, we noted that 8 items with a total value of \$30,051 purchased before October 31, 2006 were not reported. These items were valued \$500 and above, or were considered to be high theft items. The items were 5 laptops, a piece of office furniture, a Q-stress system, and a computer monitor.

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

- A piece of furniture, valued at \$3,095, was erroneously deleted from the Property Listing. The University subsequently reactivated the item in the Property system.
- Two (2) pieces of laboratory equipment reported stolen by the University, with a total value of \$1,364, were not supported with police reports.

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

- Equipment purchases before October 31, 2006 from 18 vouchers tested, with a total value of \$139,543, were not included in the Property Listing as of October 31, 2006 submitted by the University to DCMS. These equipment vouchers consisted of office furniture, computers, a camcorder, audio equipment, weight machine, broadcaster and trainer kit, speech therapy kit, lego mindstorms pack, switches, converters and cables, batteries and audio disks, and Q-stress system. Twelve of the 18 vouchers with a total value of \$52,230 were not included in the June 30, 2007 Property Listing.
- Equipment purchases from November 1, 2006 to June 30, 2007 from 5 vouchers tested, with a total value of \$53,542, were not included in the Property Listing as of fiscal year-end. These equipment vouchers consisted of a computer, an air sterilizer, laboratory equipment, clocks, a projector, and visual presenter.

State of Illinois
Northeastern Illinois University

CURRENT FINDINGS - State Compliance, Continued

For the Year Ended June 30, 2007

- Four (4) vouchers representing purchases of new furniture with a total value of \$22,777 were not supported with a state property surplus-new furniture affidavit that is required to be filed with the state surplus administrator.

During our review of surplus equipment as of fiscal year-end, we noted the following:

- Eleven (11) items with a total value of \$95,799 transferred to the surplus cage were not supported with PCN forms. These items consisted of: a laser link, 2 projectors, a water purifier, 4 servers, a computer, a printer, and a stage platform.
- Thirty (30) items with a total value of \$429,064 reported in the Property Listing as surplus were not found. These items consisted of: a laser link, a router, 16 servers, a piece of storage equipment, 4 projectors, a water purifier, 2 printers, a laptop, 2 computers, and a stage platform.

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:

- Off-campus equipment use forms were not prepared for 9 laptops with a total value of \$30,791 assigned to employees.
- Twelve (12) off-campus equipment use forms for laptops with a total value of \$28,601 assigned to employees were not completed properly. The forms had missing information such as signature of actual user, Fiscal Agent or Vice President's approval, equipment tag number, equipment serial number, and the justification for being off-campus.
- The tag number affixed on a laptop valued at \$2,639 did not match the tag number in the Property Listing.
- Two (2) laptops with a total value of \$6,231 assigned to employees were defective and no longer in use but not reported as surplus.
- The user name for 9 assigned laptops with a total value of \$20,218 was not indicated in the Property Listing.
- Five (5) laptops, with a total value of \$15,212, assigned to employees were returned by the employees to the University, however, the off-campus equipment use forms did not indicate the return date and these laptops could not be located by the University. The University subsequently deleted these items from the property records.

State of Illinois
Northeastern Illinois University

CURRENT FINDINGS - State Compliance, Continued

For the Year Ended June 30, 2007

- A laptop valued at \$1,956, assigned to an employee, was not included in the Property Listing.

During our review of the Fiscal Agent Handbook on Off-Campus Use of Property (Section H4), we noted that the revised off-campus equipment use form as indicated in the University's corrective action plan from the prior year's findings is not the form attached to the Fiscal Agent Handbook. We also noted that the revised off-campus equipment use form does not include the following information as required under the above referenced section of the Fiscal Agent Handbook: (a) approval by Fiscal Agent or Dean/Vice President, (b) reason for off-campus use, and (c) expected date of return.

Department of Central Management Services (DCMS) Property Control Rules (44 Illinois Administrative Code, Section 5010.210: Marking of State-Owned Equipment) requires each piece of equipment to be marked with a unique six-digit identification number. The identification number may be applied by using the agency's inventory decal or by indelibly marking the number on the property. It also requires that the identification number shall be affixed to the property in a general area easily located by all and in no danger of being damaged.

DCMS Property Control Rules (44 Illinois Administrative Code, Section 5010.220: Inventory of Equipment) requires that all items of equipment with an acquisition value of \$500 or more is subject to being reported to DCMS by the holding agency. It also 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.

DCMS Property Control Rules (44 Illinois Administrative Code, Section 5010.460: Annual Inventory) requires all agencies to provide the Property Control Division on an annual basis a listing of all equipment subject to being reported to DCMS as required under Section 5010.220. In relation to this, the University was required by the DCMS to submit a listing of all equipment as of October 31, 2006 subject to being reported to DCMS no later than February 1, 2007.

DCMS Property Control Rules (44 Illinois Administrative Code, Section 5010.400: Equipment Inventory Recording) requires that agencies shall adjust property records within 30 days of acquisition, change or deletion of equipment items.

State of Illinois
Northeastern Illinois University

CURRENT FINDINGS - State Compliance, Continued

For the Year Ended June 30, 2007

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).

State Property Control Act (30 ILCS 605/7a) requires agencies that desire to purchase new furniture valued at \$500 or more to first check with the administrator if any of the surplus furniture under the administrator's control can be used in place of new furniture. If an agency finds that it is unable to use the surplus property, the agency shall file an affidavit with the administrator prior to any purchase, specifying the types of new furniture to be bought, the quantities of each type of new furniture, the cost per type, and the total cost per category. The affidavit shall also clearly state why the furniture must be purchased new as opposed to obtained from the administrator's surplus.

University Fiscal Agent Handbook on Property Change Notice (Section H1) states that the *Property Change Notice* form enables Property Control to maintain the current status and location information required to effectively control all University property. It requires that all property transactions shall be processed on a Property Change Notice, which includes the following: (a) donations, (b) interdepartmental transfer, (c) surplus, (d) trade-in, (e) scrap, (f) obsolete, broken, or unserviceable equipment, (g) lost or stolen, and (h) location changes. It further requires the completed form, processed by the fiscal agent initiating the change, to be submitted to Property Control.

DCMS Property Control Rules (44 Illinois Administrative Code, Section 5010.310: Transaction Codes) requires documentation for certain deletions from an agency inventory, which includes police report for stolen property.

University Fiscal Agent Handbook on Off-Campus Use of Property (Section H4) requires that individuals taking property off-campus must prepare an *Off-Campus Equipment Use Contract* (Off-Campus Form). It also requires that an Off-Campus Form be submitted to the accountable Fiscal Agent, Department Chair, Director, or other designee, describing the

State of Illinois
Northeastern Illinois University

CURRENT FINDINGS - State Compliance, Continued

For the Year Ended June 30, 2007

equipment, reason for off campus use, date to be taken, and expected date of return. The Off-Campus Form further indicates that copies of the form be distributed to the Property Control Department, Fiscal Agent, and the user.

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* form to document the transfer of property, purchased with grant funds, from a grant account to another entity.

University officials stated that (a) some equipment not included in the Property Listing and/or not reported to DCMS were due to delays in tagging. In addition, during a significant clean-up effort over the past 12 months, some documentation for equipment to be scrapped lagged behind, and (b) many of the other conditions indicated were due to an increased amount of transactions, and departmental oversight to track relocation of non-fixed equipment.

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. 07-5, 06-4, 05-3, 04-2)

Recommendation

We recommend the University adhere to its procedures to ensure that property and equipment records are accurately maintained and updated. Periodic physical inventories should be conducted to ensure existence of equipment, and property records should be updated with the results of the inventory. 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. We also recommend the University to ensure submission of a complete Inventory of Equipment with DCMS and establish and maintain internal control records over items valued less than \$500. In addition, the University should also provide adequate staffing in the Property Control department to address the other recommendations noted.

State of Illinois
Northeastern Illinois University

CURRENT FINDINGS - State Compliance, Continued

For the Year Ended June 30, 2007

University Response

The University concurs with the finding and the recommendation that we should adhere to our procedures to ensure that property and equipment records are accurately maintained and updated, that inventory is updated based on periodic inventories, that we ensure that all required reports are submitted in a timely manner and that Property Control has adequate staff. The University feels that it has made progress since this finding was first reported and will continue those efforts in the coming year.

State of Illinois
Northeastern Illinois University

CURRENT FINDINGS - State Compliance, Continued

For the Year Ended June 30, 2007

07-6 *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 28 employees documented time to the nearest quarter hour and 32 employees were using the "exception" timekeeping system whereby the employee is assumed to be working unless noted otherwise. Of the 28 employees required by the University to submit time sheets, 2 employees did not submit their time sheets for one pay period.

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

University officials stated that based on its Audit Corrective Action Plan, the University determined that because it is in the midst of implementing a new HR information system, it decided not to implement a short-term paper-based system and is instead working with its ERP contractor to implement an electronic timekeeping form which should be complete and operational by February 1, 2008 for the first group of employees and by April 1, 2008 for all other employees.

By not requiring positive time reporting from its employees, the University is not in compliance with the Act. (Finding Code Nos. 07-6, 06-05, 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, 2007

University Response

The University concurs with this finding and recommendation and will continue to implement the required time reports.

State of Illinois
Northeastern Illinois University

CURRENT FINDINGS - State Compliance, Continued

For the Year Ended June 30, 2007

07-7 *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. Four of the 9 contracts were executed in the current fiscal year and were incurred against appropriated funds. The remaining five contracts were executed in the current fiscal year and were incurred against locally held funds.
- One of 21 contracts (5%) was not filed within 15 days after execution. The contract was filed 41 days late. The late filing affidavit was not on file.
- Two grant contracts totaling \$650,066 were not approved and executed prior to performance of services. An affidavit was not filed together with the contract.
- Eleven of 30 contracts (37%) did not have the three signatures required for contracts of \$250,000 or more.
- Seven of 30 contracts (23%) were not properly signed or dated by the vendor or the University representative.
- Conflict of Interest Disclosure Statements were not obtained for three of 30 contracts (10%) each valued at more than \$10,000 annually. In addition, seven disclosure statements were only obtained as a result of the audit and not during the contracting phase.
- One contract amounting to \$46,269 did not meet the criterion as to contract content set forth for other contract liabilities. The contract did not have the Federal Taxpayer Identification Number and legal status disclosure statement and applicable ethical certifications.
- The contract obligation document for four contracts totaling \$477,484, were not on file.

State of Illinois
Northeastern Illinois University

CURRENT FINDINGS - State Compliance, Continued

For the Year Ended June 30, 2007

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

- Payments for computer purchases to a single vendor covered by a purchase order totaling \$40,189 and payments for the purchase of library books from a single vendor covered by a purchase order totaling \$35,000 did not show justification for the sole source purchase.
- Contracts were not executed for the purchase of some computers, cameras, and a car totaling \$63,127. Purchase orders relating to those purchases were above the threshold which required a contract.

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 state agency or his 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 Procurement Code (30 ILCS 105/9.02) and SAMS Procedure 15.10.20 require three signatures for contracts of \$250,000 or more for any new contract or contract renewal in the amount of \$250,000 or more in a fiscal year, or any order against a master contract in the amount of \$250,000 or more in a fiscal year, or any contract amendment or change to an existing contract that increases the value of the contract to or by \$250,000 or more in a fiscal year, shall be signed or approved in writing by the chief executive officer of the agency, and shall also be signed or approved in writing by the agency’s chief legal counsel and chief fiscal officer. If the agency does not have a chief legal counsel or a chief fiscal officer, the chief executive officer of the agency shall designate in writing a senior executive as the individual responsible for signature or approval.

State of Illinois
Northeastern Illinois University

CURRENT FINDINGS - State Compliance, Continued

For the Year Ended June 30, 2007

State Comptroller's Accounting Bulletin #124 states that every contract or contract modification that is required to be filed with the Comptroller's Office shall bear the signature of the agency head and if that authority is delegated, the signature of the person actually signing the document. It further requires that every contract signature must be dated below the actual signature.

The Illinois Procurement Code (30 ILCS 500/50-35(a)) Disclosures and potential conflicts of interest, requires that all offers from responsive bidders or offerors with an annual value of more than \$10,000 shall be accompanied by disclosure of the financial interests of the contractor, bidder, or proposer. The financial disclosure of each successful bidder or offeror shall become part of the publicly available contract or procurement file maintained by the appropriate chief procurement officer.

SAMS Procedure 15.20.50 requires all contracts for other than tangible personal property should be obligated on Contract Obligation Documents. Contract liabilities exceeding \$10,000 must be supported by documentation to include bribery clause certification, international anti-boycott certification, environmental protection act, etc.

SAMS Procedure 15.20.10 states that obligation data submitted to the Comptroller is used to establish and maintain a file of individual obligations by agency and account. The Contract Obligation Document is used to obligate contracts, leases, purchase orders, sub-orders, and printing orders.

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.

University officials stated they had procedures in place to file the contracts with the State Comptroller on a timely basis, however, the University is in the midst of implementing a new integrated financial business and information system that includes best business practices and is in the midst of transferring responsibility for the filing of contracts from one department to another. As a result, some contracts were not filed, or were not filed timely. Also during the conversion, some contract requirements were not completed on a timely basis.

Failure to reduce in writing the contract for services and obtain required signatures 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

State of Illinois
Northeastern Illinois University

CURRENT FINDINGS - State Compliance, Continued

For the Year Ended June 30, 2007

State of Illinois, Office of the 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 Illinois Administrative Code. (Finding Code Nos. 07-7, 06-6, 05-5)

Recommendation

We recommend the University adhere to its procedures to ensure all contracts over \$10,000 are filed with the Office of the 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. Contract requirements and signatures, sole source justification, and disclosure statements must be obtained in all instances.

University Response

The University concurs with this finding and recommendation. We are taking the necessary steps to ensure compliance with all required contracting procedures: filing contracts with the Office of the Comptroller; assuring contract requirements are included; and obtaining required signatures, sole source justifications and disclosure statements.

State of Illinois
Northeastern Illinois University

CURRENT FINDINGS - State Compliance, Continued

For the Year Ended June 30, 2007

07-8 *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 are not authorized representatives. Four of the 22 departments showed that there were 6 pay periods wherein paycheck envelopes were distributed to employees who were not authorized representatives to pick-up paycheck envelopes.

In addition, based on our observation of payroll distribution for 2 pay periods, we noted that in one of the 5 departments observed, paycheck envelopes for the remaining employees who were not present were placed in open mailboxes in an unsecured room for pick-up by the employee at a later time or date.

The University's Fiscal Agent Handbook on Payroll Distribution (Section I3) 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. All department and unit representatives handling paycheck envelopes will take appropriate measures to safeguard checks.

University officials stated that procedures are in place for payroll distribution but the exceptions noted were due to oversight of 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 Nos. 07-8, 06-07)

Recommendation

We recommend the University adhere to its procedures to ensure that paycheck envelopes are only released to authorized department and unit representatives and payees named on the checks upon presentation of identification and that checks are adequately safeguarded.

State of Illinois
Northeastern Illinois University

CURRENT FINDINGS - State Compliance, Continued

For the Year Ended June 30, 2007

University Response

The University concurs with this finding and recommendation. Following the implementation of the new payroll/HR system, the University plans to modify its procedure so that all employees either participate in direct deposit or have their paycheck mailed to them on pay day. This will eliminate the manual distribution of paychecks and eliminate this issue.

State of Illinois
Northeastern Illinois University

CURRENT FINDINGS - State Compliance, Continued

For the Year Ended June 30, 2007

07-9 *Inadequate Controls Over Voucher Processing*

The University did not have adequate controls over voucher processing.

During our review, we noted the following:

- Two (2) of 400 (1%) vouchers tested totaling \$691 were not properly coded. These were subsequently corrected in the system.
- Requisitions for 64 of 400 (16%) vouchers tested totaling \$2,986,368 were not properly completed. Vendor data or purchase order number was either missing or incorrect.
- Required signatories in the requisitions for 49 of 400 (12%) vouchers tested totaling \$677,595 were not completed.
- Fifty-three (53) of 400 (13%) vouchers tested totaling \$2,029,653 were not properly approved according to the Fiscal Agent Handbook. Voucher approval was either performed by an unauthorized signatory or not dated.
- Six (6) of 400 (2%) vouchers tested totaling \$149,571 were not properly completed. The vendor identification number on the purchase order did not match the vendor identification number on the invoice.
- Purchase orders for 5 of 400 (1%) vouchers tested totaling \$139,244 were not properly completed. Vendor data and purchase order number were either missing or incorrect.
- Eleven (11) direct payment vouchers (DPV) tested totaling \$841,511 were not properly completed and approved. Nine (9) of these DPVs totaling \$840,511 were not properly approved and supported with fiscal agent's statement, and the citizenship or residency question for the remaining 2 DPVs was not answered.
- Two (2) direct payment vouchers tested totaling \$509 included unallowable costs of \$47. The unallowable costs pertained to personal cable charges of 2 employees. The employees subsequently reimbursed the University.

State of Illinois
Northeastern Illinois University

CURRENT FINDINGS - State Compliance, Continued

For the Year Ended June 30, 2007

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

- One (1) of 30 (3%) vouchers tested amounting to \$1,067 was not approved by the State of Illinois Higher Education Travel Control Board for lodging expenses in excess of the required limit. The amount in excess of the required limit was \$222.
- Travel expenditures billed directly to the University for 6 employees totaling \$4,664 were not itemized on the employees' travel vouchers.
- The Travel Authorization Request Encumbrance (TARE) for 2 out of the country travel totaling \$3,270 were not approved 30 days prior to the departure date.

Statewide Accounting Management System (SAMS) Procedure 11.50.20 lists the detailed expenditure account object codes that need to be followed by the University.

University Fiscal Agent Handbook on Requisition (Section M11) requires that vendor data (such as name, address, FEIN, among others) should be entered on the requisition. It also requires that requisitions must have the following approval signatures, as applicable, in accordance with Section K1: Purchase Approval and Signature Authority, of the Fiscal Agent Handbook: (a) Requester; (b) Endorser; (c) Fiscal agent or alternate; (d) Dean/Director; (e) Vice President; and (f) President.

University Fiscal Agent Handbook on Accounts Payable Voucher (Section M1) requires that purchase order number and vendor data (such as name, address, FEIN, among others) should be entered in the voucher. It also requires that fiscal agents or alternates approve the payment of the invoice by signing and dating the voucher.

University Fiscal Agent Handbook on Use of Direct Payment Vouchers (Section G1) requires that individual who completes the voucher ensures that the citizenship or residency question on the form is answered. It also identifies the expenses allowed to be paid through DPVs.

University Fiscal Agent Handbook on Unauthorized Purchases (Section K8) requires that purchases made directly with a vendor for goods and services without first encumbering department funds are unauthorized unless transactions meet the criteria for direct payments as established under Section G1, as mentioned above. In these instances, DPVs must be prepared by fiscal agents or alternates together with a statement that the expenditure was legitimate and the reason for circumventing established purchasing policy. It further requires that DPVs should be approved by the Director of Financial Affairs/Controller.

State of Illinois
Northeastern Illinois University

CURRENT FINDINGS - State Compliance, Continued

For the Year Ended June 30, 2007

University Fiscal Agent Handbook on Travel Voucher (Section F3) requires the traveler to complete and submit to the Office of the Controller's, travel voucher with documentation attached within thirty (30) days after completion of the travel.

80 Illinois Administrative Code, Section 3000.410 states that each employee (traveler) is responsible to request the lowest available lodging rate at the time of making reservations. The employee should require confirmation that "State rates" offered by hotels-motels are within the maximum allowed. If an exception is not granted by the appropriate Travel Control Board, the employee shall absorb the excess cost.

SAMS Procedure 17.20.10 requires traveler to enter certain information on box 30 of the travel voucher like additional comments or explanations (i.e. direct billings) to further clarify specific charges.

University Fiscal Agent Handbook on Travel Authorization Request and Encumbrance (Section F2) requires the traveler to complete and submit to the Office of University Budgets, an approved Travel Authorization Request, prior to the departure date. It also requires that foreign travel must be authorized by the University President 30 days prior to travel and all travel vouchers must be supported with appropriate receipts.

University personnel stated that: (a) voucher approval condition was the result of an inconsistency between the fiscal agent handbook and the pre-printed form; (b) lack of vendor data was the result of administrative offices relying on Purchasing to complete addresses for vendors in the University database, and (c) other conditions indicated above were due to the volume of processing in a manual system.

Inadequate controls over voucher processing may result in inaccurate voucher processing and/or unrecorded transactions and further result in noncompliance with policies and procedures. (Finding Code No. 07-9)

Recommendation

We recommend that the University strengthen its controls over voucher processing to ensure accuracy and compliance with University policies and State regulations. In some cases, the University's Fiscal Agent Handbook should be revised to incorporate current procedures. We also recommend the University adhere to its travel procedures to ensure that requirements are complied with.

State of Illinois
Northeastern Illinois University

CURRENT FINDINGS - State Compliance, Continued

For the Year Ended June 30, 2007

University Response

The University concurs with this finding and recommendation. While we believe that most of the events represent momentary lapses in internal control, we will implement additional and strengthen current policies and procedures to assure accurate voucher processing and compliance with State and University regulations.

State of Illinois
Northeastern Illinois University

PRIOR FINDINGS NOT REPEATED

For the Year Ended June 30, 2007

Federal Compliance

07-10 *Federal Pell Grant Program (PELL) Disbursements Not Properly and Not Timely Reported*

Status: Implemented.

It was recommended that the University ensure that Federal Pell Grant expenditure and disbursement date information be accurately reported to the U.S. Department of Education within 30 days of being disbursed.

During the current year, our testing disclosed no instances in which the University failed to report the expenditure and disbursement date information within 30 days of being disbursed.
(Finding Code No. 06-3)

State Compliance

There were no prior findings not repeated.

State of Illinois
Northeastern Illinois University

Supplementary Information for State Compliance Purposes
For the Year Ended June 30, 2007

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, 2007

Summary, Continued

The accountants' 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 accountants' opinion, except for that portion marked "unaudited", on which they express no opinion, 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, 2007

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Pass-Through Number	FY 2007 Expenditures
MAJOR PROGRAMS			
<u>DEPARTMENT OF EDUCATION</u>			
STUDENT FINANCIAL ASSISTANCE CLUSTER			
Federal Pell Grant Program	84.063		\$ 8,090,277
Federal Work-Study Program	84.033		452,078
Federal Supplemental Educational Opportunity Grants	84.007		362,275
Federal Perkins Loan Program - Federal Capital Contributions (Note 2)	84.038		-
Federal Family Education Loans (Note 3)	84.032		-
			<u> </u>
TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER			<u>\$ 8,904,630</u>
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334		<u>\$ 11,223,405</u>
TRIO CLUSTER			
TRIO - Talent Search Program	84.044		\$ 417,865
TRIO - Upward Bound Program	84.047		439,816
TRIO - Upward Bound Math and Science Competition	84.047		176,457
TRIO - McNair Post-Baccalaureate Achievement	84.217		225,378
			<u> </u>
TOTAL TRIO CLUSTER			<u>\$ 1,259,516</u>
Early Reading First			
<i>Roots of Language and Literacy</i>	84.359		<u>\$ 1,227,421</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	2006-4421-00	\$ 71,163
<i>Title IV - 21st Century Community Learning Centers</i>	84.287	2007-4421-00	464,179
<i>Title IV - 21st Century Community Learning Centers</i>	84.287	2006-4421-04	5,693
<i>Title IV - 21st Century Community Learning Centers</i>	84.287	2007-4421-04	415,759
<i>Title IV - 21st Century Community Learning Centers</i>	84.287	2007-4421-07	879,570
			<u> </u>
			<u>\$ 1,836,364</u>
TOTAL DEPARTMENT OF EDUCATION			<u>\$ 24,451,336</u>
TOTAL MAJOR PROGRAMS			<u>\$ 24,451,336</u>

The accompanying notes are an integral part of this schedule.

State of Illinois
Northeastern Illinois University

Schedule of Expenditures of Federal Awards, Continued

For the Year Ended June 30, 2007

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Pass-Through Number	FY 2007 Expenditures
OTHER PROGRAMS			
<u>DEPARTMENT OF EDUCATION</u>			
School Leadership <i>Star School Leadership Project</i>	84.363		<u>\$ 396,379</u>
Higher Education Institutional Aid <i>Strengthening Institutions - Hispanic Serving Institutions</i>	84.031		<u>\$ 254,063</u>
Rehabilitation Long-Term Training <i>Rehabilitation Counseling</i>	84.129		<u>\$ 183,635</u>
National Science and Mathematics Access to Retain Talent (SMART) Grants <i>SMART Grant Program</i>	84.376		<u>\$ 139,810</u>
Special Education - Personnel Development 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		<u>\$ 113,118</u>
Capacity Building for Traditionally Underserved Populations <i>Rehabilitation Counseling Capacity Building Project</i>	84.315		<u>\$ 96,504</u>
Bilingual Education Training Grants <i>Training for All Teachers</i>	84.195		<u>\$ 85,777</u>
Fund for the Improvement of Postsecondary Education (FIPSE) <i>FIPSE Comprehensive Program</i>	84.116		<u>\$ 84,450</u>
Academic Competitiveness Grants <i>Academic Competitiveness Grant Program</i>	84.375		<u>\$ 74,625</u>
Child Care Access Means Parents in School <i>Child Care Access Means Parents in Schools</i>	84.335		<u>\$ 41,169</u>
Improving Teacher Quality State Grants Passed-Through Illinois Board of Higher Education <i>No Child Left Behind</i>	84.367	None	<u>\$ 451,662</u>

The accompanying notes are an integral part of this schedule.

State of Illinois
Northeastern Illinois University

Schedule of Expenditures of Federal Awards, Continued

For the Year Ended June 30, 2007

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Pass-Through Number	FY 2007 Expenditures
Arts in Education			
Passed-Through Beacon Street Gallery <i>Arts Impacting Achievement</i>	84.351	None	\$ 59,162
Education Research, Development and Dissemination			
Passed-Through University of Wisconsin System <i>Does Visual Scaffolding Facilitate Students' Mathematics Learning?</i>	84.305	X392630	\$ 7,460
TOTAL DEPARTMENT OF EDUCATION			\$ 1,987,814
<u>NATIONAL SCIENCE FOUNDATION</u>			
RESEARCH AND DEVELOPMENT CLUSTER			
Mathematical and Physical Sciences			
<i>Research in Undergraduate Institutions: Hamiltonian Instability</i>	47.049		\$ 35,031
<i>Robust Numerical Methods in Polynomial Algebra with Approximate Data</i>	47.049		17,104
Passed-Through Purdue University <i>Undergraduate Research Centers</i>	47.049	501-1324-01	86,900
			\$ 139,035
Intergovernmental Personnel Act			
<i>Title IV - Intergovernmental Personnel Act of of 1970 - Pratibha Varma-Nelson</i>	None		\$ 108,190
Education and Human Resources			
<i>The Chicago Math Scholars Program</i>	47.076		\$ 10,814
Passed-Through City College of New York <i>Peer- Led Team-Learning: National Dissemination by the Workshop Project</i>	47.076	40443	51,944
Passed-Through Chicago State University <i>Illinois Louis Stokes Alliance for Minority Participation</i>	47.076	None	14,011
			\$ 76,769
TOTAL RESEARCH AND DEVELOPMENT CLUSTER			\$ 323,994
TOTAL NATIONAL SCIENCE FOUNDATION			\$ 323,994

The accompanying notes are an integral part of this schedule.

State of Illinois
Northeastern Illinois University

Schedule of Expenditures of Federal Awards, Continued
For the Year Ended June 30, 2007

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Pass-Through Number	FY 2007 Expenditures
<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		\$ 65,033
Child Health and Human Development Extramural Research <i>An Office of Research Development to Foster Research</i>	93.865		\$ 53,413
Intergovernmental Personnel Act <i>Title IV - Intergovernmental Personnel Act of of 1970 - Linda Rueckert</i>	None		\$ 9,946
Block Grants for Prevention and Treatment of Substance Abuse Passed-Through Illinois Department of Human Services <i>Substance Abuse Prevention</i>	93.959	10C6002591	\$ 59,149
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	\$ 48,902
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 236,443
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Equal Opportunity in Housing <i>College Housing Debt Service Grant Program</i>	14.000		\$ 70,000
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			\$ 70,000
<u>NATIONAL ENDOWMENT FOR THE HUMANITIES</u>			
Promotion of the Humanities-Federal/State Partnership Passed-Through Illinois Humanities Council Last Kamikaze <i>Promotion of the Humanities-Federal/State Partnership</i>	45.129	3835	\$ 10,000
TOTAL NATIONAL ENDOWMENT FOR THE HUMANITIES			\$ 10,000

The accompanying notes are an integral part of this schedule.

State of Illinois
Northeastern Illinois University

Schedule of Expenditures of Federal Awards, Continued

For the Year Ended June 30, 2007

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Pass-Through Number	FY 2007 Expenditures
<u>DEPARTMENT OF AGRICULTURE</u>			
Soil and Water Conservation Passed-Through Great Lakes Commission <i>Soil and Water Conservation</i>	10.902	None	<u>\$ 7,802</u>
TOTAL DEPARTMENT OF AGRICULTURE			<u>\$ 7,802</u>
<u>DEPARTMENT OF STATE</u>			
Educational Partnerships with Tanzania <i>Educational Partnership with Tanzania</i>	19.424		<u>\$ 2,449</u>
TOTAL DEPARTMENT OF STATE			<u>\$ 2,449</u>
TOTAL OTHER PROGRAMS			<u>\$ 2,638,502</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 27,089,838</u>

State of Illinois
Northeastern Illinois University

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2007

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, 2007:

Federal Perkins Loan Program CFDA #84.038

Outstanding Balance - July 1, 2006	\$ 2,745,671
Additions:	
Interest income	39,551
Other income	66,195
Total Additions	<u>105,746</u>
Deductions:	
Loans cancelled or written off	80,612
Administrative charges	31,840
Collection costs	40,390
Decrease in allowance for doubtful accounts	27,583
Total Deductions	<u>180,425</u>
Outstanding Balance - June 30, 2007	<u>\$ 2,670,992</u>

3. Guaranteed Loans

During the year ended June 30, 2007, the University awarded \$11,205,667 in new loans under the Federal Family Education Loan Program (CFDA #84.032).

4. Waived Matching Requirement

During the year ended June 30, 2007, 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 2007

Fourteen months ended August 31, 2007

	Appropriations (Net After Transfers)	Expenditures Through June 30, 2007	Lapse Period Expenditures July 1, to August 31, 2007	Total Expenditures	Lapsed Balances	Balances Reappropriated July 1, 2007
APPROPRIATED FUNDS						
General Revenue Fund 001 (Public Act 94-0798):						
Personal Services	\$ 36,816,000	\$ 36,816,000	\$ -	\$ 36,816,000	\$ -	\$ -
Social Security - Medicare Contributions	437,700	437,690	-	437,690	10	-
Employer Contributions to Group Insurance	1,072,600	1,072,600	-	1,072,600	-	-
Contractual Services	1,030,000	1,030,000	-	1,030,000	-	-
Equipment	300,000	299,656	-	299,656	344	-
Retention and Graduation Rates for Minority Students	170,000	152,045	855	152,900	17,100	-
North Atlantic Slave Trade Study	200,000	141,625	43,711	185,336	14,664	-
Total General Revenue Fund	40,026,300	39,949,616	44,566	39,994,182	32,118	-
Capital Development Fund 141 (Public Act 94-0798):						
Equipment and Remodeling of Buildings	2,071,805	-	-	-	-	2,071,805
Total Appropriated Funds	42,098,105	39,949,616	44,566	39,994,182	32,118	2,071,805
NON-APPROPRIATED FUNDS						
Northeastern Illinois University Income Fund - 037 (**):						
Personal Services	-	22,753,813	153,151	22,906,964	-	-
Contributions to Social Security System	-	169,736	-	169,736	-	-
Contractual Services	-	6,257,672	543,364	6,801,036	-	-
Travel	-	151,410	8,280	159,690	-	-
Commodities	-	718,904	43,692	762,596	-	-
Equipment	-	1,130,609	43,909	1,174,518	-	-
Telecommunication Services	-	543,037	2,110	545,147	-	-
Operation of Automotive Equipment	-	12,841	261	13,102	-	-
Permanent Improvements	-	28,448	92,592	121,040	-	-
Awards, Grants and Matching Funds	-	105,799	-	105,799	-	-
Total Income Fund	-	31,872,269	887,359	32,759,628	-	-
Grand Total	\$ 42,098,105	\$ 71,821,885	\$ 931,925	\$ 72,753,810	\$ 32,118	\$ 2,071,805

* 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 Income Fund Revenues and Expenditures*

For the Years Ended June 30, 2007 and 2006

	2007	2006
Fund balance (deficit), beginning of year	<u>\$ (8,514,662)</u>	<u>\$ (8,250,073)</u>
Income fund revenues:		
Tuition	35,750,753	34,510,585
Rental income	39,043	29,159
Investment income	334,608	379,121
Miscellaneous	<u>1,782,376</u>	<u>2,033,254</u>
Total income fund revenues	<u>37,906,780</u>	<u>36,952,119</u>
Income fund expenditures:		
Personal services (including change in liability for compensated absences)	23,064,592	24,439,203
Social security, medicare, health and life insurance	169,736	427,699
Contractual services	7,028,257	5,953,605
Travel	161,890	163,948
Commodities	782,430	816,350
Equipment and library books	1,272,984	1,366,926
Telecommunications	571,251	515,493
Operation of automotive	14,337	16,197
Awards, grants and matching funds	105,799	263,408
Permanent improvements	240,742	698,477
Tuition and fee waivers	<u>2,755,472</u>	<u>2,555,402</u>
Total income fund expenditures	<u>36,167,490</u>	<u>37,216,708</u>
Fund balance (deficit), end of year	<u><u>\$ (6,775,372)</u></u>	<u><u>\$ (8,514,662)</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, 2007, 2006, and 2005

	Balance June 30, 2005		Balance June 30, 2006		Balance June 30, 2007	
	Additions	Deductions	Additions	Deductions	Additions	Deductions
Land	\$ -	\$ -	\$ 3,481,601	\$ -	\$ -	\$ 3,481,601
Land improvements	712,014	-	10,447,865	49,407	-	10,497,272
Building and building improvements	421,749	-	96,022,016	22,038,469	-	118,060,485
Equipment	2,001,775	1,723,877	34,511,521	2,016,018	3,033,750	33,493,789
Library books	934,516	-	18,853,689	894,104	-	19,747,793
Construction in progress	2,289,337	-	21,110,442	2,158,252	21,160,544	2,108,150
Total	\$ 6,359,391	\$ 1,723,877	\$ 184,427,134	\$ 27,156,250	\$ 24,194,294	\$ 187,389,090

** 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, 2007

Following are explanations for significant variances between expense accounts exceeding \$100,000 and 10%:

	2007	Increase	2006	Comments
Institutional support	\$ 31,301,841	\$ 3,002,213	\$ 28,299,628	Increase due to the following: (1) 3.5% increase in employee salaries; and (2) \$2.4 million increase in on behalf payments.
Public service	19,354,940	4,131,349	15,223,591	Increase due to the following: (1) accrual of current period grant expenditures of about \$1.5 million pertaining to GEAR UP, Star Search and HECA programs for which invoices were received late from partner schools; and (2) increase in Federal and State grants.
Depreciation expense	4,897,271	728,092	4,169,179	Increase mainly due to the depreciation of the Parking Garage structure for the first year, and the first year depreciation of all other additions to fixed assets in fiscal year 2006.
Other operating expenses	2,857,162	1,249,948	1,607,214	Increase due to various expenses on the Enterprise Resource Planning (ERP) system during the current fiscal year.
Auxiliary enterprises	2,719,513	237,582	2,481,931	Increase mainly due to the \$0.2 million increase in expenses related to parking operations (full year operation of the newly constructed parking garage during the current fiscal year as against 5 months operation in fiscal year 2006).
Interest on indebtedness	1,600,052	419,710	1,180,342	Increase due to the interest related to the Certificates of Participation (COP) issued on March 1, 2006 (full year interest of about \$0.6 million during the current fiscal year as against 4 months interest of about \$0.2 million in fiscal year 2006).
Research	771,010	612,552	158,458	Increase mainly due to the increase in Federal and State grants.

State of Illinois
Northeastern Illinois University

Analysis of Significant Variations in Revenues

For the Year Ended June 30, 2007

Following are explanations for significant variances between revenue accounts exceeding \$100,000 and 10%:

	2007	Increase (Decrease)	2006	Comments
Federal grants and contracts	\$ 24,393,435	\$ 3,346,953	\$ 21,046,482	Increase due to the following: (1) accrual of current period grant expenditures and related revenues of about \$1.4 million pertaining to GEAR-UP and Star Search programs for which invoices were received late from partner schools; and (2) new funding for the GEAR-UP program.
Payments on behalf of the University	18,562,423	2,354,568	16,207,855	Increase mainly due to the increase in employee benefit costs financed by the State of Illinois.
State and local grants	5,179,911	1,045,971	4,133,940	Increase mainly due to the new 21st Century Community Learning Centers grant of about \$0.9 million received during the current fiscal year from the Illinois State Board of Education.
Other operating revenues	2,943,430	279,158	2,664,272	Increase due to the increase in student health insurance fee from about \$1.5 million (\$330 per student) in fiscal year 2006 to about \$1.9 million (\$452.25 per student) during the current fiscal year.
Investment income	1,414,600	857,266	557,334	Increase mainly due to the following: (1) income earned on the investment of the COP proceeds; and (2) increase in interest rates during the current fiscal year.
Nongovernmental grants and contracts	1,174,018	(228,787)	1,402,805	Decrease mainly due to the Peer-Led Team-Learning (PLTL), Beacon, and Multicultural Arts local grants, which ended in fiscal year 2006. There were no new significant grants during the current fiscal year.
Capital additions provided by State of Illinois	391,902	(224,734)	616,636	Decrease due to the Capital Development Board project for the renovation of the Administration Building (Building C-Beehive) completed in fiscal year 2006.
Other nonoperating revenues	151,803	(434,567)	586,370	Decrease mainly due to the impairment gain of about \$0.5 million recognized in fiscal year 2006 as a result of the fire in the Library building.

State of Illinois
Northeastern Illinois University

Analysis of Significant Lapse Period Spending
For the Year Ended June 30, 2007

Significant lapse period spending pertains mainly to contractual services of \$543,364 and personal services of \$153,151 paid from the Income Fund in July and August 2007 for expenditures incurred prior to July 1st.

State of Illinois
Northeastern Illinois University

Analysis of Significant Account Balances

For the Years Ended June 30, 2007 and 2006

Cash and Investments

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

	2007	2006
Cash and cash equivalents	\$ 11,023,225	\$ 2,945,652
Restricted cash and cash equivalents	8,532,344	9,101,135
Short-term investments	-	5,880,470
Restricted investments	6,346,414	10,012,835
	<u>\$ 25,901,983</u>	<u>\$ 27,940,092</u>

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

Deposits held at U.S. Bank		
University 2004 Bond Reserve Account	\$ 90,731	\$ 59,205
University 2004 Bond Account	614,170	434,046
University 1997 Bond Reserve Account	43,315	21,863
University 1997 Bond Account	371,467	356,936
University 1973 Bond Reserve Account	15,591	5,117
University 1973 Bond Account	236,685	229,517
Certificate of Participation Installment	126	12,567
Deposits held at Pittsburgh National Bank	32,939	32,856
Deposits held at JPMorgan Chase Bank		
University Operating Account	1,190,291	1,399,139
University Clearing Account	(1,684,043)	(1,395,677)
University Payroll Account	(553,914)	(513,606)
University 2004 Bond Proceeds	-	527,745
Student Union Revenue Fund	110	163
Repair and Replacement Account	1,466	2,616
Non-Instructional Facility Reserve	219,481	46,239
Equipment Reserve	7,733	54,784
University Emergency Loan Account	(1,050)	(300)
Certificate of Participation Installment Proceeds	6,503,754	4,894,843
University Clearing Money Market Account	862,774	2,472,785
University Investment Pool Account	-	5,880,470
Repair and Replacement Money Market Account	394,775	402,029
U.S. Treasury Notes	4,328,565	9,945,585
Federal Home Loan Bank Bonds	782,705	1,331,522
Federal Farm Credit Bank	755,145	756,337
Fannie Mae	480,000	-
Illinois Funds	11,197,667	970,351
Petty Cash - all accounts	11,500	12,960
	<u>\$ 25,901,983</u>	<u>\$ 27,940,092</u>

As of June 30, 2007, 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 5.010% during fiscal year 2007. 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 3.125% - 4.750%. The Federal Home Loan Bank Bonds have interest rates of 3.070% - 5.375%. 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, 2007 and 2006

Receivables

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

	2007	2006
Grants	\$ 4,561,030	\$ 3,187,416
Student loans	2,473,381	2,426,479
Tuition and fees	4,851,146	2,805,277
Other receivables	308,319	2,857,351
	<u>\$ 12,193,876</u>	<u>\$ 11,276,523</u>

Grants receivable consists of amounts due from the federal government and other granting sources at the end of the fiscal year. Increase was mainly due to the accrual of current period grant expenditures and related revenues of about \$1.4 million for which invoices were received late from partner schools.

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

Increase in Tuition and fees receivable was due to the following: (1) 7.9% undergraduate tuition rate increase; (2) increase in student health fees from \$330 to \$452.25 per student; and (3) outstanding third party receivable from Illinois Monetary Award Program (IMAP) as of the current fiscal year of about \$2.6 million (subsequently collected in August 2007) as against \$0.1 million in fiscal year 2006. This increase was partially offset by the following: (1) \$1.2 million third party receivables from Illinois Veterans Grant (IVG) and Illinois National Guard (ING) written-off during the current fiscal year; and (2) decrease in enrollment from 30,222 to 29,478 students in 2006 and 2007, respectively.

Other receivables consist primarily of amounts due from State appropriations, parking fines, library fines and other miscellaneous receivables. Decrease was due to the following: (1) \$1.9 million fire insurance claims (library and CTC fire) recorded as receivables in fiscal year 2006 collected in fiscal year 2007; and (2) decrease in receivables from the General Revenue Fund of \$0.6 million since the fund appropriated for the current fiscal year was all vouchered and received from the State before June 30, 2007.

State of Illinois
Northeastern Illinois University

Analysis of Significant Account Balances, Continued

For the Years Ended June 30, 2007 and 2006

Receivables, Continued

The aging of such receivables, by type, as of June 30, 2007, is as follows:

	Current	1-2 years	2-3 years	Over 3 years	Total
Grants	\$ 4,561,030	\$ -	\$ -	\$ -	\$ 4,561,030
Student loans					
Perkins loan	\$ 2,814,270	\$ 67,410	\$ 87,431	\$ 230,432	\$ 3,199,543
Emergency loan	14,490	4,247	2,118	26,183	47,038
Total student loans	<u>\$ 2,828,760</u>	<u>\$ 71,657</u>	<u>\$ 89,549</u>	<u>\$ 256,615</u>	3,246,581
Allowance for doubtful accounts					(773,200)
Net student loans					<u>\$ 2,473,381</u>
Tuition and fees					
From students	\$ 2,639,756	\$ 394,575	\$ 238,724	\$ 137,076	\$ 3,410,131
Third party reimbursements	2,861,613	-	-	-	2,861,613
Total tuition and fees	<u>\$ 5,501,369</u>	<u>\$ 394,575</u>	<u>\$ 238,724</u>	<u>\$ 137,076</u>	6,271,744
Allowance for doubtful accounts					(1,420,598)
Net tuition and fees					<u>\$ 4,851,146</u>
Other receivables					
Parking fines	\$ 66,125	\$ 23,003	\$ 24,470	\$ 203,017	\$ 316,615
Library fines	38,154	11,708	76,199	469,304	595,365
Other accruals	163,135	-	-	-	163,135
Total other receivables	<u>\$ 267,414</u>	<u>\$ 34,711</u>	<u>\$ 100,669</u>	<u>\$ 672,321</u>	1,075,115
Allowance for doubtful accounts					(766,796)
Net other receivables					<u>\$ 308,319</u>

State of Illinois
Northeastern Illinois University

Analysis of Significant Account Balances, Continued

For the Years Ended June 30, 2007

Inventories

	2007	2006
Inventories	<u>\$ 64,859</u>	<u>\$ 124,030</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

	2007	2006
Deferred summer term tuition and waivers	\$ 188,954	\$ 171,066
Prepaid expenses and others	<u>285,018</u>	<u>62,243</u>
	<u>\$ 473,972</u>	<u>\$ 233,309</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 was mostly due to the 7.9% undergraduate tuition rate increase and prepayments made by the University for the Enterprise Resource Planning (ERP) costs.

Unamortized Bond Issue Costs

	2007	2006
Unamortized bond issue costs	<u>\$ 788,493</u>	<u>\$ 821,320</u>

Decrease in unamortized bond issue costs was mainly due to the amortization for the current fiscal year.

State of Illinois
Northeastern Illinois University

Analysis of Significant Account Balances, Continued

For the Years Ended June 30, 2007

Liabilities

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

	2007	2006
Accounts payable and accrued liabilities	\$ 7,341,548	\$ 6,142,964
Deferred revenues	3,953,606	3,224,584
Liability for compensated absences	11,292,529	11,251,004
Revenue bonds payable	21,095,000	21,420,000
Certificates of participation, net	14,972,006	14,967,290
Funds held in custody for others	<u>112,446</u>	<u>157,360</u>
	<u>\$ 58,767,135</u>	<u>\$ 57,163,202</u>

Net increase in total liabilities was mostly due to the following: (1) accrual of current period grant expenditures and related revenues of about \$1.5 million for which invoices were received late from partner schools; and (2) increase in deferred revenues due to a 7.9% undergraduate tuition rate increase. This increase was partially offset by the decrease in revenue bonds payable due to the principal payment of \$325,000 in fiscal year 2007.

**State of Illinois
Northeastern Illinois University**

Summary of Indirect Cost Reimbursement Funds

For the Year Ended June 30, 2007

Fund Balance - June 30, 2006		\$ 1,747,922
Add: Reimbursement Revenues		
ACT4L Training Teachers	\$ 4,780	
Academic Enhancements	45,547	
Advanced Reading	1,962	
Arthur: Education Excellence	17,040	
Arts Integration	3,636	
AT&T NCCEP: Math	5,000	
BE Real Curriculum	19,494	
Beacon: Arts Impacting Achieving	7,957	
Bookstore	20,878	
Bridges to Future	117	
Campus Recreation	34,420	
Campus Suicide Awareness	4,857	
Chicago Housing Authority	73,108	
Child Care Access Programs	848	
Child Care Center	26,672	
Chicago Public Schools	4,017	
Chicago State University	1,828	
Cicero Public School	9,718	
College Work Study Program	19,346	
Comprehensive Programs	6,256	
DCEO: IL Slave TC	17,037	
Every Art Every Child	3,636	
Fast Paced Programs	6,818	
GEAR-UP Programs	488,601	
Hamilton Instability	8,861	
Health Services	13,938	
Interactive Teaching	2,294	
ITL: Cook School	1,549	
Kankakee Insect Rest	3,174	
Least Restrictive Environment	29,763	
McNair Scholarship Program	14,050	
Michele Clark School	3,694	
Minority Institution	8,003	
NCLB: Learning Together	35,422	
Non-Credit Contracts	1,150	

State of Illinois
Northeastern Illinois University

Summary of Indirect Cost Reimbursement Funds, Continued

For the Year Ended June 30, 2007

Parking Lot Administration	102,374	
Pep Villa Park	4,444	
Pep YCCS	1,975	
Performing Arts	6,965	
Perkins Loan Program	31,840	
PLTL: National Dissemination	3,804	
Purdue University	19,415	
Rehabilitation Counseling Capacity	7,210	
Rehabilitation Long-term Training	2,231	
Robust Numerical Methods	5,624	
Roots of Language	243,285	
FSEOG	17,525	
Star School Leadership	19,816	
State Pre Kindergarten	1,940	
Step Up to High School Program	8,478	
Student Government	27,898	
Student Union	82,724	
Talent Search Programs	30,937	
Teacher Preparation	1,500	
Technology Initiatives	73,710	
UIC Smokeless St Evl	1,179	
Upward Bound	45,121	
Vending Services	8,654	
21st Century Community Learning Centers	136,338	
Other Sources	18,548	1,849,006
Total Available		<u>3,596,928</u>
Less: Expenditures and Transfer		
Academic Services	354,160	
Administrative Services	608,895	
Student Services	62,023	
Funds transferred to Income Fund	1,819,234	2,844,312
Fund Balance - June 30, 2007		<u><u>\$ 752,616</u></u>

State of Illinois
Northeastern Illinois University

Analysis of Operations

For the Year Ended June 30, 2007

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 2008 through 2013 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 educational opportunities to enhance understanding of international and global issues; 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 integrated budget, planning, assessment and evaluation processes to 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.

State of Illinois
Northeastern Illinois University

Analysis of Operations, Continued

For the Year Ended June 30, 2007

University Functions and Planning Program, Continued

Description of Planning System:

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.

Location, Address and Head of the University

Dr. Sharon K. Hahs, President
Northeastern Illinois University
Chicago, Illinois 60625

**State of Illinois
Northeastern Illinois University**

Analysis of Operations, Continued

For the Year Ended June 30, 2007

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 2006-2007 and 2005-2006 as shown in the Board of Trustees' Enrollment Report were as follows:

	2006-07	2005-06
Fall	12,056	12,227
Spring	11,267	11,528
Summer	6,155	6,467

Average Annual Full Time Equivalent (FTE) Enrollment

In fiscal year 2007, the University had an average FTE enrollment of 8,481 students, comprised of 6,857 undergraduates and 1,624 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 2 terms at 15 hours per term, and that a graduate FTE enrolls for 2 terms at 12 hours per term, the fiscal year 2007 annual costs per FTE, calculated by dividing the total costs of instruction by the corresponding FTE, were as follows: a) undergraduate - \$7,539, and b) graduate - \$10,398.

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 2007 and 2006 are as follows:

	2007	2006
Costs per Credit Hour	<u>\$ 280</u>	<u>\$ 275</u>

State of Illinois
Northeastern Illinois University

Analysis of Operations, Continued

For the Year Ended June 30, 2007

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 2007 and 2006 is as follows:

	2007	2006
Student/Faculty Ratio	<u>16:1</u>	<u>16:1</u>

Employee Information

The average number of employees at the University during fiscal years 2007 and 2006 is as follows:

	2007	2006
Administration	290	268
Faculty	423	431
Civil Service	464	467
Students	<u>368</u>	<u>369</u>
Total Employees	<u>1,545</u>	<u>1,535</u>

State of Illinois
Northeastern Illinois University

Analysis of Operations, Continued
For the Year Ended June 30, 2007

Emergency Purchases

The University did not make any emergency purchases during the current fiscal year.

Illinois First Projects

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

Schedule of Federal and Nonfederal Expenditures

	<u>Amount</u>	<u>Percentage</u>
Federal Funds	\$ 27,089,838	20.13%
Nonfederal Funds	<u>107,467,524</u>	<u>79.87%</u>
Total	<u>\$ 134,557,362</u>	<u>100.00%</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, Continued

*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
Input Indicators				
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
Output Indicators				
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%

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

** Information for the year ended June 30, 2007 not yet available.*

State of Illinois
Northeastern Illinois University

Analysis of Operations, Continued
*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
Outcome Indicators				
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	18.5%
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
External Benchmarks				
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%

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

** Information for the year ended June 30, 2007 not yet available.*

State of Illinois
Northeastern Illinois University

Analysis of Operations, Continued
*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
External Benchmarks, Continued				
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
Efficiency/Cost-Effectiveness				
Instructional cost per credit hour, all instructional levels (in dollars)	\$260.88	\$272.91	N/A	\$274.99
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%
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

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

** Information for the year ended June 30, 2007 not yet available.*

**State of Illinois
Northeastern Illinois University**

Analysis of Operations, Continued

*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
<u>Efficiency/Cost-Effectiveness, Continued</u>				
Percent of undergraduate students receiving some form of financial aid	48.8%	52.5%	N/A	53.8%
Percent of undergraduate students receiving grant or scholarship assistance	41.4%	43.3%	N/A	45.8%
Percent of undergraduate students receiving loan assistance	14.9%	16.9%	N/A	17.9%
Percent of undergraduate students receiving employment assistance	5.7%	5.7%	N/A	5.3%

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.
- 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.

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

** Information for the year ended June 30, 2007 not yet available.*

State of Illinois
Northeastern Illinois University

Analysis of Operations, Continued
For the Year Ended June 30, 2007

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
<u>MANDATORY WAIVERS</u>								
Teacher Special Education	10	\$ 36.4	10	\$ 6.4	17	\$ 30.0	17	\$ 5.3
General Assembly	41	103.3	41	2.1	4	7.4	4	0.2
ROTC	9	15.7	9	0.2	1	2.4	1	0.1
DCFS	4	7.7	4	4.2	-	-	-	-
Children of Employees	41	57.2	-	-	-	-	-	-
Senior Citizens	1	0.8	-	-	-	-	-	-
Honorary Scholarships	-	-	-	-	-	-	-	-
Veterans Grants & Scholarships	355	463.6	355	77.7	49	55.8	49	9.0
Subtotal	461	684.7	419	90.6	71	95.6	71	14.6
<u>DISCRETIONARY WAIVERS</u>								
Faculty/Administrators	-	-	-	-	53	49.9	53	7.9
Civil Service	40	45.1	40	9.0	52	61.6	52	7.0
Academic/Other Talent	351	573.6	-	-	487	440.1	-	-
Foreign Exchange Students	51	259.3	51	18.2	26	90.2	26	7.0
Student Need-Financial Aid	-	-	-	-	31	49.0	-	-
Student Need-Special Programs	90	92.8	-	-	-	-	-	-
Cooperating Professionals	-	-	-	-	106	59.6	-	-
Research Assistants	-	-	-	-	14	28.5	14	3.9
Teaching Assistants	-	-	-	-	35	64.0	35	11.5
Other Assistants	-	-	-	-	150	477.8	150	65.6
Interinstitutional/Related Agencies	32	34.5	32	10.1	10	11.1	10	2.4
Children of Deceased Employees	1	2.1	1	0.4	-	-	-	-
Contract/Training Grants	-	-	-	-	102	80.2	57	8.1
Subtotal	565	1,007.4	124	37.7	1,066	1,412.0	397	113.4
Total	1,026	\$ 1,692.1	543	\$ 128.3	1,137	\$ 1,507.6	468	\$ 128.0

State of Illinois
Northeastern Illinois University

Analysis of Operations, Continued

For the Year Ended June 30, 2007

University Bookstore Information (Unaudited)

The summary of University bookstore information for fiscal year 2007 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	\$6,081,614
Amount (if any) to be paid to bookstore by the University	None
Commissions	\$417,551
Commission terms	8.0% 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, 2007

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, 2007, where such special data is found.

Compliance Findings

13(a) At June 30, 2007, 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 on pages 60 and 61 of this report.

13(c) The University’s calculation sheet for indirect cost carry-forward is included in this report on page 76. 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 78.

13(f) Entity financial statements are presented on pages 79 and 80 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, 2007.

13(g) The University’s calculation sheet for current excess funds is presented in this report on page 77. Excess funds were deposited to the Income Fund within 45 days after the end of the lapse period.

State of Illinois
Northeastern Illinois University

Special Data Requirements for Audits of Universities, Continued

For the year ended June 30, 2007

University Reporting in Accordance with University Guidelines, Continued

- 13(h) Support received by Auxiliary Enterprises from State appropriated funds for retirement and group insurance benefits amounted to approximately \$137,388 and \$429,216, respectively, for the year ended June 30, 2007.
- 13(i) A Statement of revenues and expenses for various bond indenture required accounts is presented on page 38 of the financial audit report.
- 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 81 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, 2007, 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.

State of Illinois
Northeastern Illinois University

Special Data Requirements for Audits of Universities, Continued
For the year ended June 30, 2007

University Reporting in Accordance with University Guidelines, Continued

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 55 and in footnote 2 on pages 27 through 30 of the financial audit report for the year ended June 30, 2007.
- 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 64 in this report.
- 13(t) Neither the University nor the Foundation has purchased any real estate during the year ended June 30, 2007.
- 13(u) Neither the University nor the Foundation issued certificates of participation during the year ended June 30, 2007.

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, 2007

1. Cash and cash equivalents balance:	
Cash and cash equivalents	<u>\$ 1,063,723</u>
2. Allocated reimbursements:	
Total indirect cost reimbursements allocated for expenditure for the fiscal year completed:	
\$1,775,199; enter 30% of this amount	532,560
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	177,520
4. Encumbrances and current liabilities paid in the lapse period:	
Current liabilities and encumbrances	<u>311,108</u>
5. Indirect cost carry-forward	<u>1,021,188</u>
Excess cash to be deposited to the University Income Fund	<u><u>\$ 42,535</u></u>

**State of Illinois
Northeastern Illinois University**

**Other Entities and Auxiliary Enterprises
Calculation Sheet for Current Excess Funds**

For the year ended June 30, 2007

	Student Fee Programs	Public Service Activities	Student and Staff Services	Service Departments	Other Educational Services	Educational Contracts	Student Union	Auxiliary Enterprises		
								Parting Lot Administration	Auxiliary Enterprises	Other Auxiliary Enterprises
A.	\$ 392,123	\$ 69,468	\$ 413,599	\$ 448,906	\$ 110,716	\$ 22,672	\$ 1,524,290	\$ 179,835	\$ 166,786	
	\$ 993,099	\$ 237,718	\$ 968,142	\$ 1,104,251	\$ 147,075	\$ 27,620	\$ 303,577	\$ 567,888	\$ 177,196	
	105,171	46,804	13,882	271,331	24,311	5,513	13,103	39,178	5,317	
	355,626	-	110	-	-	-	129,978	137,586	-	
	-	-	-	-	-	-	130,838	-	79,522	
B.	\$ 1,453,896	\$ 284,522	\$ 982,134	\$ 1,375,582	\$ 171,386	\$ 33,133	\$ 577,496	\$ 744,652	\$ 262,035	

C.	\$ (1,061,773)	\$ (215,054)	\$ (568,535)	\$ (926,676)	\$ (60,670)	\$ (10,461)	\$ 946,794	\$ (564,817)	\$ (95,249)	
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D. (93,252)

\$ 853,542

Excess Funds Offset

Indentured capital reserves	
Allowable capital reserves	\$ 1,685,825
Actual capital reserves	1,592,573
Total Excess Funds Offset	\$ 93,252

State of Illinois
Northeastern Illinois University

Description of Accounting Entities

For the year ended June 30, 2007

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, 2007

	Student Fee Programs	Indirect Cost	Public Service Activities	Student and Staff Services	Service Departments	Other Educational Services	Educational Contracts	Student Union	Auxiliary Enterprises			
									Parking Administration	Other Auxiliary Enterprises	Totals	
Assets												
Current Fund Assets												
Cash and investments	\$ 392,123	\$ 1,063,723	\$ 69,468	\$ 413,599	\$ 448,906	\$ 110,716	\$ 22,672	\$ 1,524,290	\$ 179,835	\$ 166,786	\$ 4,392,118	
Accounts receivable - Net	368,067	-	-	-	61,655	-	-	243,016	132,503	-	743,386	
Inventories	-	-	-	-	-	-	-	3,204	-	-	64,859	
Total	760,190	1,063,723	69,468	413,599	510,561	110,716	22,672	1,770,510	312,338	166,786	5,200,563	
Plant Fund Assets												
Cash and investments	453,455	-	100,321	42,188	1,507,167	39,321	8,288	1,592,573	860,000	366,240	4,969,553	
Land and land improvements	1,443,347	-	295,928	239,605	268,319	179,163	2,864	634,433	4,265,753	464,438	7,793,850	
Buildings and construction in progress	8,835,875	-	5,011,988	1,164,844	2,168,997	4,563,770	504,095	5,456,836	15,663,536	6,499,379	49,869,320	
Equipment	3,396,294	-	270,601	106,472	6,668,092	2,587,321	306,785	674,427	703,156	134,237	14,847,385	
Total	14,128,971	-	5,678,838	1,553,109	10,612,575	7,369,575	822,032	8,358,209	21,492,445	7,464,294	77,480,108	
Total assets	\$ 14,889,161	\$ 1,063,723	\$ 5,748,306	\$ 1,966,708	\$ 11,123,136	\$ 7,480,291	\$ 844,704	\$ 10,128,779	\$ 21,804,783	\$ 7,631,080	\$ 82,680,671	
Liabilities												
Current Fund Liabilities												
Accounts payable and accrued liabilities	\$ 105,171	\$ 311,108	\$ 47,109	\$ 13,882	\$ 271,331	\$ 24,311	\$ 5,513	\$ 55,288	\$ 39,178	\$ 5,317	\$ 878,208	
Deferred income	355,626	-	-	110	-	-	-	129,978	137,586	-	623,300	
Refundable deposits	-	-	-	-	-	-	-	130,838	-	79,522	210,360	
Total	460,797	311,108	47,109	13,992	271,331	24,311	5,513	316,104	176,764	84,839	1,711,868	
Plant Fund Liabilities												
Accounts payable and accrued liabilities	11,933	-	-	-	-	889	-	-	109,330	-	122,152	
Revenue bonds payable	-	-	-	-	-	-	-	4,125,000	16,970,000	-	21,095,000	
Total	11,933	-	-	-	-	889	-	4,125,000	17,079,330	-	21,217,152	
Total liabilities	472,730	311,108	47,109	13,992	271,331	25,200	5,513	4,441,104	17,256,094	84,839	22,929,020	
Fund balance												
Current	299,393	752,615	22,359	399,607	239,230	86,405	17,159	1,454,406	135,574	81,947	3,488,695	
Reserves - Plant	441,522	-	100,321	42,188	1,507,167	38,432	8,288	1,592,573	750,670	366,240	4,847,401	
Investment in Plant	13,675,516	-	5,578,517	1,510,921	9,105,408	7,330,254	813,744	2,640,696	3,662,445	7,098,054	51,415,555	
Total fund balance	14,416,431	752,615	5,701,197	1,952,716	10,851,805	7,455,091	839,191	5,687,675	4,548,689	7,546,241	59,751,651	
Total liabilities and fund balance	\$ 14,889,161	\$ 1,063,723	\$ 5,748,306	\$ 1,966,708	\$ 11,123,136	\$ 7,480,291	\$ 844,704	\$ 10,128,779	\$ 21,804,783	\$ 7,631,080	\$ 82,680,671	

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, 2007

Accounting Entities and Auxiliary Enterprises	Balance June 30, 2006	Revenues	Expenditures and Transfers	Balance June 30, 2007
Student Fee Programs	\$ 609,799	\$ 4,004,975	\$ 4,315,379	\$ 299,395
Indirect Cost	1,747,922	1,849,005	2,844,312	752,615
Public Service Activities	250,393	386,503	614,537	22,359
Student and Staff Services	341,957	2,290,933	2,233,285	399,605
Service Departments	(242,205)	4,236,964	3,755,529	239,230
Other Educational Services	506,407	238,611	658,614	86,404
Educational Contracts	63,116	140,391	186,347	17,160
Student Union	1,005,272	2,364,289	1,915,156	1,454,405
Parking Lot Administration	505,154	2,047,483	2,417,063	135,574
Other Auxiliary Enterprises	118,097	566,040	602,190	81,947
Total	\$ 4,905,912	\$ 18,125,194	\$ 19,542,412	\$ 3,488,694

State of Illinois
Northeastern Illinois University

Summary of Foundation Payments to the University

For the year ended June 30, 2007

During fiscal year 2007, 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 \$329,121 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	\$ -
- Restricted only as to campus, college or department and generally available for on-going University operations:	
- Given to specific departments	<u>164,461</u>
Total funds considered Unrestricted	164,461

Funds considered RESTRICTED for purposes
of the guidelines computations:

- Given for scholarships	<u>164,660</u>
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Total funds provided to the University by the Foundation 329,121

The Foundation also provided fundraising activities for the University.

The value of the activities on a time and material basis were:

- Fundraising expenses	<u>120,054</u>
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Total financial and service support \$ 449,175