

NOTE:

The results of our compliance testing in accordance with the Single Audit Act and OMB Circular A-133 for the FY 09 reporting period has been reissued in a separate report.

Please disregard the information previously reported on pages 12, 14, 15, 23, 24, 25, 46, 47, 48, 49, 50, and 51 in the State of Illinois, Northeastern Illinois University Compliance Examination (In Accordance with the Single Audit Act and OMB Circular A-133) for the year ended June 30, 2009.

For updated information please refer to the separately issued report entitled State of Illinois, Northeastern Illinois University, Single Audit (In Accordance with the Single Audit Act and OMB Circular A-133) for the year ended June 30, 2009.

The previously issued report did not include the federal Higher Education Institutional Aid program as a major program. This federal program was subsequently tested and reported as a major program. The Auditor's *Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133* dated April 15, 2011 replaces the previously issued report dated December 15, 2009.

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

For the Year Ended June 30, 2009
Performed as Special Assistant Auditors for
the Auditor General, State of Illinois

State of Illinois
Northeastern Illinois University
Single Audit
(In Accordance with the Single Audit Act and OMB Circular A-133)
For the Year Ended June 30, 2009

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**State of Illinois
Northeastern Illinois University**

Agency Officials

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Associate Vice President - Financial and Administrative
Affairs

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Ms. Peggy Ho

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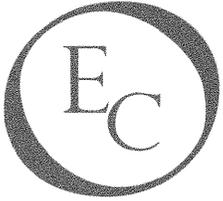
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the basic financial statements of the business-type activities of the Northeastern Illinois University (University) and its aggregate discretely presented component unit, collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2009, and have issued our report thereon dated December 15, 2009. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the University's discretely presented component unit, as described in our report on the 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, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements and not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiencies described in finding 09-1 in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency or 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. We consider the deficiencies described in findings 09-2 and 09-3 in the accompanying schedule of findings to be significant deficiencies.

Compliance and Other Matters

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

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

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

E. C. Ortiz & Co., LLP

December 15, 2009



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

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

We have audited the compliance of Northeastern Illinois University (University) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

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

As described in item 09-4 in the accompanying schedule of findings and questioned costs, the University did not comply with requirements regarding reporting that are applicable to its TRIO Cluster. Compliance with such requirements is necessary, in our opinion, for the University to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 09-5 and 09-6.

Internal Control Over Compliance

The management of the University is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the University's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over compliance.

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 09-4 to 09-6 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider 09-4 to be a material weakness.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the business-type activities and the aggregate discretely presented component unit of the University as of and for the year ended June 30, 2009, and have issued our report thereon dated December 15, 2009. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the University's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

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

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

As discussed in Note 5 to the Schedule of Expenditures of Federal Awards, our previously issued report did not include the Higher Education Institutional Aid program as a major program. This program was subsequently tested and reported as a major program. This report replaces our previously issued report dated December 15, 2009.

E. C. Ortig & Co., LLP

December 15, 2009, except as to the Higher Education Institutional Aid program (CFDA 84.031) and the Schedule of Expenditures of Federal Awards which is as of April 15, 2011.

**SCHEDULE OF FINDINGS
AND
QUESTIONED COSTS**

**State of Illinois
 Northeastern Illinois University
 For the Year Ended June 30, 2009**

Summary of Auditors' Results - As Restated

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

Type of auditors' report issued on compliance for major programs: Qualified

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

**State of Illinois
Northeastern Illinois University
For the Year Ended June 30, 2009**

Summary of Auditors' Results - As Restated, Continued

Identification of major programs:

<u>CFDA#</u>	<u>Name of Federal Program or Cluster</u>
	Student Financial Assistance Cluster
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs TRIO Cluster
84.287	Twenty-First Century Community Learning Centers
84.031	Higher Education Institutional Aid*

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

\$729,641

Auditee qualified as low-risk auditee?

 Yes X No

** Represents revised information from the previously issued report.*

**State of Illinois
Northeastern Illinois University
For the Year Ended June 30, 2009**

CURRENT FINDINGS - GOVERNMENT AUDITING STANDARDS

09-1 *Controls for Reporting Accrued Compensated Absences*

The Northeastern Illinois University (University) did not have adequate controls in place for identifying and reporting the University's liability for accrued compensated absences.

The University began maintaining its records of employees' vested vacation and sick time in its new Human Resources (HR) Banner information system. At the end of the fiscal year, the HR department queried the system in order to extract data, which is then used to adjust the accrued compensated absences liability on the University's financial statements.

The liability for accrued compensated absences reported on the University's financial statements amounted to \$9,391,229 at June 30, 2009. Based on our review of the Leave Liability Report (Report), we noted the following:

- The salary rates used in the calculation of accrued compensated absences for 45 employees included the across-the-board increase effective July 1, 2009 resulting in an overstatement of \$8,086 in the accrued compensated absences liability.
- Vacation leave accruals for bi-weekly employees were not calculated based on the actual hours in pay status in accordance with the University policy resulting in an overstatement of \$15,275 in the accrued compensated absences liability.
- Four (4) employees with compensable vacation leave balances were not included in the Report resulting in an understatement of \$9,482 in the accrued compensated absences liability.

Based on our detailed testing of vacation and sick leave balances for 30 employees, we noted the following errors:

- Comparison of the salary rates used for June 30, 2008 and 2009 calculation of the accrued compensated absences showed that salary rates used for prior year accruals were incorrect. The error was caused by inaccurately using 75 hours per pay period instead of 81.25 hours in the calculation of rates per hour for some semi-monthly employees. The 75 hours is the default used in the Banner information system applicable to bi-weekly employees and should have been modified for semi-monthly employees. The effect on the previously issued 2008 financial statements would be an overstatement of the accrued compensated absences liability in the amount of \$674,082.

**State of Illinois
Northeastern Illinois University
For the Year Ended June 30, 2009**

CURRENT FINDINGS - *GOVERNMENT AUDITING STANDARDS*, Continued

- Sick leave balances for 6 employees who were not eligible for accrual were included in the Report resulting in an overstatement of \$24,619 in the accrued compensated absences liability.
- Vacation usages for 7 employees for various months during the year were either incorrectly posted or not recorded in the Banner information system resulting in a net overstatement of \$332 in the accrued compensated absences liability.
- Vacation leave accruals for 3 employees during the year were either incorrectly calculated or not recorded in the Banner information system resulting in a net understatement of \$1,140 in the accrued compensated absences liability.

A net adjusting entry of \$636,392 was proposed to correct the current year understated compensated sick and vacation expenses associated with the exceptions noted. The University did not adjust the financial statements. The amount was determined not to materially affect the financial statements and the adjustment has been included on the auditor's schedule of proposed adjustments.

Proper internal controls require management to establish appropriate procedures to ensure that accurate financial statements are presented in accordance with generally accepted accounting principles. In addition, 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 financial data is properly recorded and accounted for to permit the preparation of reliable financial reports.

University officials indicated that the errors noted in the Report were mainly due to the implementation of the new information system used to accumulate the information for the accrued compensated absences liability and oversight.

Failure to implement proper internal control procedures may result in a material misstatement in the University's financial statements. (Finding Code Nos. 09-1, 08-1)

Recommendation

We recommend the University implement adequate internal controls to ensure that financial information is complete and accurate. Specifically, the HR department should verify the information extracted from the system prior to submitting the Report to the auditors for their review.

**State of Illinois
Northeastern Illinois University
For the Year Ended June 30, 2009**

CURRENT FINDINGS - *GOVERNMENT AUDITING STANDARDS*, Continued

University Response

The University concurs with this recommendation. Improvements in internal controls were made and the fiscal year 2009 liability for compensated absences is fairly stated.

**State of Illinois
Northeastern Illinois University
For the Year Ended June 30, 2009**

CURRENT FINDINGS - GOVERNMENT AUDITING STANDARDS, Continued

09-2 *Financial Adjustments*

The Northeastern Illinois University (University) did not identify errors in the draft financial statements provided to auditors.

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

- The unapplied payments at yearend consisting of student tuition and fees, financial aid, and tuition waivers totaling \$722,529 were presented as accounts payable in the Statement of Net Assets instead of being offset against student receivables. The University subsequently made the necessary adjustments in the financial statements.
- The fiscal year 2010 portion of the Summer tuition waivers totaling \$194,726 was presented as part of the student receivables in the Statement of Net Assets instead of deferred charges. The University subsequently made the necessary adjustments in the financial statements.
- The state and local grant revenues include erroneous accrual for 2 local grants considered as “fee for service type” grants wherein revenues are recorded upon receipt of the grant amount. However at yearend, the University recorded accrued revenues for the excess of total expenses over amounts collected resulting in an overstatement of \$247,987 in the grants receivable and state and local grant revenues. This amount was not adjusted since it was determined to be immaterial in relation to the financial statements.

During our detailed testing of vouchers as part of the compliance examination, we also noted the following:

- A voucher amounting to \$25,873 for the purchase of books received by the University during fiscal year 2008 was recorded as a fiscal year 2009 expense. This amount was not adjusted since it was determined to be immaterial in relation to the financial statements.
- Four (2%) vouchers incurred and paid subsequent to fiscal year 2009 totaling \$77,958 initially accrued as fiscal year 2009 expenses were reversed against a prepaid expense account instead of the related payable account. The University subsequently made the necessary adjustments in the financial statements.

**State of Illinois
Northeastern Illinois University
For the Year Ended June 30, 2009**

CURRENT FINDINGS - *GOVERNMENT AUDITING STANDARDS*, Continued

Management has the ultimate responsibility for the University's internal control over financial reporting. This responsibility should include an adequate system of review of the completeness and accuracy of the University's financial statements to ensure that the financial statements are presented in accordance with accounting principles generally accepted in the United States of America.

In addition, 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 financial data is properly recorded and accounted for to permit the preparation of reliable financial reports.

According to University management, the exceptions noted were due to the implementation of the new information system and oversight.

Failure to implement proper internal control procedures may result in a material misstatement in the University's financial statements. (Finding Code No. 09-2)

Recommendation

We recommend the University review its current process for the preparation and review of the annual financial statements to ensure that financial information is complete and accurate in accordance with generally accepted accounting principles.

University Response

The University concurs with this recommendation.

**State of Illinois
Northeastern Illinois University
For the Year Ended June 30, 2009**

CURRENT FINDINGS - GOVERNMENT AUDITING STANDARDS, Continued

09-3 *Student Receivables Not Reconciled Timely*

Northeastern Illinois University (University) did not perform reconciliations of its student receivables on a timely basis.

The Student module of the University's Banner information system went live in March 2008, beginning with Summer 2008 enrollment. Interface of the transactions from the Student module to the Finance module in Banner to generate accounting entries started in June 2008. The University's Bursar's Office did not perform timely reconciliations to ensure that all transactions from the Student module were fed to the Finance module.

During our walkthrough review of the University's tuition and fees revenue process performed in May 2009, we noted that the feed error report generated from Banner showed that tuition and fees revenue from Spring 2009 enrollment of approximately \$738,291 was not fed from the Student module to the Finance module. This resulted in an understatement of the tuition and fees revenue and the related receivables. The University subsequently corrected this error in Banner.

Sound internal controls require management to establish appropriate procedures to ensure that accurate financial statements are presented in accordance with generally accepted accounting principles. Receivables should be reconciled on a timely basis to ensure prompt disposition of errors.

In addition, 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, which shall provide assurance that financial data is properly recorded and accounted for to permit the preparation of reliable financial reports.

University officials indicated that the condition noted above was mainly due to the implementation of the new Banner information system.

Failure to perform timely reconciliations may result in a material misstatement in the University's financial statements. (Finding Code No. 09-3)

Recommendation

We recommend the University perform timely reconciliations of student receivables to ensure that financial information is complete and accurate.

**State of Illinois
Northeastern Illinois University
For the Year Ended June 30, 2009**

CURRENT FINDINGS - *GOVERNMENT AUDITING STANDARDS*, Continued

University Response

The University concurs with this recommendation.

**State of Illinois
 Northeastern Illinois University
 For the Year Ended June 30, 2009**

CURRENT FINDINGS - FEDERAL COMPLIANCE - AS RESTATED

Federal Agency: U.S. Department of Education

Program Name	CFDA #	Program Expenditures
TRIO Cluster - Upward Bound	84.047	(\$314,428)
TRIO Cluster - Upward Bound Math and Science	84.047	(256,986)
TRIO Cluster - McNair Post-Baccalaureate Achievement	84.217	(207,158)
Higher Education Institutional Aid*	84.031	(894,106)

Questioned Costs: None - Procedural Finding Only

09-4 Grant Expenditures Not Reimbursed Timely

The University's grant expenditures were not reimbursed timely through cash draw downs of grant funds.

During our review of the University's cash management activities, we noted that expenditures from grant funds were not reimbursed through cash draw downs from the U.S. Department of Education (ED) in a timely manner. The funding periods for these major grant programs have ended, however, the University did not perform the draw down of the remaining funds during the closeout period. No extension had been requested by the University. Details are as follows:

<u>Fund Description</u>	<u>Funding Period End Date</u>	<u>Balance as of June 30, 2009</u>
Upward Bound (a)	August 31, 2007	\$ 83,440
Upward Bound Math and Science (b)	August 31, 2008	91,468
McNair Post-Baccalaureate Achievement (c)	September 30, 2007	69,136
Higher Education Institutional Aid (b)*	September 30, 2007	<u>75,799</u>
		<u>\$319,843</u>

* Represents revised information from the previously issued report.

**State of Illinois
 Northeastern Illinois University
 For the Year Ended June 30, 2009**

CURRENT FINDINGS - FEDERAL COMPLIANCE - AS RESTATED, Continued

We also noted other non-major programs whose funding periods have ended for which expenditures were not reimbursed from ED as follows:

<u>Fund Description</u>	<u>Funding Period End Date</u>	<u>Balance as of June 30, 2009</u>
Special Education - Personnel		
Preparation to Improve Services And Results for Children with Disabilities (b)	May 31, 2007	\$ 512
Overseas Programs -		
Group Projects Abroad (d)	March 31, 2009	29,024
Funds for Improvement of		
Postsecondary Education (FIPSE) (<i>Drug and Violence Prevention</i>)(b)	September 30, 2007	58,580
Early Reading First (a)	August 31, 2008	<u>103,003</u>
		<u>\$191,119</u>

Status of the unreimbursed expenditures as of October 31, 2009:

- (a) ED already requested the University to provide documents supporting the unreimbursed funds.
- (b) The University is currently coordinating with ED to reinstate into the G5 System for the University to draw down the unreimbursed funds.
- (c) The University has provided ED the supporting documentation for the unreimbursed funds.
- (d) ED already approved and subsequently reimbursed the University.

The Code of Federal Regulations (34 CFR 74.71 *Closeout Procedures*) requires that grantees shall liquidate all obligations incurred under the award not later than 90 calendar days after the funding period or the date of completion. It further requires grantees to submit all financial, performance and other reports within 90 calendar days after the date of completion of the award, unless ED approves an extension when requested by the grantee.

University officials stated that the delay in reimbursement through cash draw downs of expenditures from grants funds was due to the new system implementation used in processing and monitoring of grant expenditures. This further resulted in the delay of recording grant expenditures. In addition, ED also changed its online system for cash draw downs from Grant Administration and Payment System (GAPS) to G5 System starting December 17, 2007, which resulted in the exclusion of the old grants in the system.

**State of Illinois
Northeastern Illinois University
For the Year Ended June 30, 2009**

CURRENT FINDINGS - FEDERAL COMPLIANCE - AS RESTATED, Continued

Failure to request reimbursement of grant expenditures within the allowable period results in noncompliance with Federal requirements and could result in the University not being able to recover reimbursable costs from the Department of Education. (Finding Code No. 09-4)

Recommendation

We recommend the University comply with the Federal regulations and ensure timely reimbursement of expenditures from grant funds. We also recommend that a cutoff in reviewing and processing of expenditures be performed by Program personnel to ensure that all expenditures are recorded before the completion of the grant. If for future reference the University is unable to closeout the grant within the required timeframe, we recommend the University request an extension from the grantor so that the University receives their reimbursable expenditures.

University Response

The University concurs with this recommendation.

**State of Illinois
 Northeastern Illinois University
 For the Year Ended June 30, 2009**

CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

Federal Agency: U.S. Department of Education

Program Name	CFDA #	Program Expenditures
Twenty-First Century Community Learning Centers	84.287	(\$1,210,842)
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	(8,466,529)

Questioned Costs: None - Procedural Finding Only

09-5 Inadequate Controls Over Payroll Processing of Employees Paid from Grant Funds

Northeastern Illinois University (University) did not have adequate controls over payroll processing of employees paid from grant funds.

During our review of the University’s internal control system in place over grant programs, we noted that payroll costs charged to different grant programs were not reviewed on a timely basis. The review of payroll costs was only performed by the University towards the end of the fiscal year, and the related errors noted were only adjusted during the fiscal year end closing. This resulted in inaccurate payroll costs reported in the quarterly expenditure reports of the Twenty-First Century Community Learning Centers (21st Century) grant program submitted to the Illinois State Board of Education (ISBE) for the fiscal year, as follows:

<u>Reporting Period</u>	<u>Reported Payroll Costs</u>	<u>Adjusted Payroll Costs</u>	<u>Overstatement of Reported Payroll Costs</u>
2 nd Quarter	\$297,504	\$296,688	\$ 816
3 rd Quarter	519,419	479,539	39,880
4 th Quarter	735,892	729,003	6,889

The final expenditure report of the 21st Century grant program submitted by the University to ISBE already reflected the adjusted payroll costs as of June 30, 2009.

During our detailed testing of payroll for 30 grant employees, we also noted the following for 21st Century and GEAR UP grants:

- Payroll costs for five grant employees for various pay periods were charged to the wrong grant fund accounts. The University subsequently made the necessary adjustments.

**State of Illinois
Northeastern Illinois University
For the Year Ended June 30, 2009**

CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

- Timesheets for two grant employees for one month with payroll costs totaling \$7,027 were not signed by their immediate superiors.
- Payroll costs for two grant employees for various pay periods totaling \$5,128 were not supported with appointment forms.

The Office of Management and Budget (OMB) Circular A-21 (Subsection J.10, Compensation for Personal Services) states that compensation for personal services covers all amounts paid currently or accrued by the institution for services of employees rendered during the period of performance under sponsored agreements. Such amounts as salaries, wages, and fringe benefits are allowable to the extent that the total compensation to individual employees conforms to the established policies of the institution, consistently applied, and provided that the charges for work performed directly on sponsored agreements are determined and supported. It further states that the apportionment of employees' salaries and wages which are chargeable to more than one sponsored agreement will be accomplished by methods which will produce an equitable distribution of charges for employee's activities.

University procedures require that an approved appointment form must be submitted to the Office of Human Resources (HR) for each employee's job assignment and any changes thereto. It further requires that the timesheet must be signed by the employee's supervisor and unit head.

University officials indicated that the delay in the review of payroll costs charged to grant programs was mainly due to the Program Directors and other grant personnel not having access to the payroll details in the Banner system. In addition, payroll detail reports generated by the University's Administrative Information System (AIS) department were not timely provided to the Program Directors for their analysis.

University officials also indicated that the charging of payroll costs to wrong grant fund accounts was due to the following:

- FOAP (Fund, Organization, Account, Program) used in Banner system did not match the appointment form due to incorrect encoding or input.
- The default FOAP data assigned to a particular employee position in the Banner system was not modified to correspond with the appointment form.
- Late or non-submission of updated appointment forms for subsequent changes to job assignments.

**State of Illinois
Northeastern Illinois University
For the Year Ended June 30, 2009**

CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

- Incorrect FOAP upon conversion from the old payroll system (ADP) to Banner.

The other conditions noted above were due to oversight.

Inadequate controls over payroll processing of employees paid from grant funds resulted in inaccurate charges to grant programs not promptly adjusted. It could also result in inaccurate quarterly or annual expenditure reports submitted to the State or Federal awarding agencies. In addition, reimbursement of expenditures through cash draw downs may not reflect the actual payroll costs. (Finding Code No. 09-5)

Recommendation

We recommend the University implement procedures to ensure: (1) timely review of payroll costs charged to grant funds by providing the Program Directors access to the appropriate payroll information, (2) employee job assignments are properly supported with appointment forms, and (3) timesheets submitted by employees are properly signed and approved by the supervisor.

University Response

The University concurs with this recommendation.

**State of Illinois
Northeastern Illinois University
For the Year Ended June 30, 2009**

CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

Federal Agency: U.S. Department of Education

Program Name: TRIO Cluster - Upward Bound Math and Science

CFDA # and Program Expenditures: 84.047 (\$256,986)

Questioned Costs: None - Procedural Finding Only

09-6 *Inadequate Procedures Over Verification of Eligibility Requirements*

The University did not have adequate procedures over verification of eligibility requirements for TRIO Cluster - Upward Bound Math and Science program.

In our eligibility testing of 15 TRIO Cluster - Upward Bound Math and Science participants, we noted the following:

- The University did not completely document its determination of the student's need for services provided by the program for 12 participants prior to the award.
- There was no evidence of review and approval of the eligibility determinations made by the University for 10 participants.
- The University did not completely document its determination of the student's grade level for a participant prior to the award.
- The University did not completely document its determination of the student's citizenship or residency status for a participant prior to the award.

The Code of Federal Regulations (34 CFR 645.3) states that an individual is eligible to participate in an Upward Bound Math and Science program if all of the following requirements are met: (a) a citizen, national, or permanent resident of the United States, or is in the United States for other than a temporary purpose; (b) a potential first-generation college student or a low-income individual; (c) has a need for academic support in order to pursue successfully a program of education beyond high school; and (d) at the time of initial selection has completed the 8th grade but has not entered the 12th grade and is at least 13 years old but not older than 19.

University officials stated that the conditions noted above were the result of oversight during eligibility processing.

**State of Illinois
Northeastern Illinois University
For the Year Ended June 30, 2009**

CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

Failure to document, review, and verify the required eligibility information may result in providing benefits or scholarship awards to ineligible applicants thereby resulting in noncompliance with Federal regulations, policies and procedures. (Finding Code No. 09-6)

Recommendation

We recommend the University verify the eligibility requirements for grant applicants and maintain supporting documentation and evidence of review and approval to ensure compliance with Federal regulations.

University Response

The University concurs with this recommendation.

**State of Illinois
Northeastern Illinois University**

Fiscal Schedules and Analysis

Schedule of Expenditures of Federal Awards - As Restated

For the Year Ended June 30, 2009

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Pass-Through Number	FY 2009 Expenditures
MAJOR PROGRAMS			
<u>DEPARTMENT OF EDUCATION</u>			
STUDENT FINANCIAL ASSISTANCE CLUSTER			
Federal Pell Grant Program	84.063		\$ 9,943,629
Federal Work-Study Program	84.033		483,041
Federal Supplemental Educational Opportunity Grants	84.007		306,836
Academic Competitiveness Grants	84.375		208,200
National Science and Mathematics Access to Retain Talent (SMART) Grants	84.376		148,500
Federal Perkins Loan Program - Federal Capital Contributions (Note 2)	84.038		-
Federal Family Education Loans (Note 3)	84.032		-
TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER			<u>11,090,206</u>
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334		<u>8,466,529</u>
TRIO CLUSTER			
TRIO - Talent Search Program	84.044		384,207
TRIO - Upward Bound Program	84.047		314,428
TRIO - Upward Bound Math and Science Competition	84.047		256,986
TRIO - McNair Post-Baccalaureate Achievement	84.217		<u>207,158</u>
TOTAL TRIO CLUSTER			<u>1,162,779</u>
Twenty-First Century Community Learning Centers			
Passed-Through Illinois State Board of Education			
<i>Title IV - 21st Century Community Learning Centers</i>	84.287	2008-4421-04	341
<i>Title IV - 21st Century Community Learning Centers</i>	84.287	2008-4421-07	<u>1,210,501</u>
			<u>1,210,842</u>
Higher Education Institutional Aid*			
<i>Improving Retention Through Academic Literacy (HSI)</i>	84.031		696,295
<i>Science Engagement at NEIU (CCRAA-HSI)</i>	84.031		<u>197,811</u>
			<u>894,106</u>
TOTAL DEPARTMENT OF EDUCATION			<u>22,824,462</u>
TOTAL MAJOR PROGRAMS			<u>22,824,462</u>

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

State of Illinois
Northeastern Illinois University
Fiscal Schedules and Analysis, Continued

Schedule of Expenditures of Federal Awards - As Restated, Continued
For the Year Ended June 30, 2009

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Pass-Through Number	FY 2009 Expenditures
OTHER PROGRAMS			
<u>DEPARTMENT OF EDUCATION</u>			
School Leadership <i>Star School Leadership Project</i>	84.363		<u>368,748</u>
Bilingual Education Training Grants <i>National Professional Development Program</i>	84.195		<u>270,810</u>
Rehabilitation Long-Term Training <i>Rehabilitation Counseling</i>	84.129		<u>143,015</u>
Early Reading First <i>Roots of Language and Literacy</i>	84.359		<u>116,365</u>
Capacity Building for Traditionally Underserved Populations <i>Rehabilitation Counseling Capacity Building Project</i>	84.315		<u>89,380</u>
Improving Teacher Quality State Grants Passed-Through Illinois Board of Higher Education <i>No Child Left Behind</i>	84.367	None	<u>58,287</u>
Child Care Access Means Parents in School <i>Child Care Access Means Parents in Schools</i>	84.335		<u>53,303</u>
Overseas Programs - Group Projects Abroad <i>International: Overseas-Group Projects Abroad</i>	84.021		<u>29,024</u>
RESEARCH AND DEVELOPMENT CLUSTER			
Education Research, Development and Dissemination Passed-Through University of Wisconsin System <i>Does Visual Scaffolding Facilitate Students' Mathematics Learning?</i>	84.305	X392630	<u>28,703</u>
TOTAL RESEARCH AND DEVELOPMENT CLUSTER			<u>28,703</u>
TOTAL DEPARTMENT OF EDUCATION			<u>1,157,635</u>

State of Illinois
Northeastern Illinois University
Fiscal Schedules and Analysis, Continued

Schedule of Expenditures of Federal Awards - As Restated, Continued
For the Year Ended June 30, 2009

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Pass-Through Number	FY 2009 Expenditures
<u>NATIONAL SCIENCE FOUNDATION</u>			
RESEARCH AND DEVELOPMENT CLUSTER			
Mathematical and Physical Sciences			
<i>Robust Numerical Methods in Polynomial Algebra with Approximate Data</i>	47.049		32,131
<i>Research in Undergraduate Institutions: Hamiltonian Instability</i>	47.049		16,198
			<u>48,329</u>
Intergovernmental Personnel Act			
<i>Title IV - Intergovernmental Personnel Act of 1970 - Pratibha Varma-Nelson</i>	None		<u>14,869</u>
TOTAL RESEARCH AND DEVELOPMENT CLUSTER			<u>63,198</u>
Mathematical and Physical Sciences			
<i>Math and Science Cohort of Scholars</i>	47.049		8,261
Passed-Through Purdue University			
<i>Undergraduate Research Centers</i>	47.049	501-1324-01	13,291
			<u>21,552</u>
Education and Human Resources			
Passed-Through Chicago State University			
<i>Illinois Louis Stokes Alliance for Minority Participation</i>	47.076	None	<u>10,964</u>
TOTAL NATIONAL SCIENCE FOUNDATION			<u>95,714</u>
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Child Health and Human Development Extramural Research			
<i>An Office of Research Development to Foster Research</i>	93.865		<u>89,994</u>
Block Grants for Prevention and Treatment of Substance Abuse			
Passed-Through Illinois Department of Human Services			
<i>Substance Abuse Prevention</i>	93.959	10C6002591	<u>65,677</u>
Substance Abuse and Mental Health Services - Projects of Regional and National Significance			
<i>Campus Suicide Awareness and Prevention Program</i>	93.243		<u>17,890</u>
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>173,561</u>

**State of Illinois
 Northeastern Illinois University**

Fiscal Schedules and Analysis, Continued

Schedule of Expenditures of Federal Awards - As Restated, Continued

For the Year Ended June 30, 2009

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Pass-Through Number	FY 2009 Expenditures
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Equal Opportunity in Housing <i>College Housing Debt Service Grant Program</i>	14.000		<u>70,000</u>
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>70,000</u>
TOTAL OTHER PROGRAMS			<u>1,496,910</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 24,321,372</u>

** Represents revised information from the previously issued report.*

**State of Illinois
Northeastern Illinois University**

Fiscal Schedules and Analysis, Continued

Notes to the Schedule of Expenditures of Federal Awards - As Restated

For the Year Ended June 30, 2009

1. Significant Accounting Policy

Basis of Presentation

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

2. Student Loan Program Administered by the University

The University administered the following federal loan program during the year ended June 30, 2009:

Federal Perkins Loan Program CFDA #84.038

Outstanding Balance - July 01, 2008	\$ 2,598,544
Additions:	
Interest income	117,148
Other Income	<u>214</u>
Total Additions	<u>117,362</u>
Deductions:	
Increase in Allowance for Doubtful Accounts	97,941
Loans cancelled or written off	97,178
Collection costs	44,849
Administrative charges	<u>13,585</u>
Total Deductions	<u>253,553</u>
Outstanding Balance - June 30, 2009	<u>\$ 2,462,353</u>

**State of Illinois
Northeastern Illinois University**

Fiscal Schedules and Analysis, Continued

**Notes to the Schedule of Expenditures of Federal Awards -
As Restated, Continued**

For the Year Ended June 30, 2009

3. Guaranteed Loans

During the year ended June 30, 2009, the University awarded \$16,681,802 in new loans under the Federal Family Education Loan Program (CFDA #84.032).

4. Waived Matching Requirement

During the year ended June 30, 2009, the State of Illinois, Northeastern Illinois University was granted a waiver from the U.S. Department of Education that released the University from the requirement of matching any Federal Work-Study (FWS) funds and any Federal Supplemental Educational Opportunity Grant (FSEOG) funds.

5. Restatement

During the year ended June 30, 2009, the University presented the following two programs separately in the Schedule of Expenditures of Federal Awards (SEFA): (a) 84.031S - Improving Retention Through Academic Literacy (Strengthening Institutions-Hispanic Serving Institutions); and (b) 84.031C - Science Engagement at NEIU (College Cost Reduction and Access Act-Hispanic Serving Institutions). These two programs were initially treated as separate programs in the major program determination. These two programs were not subjected to the major program determination threshold, thus, were not tested as required. Subsequently, these two programs were determined to be both under the Higher Education Institutional Aid (CFDA 84.031) grant and were presented in the restated SEFA under one CFDA.

The Higher Educational Institutional Aid (CFDA 84.031) grant was subsequently tested as a major program. Accordingly, the related sections of this report have been restated to reflect the necessary changes.