

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
COMPLIANCE EXAMINATION
(In accordance with the Single Audit Act and
Applicable Federal Regulations)
For the Year Ended June 30, 2018**

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 Applicable Federal Regulations)
For the Year Ended June 30, 2018**

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**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
COMPLIANCE EXAMINATION
For the Year Ended June 30, 2018**

University Officials

President

(from June 1, 2018 to present)
Interim (from April 1, 2018 to May 31, 2018)
Interim (to March 31, 2018)

Dr. Gloria Gibson
Dr. Wamucii Njogu
Dr. Richard Helldobler

Provost

Acting (from October 1, 2017 to present)
(from July 1, 2017 to September 30, 2017)

Dr. Wamucii Njogu
Vacant

Vice President for Finance and Administration/Treasurer

(from August 18, 2018 to present)
Interim (from June 1, 2018 to August 17, 2018)
(to May 31, 2018)

Vacant
Mr. Craig Duetsch
Mr. Michael Pierick

Vice President for Student Affairs

Dr. Daniel Lopez, Jr.

Vice President for Institutional Advancement

Ms. Liesl Downey

Vice President for Legal Affairs

Ms. Melissa Reardon Henry

Assistant Vice President for Business Services

(from June 2, 2018 to present)
(to June 1, 2018)

Vacant
Mr. Craig Duetsch

Director of Financial Affairs/Controller

(from January 29, 2018 to present)
(from October 1, 2017 to January 28, 2018)
(to September 30, 2017)

Ms. Beni Ortiz
Vacant
Ms. Fe Lenon

Director of Internal Audit

(from September 11, 2017 to present)
(from April 1, 2017 to September 10, 2017)

Ms. Rita Moore
Vacant

Executive Director - Office of the University Budgets

Ms. Ann McNabb

Interim Chief Finance Officer

(from August 17, 2018 to present)

Ms. Ann McNabb

University offices are located at:

5500 North St. Louis Avenue
Chicago, Illinois 60625

Office of the President5500 N. St. Louis Ave
Chicago, IL 60625-4699

Phone: (773) 442-5400

February 20, 2019

E.C. Ortiz & Co., LLP
333 South 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. 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 Northeastern Illinois University's compliance with the following assertions during the year ended June 30, 2018. Based on this evaluation, we assert that during the year ended June 30, 2018, the Northeastern Illinois University has materially complied with the assertions below.

- A. The Northeastern Illinois 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 Northeastern Illinois 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 Northeastern Illinois 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 Northeastern Illinois 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 Northeastern Illinois University on behalf of the State or held in trust by the Northeastern Illinois 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**SIGNED ORIGINAL ON FILE**Dr. Gloria Gibson
President**SIGNED ORIGINAL ON FILE**Ms. Ann McNabb
Interim Chief Finance Officer
and Executive Director -
Office of the University
Budgets**SIGNED ORIGINAL ON FILE**Melissa Reardon Henry
Vice President for Legal
Affairs

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
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For the Year Ended June 30, 2018**

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.

ACCOUNTANT’S REPORT

The Independent Accountant’s 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 Findings</u>	<u>Current Report</u>	<u>Prior Report</u>
Findings	21	18
Repeated findings	12	10
Prior recommendations implemented or not repeated	6	7

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (<i>GOVERNMENT AUDITING STANDARDS</i>)			
2018-001	18	Inadequate Controls over Student Receivables and Tuition Billings	Significant Deficiency/ Noncompliance
FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE)			
2018-002	20	Reporting to NSLDS	Significant Deficiency/ Noncompliance
2018-003	22	Inaccurate Calculation and Untimely Return of Title IV Funds	Significant Deficiency/ Noncompliance
2018-004	24	Noncompliance with the Federal Perkins Loan Cohort Default Rate	Significant Deficiency/ Noncompliance
2018-005	26	Inadequate Records Supporting Student Eligibility for Financial Aid	Significant Deficiency/ Noncompliance
2018-006	29	Inaccurate Annual Performance Report for Gaining Early Awareness and Readiness for Undergraduate Programs	Significant Deficiency/ Noncompliance

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE), Continued			
2018-007	31	Time and Effort Reports Not Timely Submitted	Significant Deficiency/ Noncompliance
2018-008	33	Failure to Communicate Required Information to Subrecipients	Significant Deficiency/ Noncompliance
2018-009	35	Inaccurate FISAP Reporting	Significant Deficiency/ Noncompliance
FINDINGS (STATE COMPLIANCE)			
2018-010	37	Noncompliance with the Abused and Neglected Child Reporting Act	Significant Deficiency/ Noncompliance
2018-011	38	Noncompliance with the Open Meetings Act	Significant Deficiency/ Noncompliance
2018-012	39	Time Sheets Not Required and Not Timely Completed and Approved	Significant Deficiency/ Noncompliance
2018-013	41	Noncompliance with the Fiscal Control and Internal Auditing Act	Significant Deficiency/ Noncompliance
2018-014	43	Weaknesses Regarding Clearing of Data from Surplus Computer Equipment	Significant Deficiency/ Noncompliance
2018-015	45	Noncompliance with the Public Funds Act	Significant Deficiency/ Noncompliance
2018-016	47	Inadequate Controls over Contractual Agreements	Significant Deficiency/ Noncompliance
2018-017	50	Inadequate Controls over University Property and Equipment	Significant Deficiency/ Noncompliance
2018-018	53	Failure to Perform Employee Performance Evaluations Timely	Significant Deficiency/ Noncompliance

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (STATE COMPLIANCE), Continued			
2018-019	55	Lack of Disaster Contingency Plan	Significant Deficiency/ Noncompliance
2018-020	57	Noncompliance with Payment Card Industry Security Standards	Significant Deficiency/ Noncompliance
2018-021	59	Computer Security Weaknesses	Significant Deficiency/ Noncompliance

In addition, the following findings, which are reported as current findings relating to *Government Auditing Standards* also meet the reporting requirement for State Compliance:

2018-001	18	Inadequate Controls over Student Receivables and Tuition Billings	Significant Deficiency/ Noncompliance
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PRIOR FINDINGS NOT REPEATED

A	62	Inadequate Controls over Financial Close and Reporting
B	62	Untimely Notification of Disbursements of Loan and TEACH Grants
C	62	Noncompliance with the Campus Security Enhancement Act of 2008
D	62	Noncompliance with the Freedom of Information Act
E	63	Noncompliance with the University Guidelines on Excess Funds
F	63	Weaknesses over System Access

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EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with University personnel at an exit conference on February 8, 2019. Attending were:

Northeastern Illinois University

Dr. Gloria Gibson, President

Ann McNabb, Interim Chief Finance Officer and Executive Director - Office of the University Budgets

Beni Ortiz, Director of Financial Affairs/Controller

Rita Moore, Director of Internal Audit

David Rubin, Business Administrative Associate for Finance and Administration

Office of the Auditor General

Jose Roa, Manager

E. C. Ortiz & Co., LLP

Marites U. Sy, Partner

Emily Causon, Manager

Jannica Quintana, Senior

The responses to the recommendations were provided by Ann McNabb, Interim Chief Finance Officer and Executive Director - Office of the University Budgets, in a letter dated February 20, 2019.



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

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

The Board of Trustees
Northeastern Illinois University

Compliance

As Special Assistant Auditors for the Auditor General, we have examined Northeastern Illinois University's 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, 2018. The management of Northeastern Illinois University is responsible for compliance with these requirements. Our responsibility is to express an opinion on Northeastern Illinois University's compliance based on our examination.

- A. Northeastern Illinois 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. Northeastern Illinois 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. Northeastern Illinois 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 Northeastern Illinois 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 Northeastern Illinois University on behalf of the State or held in trust by Northeastern Illinois University have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act (the Audit Guide). Those standards, the Act, and the Audit Guide require that we plan and perform the examination to obtain reasonable assurance about whether Northeastern Illinois University complied, in all material respects, with the specified requirements listed above. An examination involves performing procedures to obtain evidence about whether Northeastern Illinois University complied with the specified requirements listed above. The nature, timing and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error.

We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on Northeastern Illinois University's compliance with specified requirements.

In our opinion, Northeastern Illinois University complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the year ended June 30, 2018. However, the results of our procedures disclosed instances of noncompliance with the requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-010 through 2018-021.

Northeastern Illinois University's responses to the findings identified in our examination are described in the accompanying schedule of findings and questioned costs. Northeastern Illinois University's responses were not subjected to the procedures applied in the compliance examination and, accordingly, we express no opinion on the responses.

The purpose of this report on compliance is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the Audit Guide issued by the Illinois Office of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Internal Control

Management of Northeastern Illinois 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 Northeastern Illinois University's internal control over compliance with the requirements listed in the first paragraph of this report to determine the examination procedures that are appropriate in the circumstances 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 Northeastern Illinois University's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Northeastern Illinois University's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the requirements listed in the first paragraph of this report on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-010 through 2018-021, that we consider to be significant deficiencies.

As required by the Audit Guide, immaterial findings excluded from this report have been reported in a separate letter to your office.

Northeastern Illinois University's responses to the internal control findings identified in our examination are described in the accompanying schedule of findings and questioned costs. Northeastern Illinois University's responses were not subjected to the procedures applied in the compliance examination and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Audit Guide, issued by the Illinois Office of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Supplementary Information for State Compliance Purposes

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the business-type activities of Northeastern Illinois University and its discretely presented component unit as of and for the year ended June 30, 2018, and have issued our report thereon dated January 14, 2019, which contained unmodified opinions on those financial statements. Our report includes a reference to other auditors who audited the financial statements of Northeastern Illinois University's discretely presented component unit as described in our report on Northeastern Illinois University's basic financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Northeastern Illinois University's basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to January 14, 2019. The accompanying supplementary information for the year ended June 30, 2018, in Schedules 1 through 6 is presented for the purposes of additional analysis and is not a required part of the basic financial statements of Northeastern Illinois University. Such information is the responsibility of

management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The accompanying supplementary information for the year ended June 30, 2018, in Schedules 1 through 6 has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the year ended June 30, 2018, in Schedules 1 through 6 is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2018.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, Northeastern Illinois University's basic financial statements as of and for the year ended June 30, 2017 (not presented herein), and have issued our report thereon dated February 21, 2018, which contained unmodified opinions on the respective financial statements of the business-type activities of Northeastern Illinois University and its discretely presented component unit. Our report included a reference to other auditors who audited the financial statements of Northeastern Illinois University's discretely presented component unit, as described in our report on Northeastern Illinois University's financial statements. The accompanying supplementary information for the year ended June 30, 2017 in Schedules 3 through 5 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2017 financial statements. The accompanying supplementary information for the years ended June 30, 2017 in Schedules 3 through 5 has been subjected to the auditing procedures applied in the audit of the June 30, 2017 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or to those basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the year ended June 30, 2017 in Schedules 3 through 5 is fairly stated in all material respects in relation to the basic financial statements as a whole from which it has been derived.

The accompanying supplementary information in the Analysis of Operations Section is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

SIGNED ORIGINAL ON FILE

Chicago, Illinois

February 20, 2019, except for our report on the Supplementary Information for State Compliance Purposes, as to which the date is January 14, 2019.



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

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

The Board of Trustees
Northeastern Illinois University

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Northeastern Illinois University and its discretely presented component unit, collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Northeastern Illinois University's basic financial statements, and have issued our report thereon dated January 14, 2019. Our report includes a reference to other auditors who audited the financial statements of Northeastern Illinois University's discretely presented component unit, as described in our report on Northeastern Illinois University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Northeastern Illinois University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Northern Illinois University's internal control. Accordingly, we do not express an opinion on the effectiveness of the Northern Illinois University's internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings as item 2018-001, that we consider to be a significant deficiency.

Compliance and Other Matters

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

Northeastern Illinois University's Response to the Finding

Northeastern Illinois University's response to the finding identified in our audit is described in the accompanying schedule of findings. Northeastern Illinois University's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Northeastern Illinois University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northeastern Illinois University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Chicago, Illinois
January 14, 2019



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE, AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

The Board of Trustees
Northeastern Illinois University

Report on Compliance for Each Major Federal Program

We have audited Northeastern Illinois University's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Northeastern Illinois University's major federal programs for the year ended June 30, 2018. Northeastern Illinois University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The schedule of expenditures of federal awards and our audit described below does not include expenditures of federal awards for the agency determined to be a component unit of Northeastern Illinois University for financial statement purposes.

We did not audit Northeastern Illinois University's compliance with the requirements governing the repayments special tests and provisions compliance requirements in accordance with the requirements of the Student Financial Assistance Cluster: Federal Perkins Loan Program as described in the *OMB Compliance Supplement*. Those requirements govern functions performed by Heartland ECSI. Since we did not apply auditing procedures to satisfy ourselves as to compliance with those requirements, the scope of work was not sufficient to enable us to express, and we do not express, an opinion on compliance with those requirements. Heartland ECSI's compliance with the requirements governing the functions that it performs for Northeastern Illinois University for the year ended June 30, 2018 was examined by the accountants for the servicer in accordance with the U.S. Department of Education's *Guide for Audits of Proprietary Schools and For Compliance Attestation Engagements of Third-Party Servicers Administering Title IV Programs*. Our report does not include the results of the accountants' for the servicer examination of Heartland ECSI's compliance with such requirements.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Northeastern Illinois University's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Northeastern Illinois 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Northeastern Illinois University's compliance.

Opinion on Each of Major Federal Program

In our opinion, Northeastern Illinois University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2018-002 through 2018-009. Our opinion on each major federal program is not modified with respect to these matters.

Northeastern Illinois University's responses to the noncompliance findings identified in our audit are described in the accompanying schedules of findings and questioned costs. Northeastern Illinois University's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of Northeastern Illinois University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Northeastern Illinois University's internal control over compliance with the types of requirements that could have a direct

and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Northeastern Illinois University's internal control over compliance.

Requirements governing the repayments special tests and provisions compliance requirements in accordance with the requirements of the Student Financial Assistance Cluster: Federal Perkins Loan Program as described in the *OMB Compliance Supplement* is performed by Heartland ECSI. Internal control over compliance related to such functions for the year ended June 30, 2018 was examined by the accountants for the servicer in accordance with the U.S. Department of Education's *Guide for Audits of Proprietary Schools and For Compliance Attestation Engagements of Third-Party Servicers Administering Title IV Programs*. Our report does not include the results of the accountants' for the servicer examination of Heartland ECSI's internal control over compliance related to such functions.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2018-002 through 2018-009 that we consider to be significant deficiencies.

Northeastern Illinois University's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Northeastern Illinois University's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities of Northeastern Illinois University and its discretely presented component unit as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Northeastern Illinois University's basic financial statements. We issued our report thereon dated January 14, 2019, which contained unmodified opinions on those financial statements. Our report includes a reference to other auditors who audited the financial statements of Northeastern Illinois University's discretely presented component unit, as described in our report on Northeastern Illinois University's basic financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to January 14, 2019. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

SIGNED ORIGINAL ON FILE

Chicago, Illinois

February 20, 2019, except for our report on the Schedule of Expenditures and Federal Awards, as to which the date is January 14, 2019.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? X Yes None Reported

Noncompliance material to financial statements noted?

 Yes X No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? X Yes None Reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

 X Yes No

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.268, 84.033, 84.038, 84.063, 84.379	Student Financial Assistance Cluster
47.049, 47.050, 47.070, 47.074, 47.075, 47.076, 93.859, 93.865, 93.397, 93.351, 10.220, 10.223, 10.699	Research and Development Cluster
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs

Dollar threshold used to distinguish between type A and type B programs: \$1,847,845

Auditee qualified as low-risk auditee? X Yes No

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018**

CURRENT FINDING – GOVERNMENT AUDITING STANDARDS

2018-001. **FINDING** (Inadequate Controls over Student Receivables and Tuition Billings)

Northeastern Illinois University (University) did not establish and implement adequate internal control procedures over student receivables and tuition billings.

In the performance of our auditing procedures, we noted the following:

- The University improperly classified student accounts with credit balances against students' receivables. In our testing of the receivable aging schedule of 47 students, we noted two (4%) student accounts had credit balances totaling \$1,780. The credit balances pertained to student overpayments from prior years which were supposedly refunded to students. As of June 30, 2018, there were 837 students with credit balances totaling \$311,155. The University subsequently reclassified the credit balances to accounts payable.
- The University did not ensure correct tuition rates were billed to students. In our testing of tuition fee billings of 25 students, we noted three (12%) students erroneously billed lower tuition rates than the approved student tuition rates by the University's Board of Trustees. These students were noted to be included under the fall 2011, summer 2013 and second bachelor's cohorts. As of June 30, 2018, there were 86 students incorrectly billed totaling \$16,397.

Governmental Accounting Standards Board Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, Paragraph 501, states that assets and liabilities should not be offset in the statement of net position except where a right of offset exists.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University to establish and maintain a system, or system, of internal fiscal and administrative controls to ensure resources are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

University officials stated the student accounts with credit balances were improperly classified due to a timing issue in running the job generating refund checks to students. University officials also stated the incorrect student tuition fee rates billed to students were due to human error when the student tuition rates were updated in the system during the current academic year.

Failure to establish and implement adequate internal control procedures over student receivables and tuition billings may result in material misstatements on the University's financial statements. (Finding Code No. 2018-001)

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018**

CURRENT FINDING – *GOVERNMENT AUDITING STANDARDS*

2018-001. **FINDING** (Inadequate Controls over Student Receivables and Tuition Billings)
(continued)

RECOMMENDATION

We recommend University management provide adequate oversight over student receivables and tuition billings to ensure student accounts are properly classified in the financial statements and students are billed with accurate student tuition fee rates.

UNIVERSITY'S RESPONSE

The University accepts the recommendation. Going forward, the University will increase the frequency in running necessary procedures to address student credit balances and implement a secondary review when applying new tuition rates in the system.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2018-002. **FINDING** (Reporting to NSLDS)

Federal Agency:	Department of Education
CFDA Numbers:	84.268; 84.038; 84.063
Program Name:	Student Financial Assistance Cluster (Federal Direct Student Loans; Federal Perkins Loan Program; Federal Pell Grant Program)
Program Expenditures:	\$20,922,713; \$1,733,468; \$15,335,963
Questioned Costs:	None

Northeastern Illinois University (University) did not correct and resubmit enrollment status information to the National Student Loan Data System (NSLDS) in a timely manner.

The University utilizes the National Student Clearinghouse (NSC) as a third-party provider in order to submit student information to the NSLDS.

During our testing, we noted the University did not resubmit the NSLDS roster file (File) containing reporting edits to make the necessary corrections to the student information within 10 days after the receipt of the File. One (8%) of 12 Files containing reporting edits was resubmitted to NSLDS 13 days late. The sample was not intended to be, and was not, a statistically valid sample.

The Code of Federal Regulations (Code) (34 CFR 685.309(b)) requires institutions to report enrollment information to the Secretary in a manner and format prescribed by the Secretary and within the timeframe prescribed by the Secretary. Pursuant to the Federal Student Aid Handbook published by the U.S. Department of Education (ED), a roster of file is returned containing records which do not pass the NSLDS enrollment reporting edits which must be corrected and resubmitted within 10 days. Furthermore, ED clarified in a Dear Colleague Letter dated April 14, 2014 (DCL ID: GEN-14-07) that accurate and timely reporting to NSLDS is the school's responsibility and if a school's servicer NSLDS enrollment reporting is noncompliant, the school would be held responsible and subject to appropriate sanctions.

The Code (2 CFR 200.303) also requires the nonfederal entity receiving federal awards establish and maintain effective internal control over the federal award that provides reasonable assurance the nonfederal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. Effective internal controls should include procedures to ensure submission errors to NSLDS are corrected and resubmitted in a timely manner.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2018-002. **FINDING** (Reporting to NSLDS) (continued)

University officials stated the University was unable to resolve all the reporting edits within the 10 day requirement due to multiple personal identifiers for the one record (e.g. name, SSN, date of birth, etc.).

Failure to provide enrollment reporting status information timely to NSLDS may jeopardize future federal funding. (Finding Code No. 2018-002, 2017-003, 2016-007, 2015-008)

RECOMMENDATION

We recommend the University improve its current procedures to ensure reporting of student information to NSLDS in a timely manner.

UNIVERSITY'S RESPONSE

The University agrees with the recommendation. The delayed submission to NSLDS was due to the time required to resolve data records.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2018-003. **FINDING** (Inaccurate Calculation and Untimely Return of Title IV Funds)

Federal Agency:	Department of Education
CFDA Numbers:	84.268; 84.063
Program Name:	Student Financial Assistance Cluster (Federal Direct Student Loans; Federal Pell Grant Program)
Program Expenditures:	\$20,922,713; \$15,335,963
Questioned Costs:	None

Northeastern Illinois University (University) inaccurately calculated and did not timely return the Title IV funds for students who withdrew from the University.

During our testing of 40 students awarded with Title IV grants who withdrew from classes during the Academic Year 2017-2018, we noted the following:

- The University did not return Title IV funds for two (5%) students totaling \$2,393 within 45 days from the date of the University's determination of the students' withdrawal. The Title IV funds were returned 118 and 164 days late.
- The University erroneously calculated the return of Title IV funds for one (3%) student. The erroneous calculation resulted in deficient return of Title IV funds amounting to \$933. The University subsequently returned the shortage to the U.S. Department of Education.

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

The Code of Federal Regulation (Code) (34 CFR 668.22(j)) states an institution must return the amount of Title IV funds for which it is responsible as soon as possible but no later than 45 days after the date of the institution's determination of a student's withdrawal.

The Code (2 CFR 200.303) also requires the nonfederal entity receiving federal awards establish and maintain effective internal control over the federal award that provides reasonable assurance the nonfederal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. Effective internal controls should include procedures to ensure accurate calculations of return of Title IV funds and to ensure the amounts of Title IV funds are returned in a timely manner.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2018-003. **FINDING** (Inaccurate Calculation and Untimely Return of Title IV Funds)
(continued)

University officials stated, as they did in prior year, the exceptions were due to administrative oversight. The University failed to unlock the simulation mode in the system to calculate the institutional required return, thus, resulting in inaccurate and untimely return of the Title IV funds.

Failure to accurately calculate the return of Title IV funds resulted in deficient return of funds to the federal government. Untimely return of unearned Title IV funds is noncompliance with federal regulation. (Finding Code No. 2018-003, 2017-005)

RECOMMENDATION

We recommend the University strengthen its procedures to ensure accurate calculation and timely return of Title IV funds.

UNIVERSITY'S RESPONSE

The University agrees with the recommendation. Due to the volume of withdrawals – official and unofficial – and the manual process required to process R2T4 calculations, staffing issues prevented timely returns.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2018-004. **FINDING** (Noncompliance with the Federal Perkins Loan Cohort Default Rate)

Federal Agency:	Department of Education
CFDA Numbers:	84.038
Program Name:	Student Financial Assistance Cluster (Federal Perkins Loan Program)
Program Expenditures:	\$1,733,468
Questioned Costs:	None

Northeastern Illinois University’s (University) Federal Perkins Loan cohort rate is in excess of the threshold for administrative capability stipulated by the U.S. Department of Education.

The Federal Perkins Loan cohort default rate as of June 30, 2018 was 25%.

The Code of Federal Regulations (Code) (34 CFR 668.16) states “to begin and to continue to participate in any Title IV, Higher Education Act program, an institution shall demonstrate to the Secretary that the institution is capable of adequately administering that program under each of the standards established in this section. The Secretary considers an institution to have that administrative capability if the institution –(m)(1) has a cohort default rate – (iii) as defined in 34 CFR 674.5, on loans made under the Federal Perkins Loan Program to students for attendance at the institution that does not exceed 15 percent.”

The Code (2 CFR 200.303) requires the nonfederal entity receiving federal awards establish and maintain effective internal control over the federal award that provides reasonable assurance the nonfederal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. Effective internal controls should include procedures to ensure the University maintains a Federal Perkins Loan cohort default rate of less than 15%.

University officials stated the above issue was due to the elimination of the position that handles the collection and follow-up process to students/former students of the University with Federal Perkins Loan Program when they enter the repayment status. In addition, University officials stated its loan servicer was not aware that the “auto placement” process for past due loan accounts of the University was suspended in Fiscal Year 2018; thus, borrowers did not receive collection notices on timely basis.

Failure to maintain a Federal Perkins Loan cohort default rate below 15% impacts the University’s administrative capability and could jeopardize future Federal funding. (Finding Code No. 2018-004)

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2018-004. **FINDING** (Noncompliance with the Federal Perkins Loan Cohort Default Rate)
(continued)

RECOMMENDATION

We recommend the University improve procedures to collect its Federal Perkins Loans made to students in compliance with the Code of Federal Regulations.

UNIVERSITY'S RESPONSE

The University agrees with the recommendation. After contacting the University's Federal Perkins Loan servicer, the auto placement of Perkins borrowers for collection was apparently suspended during Fiscal Year 2018, resulting in borrowers not receiving collection notices on a timely basis.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2018-005. **FINDING** (Inadequate Records Supporting Student Eligibility for Financial Aid)

Federal Agency:	Department of Education
CFDA Numbers:	84.007; 84.268; 84.033; 84.038; 84.063
Program Name:	Student Financial Assistance Cluster (Federal Supplemental Educational Opportunity Grants; Federal Direct Student Loans; Federal Work-Study Program; Federal Perkins Loan Program; Federal Pell Grant Program)
Program Expenditures:	\$395,830; \$20,922,713; \$542,226; \$1,733,468; \$15,335,963
Questioned Costs:	None

Northeastern Illinois University did not have adequate procedures to ensure the satisfactory academic progress (SAP) and costs of attendance (COA) records are accurately updated and reflected in the financial aid system. The SAP and COA are some of the information used to determine students' eligibility to receive financial aid. These are automatically calculated by the financial aid system.

During our testing of 40 students awarded Title IV grants for the Academic Year 2017-2018, we noted the following:

- One (3%) student did not have SAP information for the current term. The University did not run the SAP process in the financial aid system to reflect the SAP information of this student in the current term. Based on the auditor's evaluation, the student met the SAP policy set by the University.
- The University's COA information in the financial aid system for two (5%) students did not support the estimated amount of financial needs of the students. The COA reflected in the University's financial aid system was based on the hours at the time of the initial registration of the students but prior to the close of the registration add and drop period. Based on the auditor's recalculation of the COA, the financial aid awarded to the students did not exceed the cost of attendance.

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

The Code of Federal Regulation (Code) (34 CFR 668.24 (a)(1)) requires an institution to establish and maintain, on a current basis, any application for Title IV, Higher Education Act (HEA) program funds and program records that document its eligibility to participate in the Title IV, HEA programs.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2018-005. **FINDING** (Inadequate Records Supporting Student Eligibility for Financial Aid)
(continued)

The Code (34 CFR 668.24 (c)(1)(iv)(A)) also requires an institution maintain documentation of the calculation used to determine the amount of the grant, loan, or Federal Work Study award.

Additionally, the Federal Student Aid Handbook (Volume 2 Chapter 7) published by the Department of Education states a school must keep comprehensive, accurate program and fiscal records of its use of Federal Student Aid (FSA) program funds. In addition, records must demonstrate proper administration of FSA program funds and must show a clear audit trail for FSA program expenditures. A school must keep records that substantiate the eligibility of students for FSA funds, such as cost of attendance information, documentation of a student's satisfactory academic progress, etc.

The Code (2 CFR 200.303) also requires the nonfederal entity receiving federal awards establish and maintain effective internal control over the federal award that provides reasonable assurance the nonfederal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. Effective internal controls should include procedures to ensure evaluation of SAP and COA are adequately documented.

University officials stated the University's financial aid system was not designed to automatically pull and forward the most recent SAP information of students if the student did not have financial aid in the preceding term. In addition, the financial aid system failed to automatically update the budgeted cost of attendance to reflect the actual cost of attendance.

Failure to implement procedures to detect inaccuracies in the financial aid system may result in financial aid being awarded to ineligible students. (Finding Code No. 2018-005)

RECOMMENDATION

We recommend the University review its current processes and establish procedures to timely detect system inaccuracies.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2018-006. **FINDING** (Inaccurate Annual Performance Report for Gaining Early Awareness and Readiness for Undergraduate Programs)

Federal Agency:	Department of Education
CFDA Numbers:	84.334
Program Name:	Gaining Early Awareness and Readiness for Undergraduate Programs
Program Expenditures:	\$14,148,015
Questioned Costs:	None

Northeastern Illinois University (University) did not accurately report the matching cost information on its Annual Performance Report (APR) under the Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP).

During our review of all 3 APRs for GEAR UP, we noted one (33%) APR reported the total actual matching cost as \$5,457,453 instead of \$5,436,226. The University erroneously overstated a program participants' matching cost by \$21,227.

The Code of Federal Regulation (2 CFR 200.303) requires nonfederal entities receiving awards establish and maintain effective internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure required information reported to a grantor is complete and accurate.

University officials stated the program participants' matching cost for one of the three concurrent GEAR UP grants was erroneously included during the summarization and reporting for another GEAR UP grant run by the University.

Failure to accurately report information may result in a reduction of future federal awards or possible termination of the grant. (Finding Code No. 2018-006)

RECOMMENDATION

We recommend the University improve its current procedures to ensure federal reports are complete and accurate.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2018-006. **FINDING** (Inaccurate Annual Performance Report for Gaining Early Awareness and Readiness for Undergraduate Programs) (continued)

UNIVERSITY’S RESPONSE

The University agrees with the recommendation. All internal controls were followed but the error occurred in inputting it on the final spreadsheet. NEIU will make this correction in the April 2019 APR report.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2018-007. **FINDING** (Time and Effort Reports Not Timely Submitted)

Federal Agency:	National Science Foundation and Department of Health and Human Services
CFDA Numbers:	47.076; 93.397
Program Name:	Research and Development Cluster (Education and Human Resources - Development of Assessment Protocols for Assessing Computational Thinking in Physics and Engineering Making Activities; Cancer Centers Support Grants - The Chicago Collaborative to Promote and Advance Cancer Health Equity)
Program Expenditures:	\$302,614; \$943,931
Questioned Costs:	None

Northeastern Illinois University (University) did not ensure time and effort reports were timely submitted by employees.

During our review of payroll documents for 6 employees who received salaries under the Research and Development Cluster, we noted 2 (33%) employees submitted their time and effort reports 33 to 35 days after the required due date. The sample was not intended to be, and was not, a statistically valid sample.

The Code of Federal Regulations (Code) (2 CFR 200.430) states costs of compensation, including salaries and wages, are allowable to the extent that they satisfy the specific requirements of this part, and that the total compensation for individual employees is determined and supported as provided in paragraph (i) of this section, Standards for Documentation of Personnel Expenses, when applicable. The Code (2 CFR 200.430(i)(1)(viii)(C)) states charges to Federal awards for salaries and wages must be based on records that accurately reflected the work performed. The nonfederal entity's system of internal controls includes processes to review after-the fact interim charges made to a Federal award based on budget estimates. All necessary adjustments must be made such that the final amount charged to the Federal award is accurate, allowable, and properly allocated.

The University's Policy on Time and Effort Reporting for Federal Grants states the University utilizes an after-the fact, Banner-based effort reporting system to account for the effort of all faculty and staff who expend effort on federally sponsored grants. All University employees whose salary is being charged directly or cost shared on a federal flow-through sponsored project must complete and submit their time and effort reports. All time and effort reports are to be certified by the Principal Investigator (PI) or a person with suitable means of verification of work performed and endorsed by the PI and maintained in the Controller's Office.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2018-007. **FINDING** (Time and Effort Reports Not Timely Submitted) (continued)

The Code (2 CFR 200.303) also requires the nonfederal entity receiving federal awards establish and maintain effective internal control over the federal award that provides reasonable assurance the nonfederal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. Effective internal controls should include procedures to ensure timely submission of time and effort and time sheet.

University officials stated the delay in the submission of time and effort reports was due to a timing issue as employees were unavailable during the reporting deadline time frame.

Failure to obtain time and effort reports may hinder the ability of the University to determine whether salaries charged to federal grant funds are accurate, allowable, or properly allocated. (Finding Code No. 2018-007, 2017-006)

RECOMMENDATION

We recommend the University improve its procedures on time and effort reporting to ensure timely submission of the reports and compliance with University policy and Federal regulations.

UNIVERSITY'S RESPONSE

The University agrees with the recommendation. Late time and effort reports were due to oversight by the Principal Investigator.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2018-008. **FINDING** (Failure to Communicate Required Information to Subrecipients)

Federal Agency:	Department of Health and Human Services
CFDA Numbers:	93.859
Program Name:	Research and Development Cluster (Biomedical Research and Research Training - NU-STARS for Northeastern Illinois Student Training in Academic Research in the Sciences)
Program Expenditures:	\$334,600
Questioned Costs:	None

Northeastern Illinois University (University) did not communicate required program information to a subrecipient of the Research and Development Cluster program.

During our testing of two subrecipients of the Research and Development Cluster program, we noted one (50%) subrecipient with federal expenditures totaling \$18,000 did not have a subaward agreement on file to communicate subaward information in order for the subrecipient to comply with federal statutes, regulations, and terms and conditions of the award. In addition, the University did not perform monitoring procedures during the year to obtain reasonable assurance that the subrecipient used federal awards for authorized purposes. The sample was not intended to be, and was not, a statistically valid sample.

The Code of Federal Regulations (Code) (2 CFR 200.331 (a)) requires all pass through entities to ensure that every subaward is clearly identified to the subrecipient as a subaward and include information to comply with Federal statutes, regulations, and the terms and conditions of the award. The required information includes the subrecipient's name and unique entity identifier, CFDA number and name, federal award date, and further additional requirements. When some of this information is not available, the pass-through entity shall provide the best information available to describe the Federal award.

Additionally, the Code (2 CFR 200.303) requires nonfederal entities receiving awards to establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal control should include procedures to ensure required information is communicated to a subrecipient prior to the issuance of the subaward.

University officials stated there was no subaward agreement because the University did not initially classify the entity as a subrecipient. However, further review of the relationship and transactions supports the classification that the entity is a subrecipient.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2018-009. **FINDING** (Inaccurate FISAP Reporting)

Federal Agency: Department of Education
 CFDA Numbers: 84.033; 84.038
 Program Name: Student Financial Assistance Cluster
 (Federal Work-Study Program; Federal Perkins Loan Program)
 Program Expenditures: \$542,226; \$1,733,468
 Questioned Costs: None

Northeastern Illinois University (University) did not report accurate information when completing its Fiscal Operations Report and Application to Participate (FISAP).

In our testing of the FISAP for the Academic Year 2017-2018, we noted the University did not report the following information accurately:

	<u>Reported on FISAP</u>	<u>University Records</u>	<u>Variance</u>
<u>Federal Perkins Loan Program</u>			
Administrative cost allowance (Part III, Line 34.1)	\$645,423	\$754,020	(\$108,597)
Collection costs (Part III, Line 34.2)	1,159,511	1,202,519	(43,008)
Administrative cost allowance and collection costs (control) (Part III, Line 34.3)	1,804,934	1,956,539	(151,605)
<u>Federal Work-Study Program</u>			
Federal share of Job Location and Development Program expenditures (Part V, Line 16)	10,369	56,001	(45,632)

The Code of Federal Regulations (Code) [(34 CFR 674.19(d)(2)) and (34 CFR 675.19(b)(3))] requires an institution to submit a FISAP plus other information the Secretary requires. The institution shall insure that the information reported is accurate and shall submit it on time as specified by the Secretary.

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CURRENT FINDINGS – FEDERAL COMPLIANCE

2018-009. **FINDING** (Inaccurate FISAP Reporting) (continued)

The Code (2 CFR 202.303) also requires the nonfederal entity receiving federal awards establish and maintain effective internal controls over the federal award that provides reasonable assurance the nonfederal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. Effective internal controls should include procedures to ensure all required information is properly and accurately reported in the FISAP.

University officials stated this issue was due to employee turnover. The personnel who summarized and completed the FISAP were new to the responsibility and FISAP reporting requirements.

Inaccurate financial information reported on the FISAP may jeopardize future federal funding. (Finding Code No. 2018-009, 2017-002, 2016-006, 2015-007)

RECOMMENDATION

We recommend the University report accurate information and provide adequate review oversight to ensure accurate reporting to outside entities.

UNIVERSITY'S RESPONSE

The University agrees with the recommendation.

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NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018**

CURRENT FINDINGS – STATE COMPLIANCE

2018-010. **FINDING** (Noncompliance with the Abused and Neglected Child Reporting Act)

Northeastern Illinois University (University) did not timely obtain signed statements from employees to acknowledge their understanding of the reporting requirements under the Abused and Neglected Child Reporting Act (Act).

During our testing of 25 new employees of the University, we noted four (16%) employees did not sign a statement acknowledging their understanding of the requirements of the Act prior to commencement of their employment. The employees signed the statements 4 to 286 days after commencement of employment.

The Act (325 ILCS 5/4) requires personnel employed by institutions of higher education on and after July 1, 1986 to sign a statement on a form prescribed by the Illinois Department of Children and Family Services, to the effect that the employee has knowledge and understanding of the reporting requirements of the Act. The statement shall be signed prior to commencement of the employment. The signed statement shall be retained by the employer.

University officials stated the University's implemented a new employee orientation process for employees to sign a statement acknowledging their understanding of the reporting requirements under the Act to address this finding. However, the new employee orientation process was not implemented until March 2018.

Failure to obtain signed statements from employees acknowledging their understanding of the reporting requirements under the Act may result in a lack of employee awareness of their reporting responsibilities and may inhibit timely actions to protect the health, safety, and best interest of a child vulnerable to child abuse and neglect. (Finding Code No. 2018-010, 2017-007, 2016-008, 2015-009, 2014-010, 2013-013)

RECOMMENDATION

We recommend the University ensure its new employees acknowledge their understanding of the reporting requirements under the Act prior to commencement of their employment.

UNIVERSITY'S RESPONSE

The University agrees with the recommendation and now utilizes its new employee orientation process for employees to sign statements acknowledging their understanding of the reporting requirements under the Act.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
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For the Year Ended June 30, 2018**

CURRENT FINDINGS – STATE COMPLIANCE

2018-011. **FINDING** (Noncompliance with the Open Meetings Act)

Northeastern Illinois University (University) did not comply with the requirements of the Open Meetings Act (Act).

During our testing of the University’s compliance with the Act, we noted the only member of the Board of Trustees (BOT) appointed in Fiscal Year 2018 did not timely complete the electronic training curriculum developed and administered by the Public Access Counselor in compliance with the Act. The member completed the training 48 days after it was due.

The Act (5 ILCS 120/1.05(b)) states each elected or appointed member of the University’s BOT who is a member on the effective date of this amendatory Act of the 97th General Assembly must successfully complete the electronic training curriculum developed and administered by the Public Access Counselor within one year after the effective date. Each elected or appointed member of the BOT who becomes such a member after the effective date of this amendatory Act shall successfully complete the training within 90 days of taking the oath of office (if required) or otherwise assumed the responsibilities of a member of the BOT. Each member shall file a copy of the certificate of completion with the University.

University officials stated the new BOT member did not complete the training timely due to turnover in personnel responsible to arrange this type of training for the new BOT members.

Failure to complete the required trainings under the Act may result in BOT members not being made aware of the current requirements of the Act. (Finding Code No. 2018-011, 2017-010, 2016-015)

RECOMMENDATION

We recommend the University establish policies and procedures to ensure the members of the BOT complete the electronic training curriculum developed and administered by the Public Access Counselor within the timeline set by the Act and file the certificate of completion with the University.

UNIVERSITY’S RESPONSE

The University agrees with the recommendation and already updated its training calendar.

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NORTHEASTERN ILLINOIS UNIVERSITY
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CURRENT FINDINGS – STATE COMPLIANCE

2018-012. **FINDING** (Time Sheets Not Required and Not Timely Completed and Approved)

Northeastern Illinois University (University) did not require all employees to submit timesheets as required by the State Officials and Employees Ethics Act (Act) and timesheets were not timely completed and approved.

During our review of timesheets for 25 employees during the fiscal year, we noted the following:

- Three (12%) employees did not submit timesheets for pay periods tested. Two of the three employees were instructors who used “exemption” timekeeping whereby the employee is assumed to be working unless noted otherwise. One employee was a graduate assistant who received a stipend from the University and was not required to submit timesheets.
- Timesheets submitted by six (24%) employees for pay periods tested were not timely completed and approved by the supervisor or unit head. The timesheets were approved 4 to 180 days late.
- Timesheets submitted by two employees (8%) did not contain signatures under the Approver section; therefore, we could not determine whether the timesheets were properly approved.

University procedures did not require time reporting documenting the time spent each day on official State business to the nearest quarter hour to be submitted for full-time instructors, part-time instructors, adjunct faculty, and graduate assistants. The employees documenting time to the nearest quarter hour are administrative and professional, tenure/tenure-track faculty, civil service, miscellaneous hourly, student aide, work study, and resource professionals.

The Act requires 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 timesheets documenting the time spent each day on official State business to the nearest quarter hour; contractual State employees may satisfy the time sheets requirement by complying with the terms of their contract, which shall provide for means of compliance with this requirement.” 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.

University procedures require each employee’s timesheet be approved by his or her supervisor and/or unit head prior to payroll processing by the Office of Human Resources.

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For the Year Ended June 30, 2018**

CURRENT FINDINGS – STATE COMPLIANCE

2018-012. **FINDING** (Time Sheets Not Required and Not Timely Completed and Approved)
(continued)

University officials stated the University does not require timesheets for adjuncts and instructors since they are provided either one or two semester contracts solely to teach classes and are paid per class for their teaching. Graduate assistants support faculty with instructional or academic research responsibilities. In turn, graduate assistants are provided stipends to defer the cost of their education and are not being paid directly for services provided; thus, they are not considered employees and not required to submit timesheets. University officials also stated the late timesheets submission and approval were due to oversight of employees and their supervisors to follow University procedures.

By not requiring positive time reporting from all its employees, the University does not have complete documentation of time spent by employees on official State business as contemplated by the Act. In addition, failure to complete and approve timesheets timely as required by the University procedures may result in inaccurate time records and overpayment of payroll. (Finding Code No. 2018-012, 2017-011, 2016-010, 2015-011, 2014-013, 2013-010, 12-11, 11-9, 10-8, 09-9, 08-6, 07-6, 06-5, 05-4)

RECOMMENDATION

We recommend the University amend its policies and revise its procedures to ensure all employees submit timesheets documenting the time spent each day on official State business to the nearest quarter hour. In addition, the University should adhere to its procedures on timely completion and approval of timesheets.

UNIVERSITY'S RESPONSE

The University agrees with the recommendation and has already begun implementing time reporting.

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NORTHEASTERN ILLINOIS UNIVERSITY
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For the Year Ended June 30, 2018**

CURRENT FINDINGS – STATE COMPLIANCE

2018-013. **FINDING** (Noncompliance with the Fiscal Control and Internal Auditing Act)

Northeastern Illinois University (University) did not comply with the Fiscal Control and Internal Auditing Act and International Standards for the Professional Practice of Internal Auditing.

During testing of the University’s internal auditing activities, we noted the University’s Internal Audit department did not undergo a peer review since the last external quality assurance completed in Fiscal Year 2012.

In addition, we noted the two-year internal audit plan for Fiscal Year 2018-2019 was not adopted until November 16, 2017. The plan should have been approved before the beginning of the fiscal year. Lastly, we noted the planned audit coverage for Fiscal Year 2018 included audit of property control and information technology that were not completed. These audits were subsequently move to the Fiscal Year 2019 plan.

The Institute of Internal Auditors’ International Standards for the Professional Practice of Internal Auditing (Standards), Attribute 1312-External Assessments, states the external assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization.

The Fiscal Control and Internal Auditing Act (Act) (30 ILCS 10/2003) requires the University internal auditing program to include audits of major systems of internal accounting and administrative control conducted on a periodic basis so that all major systems are reviewed at least once every two years. The audits must include testing of the obligation, expenditure, receipt, and use of public funds of the State and of funds held in trust to determine whether those activities are in accordance with applicable laws and regulations and grants received or made by State agency to determine that the grants are monitored, administered, and accounted for in accordance with applicable laws and regulations. The Act also requires the internal auditing program to include reviews of the design of major new electronic data processing systems and major modifications of those systems before their installation to ensure the systems provide for adequate audit trails and accountability.

University officials stated a peer review was not conducted on the University’s Internal Audit department due to the turnover in the Director of Internal Audit position. The Director of Internal Audit is the only staff member of the department and the position was vacant from March 31, 2017 through September 10, 2017. The audit plan was not developed and approved by the end of the previous fiscal year, due to the position being vacant. The progress in completing all audits on the plan was modified due to the Director needing additional time to learn the organization, and its systems, while concurrently developing and implementing more efficient processes for other compliance requirements that are repetitive in nature. In addition,

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CURRENT FINDINGS – STATE COMPLIANCE

2018-013. **FINDING** (Noncompliance with the Fiscal Control and Internal Auditing Act)
(continued)

the actual progress of the system's implementation was better suited to be moved in Fiscal Year 2019 Plan year.

Failure to have an external assessment may result in deficiencies in the internal audit department not being timely detected and opportunities for improvement not being timely identified. Failure to implement the audit plan and perform regular audits of major systems of internal and administrative controls may result in weaknesses in internal control not being timely detected. (Finding Code No. 2018-013, 2017-012, 2016-012)

RECOMMENDATION

We recommend the University ensure completion of audits of major systems of internal accounting and administrative control at least once every two years as required by the Act. We also recommend the University promptly arrange an external assessment of its internal audit activity to comply with the Institute of Internal Auditors' Standards.

UNIVERSITY'S RESPONSE

The University agrees with the recommendation and has already initiated the peer review and audit plan.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018**

CURRENT FINDINGS – STATE COMPLIANCE

2018-014. **FINDING** (Weaknesses Regarding Clearing of Data from Surplus Computer Equipment)

Northeastern Illinois University (University) did not ensure computer equipment was timely cleared of data and software before they were transferred to surplus.

During testing of 25 deleted and surplus equipment items including 10 electronic devices consisting of laptops, desktops, a server, and a tablet, we noted two desktops and the tablet were not wiped or cleared of data before the items were transferred to the Department of Central Management for surplus. In addition, the University did not perform a complete assessment of the 3 devices to determine whether they contained confidential information and whether notification was required as outlined in the Personal Information Protection Act (815 ILCS 530/25).

The State Property Control Act (30 ILCS 605/4) requires responsible officers at each State agency to be accountable for the supervision, control and inventory of property under their jurisdiction to ensure proper accounting and safeguarding of assets. The University Data Security Policy states State-owned computer hard drives or other electronic/magnetic data storage devices utilized by the University shall have its hard drives or other electronic storage media undergo the overwrite process or be physically destroyed by means of mechanically piercing or crushing the media with enough force sufficient to prevent the copying or retrieval of any information.

University officials stated the conditions noted were a result of property control procedures not consistently being followed due to staffing shortages.

Failure to wipe, clear of data, or destroy computer hard drives or other electronic storage media before transfer or disposal may result in unauthorized disclosure of sensitive information and may expose the University to unnecessary litigation risks. (Finding Code No. 2018-014)

RECOMMENDATION

We recommend the University ensure all surplus electronic storage media be erased, wiped, sanitized, or destroyed in a manner that prevents retrieval of sensitive data and software before they are sold, donated, or transferred.

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NORTHEASTERN ILLINOIS UNIVERSITY
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CURRENT FINDINGS – STATE COMPLIANCE

2018-014. **FINDING** (Weaknesses Regarding Clearing of Data from Surplus Computer Equipment) (continued)

UNIVERSITY’S RESPONSE

The University agrees with the recommendation.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018**

CURRENT FINDINGS – STATE COMPLIANCE

2018-015. **FINDING** (Noncompliance with the Public Funds Act)

Northeastern Illinois University (University) did not timely post and accurately report its investment information on the University website in accordance with the Accountability for the Investment of Public Funds Act.

During testing, we noted 10 of 12 (83%) monthly investment reports tested were posted two to 33 days late.

In addition, during our detailed review of three monthly investment reports, we noted one (33%) monthly report, where the average daily investment balances for three of the nine bank accounts, were not accurately summarized and reported.

The Accountability for the Investment of Public Funds Act (30 ILCS 237/10) requires each State agency to make available on the internet, and update at least monthly by the 15th of the month, sufficient information concerning the investment of any public funds held by that State agency to identify the following: (1) the amount of funds held by that agency on the last day of the preceding month or the average daily balance for the preceding month; (2) the total monthly investment income and yield for all funds invested by that agency; (3) the asset allocation of the investments made by that agency; (4) and a complete listing of all approved depository institutions, commercial paper issuers, and broker-dealers approved to do business with that agency.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system or systems of internal fiscal and administrative controls, to provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to its operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources. Effective internal controls should include procedures to ensure the University accurately reports information about its investment activities.

University officials stated staff turnover and a vacancy in the University's Controller department resulted in some reporting requirements not being met.

Failure to timely post and accurately report information concerning investment of public funds held by the University is noncompliance with the Accountability for the Investment of Public Funds Act and the Fiscal Control and Internal Auditing Act, and results in unreliable information presented to the public. (Finding Code No. 2018-015)

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For the Year Ended June 30, 2018**

CURRENT FINDINGS – STATE COMPLIANCE

2018-015. **FINDING** (Noncompliance with the Public Funds Act) (continued)

RECOMMENDATION

We recommend the University implement procedures to ensure information concerning the investment of public funds is timely and accurately presented on the University website.

UNIVERSITY'S RESPONSE

The University agrees with the recommendation.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018**

CURRENT FINDINGS – STATE COMPLIANCE

2018-016. **FINDING** (Inadequate Controls over Contractual Agreements)

Northeastern Illinois University (University) did not ensure all required contractual certifications were incorporated into the University’s contractual agreements.

During our testing of 25 contracts, we noted the following:

- Three (12%) contracts tested, totaling \$108,840, did not include an international anti-boycott certification clause.

The International Anti-Boycott Certification Act (30 ILCS 582/5) requires every contract entered into by the State of Illinois for the manufacture, furnishing, or purchasing of supplies, material, or equipment or for the furnishing of work, labor, or services, in an amount exceeding the threshold for small purchases according to the purchasing laws of this State or \$10,000, whichever is less, shall contain certification, as a material condition of the contract, by which the contractor agrees that neither the contractor nor any substantially-owned affiliated company is participating or shall participate in an international boycott in violation of the provisions of the U.S. Export Administration Act of 1979 or the regulations of the U.S. Department of Commerce promulgated under that Act.

- Three (12%) contracts tested, totaling \$108,840, did not include an Environmental Protection Act clause.

The Illinois Procurement Code (Code) (30 ILCS 500/50-14 (c)) requires every bid or offer submitted to the State, every contract executed by the State, every submission to a vendor portal, and every subcontract subject to Section 20-120 (30 ILCS 500/20-120) of this Code shall contain a certification by the bidder, offeror, potential contractor, contractor, or subcontractor, respectively, that the bidder, offeror, potential contractor, contractor, or subcontractor is not barred from being awarded a contract or subcontract due to willful or knowing violation of the Environmental Protection Act and acknowledges that the contracting State agency may declare the related contract void if any of the certifications completed pursuant to this subsection (c) are false.

- Four (16%) contracts tested, totaling \$158,290, did not include a subcontractor utilization clause. No subcontractors were used in these contracts, however it was not clear in the contracts if subcontractors could be utilized.

The Code (30 ILCS 500/20-120(a)) requires any contract granted under the Code to state whether the services of a subcontractor will be used. The contract shall include the names and address of all known subcontractors with subcontracts with an annual value of

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CURRENT FINDINGS – STATE COMPLIANCE

2018-016. **FINDING** (Inadequate Controls over Contractual Agreements) (continued)

more than \$50,000, the general type of work to be performed by these subcontractors, and the expected amount of money each will receive under the contract.

- Five (20%) contracts tested, totaling \$206,020, did not include child labor and forced labor act clauses.

The State Prohibition of Goods From Child Labor Act (30 ILCS 584/10) requires every contract entered into by any State agency for the procurement of equipment, materials, or supplies, other than procurement related to a public works contract, must specify that no foreign-made equipment, materials, or supplies furnished to the State under the contract may be produced in whole or in part by the labor of any child under the age of 12. The State Prohibition of Goods from Forced Labor Act (30 ILCS 583/10) requires every contract entered into by any State agency for the procurement of equipment, materials, or supplies, other than procurement related to a public works contract, must specify that no foreign-made equipment, materials, or supplies furnished to the State under the contract maybe produced in whole or in part by forced labor, convict labor, or indentured labor under penal sanction.

- One (4%) contract tested, totaling \$47,730, did not include a domestic products certification clause.

The Procurement of Domestic Products Act (30 ILCS 517/15) requires each contract awarded by the purchasing agency that utilized a preference contain the contractor's certification that procured products provided pursuant to the contract or a subcontract be manufactured in the United States.

University officials stated the incomplete or missing clauses, vendor refusal to sign contracts which contain certifications that are not material to the purchase, is an occasional challenge presented by vendor legal departments.

Failure to ensure the University's contractual agreements include all required certifications may hinder the University in enforcing actions against the vendors in the event of noncompliance with various statutes and regulations. (Finding Code No. 2018-016, 2017-013)

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NORTHEASTERN ILLINOIS UNIVERSITY
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CURRENT FINDINGS – STATE COMPLIANCE

2018-016. **FINDING** (Inadequate Controls over Contractual Agreements) (continued)

RECOMMENDATION

We recommend the University implement procedures to ensure all contractual agreements include required contractual certifications and clauses.

UNIVERSITY’S RESPONSE

The University agrees with the recommendation. The incomplete or missing clauses, vendor refusal to sign contracts which contain certifications that are not material to the purchase, is an occasional challenge presented by vendors’ legal departments.

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NORTHEASTERN ILLINOIS UNIVERSITY
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CURRENT FINDINGS – STATE COMPLIANCE

2018-017. **FINDING** (Inadequate Controls over University Property and Equipment)

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

During our physical identification of 20 items from the property records to the item, we noted the following:

- Two (10%) equipment items consisting of a laptop and a camera totaling \$2,616 could not be located. The University filed a missing asset investigation report for these items.
- Two (10%) equipment items consisting of a speaker and a media player totaling \$3,074 did not have tag numbers.
- Two (10%) equipment items consisting of a precision nimbus balance and a podium totaling \$3,498 were found in a location different from the location indicated in the property records.

During our tracing of 20 items physically identified to the property records, we noted the following:

- One laptop (5%) amounting to \$1,302 did not have a tag number.
- Eight (40%) equipment items totaling \$26,552 were found in a location different from the location indicated in the property records. These equipment items consisted of desktops, band saw machine, fog machine, projector, and a printer.
- Two (10%) equipment items totaling \$2,194 were declared missing and removed from the property records but were found during the auditor's observation. These equipment items consisted of a laptop and a central processing unit.

In addition, during our testing of 25 vouchers totaling \$388,200, we noted the following:

- Various equipment items purchased such as laboratory equipment, chairs, heating and cooling incubator, laptops and tablets, and check signer machine totaling \$75,194 from six vouchers (24%) were not timely recorded in the property record. These items were recorded 38 to 162 days after the vouchers were paid.
- A pneumatic positioning unit (4%) purchased amounting to \$1,534 was not tagged and was not included in the property records.

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For the Year Ended June 30, 2018**

CURRENT FINDINGS – STATE COMPLIANCE

2018-017. **FINDING** (Inadequate Controls over University Property and Equipment)
(continued)

During our tour of the University's facilities, inquiry with employees, and review of University's records, we noted the following:

- Four telephone units totaling \$676 did not have accurate description of its location in the property records.
- Six equipment items totaling \$16,612 consisting of ethernet switches and interactive display/monitor were listed on the University property records but could not be located.

Further, during our review of property records, we noted 45 active and inactive wireless devices were not included in the property record and were not marked with a unique identification number.

The State Property Control Act (30 ILCS 605/4) requires responsible officers at each State agency to be accountable for the supervision, control and inventory of all property under their jurisdiction.

The CMS Property Control Rules (44 Ill. Adm. Code 5010.210) states that equipment with an acquisition value of \$500 or more and equipment that is subject to theft with a value less than \$500 must be marked with a unique identification number to be assigned by the agency holding the property.

The CMS Property Control Rules (44 Ill. Adm. Code 5010.400) requires agencies to adjust property records within 30 days of acquisition, change or deletion of equipment items.

The 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 detailed 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).

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CURRENT FINDINGS – STATE COMPLIANCE

2018-017. **FINDING** (Inadequate Controls over University Property and Equipment)
(continued)

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls, to provide assurance resources are utilized efficiently, effectively, and in compliance with applicable law; funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation; and revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

University officials stated the conditions noted were a result of property control procedures not consistently being followed and the ease of mobility of property.

Inadequate controls over University property may result in inaccurate financial reporting and loss of University property not being timely detected. (Finding Code No. 2018-017)

RECOMMENDATION

We recommend the University adhere to its procedures to ensure property and equipment records are accurately maintained and University assets are properly accounted for.

UNIVERSITY'S RESPONSE

The University agrees with the recommendation.

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NORTHEASTERN ILLINOIS UNIVERSITY
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For the Year Ended June 30, 2018**

CURRENT FINDINGS – STATE COMPLIANCE

2018-018. **FINDING** (Failure to Perform Employee Performance Evaluations Timely)

Northeastern Illinois University (University) did not perform employee performance evaluations timely.

During testing of 27 employee performance evaluations during the fiscal year, we noted the following:

- Three (11%) performance evaluations of employees, other than faculty members, were performed 4 to 10 days after they were due.
- Six (22%) performance evaluations of employees other than faculty members were submitted to the Office of Human Resources 3 to 10 days after they were due.
- Three (11%) performance evaluations of faculty members were performed 1 to 42 days after they were due.
- One (4%) probationary employee did not have a performance evaluation timely completed at the end of the second and the fifth month's probationary periods. The employee's second month evaluation was completed 106 days late and the fifth month evaluation was completed 14 days late.

University procedures require performance evaluations be conducted annually for continuing employees. Performance evaluation for civil service employees under the six-month probation period is due at the end of the second month period and the fifth month period. Performance evaluations for civil service employees under the twelve-month probation period is due at the end of the second month period, fifth month period and eleventh month period. In addition, the University required the submission of the Fiscal Year 2018 annual performance evaluation for employees other than faculty members to the Office of Human Resources no later than August 3, 2018, and the submission of Academic Year 2017-2018 evaluations for faculty members by the deadlines set forth in the academic year evaluation timetable for academic support professionals and instructors.

University officials stated performance evaluations were not timely completed due to employee turnover and administrative challenges in scheduling and completing employee performance evaluations.

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CURRENT FINDINGS – STATE COMPLIANCE

2018-018. **FINDING** (Failure to Perform Employee Performance Evaluations Timely)
(continued)

Performance evaluations are a systematic and uniform approach for the development of employees and communication of performance expectations to employees. The evaluation measures actual work performance against the performance criteria established at the beginning of the appraisal period. Without timely completion of an employee performance evaluation, the employee would not be provided with formal feedback or assessment of his or her performance, and areas for improvements and current year's performance goals and objectives may not be identified and communicated in a timely manner. Furthermore, employee performance evaluations should serve as a foundation for salary adjustments, promotions, demotions, discharges, layoff, recall, or reinstatement decisions. (Finding Code No. 2018-018)

RECOMMENDATION

We recommend the University enforce monitoring procedures to ensure employee performance evaluations are completed in a timely manner.

UNIVERSITY'S RESPONSE

The University agrees with the recommendation.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018**

CURRENT FINDINGS – STATE COMPLIANCE

2018-019. **FINDING** (Lack of Disaster Contingency Plan)

Northeastern Illinois University (University) did not ensure an adequately developed and tested contingency plan existed to ensure the timely recovery of critical computer systems.

The University had invested in computer hardware and systems and had established several critical, confidential or financially sensitive systems for use in meeting its mission. The University also performs regular backup and maintains the backup data in a location separate from the main campus. However, the University did not have a disaster recovery plan and had not conducted disaster recovery testing of its applications and data to ensure the University could recover all necessary systems in the event of a disaster.

Information technology guidance (including the National Institute of Standards and Technology and Government Accountability Office) endorse the formal development and testing of disaster contingency plans. Tests of disaster contingency plans (and the associated documentation of the test results) verify that the plan, procedures, and resources provide the capability to recover critical systems within the required timeframe.

University officials stated, as they did in prior year, implementing a disaster contingency plan and regular testing has not been feasible due to staffing and computer resource constraints.

Without an adequately developed and tested disaster contingency plan, the University cannot ensure its critical systems could be recovered in the event of disaster. Failure to adequately update and test the disaster contingency plan leaves the University exposed to the possibility of major disruptions of services. A comprehensive test of the plan across all platforms utilized will assist management in identifying weaknesses to ensure recovery procedures are adequate in the event a disaster. Continuous reviews and tests of plans would help management ensure the plans are appropriately modified, as the University's computing environment and disaster recovery needs change. (Finding Code No. 2018-019, 2017-015, 2016-016, 2015-013, 2014-015, 2013-014)

RECOMMENDATION

We recommend the University develop and maintain a formal disaster contingency plan that is tested on a regular basis. The plan should be continuously updated to reflect environmental changes and improvements identified from the tests.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018**

CURRENT FINDINGS – STATE COMPLIANCE

2018-019. **FINDING** (Lack of Disaster Contingency Plan) (continued)

UNIVERSITY’S RESPONSE

The University agrees with the recommendation and is addressing the plan as part of the IT Modernization project.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018**

CURRENT FINDINGS – STATE COMPLIANCE

2018-020. **FINDING** (Noncompliance with Payment Card Industry Security Standards)

Northeastern Illinois University (University) did not ensure compliance with the Payment Card Industry Security Standards (PCI DSS).

The University accepted credit card payments for tuition, student fees, ticket sales, and parking fees. In Fiscal Year 2018, the University handled approximately 44,000 transactions estimated at approximately \$40 million.

During testing, we noted the University had not:

- Formally assessed each program accepting credit cards, the methods in which payments could be made, matched these payments to the appropriate Self Assessment Questionnaire (SAQ), and contacted service providers and obtained relevant information and guidance as deemed appropriate.
- Completed a SAQ addressing all elements of its environment utilized to store, process, and transmit cardholder data.
- Maintained agreements with service providers or obtained and reviewed documentation supporting the providers PCI compliance.

PCI DSS was developed to detail security requirements for entities that store, process, or transmit cardholder data. Cardholder data is any personally identifiable data associated with a cardholder.

To assist merchants in the assessments of their environment, the PCI Council established SAQs for validating compliance with PCI's core requirements. At a minimum, PCI DSS required completion of SAQ A; which highlights specific requirements to restrict access to paper and electronic media containing cardholder data, destruction of such media when it is no longer needed, and requirements for managing service providers. As additional elements, such as face-to-face acceptance of credit cards and point-of-sale solutions are utilized, additional PCI DSS requirements apply.

University officials stated the above issues were due to lack of adequate resources due to budget constraints.

The University has the responsibility to ensure computer systems and cardholder data are protected from accidental or unauthorized disclosure. The lack of validation of proper controls increases the risk of unauthorized disclosure of cardholder data. (Finding Code No. 2018-020, 2017-016, 2016-017, 2015-014)

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018**

CURRENT FINDINGS – STATE COMPLIANCE

2018-021. **FINDING** (Computer Security Weaknesses)

Northeastern Illinois University (University) had computer security weaknesses.

During testing, we noted the following:

- The University did not perform a comprehensive risk assessment of its computing resources to identify all confidential and personal information in electronic or hardcopy form to ensure such information is protected from unauthorized disclosure.
- A security awareness and training program did not exist. The Identity Protection Act (Act) (5 ILCS 179/37(a)(2)) requires all employees identified as having access to social security numbers in the course of performing their duties to be trained to protect the confidentiality of social security numbers.
- University employees were not required to sign an annual statement of understanding of the University policies. While new employees are given a copy of the Technology Orientation Guide upon employment, the University does not require employees to sign a statement of understanding of the University policies upon hiring and annually thereafter.
- Patch management software was not installed on some workstations. Auditors selected 11 workstations (eight laptops and three desktops) from various departments to determine if vendor released patches and anti-virus updates were implemented on these workstations. It was noted that five workstations (45%) did not have patch management software installed.
- Encryption software was not installed on laptops. All eight laptops tested (100%) did not have encryption software installed.
- Concurrent network sessions were not limited per user to its administrative systems.
- User access rights were not periodically reviewed by supervisors to ensure access to applications was appropriate based upon job responsibilities.

Effective computer security controls provide for safeguarding, securing, and controlling access to hardware, software, and the information stored in the computer systems. Without the implementation of adequate controls and procedures, there is an increased risk an unauthorized individual may gain access to University resources. Further, concurrent network sessions should be controlled to reduce the ability of users to share their credentials as well as to reduce the risk of a network attack as a hacker can seamlessly use valid credentials at the same time as their legitimate owner.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018**

CURRENT FINDINGS – STATE COMPLIANCE

2018-021. **FINDING** (Computer Security Weakness) (continued)

University officials stated the above issues were due to lack of adequate resources due to budget constraints.

The lack of a comprehensive risk assessment of the University's computer environment increases the risk the confidentiality, integrity, and availability of data will be compromised. Failure to control and safeguard confidential and sensitive information could result in unauthorized disclosure and inappropriate use of personal information. Failure to have adequate security over computing resources increases the risk of unauthorized access to the computing environment. Concurrent network sessions significantly increase network vulnerability. (Finding Code No. 2018-021, 2017-018)

RECOMMENDATION

We recommend the University:

- Perform a comprehensive risk assessment to identify all confidential or personal information in electronic or written form to ensure they are properly protected from unauthorized disclosure.
- Establish and implement a comprehensive security awareness and training program to include the proper handling of social security numbers in accordance with the provisions in the Act.
- Require University employees to sign an annual statement of understanding of the University policies.
- Ensure patch management software is installed on all workstations.
- Establish procedures so that all laptops that may contain sensitive information have encryption software.
- Establish concurrent session limits on systems.
- Ensure access rights are periodically reviewed by supervisors and if necessary, appropriately adjusted based upon staff job responsibilities.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018**

CURRENT FINDINGS – STATE COMPLIANCE

2018-021. **FINDING** (Computer Security Weakness) (continued)

UNIVERSITY'S RESPONSE

The University agrees with the recommendation.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018**

PRIOR FINDINGS NOT REPEATED

A. FINDING: (Inadequate Controls over Financial Close and Reporting)

During the prior audit, Northeastern Illinois University (University) did not have adequate controls over financial close and reporting to allow management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements timely.

During the current audit, the University implemented additional financial close and reporting procedures to ensure transactions are properly recorded during the fiscal year. (Finding Code No. 2017-001)

B. FINDING (Untimely Notification of Disbursements of Loan and TEACH Grants)

During the prior audit, Northeastern Illinois University (University) did not timely notify the students in writing when federal student aid loan funds were credited to students' account.

During the current audit, the University automated the workflow processes to allow timely notifications of disbursements to students. (Finding Code No. 2017-004)

C. FINDING (Noncompliance with the Campus Security Enhancement Act of 2008)

During the prior examination, Northeastern Illinois University (University) did not timely complete the required background checks for employees in security sensitive positions.

During the current examination, based on our sample testing, the University implemented measures to ensure background checks are performed for employees in security sensitive positions prior to their employment. (Finding Code No. 2017-008, 2016-009, 2015-010, 2014-011, 2013-012)

D. FINDING (Noncompliance with the Freedom of Information Act)

During the prior examination, Northeastern Illinois University's (University) Freedom of Information Officer did not respond to record requests timely.

During the current examination, our testing did not disclose similar exceptions of untimely responses. (Finding No. 2017-009, 2016-014)

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018**

PRIOR FINDINGS NOT REPEATED

E. **FINDING** (Noncompliance with the University Guidelines on Excess Funds)

During the prior examination, Northeastern Illinois University (University) did not comply with the University Guidelines on remittance of excess funds. The University failed to remit the amount due to the Income Fund from the Educational Contracts Fund amounting to \$98,970.

During the current examination, our testing disclosed the University remitted the calculated excess funds to the Income Fund as required by the University Guidelines. (Finding Code No. 2017-014)

F. **FINDING** (Weakness over System Access)

During the prior examination, Northeastern Illinois University (University) did not always timely remove access rights and supervisors did not periodically review the user access rights to ensure access was appropriate based upon job responsibilities.

During the current examination, our testing disclosed the University implemented controls to ensure access rights were removed timely. However, user access rights to the application were still not periodically reviewed by a supervisor. This item was consolidated under finding 2018-021. (Finding Code No. 2017-017)

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES
For the Year Ended June 30, 2018**

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 Appropriations, Expenditures and Lapsed Balances
 - Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
 - Comparative Schedule of Income Fund Revenues and Expenditures
 - Schedule of Changes in Capital Assets
 - Schedule of Federal Expenditures, Nonfederal Expenses and New Loans
- Analysis of Operations (Unaudited):
 - University Functions and Planning Program (Unaudited)
 - Analysis of Significant Variations in Expenses (Unaudited)
 - Analysis of Significant Variations in Revenues (Unaudited)
 - Analysis of Significant Lapse Period Spending (Unaudited)
 - Analysis of Significant Account Balances (Unaudited)
 - Budget Impasse Disclosures (Unaudited)
 - Alternative Financing in Lieu of Appropriations and Programs to Address Untimely Payments to Vendors (Unaudited)
 - Interest Costs on Fiscal Year 2018 Invoices (Unaudited)
 - University Enrollment and Employee Information (Unaudited)
 - Emergency Purchases (Unaudited)
 - Service Efforts and Accomplishments (Unaudited)
 - University Bookstore Information (Unaudited)
 - Schedule of Sources and Applications of Indirect Cost Reimbursements (Unaudited)
 - Special Data Requirements for Audits of Universities (Unaudited):
 - University Reporting in Accordance with University Guidelines (Unaudited)
 - Schedule of Indirect Cost Funds to be Deposited into the University Income Fund as Required by the 1982 University Guidelines (Amended 1997) (Unaudited)
 - Schedule of Excess Funds Calculation by Entity as Required by the 1982 University Guidelines (Amended 1997) (Unaudited)
 - Description of Activities and Accounting Entities (Unaudited)
 - Balance Sheets - Other Entities and Auxiliary Enterprises (Unaudited)
 - Schedules of Revenues, Expenditures and Changes in Fund Balances - Other Entities and Auxiliary Enterprises (Unaudited)
 - Schedule of Tuition and Fee Waivers (Unaudited)
 - Summary of Foundation Payments to the University (Unaudited)

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES
For the Year Ended June 30, 2018**

Summary (Continued)

The accountant's 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 auditor's opinion, it is fairly stated in all material respects, in relation to the basic financial statements as a whole from which it has been derived. The accountant's report also states the Analysis of Operations Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, they do not express an opinion or provide any assurance on them.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018**

Federal Grantor/ Pass-Through Grantor Program/Grant Title	Federal CFDA Number	Passed-Through Number	Federal Expenditures	Passed-Through to Subrecipients
MAJOR PROGRAMS:				
Student Financial Assistance Cluster				
Department of Education				
Federal Supplemental Educational Opportunity Grants	84.007		\$ 395,830	\$ -
Federal Direct Student Loans	84.268		20,922,713	-
Federal Work-Study Program	84.033		542,226	-
Federal Perkins Loan Program	84.038		1,733,468	-
Federal Pell Grant Program	84.063		15,335,963	-
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379		107,772	-
Total Department of Education			39,037,972	-
Total Student Financial Assistance Cluster			39,037,972	-
Research and Development Cluster				
National Science Foundation				
Mathematical and Physical Sciences				
Regularization of Hypersensitive Problems for Numerical Computation with Empirical Data	47.049		36,671	-
Geosciences				
P2C2: Collaborative Research: Rocky Mountain Ecohydrology During the Eemian Interglacial	47.050		4,059	-
Collaborative Research: REU Site: Water Resources and Quality in the Riviera Maya, Mexico	47.050		16,762	-
Total Geosciences			20,821	-
Computer and Information Science and Engineering				
Passed-Through University of Texas at El Paso				
BPC-A: Computing Alliance of Hispanic-Serving Institutions - Building a Resilient, Sustainable and Adaptable CAHSI Ecosystem	47.070	1551221	28,711	-
Biological Sciences				
RUI: Light-Controlled Morphogenesis in Early Development of Myxobacteria	47.074		48,287	-
EAGER: Development of a Genetic System Directing Multicellular Development of Myxococcales	47.074		951	-
Total Biological Sciences			49,238	-
Social, Behavioral, and Economic Sciences				
Passed-Through University of Chicago				
SL-CN: The Role of Gesture in Mathematics Learning: from Research to Practice	47.075	1640893	47,257	-

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018**

Federal Grantor/ Pass-Through Grantor Program/Grant Title	Federal CFDA Number	Passed-Through Number	Federal Expenditures	Passed-Through to Subrecipients
MAJOR PROGRAMS (continued):				
Research and Development Cluster (continued)				
National Science Foundation (continued)				
Education and Human Resources				
Development of Assessment Protocols for Assessing Computational Thinking in Physics and Engineering Making Activities	47.076		302,614	101,824
Peer Enhanced Experiential Research in STEM (PEERS) Integrating Science, Mathematics, and Computing Within an Elementary and Middle School Pre-Service Teacher Education Curriculum	47.076		85,270	-
Passed-Through Chicago State University Illinois Louis Stokes Alliance for Minority Participation (ILSAMP)	47.076	1411219	182,435	-
University and Community College Collaboration for Mathematics and Biology Scholar Teacher Education	47.076		12,306	-
HSI Conference: Catalyzing Progress in Undergraduate STEM Education with Insights from Midwestern HSIs	47.076		160,693	8,974
Passed-Through The Research Foundation for The State University of New York Science Education for New Civic Engagement and Responsibilities	47.076	1613217	68,946	-
Total Education and Human Resources			<u>814,687</u>	<u>110,798</u>
Total National Science Foundation			<u>997,385</u>	<u>110,798</u>
Department of Health and Human Services				
Biomedical Research and Research Training				
NU-STARS for Northeastern Illinois Student Training in Academic Research in the Sciences	93.859		334,600	18,000
Passed-Through Ithaca College Signaling Specificity Mediated by the C. Elegans FGF Receptor Tyrosine Kinase	93.859	R15GM122001	45,644	-
Total Biomedical Research and Research Training			<u>380,244</u>	<u>18,000</u>
Child Health and Human Development Extramural Research				
Passed-Through University of Cincinnati Intimate Partner Violence in Sexual Minority Female Adolescents and Young Adults	93.865	1R01HD086170- 01A1	17,054	-
Cancer Centers Support Grants				
The Chicago Collaborative to Promote and Advance Cancer Health Equity	93.397		943,931	60,820

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018**

Federal Grantor/ Pass-Through Grantor Program/Grant Title	Federal CFDA Number	Passed-Through Number	Federal Expenditures	Passed-Through to Subrecipients
MAJOR PROGRAMS (continued):				
Research and Development Cluster (continued)				
Department of Health and Human Services (continued)				
Research Infrastructure Programs Passed-Through University of Chicago Hexacago: A Game-Based Approach to Engaging Youth in Health and Science	93.351	FP058904-A	18,097	-
Total Department of Health and Human Services			1,359,326	78,820
Department of Agriculture				
Higher Education-Multicultural Scholars Grant Program Multicultural Scholars Program	10.220		21,988	-
Hispanic Serving Institutions Education Grants Agriculture and Undergraduate Achievement	10.223		97,947	-
Partnership Agreements Scenario Analysis of Stakeholders' Decisions About Urban Ecological Restoration	10.699		9,255	-
Total Department of Agriculture			129,190	-
Total Research and Development Cluster			2,485,901	189,618
Department of Education				
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334		14,148,015	2,512,251
Department of Education			14,148,015	2,512,251
TOTAL MAJOR PROGRAMS			55,671,888	2,701,869
OTHER PROGRAMS:				
Department of Education				
TRIO Cluster				
TRIO Talent Search	84.044		465,348	-
TRIO McNair Post-Baccalaureate Achievement	84.217		233,991	-
TRIO Upward Bound Pathways	84.047		145,408	-
TRIO Upward Bound Math and Science Pathways	84.047		352,494	-
TRIO Student Support Services	84.042		630,541	-
Total TRIO Cluster			1,827,782	-

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018**

Federal Grantor/ Pass-Through Grantor Program/Grant Title	Federal CFDA Number	Passed-Through Number	Federal Expenditures	Passed-Through to Subrecipients
OTHER PROGRAMS (continued)				
Department of Education (continued)				
Higher Education Institutional Aid				
Enhancing Career Opportunities in Biomedical and Environmental Health Sciences at an Urban Hispanic Serving Institution	84.031		665,268	-
EXITO: Exit on Time in STEM	84.031		779,025	521,616
A Comprehensive System of Support: Increasing Retention into the Third Year	84.031		337,218	22,590
Total Higher Education Institutional Aid			<u>1,781,511</u>	<u>544,206</u>
Rehabilitation Long-Term Training				
Rehabilitation Long-Term Training Program - Vocational Rehabilitation	84.129		143,514	-
English Language Acquisition State Grants				
English as a New Language: Improving Teacher Education Knowledge (ENLITEN)	84.365		32,416	-
Passed-Through The Board of Regents of the University of Nebraska for the University of Nebraska-Lincoln International Consortium for Multilingual Excellence in Education (ICMEE)	84.365	T365Z160351	9,994	-
Total English Language Acquisition State Grants			<u>42,410</u>	<u>-</u>
Twenty-First Century Community Learning Centers Passed-Through Illinois State Board of Education				
Project 4421-15: Pathways	84.287	2017-4421-15-15- 016-5405-51	199,801	-
Project 4421-13: Austin	84.287	2017-4421-13-15- 016-5405-51	317,993	41,497
Project 4421-25: Morton Success	84.287	2017-4421-25-15- 016-5405-51	439,875	-
Total Twenty-First Century Community Learning Centers			<u>957,669</u>	<u>41,497</u>
Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)				
Passed-Through Illinois Board of Higher Education No Child Left Behind - Improving Teacher Quality: Plans for Academic Success for All Students	84.367	N/A	1,030,722	130,354
Passed-Through National Writing Project Investing in the National Writing Project's College-Ready Writers Program: Expanding the Reach of Effective Teacher-Leaders to Support All Students	84.367	N/A	13,123	-
Total Supporting Effective Instruction State Grant			<u>1,043,845</u>	<u>130,354</u>
Total Department of Education			<u>5,796,731</u>	<u>716,057</u>

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018**

Federal Grantor/ Pass-Through Grantor Program/Grant Title	Federal CFDA Number	Passed-Through Number	Federal Expenditures	Passed-Through to Subrecipients
OTHER PROGRAMS (continued)				
Department of Health and Human Services				
Block Grants for Prevention and Treatment of Substance Abuse Passed-Through Illinois Department of Human Services Substance Abuse Prevention	93.959	FCSUP01860	80,441	-
Total Department of Health and Human Services			<u>80,441</u>	<u>-</u>
Department of Housing and Urban Development				
ROSS Supportive Services Programs ROSS for Education (ROED)	14.898		18,984	-
Total Department of Housing and Urban Development			<u>18,984</u>	<u>-</u>
Department of Justice				
Innovations in Community-Based Crime Reduction Passed-Through Teamwork Englewood and Englewood Quality-of-Life Task Force Byrne Criminal Justice Innovation Program (BCJI) Category 2: Planning and Implementation Grant	16.817	N/A	1,705	-
Total Department of Justice			<u>1,705</u>	<u>-</u>
Department of Defense				
Language Grant Program STARTALK: NEIU Teacher Training Program	12.900		24,751	-
Total Department of Defense			<u>24,751</u>	<u>-</u>
TOTAL OTHER PROGRAMS			<u>5,922,612</u>	<u>716,057</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 61,594,500</u>	<u>\$ 3,417,926</u>

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018**

Note 1 - Significant Accounting Policy

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Northeastern Illinois University (University) for the year ended June 30, 2018 which are recorded on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). All federal awards received directly from federal agencies as well as federal awards passed through other government and nonprofit agencies are included on the schedule. The University has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 2 - Student Loan Program Administered by the University

As of June 30, 2018, the University's outstanding loan balance totaled \$1,446,189 under Federal Perkins Loan Program (CFDA #84.038) and loans made to eligible student during the year totaled \$83,531. Administrative costs charged to the loan program is \$32,721.

Note 3 - Total New Federal Student Loans

During the audit period, the University processed the following amounts under the Federal Direct Student Loans Program (CFDA #84.268):

Direct Subsidized Loans	\$ 8,564,541
Direct Unsubsidized Loans	11,089,773
Direct Graduate PLUS Loans	1,295
Direct Parent Plus Loan	1,267,104
Total	<u>\$ 20,922,713</u>

There were no administrative costs charged to the loan program.

Note 4 - Nonmonetary Assistance

During the period, the University did not have any nonmonetary assistance.

Note 5 - Insurance Disclosure

During the period, there are no federally-funded insurance in effect.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
EXPENDITURE AUTHORITY FOR THE FISCAL YEAR 2018
For the Sixteen Months Ended October 31, 2018**

	Expenditures Authority (Net After Transfers)	Expenditures Through 06/30/18	Lapse Period Expenditures 07/01 -10/31/18	Total Expenditures 16 Months Ended 10/31/18	Balances Lapsed 10/31/18
Public Act No. 100-0021					
APPROPRIATED FUNDS					
Education Assistance					
Fund - 007					
Personal services	\$ 32,265,300	\$ 32,230,874	\$ 34,426	\$ 32,265,300	\$ -
Group insurance	943,700	943,700	-	943,700	-
TOTAL APPROPRIATED FUNDS	<u>\$ 33,209,000</u>	<u>\$ 33,174,574</u>	<u>\$ 34,426</u>	<u>\$ 33,209,000</u>	<u>\$ -</u>

Note 1: Expenditures authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller records as of October 31, 2018, and have been reconciled to University records.

Note 2: Expenditures amount are vouchers approved for payment by the University and submitted to the State Comptroller for reimbursement of payments to vendors.

Note 3: Notwithstanding anything within Public Act 100-0021 to the contrary, Public Act 100-0021 authorized the University to pay for all costs incurred prior to July 1, 2018, using either its Fiscal Year 2017 or Fiscal Year 2018 appropriations for non-payroll expenditures. The Analysis of Operations section of this report on page 88 includes information from University management about the number of invoices and the total dollar amount of invoices held by the University submitted against either its Fiscal Year 2017 or Fiscal Year 2018 appropriations.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND
LAPSED BALANCES
For the Years Ended June 30, 2018 and 2017**

	Fiscal Year	
	2018	2017
	P.A. 100-0021	P.A. 99-0524, P.A. 100-0021, and Court-Ordered Expenditures
Education Assistance Fund - 007		
Appropriations (net after transfers)	\$ 33,209,000	\$ 24,434,900
Expenditures		
Personal services	32,265,300	-
Group insurance	943,700	-
Ordinary and contingent expenses	-	24,434,900
Total expenditures	<u>33,209,000</u>	<u>24,434,900</u>
Lapsed balances	<u>\$ -</u>	<u>\$ -</u>
General Revenue Fund - 001		
Appropriations (net of transfers)	\$ -	\$ 12,463,900
Expenditures		
Ordinary and contingent expenses	-	12,463,900
Total expenditures	<u>-</u>	<u>12,463,900</u>
Lapsed balances	<u>\$ -</u>	<u>\$ -</u>
Grand Total, All Funds		
Appropriations (net of transfers)	\$ 33,209,000	\$ 36,898,800
Expenditures	<u>33,209,000</u>	<u>36,898,800</u>
Lapsed balances	<u>\$ -</u>	<u>\$ -</u>

Note 1: Fiscal Year 2018 and Fiscal Year 2017 expenditures authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller records as of October 31, 2018 and September 30, 2017, respectively, and have been reconciled to University records.

Note 2: Expenditures amount are vouchers approved and paid by the University and submitted to the State Comptroller for reimbursement of payments to vendors.

STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND
LAPSED BALANCES (continued)
For the Years Ended June 30, 2018 and 2017

- Note 3: The Circuit Court of St. Clair County in *AFSCME 31 v. Munger* (15 Ch 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to “draw and issue warrants accomplishing payment of wages (for all State employees) at their normal rates of pay.” As Public Act 009-0524 stated, appropriation authority granted by the General Assembly does not supersede any court order directing the expenditure of funds, the University was able to submit vouchers to pay its court-ordered involuntary withholding payroll payments previously processed through the State Treasury within Fund 007 in full without a maximum expenditure limit during the Fiscal Year 2017.
- Note 4: Public Act 99-0524 authorized the University to pay Fiscal Year 2016 costs using its Fiscal Year 2017 appropriations for non-payroll expenditures. The Analysis of Operations section of this report on page 88 includes information from University management about the number of invoices and the total dollar amount of invoices held by the University submitted against its Fiscal Year 2017 appropriation.
- Note 5: During Fiscal Year 2017, the University operated without enacted appropriation until Public Act 100-0021 was approved on July 6, 2017. During the impasse, the University incurred reimbursable payroll and non-payroll obligations within Fund 001 and Fund 007, which the University was unable to process a reimbursement for these expenditures incurred by the University’s Income Fund until the passage of Public Act 100-0021.
- Note 6: Notwithstanding anything within Public Act 100-0021 to the contrary, Public Act 100-0021 authorized the University to pay for all costs incurred prior to July 1, 2018, using either its Fiscal Year 2017 or Fiscal Year 2018 appropriations for non-payroll expenditures. The Analysis of Operations section of this report on page 88 includes information from University management about the number of invoices and the total dollar amount of invoices held by the University submitted against either its Fiscal Year 2017 or Fiscal Year 2018 appropriations.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
COMPARATIVE SCHEDULE OF INCOME FUND REVENUES AND EXPENDITURES*
For the Years Ended June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
FUND BALANCE, BEGINNING OF YEAR		
Fund balance, beginning of year, as previously reported	\$ 10,895,257	\$ 17,870,565
Cumulative effect of changes in accounting principle	(40,804,501)	-
Prior period adjustment	-	1,098,700
Fund balance, beginning of year, as restated	<u>(29,909,244)</u>	<u>18,969,265</u>
Income fund revenues:		
Tuition	64,168,468	59,300,515
Rental income	153,165	178,628
Investment income	470,641	129,843
Miscellaneous	2,099,528	1,893,619
Total income fund revenues	<u>66,891,802</u>	<u>61,502,605</u>
Income fund expenditures:		
Personal services (including change in accrued compensated absences)	16,535,919	46,817,018 **
Social Security, Medicare, health, and life insurance	4,593,794	1,594,859
Contractual services	8,092,284	11,753,112
Travel	163,393	174,119
Commodities	717,932	631,899
Equipment and library books	935,144	551,978
Telecommunications	447,676	462,066
Operation of automotive	40,330	36,347
Awards, grants, and matching funds	1,430,414	1,354,789
Permanent improvements	190,001	16,246
Tuition and fee waivers	4,283,611	4,115,451
Loss on cancelled capital project	1,596,538	-
Other expenses	3,382,702	2,068,729
Total income fund expenditures	<u>42,409,738</u>	<u>69,576,613</u>
FUND BALANCE, END OF YEAR	<u>\$ (5,427,180)</u>	<u>\$ 10,895,257</u>

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

** Amount from prior year report was revised to include personal services expenditures not accurately classified to the proper account in prior year.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF CHANGES IN CAPITAL ASSETS
For the Year Ended June 30, 2018**

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deductions</u>	<u>Balance June 30, 2018</u>
Land	\$ 23,228,275	\$ 3,214,657	\$ -	\$ -	\$ 26,442,932
Land improvements	12,145,086	-	-	-	12,145,086
Building and building improvements	220,637,852	4,631,950	1,110,517	-	226,380,319
Equipment	34,061,761	1,337,998	-	1,192,714	34,207,045
Library books	26,049,783	548,689	-	2,357	26,596,115
Construction in progress	<u>4,481,620</u>	<u>516,429</u>	<u>(1,110,517)</u>	<u>1,621,101</u>	<u>2,266,431</u>
Total	<u>\$ 320,604,377</u>	<u>\$ 10,249,723</u>	<u>\$ -</u>	<u>\$ 2,816,172</u>	<u>\$ 328,037,928</u>

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 State Comptroller.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FEDERAL EXPENDITURES, NONFEDERAL EXPENSES AND NEW
LOANS
For the Year Ended June 30, 2018**

SCHEDULE A - FEDERAL FINANCIAL COMPONENT

Total federal expenditures reported on SEFA schedule	\$ 61,594,827
Total new loans made not included on SEFA schedule	- *
Amount of federal loan balances at beginning of the year (not on the SEFA schedule and continued compliance is required)	- *
Other noncash federal award expenditures (not included on SEFA schedule)	- *
TOTAL SCHEDULE A	<u>\$ 61,594,827</u>

SCHEDULE B - TOTAL FINANCIAL COMPONENT

Total operating expenses (from financial statements)	\$ 194,405,850
Total nonoperating expenses (from financial statements)	2,107,522
Total new loans made	20,922,713
Amount of federal loan balances at the beginning of the year	1,617,217
Other noncash federal award expenditures	- **
TOTAL SCHEDULE B	<u>\$ 219,053,302</u>

SCHEDULE C

	\$	Percent
Total Schedule A	\$ 61,594,827	28%
Total nonfederal expenses	<u>157,458,475</u>	<u>72%</u>
TOTAL SCHEDULE C	<u>\$ 219,053,302</u>	<u>100%</u>

* *Loan amounts are included on SEFA schedule.*

** *There were no noncash federal award expenditures during the fiscal year.*

These schedules are used to determine the University single audit costs in accordance with the Uniform Guidance.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
UNIVERSITY FUNCTIONS AND PLANNING PROGRAM (UNAUDITED)
For the Year Ended June 30, 2018**

Description of Planning System

Functions

Mission

The Northeastern Illinois University (University), as a public comprehensive university with locations throughout Chicago, provides an exceptional environment for learning, teaching, and scholarship. The University prepares a diverse community of students for leadership and service in our region and in a dynamic multicultural world.

Vision

The University will be a leader among metropolitan universities, known for its dedication to its urban mission, for the quality of its programs, for the success of its graduates, and for the diversity of its learning environment.

Values

The University is committed to a set of shared values - *integrity, excellence, access to opportunity, diversity, community, and empowerment through learning* - that, taken collectively, guides their actions and interactions, both within and throughout the University and outside the University, as they work together to prepare graduates for the responsible exercise of citizenship. These values serve as the touchstone for planning how the University will best achieve the educational mission entrusted to them.

Planning

The University has identified six strategic goals as the most critical objectives in meeting their Mission and achieving their Vision. These strategic goals, and the action steps accompanying each goal, are used to establish their work and budget priorities each year, and serve as the framework to determine the success of the University. The six strategic goals are as follows:

- (1) Student Success: Ensure student success from recruitment through graduation by creating a culture in which all members of the University community are engaged in attracting, educating, and graduating students who achieve the objectives for baccalaureate and graduate degrees.
- (2) Academic Excellence and Innovation: Develop an environment that supports curricular and pedagogical innovation aligned with the mission of the institution, the standards of the disciplines, student needs, and career and civic opportunities in a global society.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
UNIVERSITY FUNCTIONS AND PLANNING PROGRAM (UNAUDITED) (continued)
For the Year Ended June 30, 2018**

- (3) Urban Leadership: Work collaboratively with educational, social service, governmental, and business institutions in Chicago and the region to build upon the University's tradition of community involvement.
- (4) Exemplary Faculty and Staff: Invest in faculty and staff to make the University a world-class metropolitan university and an employer of choice.
- (5) Enhanced University Operations: Provide a supportive learning, teaching and working environment by improving operating productivity, physical infrastructure, and environmental sustainability.
- (6) Fiscal Strength: Enhance the University's financial position by reducing reliance on State general funds and student tuition, diversifying revenue sources, and strengthening institutional relationships with federal, State, and local governments, and private sponsors.

Also included in the University's strategic plan are the specific action steps, which outline the various activities the University undertakes to achieve its strategic goals. The University analyzes the action steps under each strategic goal to determine the areas of responsibility, timeframes, required resources, priority order of the action steps, and yearly tasks that help them accomplish the action steps. The University develops annual work plans and work teams (across units) as needed.

The University develops, using the President's Council and the Office of Institutional Research, a limited number of key indicators or benchmarks for each strategic goal. They are measured periodically and the results reported to the University community and posted on the University website. The University requires unit goals and actions to be in harmony with the University strategic goals.

Annual progress reports are provided to University community (e.g., the State of the University address) and the Board of Trustees. The University continues to strive to achieve its goals, reflecting excellence and accountability in the implementation of this plan.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENSES (UNAUDITED)
For the Year Ended June 30, 2018**

The Statement of Revenues, Expenses and Changes in Net Position is presented on page 21 of the financial audit report. Following are explanations for significant variances exceeding \$300,000 and 10%:

	2018	2017	Increase (Decrease)		Explanation
			Amount	%	
Academic support	\$ 9,644,253	\$ 10,914,041	\$ (1,269,788)	(12%)	The decrease was mainly due to employee layoff made by the University in summer 2017 brought about by the uncertainty in State financial support.
Student services and programs	14,284,535	16,739,240	(2,454,705)	(15%)	The decrease was mainly due to the decline in student health care insurance expenses which the University ceased to include as mandatory for full-time undergraduate students starting in Academic Year 2017-2018.
Depreciation	7,888,645	7,018,475	870,170	12%	The increase was mainly due to the depreciation of the University's student housing facility starting in Fiscal Year 2018 capitalized by the University in accordance with the GASB Statement No. 60, <i>Accounting and Financial Reporting for Service Concession Arrangements</i> .
Loss (gain) on disposal/cancellation of capital assets,	1,595,573	(16,420)	1,611,993	(9817%)	The increase was mainly due to the cancellation of the central utility plant project for south end of the main campus including education building as approved by the Board of Trustees.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
ANALYSIS OF SIGNIFICANT VARIATIONS IN REVENUES (UNAUDITED)
For the Year Ended June 30, 2018**

The Statement of Revenues, Expenses and Changes in Net Position is presented on page 21 of the financial audit report. Following are explanations for significant variances exceeding \$300,000 and 10%:

	2018	2017	Increase (Decrease)		Explanation
			Amount	%	
State and local grants	\$ 2,568,703	\$ 1,608,400	\$ 960,303	60%	The increase was mainly due to the additional grants received from Illinois Board of Higher Education for No Child Left Behind and Grow Your Own Teachers in Fiscal Year 2018.
Other operating revenues	2,136,585	4,372,542	(2,235,957)	(51%)	The decrease was mainly due to the decline in student health care insurance fee which the University ceased to include as mandatory fee for full-time undergraduate students starting in Academic Year 2017-2018.
State appropriations	50,545,800	19,562,103	30,983,697	158%	The increase was due to the additional State appropriations of \$17.3 million to cover expenses for Fiscal Year 2017 and \$33.2 million to cover expenses for Fiscal Year 2018 received all in Fiscal Year 2018.
Payments on behalf of the University	63,931,592	71,523,784	(7,592,192)	(11%)	The decrease was mainly due to the decline in costs of retirement, health, dental, and life insurance paid by the State on behalf of the University.
State grants - MAP	17,021,541	3,249,086	13,772,455	424%	The increase was due to the reimbursements received by the University from the State of Illinois for the Illinois Monetary Awards Program (IMAP) for grants awarded to students in Academic Year 2016-2017 amounting to \$7.3 million in Fiscal Year 2018. In addition, grants awarded to students for IMAP in Academic Year 2017-2018 increased from \$7 million in Academic Year 2016-2017 to \$10 million in Academic Year 2017-2018.
Investment income	471,480	130,012	341,468	263%	The increase was mainly due to the influx of cash in Fiscal Year 2018 received from the State for appropriations and reimbursements of IMAP for Academic Year 2016-2017.
Capital additions provided by State of Illinois	787,404	221,353	566,051	256%	The increase was mainly due to the increase in University's capital projects completed by Capital Development Board in Fiscal Year 2018.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING (UNAUDITED)
For the Year Ended June 30, 2018**

There were no significant expenditures during the lapse period.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
ANALYSIS OF SIGNIFICANT ACCOUNT BALANCES (UNAUDITED)
For the Years Ended June 30, 2018 and 2017**

A comparative analysis of cash and cash equivalent of the University is provided below:

	<u>2018</u>	<u>2017</u>
Cash and Cash Equivalents		
Cash and cash equivalents are classified as follows:		
Cash and cash equivalents	\$ 54,340,252	\$ 20,770,367
Restricted cash and cash equivalents	<u>4,023,308</u>	<u>3,672,253</u>
 Total Cash and Cash Equivalents	 <u>\$ 58,363,560</u>	 <u>\$ 24,442,620</u>
 Cash and cash equivalents were held in the following accounts:		
Deposits held at U.S. Bank		
Series 2014-1 Bond Fund	\$ 220,425	\$ 316,875
Series 2014-2 Bond Fund	658,275	220,425
Deposits held at PNC Bank	13,838	10,981
Deposits held at JP Morgan Chase Bank		
University Operating Account	5,244,076	1,096,700
University Operating Investment Account	5,667,050	14,639,498
University Clearing Account	(1,243,106)	(1,240,281)
University Payroll Account	(236,354)	(87,352)
University Student Refund Account	(222,277)	(231,607)
Student Union Revenue Fund	7	7
Series 2014 Bond - Repair and Replacement Account	1,893,533	184,004
Series 2014 Bond - Equipment Reserve	139,820	446,253
Series 2010 COP - Installment Payment Account	114	10
Series 2012 COP - Installment Payment Account	386	35
Series 2012 COP - Project Account	61,187	61,019
Series 2015 COP - Installment Payment Account	1,002,900	995,726
Series 2015 COP - Cost of Issuance Account	32,824	32,555
Illinois Funds	45,124,162	7,991,072
Petty Cash - all accounts	<u>6,700</u>	<u>6,700</u>
 Total Cash and Cash Equivalents	 <u>\$ 58,363,560</u>	 <u>\$ 24,442,620</u>

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
ANALYSIS OF SIGNIFICANT ACCOUNT BALANCES (UNAUDITED) (continued)
For the Years Ended June 30, 2018 and 2017**

Cash and Cash Equivalents

As of June 30, 2018, 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 funds, or Illinois Funds. The Illinois Funds includes investment in U.S. Government-backed securities which yielded an average annual yield of 1.09% during Fiscal Year 2018. The University has the right to withdraw its participation from the pool at any point in time.

Cash and cash equivalent rebounded from the low levels experienced in Fiscal Year 2017 due to the State of Illinois budget impasse. In Fiscal Year 2018, the University received additional appropriations of \$17.3 million to cover expenses for Fiscal Year 2017 and appropriations of \$33.2 million to cover expenses for Fiscal Year 2018.

In addition, the University also received reimbursements from the State of Illinois for the Illinois Monetary Awards Program for grants awarded to students in Academic Year 2016-2017 of \$7.3 million.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
ANALYSIS OF SIGNIFICANT ACCOUNT BALANCES (UNAUDITED) (continued)
For the Years Ended June 30, 2018 and 2017**

Receivables

Receivables (net of allowance for doubtful accounts) are classified as follows:

	<u>2018</u>	<u>2017</u>
Accounts Receivable, net		
Student tuition and fees	\$ 10,505,407	\$ 6,776,586
Federal, State, and private grants and contracts	6,735,807	4,843,872
Other receivables, net	<u>839,853</u>	<u>817,673</u>
 Accounts Receivable, net	 18,081,067	 12,438,131
 Student loans receivable, net	 <u>851,652</u>	 <u>1,006,520</u>
 Total Receivables	 <u>\$ 18,932,719</u>	 <u>\$ 13,444,651</u>

Following are explanations for significant variances in receivables accounts exceeding \$300,000 and 10%:

The overall increase in student tuition and fees receivable is due to the 8.0% increase in rate per credit hour from \$349.37 in Academic Year 2016-2017 to \$377.32 in Academic Year 2017-2018 coupled with the decrease in allowance for doubtful accounts.

The increase in federal, state, and private grants and contract receivable was mainly due to the increase in unreimbursed invoices as of June 30, 2018 totaling \$1.2 million for the passed-through grants received from the Illinois Board of Higher Education for the Supporting Effective Instruction State Grant (No Child Left Behind) and the Twenty-First Century Community Learning Center. In addition, the receivable related to the Federal Pell Grant Program increased by \$0.5 million mainly due to the implementation of the year-round grants which allows an eligible student to receive up to 150 percent of its scheduled award beginning with the Academic Year 2017-2018.

Other receivables consist primarily of amounts due from parking fines, library fines, and other miscellaneous receivables.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
ANALYSIS OF SIGNIFICANT ACCOUNT BALANCES (UNAUDITED) (continued)
For the Year Ended June 30, 2018**

Receivables

The aging of such receivables, by type, as of June 30, 2018, is as follows:

	<u>Current</u>	<u>1-2 years</u>	<u>2-3 years</u>	<u>Over 3 years</u>	<u>Total</u>
Student tuition and fees					
From students	\$ 9,063,774	\$ 3,561,045	\$ 2,727,158	\$ 7,960,960	\$ 23,312,937
Third-party reimbursements	(34,108)	-	-	-	(34,108)
Total student tuition and fees	<u>\$ 9,029,666</u>	<u>\$ 3,561,045</u>	<u>\$ 2,727,158</u>	<u>\$ 7,960,960</u>	23,278,829
Allowance for doubtful accounts					<u>(12,773,422)</u>
Student tuition and fees, net					<u>\$ 10,505,407</u>
Federal, State, and private grants and contracts					
	<u>\$ 6,735,807</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,735,807</u>
Other receivables					
Parking fines	\$ 69,390	\$ 123,434	\$ 5,523	\$ 286,083	\$ 484,430
Library fines	13,063	5,768	8,206	70,728	97,765
Other accruals	771,949	-	-	-	771,949
Total other receivables	<u>\$ 854,402</u>	<u>\$ 129,202</u>	<u>\$ 13,729</u>	<u>\$ 356,811</u>	1,354,144
Allowance for doubtful accounts					<u>(514,291)</u>
Other receivables, net					<u>\$ 839,853</u>
Student loans receivable					
Perkins student loan fund	\$ 436,186	\$ 105,809	\$ 128,664	\$ 775,495	\$ 1,446,154
Emergency student loan	7,965	8,597	4,223	51,831	72,616
Others	1,472	-	-	-	1,472
Total student loans receivable	<u>\$ 445,623</u>	<u>\$ 114,406</u>	<u>\$ 132,887</u>	<u>\$ 827,326</u>	1,520,242
Allowance for doubtful accounts					<u>(668,590)</u>
Student loans receivable, net					<u>\$ 851,652</u>

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
ANALYSIS OF SIGNIFICANT ACCOUNT BALANCES (UNAUDITED) (continued)
For the Years Ended June 30, 2018 and 2017**

Liabilities

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

	<u>2018</u>	<u>2017</u>
Accounts payable and accrued liabilities	\$ 10,218,988	\$ 9,189,462
Unearned revenues	1,560,641	1,256,565
Liability for compensated absences	6,217,324	6,678,328
Revenue bonds payable, net	14,976,210	15,247,496
Certificates of participation, net	39,538,653	41,220,451
Funds held in custody for others	412,194	447,150
Installment purchases payable	163,811	243,546
Other postemployment benefits	<u>40,084,143</u>	<u>-</u>
 Total Liabilities	 <u>\$ 113,171,964</u>	 <u>\$ 74,282,998</u>

Following are explanations for significant variances in liabilities accounts exceeding \$300,000 and 10%:

The increase in the accounts payable and accrued liabilities was due to the increase in the University's non-payroll expenses, which in turn increased its payables for Fiscal Year 2018, as the State budget impasse ended in the first quarter of Fiscal Year 2018.

The increase in unearned revenues was mainly due to the increase in the unearned student tuition and fees for summer 2018 term totaling \$0.1 million and private grants received by the University totaling \$0.2 million.

In Fiscal Year 2018, the University recorded \$40.1 million to other postemployment benefits liability as a result of the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective June 15, 2017.

**STATE OF ILLINOIS
 NORTHEASTERN ILLINOIS UNIVERSITY
 BUDGET IMPASSE DISCLOSURES (UNAUDITED)
 For the Year Ended June 30, 2018**

In Fiscal Year 2018, Article 998 of Public Act 100-0021 authorized the Northeastern Illinois University (University) to pay its unpaid Fiscal Year 2017 costs using either the University’s Fiscal Year 2017 or Fiscal Year 2018 appropriations for non-payroll expenditures.

In Fiscal Year 2017, Article 74 of Public Act 999-0524 authorized the University to pay Fiscal Year 2016 costs using the University’s Fiscal Year 2017 appropriations for non-payroll expenditures.

The following chart shows the University’s plan to pay its prior costs using future appropriations:

Fund No.	Fund Name	Fiscal Year 2017 Invoices				Fiscal Year 2016 Invoices	
		Paid From Fiscal Year 2018 Appropriations		Paid From Fiscal Year 2017 Appropriations		Paid From Fiscal Year 2017 Appropriations	
		Number	Dollar Value	Number	Dollar Value	Number	Dollar Value
1	General Revenue Fund	–	\$ –	5	\$ 12,463,900	–	\$ –
7	Education Assistance Fund	–	–	458	4,956,437	8	19,478,463
		–	\$ –	463	\$ 17,420,337	463	\$ 19,478,463

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
ALTERNATIVE FINANCING IN LIEU OF APPROPRIATIONS AND PROGRAMS TO
ADDRESS UNTIMELY PAYMENTS TO VENDORS (UNAUDITED)
For the Year Ended June 30, 2018**

Transactions Involving the Illinois Finance Authority

Northeastern Illinois University (University) and its vendors did not participate in alternative financing in lieu of enacted appropriations involving the Illinois Finance Authority during Fiscal Year 2018.

Transactions Involving the Vendor Payment Program and Vendor Support Initiative Program

None of the University's vendors participated in the Vendor Payment Program or the Vendor Initiative Program during Fiscal Year 2018.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
INTEREST COSTS ON FISCAL YEAR 2018 INVOICES (UNAUDITED)
For the Year Ended June 30, 2018**

Prompt Payment Interest Costs

Northeastern Illinois University (University) did not incur any prompt payment interest due to vendors under the State Prompt Payment Act (Act) (30 ILCS 540). The University's vendors were paid from funds and accounts that are ineligible for prompt payment interest due to vendors under the Act.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
UNIVERSITY EMPLOYMENT AND COST STATISTICS (UNAUDITED)
For the Year Ended June 30, 2018**

Cost Per Student Credit Hour and Full-Time Equivalent Student

The following calculations of cost per student credit hour and cost per full-time equivalent student for the years ended June 30, 2018 and 2017, using the formula prescribed by the Illinois Board of Higher Education. All credit hours and instructional operating costs paid from state appropriated funds are included.

	<u>Fiscal Year 2018</u>		<u>Fiscal Year 2017</u>	
	<u>Undergraduate</u>	<u>Graduate</u>	<u>Undergraduate</u>	<u>Graduate</u>
Duplicated student headcount (Summer, Fall, Spring)	16,217	4,993	17,656	4,974
Total costs ¹	\$ 63,613,688	\$ 16,002,943	\$ 62,399,033	\$ 15,738,444
Student credit hours	154,708	27,331	164,910	25,710
Full-time equivalent students ²	5,157	1,139	5,497	1,071
Cost per student credit hour	\$ 411	\$ 585	\$ 378	\$ 612
Cost per full-time equivalent student	\$ 12,336	\$ 14,053	\$ 11,351	\$ 14,692

¹ Total costs are calculated using Illinois Board of Higher Education requirements as follows: Total state appropriated costs less organized research, public service, student financial aid, appropriations for the State Universities Retirement System, appropriations for workers' compensation, auxiliary enterprises, and independent operations.

² Undergraduate full-time equivalent student is computed as the total number of credit hours divided by 30. Graduate full-time equivalent student is computed as the total number of credit hours divided by 30.

Note: Fiscal 2018 amounts are estimates as the amounts are not final when the report is released.

**STATE OF ILLINOIS
 NORTHEASTERN ILLINOIS UNIVERSITY
 UNIVERSITY EMPLOYMENT AND COST STATISTICS (UNAUDITED) (continued)
 For the Year Ended June 30, 2018**

Employment Statistics

The following statistics are from the Integrated Postsecondary Education Data System (IPEDS) Human Resources Survey for years ended June 30, 2018 and 2017.

	Fiscal Year 2018		Fiscal Year 2017	
	Headcount	FTE	Headcount	FTE
Faculty ¹	579	401	613	430
Other Academic Professionals ²	200	170	242	209
Administration	161	160	159	157
Other Professionals ³	248	243	254	251
Support Staff	113	108	148	143
Total	1,301	1,082	1,416	1,190

¹ Includes tenure line faculty, instructors, and librarians.

² Includes advisors and support staff in confidential offices, e.g., Office of the Provost.

³ Includes business operations, computer support, engineering, community and social services, legal, entertainment and media, production, transportation, and healthcare.

**STATE OF ILLINOIS
 NORTHEASTERN ILLINOIS UNIVERSITY
 SERVICE EFFORTS AND ACCOMPLISHMENTS
 For the Year Ended June 30, 2018**

The following statistics are from the State of Illinois Board of Higher Education 2017 and 2016 Data Book on Illinois Higher Education, Fall Enrollment Survey:

Enrollment Statistics

	<u>Fall 2017</u>	<u>Fall 2016</u>
Total headcount enrollment by class level:		
Undergraduate	8,984	9,538
Graduate	<u>1,871</u>	<u>1,873</u>
Total	<u><u>10,855</u></u>	<u><u>11,411</u></u>

	<u>Fall 2017</u>	<u>Fall 2016</u>
Total headcount enrollment by gender:		
Men	3,733	3,983
Women	<u>5,041</u>	<u>5,419</u>
Total	<u><u>8,774</u></u>	<u><u>9,402</u></u>

	<u>Fall 2017</u>	<u>Fall 2016</u>
Total headcount enrollment by level of instruction:		
Full-time	4,501	4,674
Part-time	<u>4,483</u>	<u>4,864</u>
Total	<u><u>8,984</u></u>	<u><u>9,538</u></u>

	<u>FY 2018</u>	<u>FY 2017</u>
Total degrees conferred by class level:		
Undergraduate	1,613	1,508
Graduate	<u>479</u>	<u>484</u>
	<u><u>2,092</u></u>	<u><u>1,992</u></u>

Staff Statistics

	<u>FY 2018</u>	<u>FY 2017</u>
The average salary of full-time faculty	71,425	68,909
Percent of tenured faculty	51.30%	42.90%

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
EMERGENCY PURCHASES
For the Year Ended June 30, 2018**

There were no emergency purchases during the fiscal year.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
UNIVERSITY BOOKSTORE INFORMATION (UNAUDITED)
For the Year Ended June 30, 2018**

The summary of University bookstore information for Fiscal Year 2018 is as follows:

Contracted/Rents to Students/University operated:	Contracted
Contractor:	Follett Higher Education Group, Inc.
Contract term:	04/14/2016 - 06/30/2021
Amount of gross sales for bookstore:	\$ 1,074,459
Commissions:	\$ 177,615
Commissions term:	15% of all net revenue up to \$2,100,000; plus 16% of any part of net revenue over \$2,100,000
Guaranteed commission for fiscal year:	\$ 177,615
Guaranteed annual commission:	90% of the calculated commission on net revenue of the immediately preceding year

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF SOURCES AND APPLICATION OF
INDIRECT COSTS REIMBURSEMENTS (UNAUDITED)
For the Year Ended June 30, 2018**

	<u>2018</u>
Sources	
Student tuition and fees	\$ 452,054
Federal grants and contracts	1,490,288
State and local grants	165,453
Nongovernmental grants and contracts	66,510
Auxiliary enterprises	<u>225,725</u>
Total sources	<u>2,400,030</u>
Applications	
Personal services, retirement, social security and group insurance	437,576
Contractual services	829,977
Travel	59,397
Commodities	73,487
Equipment	104,066
Telecommunications	8,204
Awards and grants	<u>900</u>
Total applications	<u>1,513,607</u>
Excess of sources over applications	886,423
Transfers	
Transfers to other funds	<u>(690,625)</u>
Excess of sources over applications after transfers	195,798
Fund Balance, Beginning of Year	<u>1,586,937</u>
Fund Balance, End of Year	<u><u>\$ 1,782,735</u></u>

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
UNIVERSITY REPORTING IN ACCORDANCE WITH UNIVERSITY GUIDELINES
(UNAUDITED)
For the Year Ended June 30, 2018**

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, 2018, where such special data is found.

Compliance Findings

13(a) There were no violations of compliance requirements of the University Guidelines identified for the year ended June 30, 2018.

Indirect Cost Reimbursements

13(b) A statement of the sources and applications of indirect cost reimbursements is included on page 96 of this report.

13(c) The University’s calculation sheet for indirect cost carry-forward is included in this report on page 100.

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 a description of each entity’s sources of revenue and purpose are presented in this report on page 102.

13(f) Accounting entity financial statements are presented on pages 103 and 104 of this report. These entities financial statements should be read in conjunction with the University’s audited financial statements for the year ended June 30, 2018.

13(g) The University’s calculation sheet for current excess funds is presented in this report on page 101.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
UNIVERSITY REPORTING IN ACCORDANCE WITH UNIVERSITY GUIDELINES
(UNAUDITED) (continued)
For the Year Ended June 30, 2018**

Auxiliary Enterprises, Activities and Accounting Entities (Continued)

- 13(h) Support received by Auxiliary Enterprises from State appropriated funds for retirement and group insurance benefits amounted to approximately \$1,028,933 and \$594,081, respectively, for the year ended June 30, 2018. These amounts of supports were estimated by University management.
- 13(i) A Statement of Revenues, Expenses, and Changes in Net Position for the bond indenture required accounts is presented in Note 20 of the June 30, 2018 financial statements.
- 13(j) The revenue bond fund accounting conforms to the terms of the bond issue, including all covenants thereto.
- 13(k) The University does not currently have any non-instructional reserves established by the University's Board of Trustees.

University Related Organizations

- 13(l) The University recognizes the Northeastern Illinois University Foundation (the "Foundation") as University related organization. The University has designated no organization as "Independent Organizations" as defined in Section VII of the University Guidelines.
- 13(m) The Foundation does not pay the University for services provided. Compensation is in the form of University support. See page 106 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 Note 11 of the June 30, 2018 financial statements for details related to services and support provided.
- 13(o) At June 30, 2018, there was 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
UNIVERSITY REPORTING IN ACCORDANCE WITH UNIVERSITY GUIDELINES
(UNAUDITED) (continued)
For the Year Ended June 30, 2018**

Other Topics

- 13(q) Schedules of cash and cash equivalents held by the University are presented in the Analysis of Significant Account Balances section of this report on pages 83 to 87, and in Note 2 of the June 30, 2018 financial statements.
- 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 91 of this report.
- 13(t) The University did not purchase any real estate with an acquisition costs in excess of \$250,000 that was not funded by a separate, specific appropriation from the General Assembly.
- 13(u) The University's certificates of participation are presented in Note 9 of the June 30, 2018 financial statements.

**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) (UNAUDITED)
For the Year Ended June 30, 2018**

1. Cash and cash equivalents balance:	
Cash and cash equivalents	<u>\$ 1,879,806</u>
2. Allocated reimbursements:	
Indirect cost reimbursements allocated for expenditure for the fiscal year completed: (\$2,118,467 @ 30%)	635,540
3. Unallocated reimbursements:	
Lesser of actual unallocated indirect cost reimbursements for the year completed OR 10% of total indirect cost allocations for the year completed	211,847
4. Encumbrances and current liabilities paid in the lapse period:	
Current liabilities and encumbrances	<u>283,761</u>
5. Indirect cost carry-forward	<u>1,131,148</u>
EXCESS CASH TO BE DEPOSITED TO THE UNIVERSITY INCOME FUND	<u><u>\$ 748,658</u></u>

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF EXCESS FUNDS CALCULATION BY ENTITY AS REQUIRED BY THE 1982 UNIVERSITY GUIDELINES
(AMENDED 1997) (UNAUDITED)
For the Year Ended June 30, 2018**

	Activities						Auxiliary Enterprises												
	Student		Public		Student and Staff Services		Other Educational Services		Revenue Bonds		Other Auxiliary Enterprises								
	Programs	Fee	Service Activities	Service Activities	Service Departments	Service Departments	Other Educational Services	Educational Contracts	Student Union	Parking Lot Administration	Total Revenue Bonds	Total Other Auxiliary Enterprises							
1. Current Available Funds:																			
Cash	A. \$ 4,261,514	\$	482,679	\$	755,616	\$	2,004,967	\$	126,262	\$	1,098,199	\$	494,633	\$	1,069,055	\$	1,563,688	\$	137,100
2. Working capital allowance:																			
Highest month's expenditures	\$ 1,005,300	\$	61,254	\$	212,280	\$	1,321,292	\$	26,651	\$	38,009	\$	492,688	\$	180,090	\$	672,778	\$	89,679
Encumbrances and current liabilities paid in lapse period	433,106		25,238		36,347		378,845		3,912		3,904		74,705		7,521		82,226		7,438
Allowance for Sick Leave/Vacation Payouts	19,573		-		6,911		5,402		-		-		69,894		37,927		107,821		7,581
Deferred income	193,399		-		-		-		-		-		31,227		42,678		73,905		-
Refundable deposits	200		-		-		-		-		-		-		-		-		38,119
Total working capital allowance	B. \$ 1,651,578	\$	86,492	\$	255,538	\$	1,705,539	\$	30,563	\$	41,913	\$	668,514	\$	268,216	\$	936,730	\$	142,817
3. Current Excess Funds:																			
Deduct B from A	C. 2,609,936		396,187		500,078		299,428		95,699		1,056,286		(173,881)		800,839		626,958		(5,717)
4. Calculation of Income Fund Remittance																			
An entity may offset excess capital or current funds within the entity.																			
Enter the amount to be offset:																			
Allowable capital reserves (see below)	D. (4,332,737)		(1,015,000)		(870,661)		(323,223)		(1,297,641)		(293,340)								(1,449,077)
Enter the algebraic sum of C and D and remit the amount due, if any, for deposit in the Income Fund	\$ (1,722,801)	\$	(618,813)	\$	(370,583)	\$	(23,795)	\$	(1,201,942)	\$	762,946								\$ (822,119)
Excess Funds Offset																			
Allowable capital reserves	4,332,737		1,280,499		940,668		1,798,116		1,363,897		334,167								4,361,130 *
Actual capital reserves	-		(265,499)		(70,007)		(1,474,893)		(66,256)		(40,827)								(2,912,053)
Total Excess Funds Offset	\$ 4,332,737	\$	1,015,000	\$	870,661	\$	323,223	\$	1,297,641	\$	293,340								\$ 1,449,077

* This represents allowable capital reserves as required by the provisions of the University Revenue Bonds Facilities System bond resolution.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
DESCRIPTION OF ACTIVITIES AND ACCOUNTING ENTITIES (UNAUDITED)
For the Year Ended June 30, 2018**

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.

Indirect Costs are accounts for indirect cost reimbursements received for University grants and contracts.

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, conference and assembly space, student card services, information services, vending machines, and bookstore.

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 includes self-supporting activity of child care.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
BALANCE SHEETS - OTHER ENTITIES AND AUXILIARY ENTERPRISES (UNAUDITED)
For the Year Ended June 30, 2018**

	Activities							Auxiliary Enterprises					
	Public			Student and Staff		Other		Revenue Bonds					
	Student Fee Programs	Indirect Cost	Service Activities	Services	Departments	Educational Services	Educational Contracts	Student Union	Administration	Parking Lot	Total	Other Auxiliary Enterprises	
Assets													
Current Fund Assets													
Cash and cash equivalents	\$ 4,261,514	\$ 1,879,806	\$ 482,679	\$ 755,615	\$ 2,004,967	\$ 126,262	\$ 1,098,199	\$ 500,267	\$ 1,069,055	\$ 1,569,322	\$ 137,100		
Accounts receivable - net	743,322	-	(544)	19,195	-	-	-	173,714	186,198	359,912	-		
Prepaid expenses	611,917	58,444	-	-	3,949	-	-	6,794	-	6,794	-		
Inventories and other assets	-	-	-	-	13,822	-	-	-	-	-	-		
Total	5,616,753	1,938,250	482,135	774,810	2,022,738	126,262	1,098,199	680,775	1,255,253	1,936,028	137,100		
Plant Fund Assets													
Cash and cash equivalents	983,403	-	267,765	70,007	3,422,101	66,256	40,827	2,033,360	878,700	2,912,060	601,767		
Land and land improvements	806,265	-	276,631	203,012	191,689	203,841	56,131	1,287,068	-	1,287,068	424,025		
Buildings and construction in progress	12,542,513	-	7,157,912	1,498,675	1,820,365	6,537,828	747,566	3,627,060	11,009,190	14,636,250	3,460,941		
Equipment	3,125,614	-	42,036	35,576	4,583,170	2,132,673	380,235	23,906	33,313	57,219	91,782		
Total	17,457,795	-	7,744,344	1,807,270	10,017,325	8,940,598	1,224,759	6,971,394	11,921,203	18,892,597	4,578,515		
Total assets	23,074,548	1,938,250	8,226,479	2,582,080	12,040,063	9,066,860	2,322,958	7,652,169	13,176,456	20,828,625	4,715,615		
Liabilities													
Current Fund Liabilities													
Accounts payable and accrued liabilities	452,679	155,392	25,238	43,271	324,230	3,912	3,904	144,599	45,448	190,047	15,019		
Unearned revenues	193,399	123	-	-	-	-	-	31,227	42,678	73,905	-		
Leases payable	-	-	-	-	-	-	-	-	-	-	38,119		
Refundable deposits	200	-	-	(13)	60,016	-	-	-	-	-	-		
Total	646,278	155,515	25,238	43,258	384,246	3,912	3,904	175,826	88,126	263,952	53,138		
Plant Fund Liabilities													
Accounts payable and accrued liabilities	-	-	2,266	-	163,810	-	-	14,488	293,700	308,188	-		
Revenue bonds payable	-	-	-	-	-	-	-	-	14,976,210	14,976,210	-		
Total	-	-	2,266	-	163,810	-	-	14,488	15,269,910	15,284,398	-		
Total liabilities	646,278	155,515	27,504	43,258	548,056	3,912	3,904	190,314	15,358,036	15,548,350	53,138		
Fund balance													
Investment in plant	16,474,392	-	7,476,579	1,737,263	6,595,224	8,874,342	1,183,932	4,938,034	(3,933,707)	1,004,327	3,976,748		
Reserves - Plant	983,403	-	265,499	70,007	3,258,291	66,256	40,827	2,024,506	585,000	2,609,506	601,767		
Unrestricted	4,970,475	1,782,735	456,897	731,552	1,638,492	122,350	1,094,295	499,315	1,167,127	1,666,442	83,962		
Total fund balance	22,428,270	1,782,735	8,198,975	2,538,822	11,492,007	9,062,948	2,319,054	7,461,855	(2,181,380)	5,280,275	4,662,477		
Total liabilities and fund balance	\$ 23,074,548	\$ 1,938,250	\$ 8,226,479	\$ 2,582,080	\$ 12,040,063	\$ 9,066,860	\$ 2,322,958	\$ 7,652,169	\$ 13,176,456	\$ 20,828,625	\$ 4,715,615		

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - OTHER ENTITIES AND AUXILIARY
ENTERPRISES (UNAUDITED)
For the Year Ended June 30, 2018**

	Activities				Auxiliary Enterprises							
	Student Fee Programs	Indirect Cost	Public Service Activities	Student and Staff Services	Service Departments	Other Educational Services	Educational Contracts	Student Union	Revenue Bonds		Other Auxiliary Enterprises	
									Parking Lot Administration	Total Revenue Bonds		
OPERATING REVENUES												
Student tuition and fees	\$ 10,102,134	\$ 452,054	-	\$ 388,003	\$ -	\$ -	\$ -	\$ 1,727,463	\$ -	\$ 1,727,463	\$ -	-
Federal grants and contracts	-	1,490,288	-	-	-	-	-	-	-	-	-	-
State and local grants	-	165,453	-	-	-	-	-	-	-	-	-	-
Nongovernmental grants and contracts	-	66,510	-	-	-	687,206	-	-	-	-	-	-
Auxiliary enterprises	-	225,725	-	-	-	-	-	268,713	1,749,162	2,017,875	-	760,904
Other operating revenues	65,074	-	454,431	442,581	3,364,852	248,141	64,296	-	7,207	-	-	-
Total operating revenues	10,167,208	2,400,030	454,431	830,584	3,364,852	248,141	751,502	1,996,176	1,756,369	3,752,545	-	760,904
OPERATING EXPENSES												
Personal services, retirement, social security and group insurance	1,552,313	437,576	104,581	211,014	273,507	3,823	239,755	634,663	626,302	1,260,965	-	612,587
Contractual services	3,515,468	829,977	289,880	367,659	1,913,243	171,500	11,678	438,758	187,390	626,148	-	38,850
Travel	26,398	59,397	8,593	11,136	766	10,715	1,743	3,979	-	3,979	-	-
Commodities	197,874	73,487	31,582	151,562	37,750	-	3,749	8,354	24,178	32,532	-	56,741
Equipment	568,745	104,066	70,154	40,981	3,844	16,326	15,416	21,527	649	22,176	-	239
Telecommunications	13,016	8,204	-	20,939	41,689	-	-	4,819	8,110	12,929	-	473
Operation of automotive equipment	512	-	-	1,642	3,806	-	-	1,748	2,129	3,877	-	-
Awards and grants	3,670	900	550	23,000	-	-	5,092	-	-	-	-	-
Permanent improvements	48,358	-	35,950	-	-	-	-	-	-	-	-	-
Depreciation	499,835	-	265,000	208,122	99,894	1,413,991	237,660	175,067	628,833	803,900	-	10,210
Other operating expenses	452,054	-	-	-	-	-	-	99,860	87,819	187,679	-	38,045
Total operating expenses	6,878,243	1,513,607	806,290	1,036,055	2,374,499	1,616,355	515,093	1,388,775	1,565,410	2,954,185	-	757,145
Operating income (loss)	3,288,965	886,423	(351,859)	(205,471)	990,353	(1,368,214)	236,409	607,401	190,959	798,360	-	3,759
NONOPERATING REVENUES (EXPENSES)												
Investment income	-	-	-	-	-	-	-	1,032	-	1,032	-	-
Interest on indebtedness	-	-	-	-	-	-	-	-	(587,400)	(587,400)	-	-
Net nonoperating expenses	-	-	-	-	-	-	-	-	(587,400)	(586,368)	-	-
INCREASE (DECREASE) IN FUND BALANCE	3,288,965	886,423	(351,859)	(205,471)	990,353	(1,368,214)	236,409	608,433	(396,441)	211,992	-	3,759
TRANSFERS IN (OUT) OTHER FUNDS	(1,130,800)	(690,625)	87,500	1,229,840	-	75,000	-	202,805	(334,019)	(131,214)	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES AND TRANSFERS	2,158,165	195,798	(264,359)	1,024,369	990,353	(1,293,214)	236,409	811,238	(730,460)	80,778	-	3,759
FUND BALANCE, BEGINNING OF YEAR	20,270,105	* 1,586,937	8,463,334	1,514,453	10,501,654	10,356,162	2,082,645	6,650,617	(1,451,120)	5,199,497	-	4,658,718
FUND BALANCE, END OF YEAR	\$ 22,428,270	\$ 1,782,735	\$ 8,198,975	\$ 2,538,822	\$ 11,492,007	\$ 9,062,948	\$ 2,319,054	\$ 7,461,855	\$ (2,181,580)	\$ 5,280,275	\$	\$ 4,662,477

* Certain prior year amounts have been reclassified for consistency with the current period presentation.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF TUITION AND FEE WAIVERS (UNAUDITED)
For the Year Ended June 30, 2018**

	Undergraduate				Graduate			
	Tuition Waivers		Fee Waivers		Tuition Waivers		Fee Waivers	
	Number of Recipients	Value of Waivers (in thousands)	Number of Recipients	Value of Waivers (in thousands)	Number of Recipients	Value of Waivers (in thousands)	Number of Recipients	Value of Waivers (in thousands)
Mandatory Waivers								
Teacher Special Education	2	\$ 16.8	2	\$ 1.7	26	\$ 133.0	26	\$ 10.8
Reserve Officer's Training Corps	8	73.3	8	7.3	-	-	-	-
Wards of Illinois Children and Family Services	7	50.6	7	5.0	-	-	-	-
Children of Employees	39	118.4	-	-	-	-	-	-
Senior Citizens	10	24.2	-	-	2	4.6	-	-
Veterans Grants and Scholarships	144	776.8	144	76.6	41	146.4	41	11.9
	210 *	1,060.1	161 *	90.6	69 *	284.0	67 *	22.7
Discretionary Waivers								
Faculty/Administrators (Non-civil Service)	2	5.1	2	0.5	40	99.1	40	8.0
Civil Service	26	94.1	26	0.9	71	255.7	71	27.5
Academic/Other Talent	430	1,028.4	-	-	185	262.8	-	-
Foreign Exchange Students	67	842.1	67	83.4	9	83.3	9	6.7
Student Need-Financial Aid	81	136.6	-	-	22	24.3	-	-
Cooperating Professionals	-	-	-	-	22	30.1	-	-
Research Assistants	-	-	-	-	14	67.7	14	5.5
Teaching Assistants	-	-	-	-	40	234.6	40	19.0
Other Assistants	-	-	-	-	60	301.8	60	24.5
Interinstitutional/Related Agencies	36	122.3	36	12.1	19	83.0	19	6.7
Contract/Training Grants	-	-	-	-	25	117.5	25	8.3
	627 *	2,228.6	131 *	96.9	485 *	1,559.9	278 *	106.2
Total	837	\$ 3,288.7	292	\$ 187.5	554	\$ 1,843.9	345	\$ 128.9

* Each recipient is only counted once in each category total even if they receive multiple different program waivers in the same category.
The count totals only count the recipient one time so these numbers may not total.

Tuition and Fee Waiver Report submitted to the Illinois Board of Higher Education (IBHE) covers data for Academic Year 2017-2018.

**STATE OF ILLINOIS
 NORTHEASTERN ILLINOIS UNIVERSITY
 SUMMARY OF FOUNDATION PAYMENTS TO THE UNIVERSITY (UNAUDITED)
 For the Year Ended June 30, 2018**

In Fiscal Year 2018, 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 \$356,921 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 University Guidelines computations:	
Restricted only as to campus, college, or department and generally available for ongoing University operations:	
Given to specific departments	\$ 520,806
Funds considered restricted for purposes of the Guidelines computations:	
Given for scholarships, grants, and awards	<u>695,139</u>
Total Funds provided to the University by the Foundation	1,215,945
The Foundation also provided fundraising activities for the University. The value of the activities on a time and material basis were:	
Fundraising and special events expenses	<u>—</u>
Total financial and service support	<u><u>\$ 1,215,945</u></u>