

**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, 2017**

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, 2017**

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**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
COMPLIANCE EXAMINATION
FOR THE YEAR ENDED JUNE 30, 2017**

University Officials

President

Interim (from October 1, 2016)
(to September 30, 2016)

Dr. Richard Helldobler
Dr. Sharon Hahs

Provost

Acting (from October 1, 2017)
(from July 1, 2017 to September 30, 2017)
Acting (from October 1, 2016 to June 30, 2017)
(to September 30, 2016)

Dr. Wamucii Njogu
Vacant
Dr. Victoria Roman-Lagunas
Dr. Richard Helldobler

Vice President for Finance and Administration/Treasurer

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

Mr. Craig Duetsch

Director of Financial Affairs/Controller

(from January 29, 2018)
(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)
(from April 1, 2017 to September 10, 2017)
(from March 1, 2016 to March 31, 2017)

Ms. Rita Moore
Vacant
Mr. Glen Gustafson

Executive Director - Office of University Budgets

Ms. Ann McNabb

University offices are located at:

5500 North St. Louis Avenue
Chicago, Illinois 60625

March 14, 2018

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

President of the University

5500 North St. Louis Avenue
Chicago, IL 60625-4699
phone: (773) 442-5400

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, 2017. Based on this evaluation, we assert that during the year ended June 30, 2017, 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. Richard Helldobler
Interim President

SIGNED ORIGINAL ON FILE

Michael Pierick
Vice President for Finance
and Administration/Treasurer

SIGNED ORIGINAL ON FILE

Melissa Reardon Henry
Vice President for Legal
Affairs

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
COMPLIANCE EXAMINATION
FOR THE YEAR ENDED JUNE 30, 2017**

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	18	17
Repeated findings	10	10
Prior recommendations implemented or not repeated	7	4

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>)			
2017-001	17	Inadequate Controls over Financial Close and Reporting	Significant Deficiency/ Noncompliance
FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE)			
2017-002	20	Inaccurate FISAP Reporting	Significant Deficiency/ Noncompliance
2017-003	22	Reporting to NSLDS	Significant Deficiency/ Noncompliance
2017-004	24	Untimely Notification of Disbursements of Loan and TEACH Grants	Significant Deficiency/ Noncompliance
2017-005	26	Inaccurate Calculation of Return of Title IV Funds	Significant Deficiency/ Noncompliance
2017-006	28	Time and Effort Reports Not Submitted or Timely Submitted	Significant Deficiency/ Noncompliance

**STATE OF ILLINOIS
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FOR THE YEAR ENDED JUNE 30, 2017**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (STATE COMPLIANCE)			
2017-007	31	Noncompliance with the Abused and Neglected Child Reporting Act	Significant Deficiency/ Noncompliance
2017-008	32	Noncompliance with the Campus Security Enhancement Act of 2008	Significant Deficiency/ Noncompliance
2017-009	33	Noncompliance with the Freedom of Information Act	Significant Deficiency/ Noncompliance
2017-010	35	Noncompliance with the Open Meetings Act	Significant Deficiency/ Noncompliance
2017-011	37	Time Sheets Not Required and Not Timely Completed and Approved	Significant Deficiency/ Noncompliance
2017-012	39	Noncompliance with the Fiscal Control and Internal Auditing Act	Significant Deficiency/ Noncompliance
2017-013	41	Inadequate Controls over Contractual Agreements	Significant Deficiency/ Noncompliance
2017-014	44	Noncompliance with the University Guidelines on Excess Funds	Significant Deficiency/ Noncompliance
2017-015	45	Lack of Disaster Contingency Plan	Significant Deficiency/ Noncompliance
2017-016	47	Noncompliance with Payment Card Industry Security Standards	Significant Deficiency/ Noncompliance
2017-017	49	Weaknesses over System Access	Significant Deficiency/ Noncompliance
2017-018	51	Computer Security Weaknesses	Significant Deficiency/ Noncompliance

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 FOR THE YEAR ENDED JUNE 30, 2017**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
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In addition, the following findings, which are reported as current findings relating to *Government Auditing Standards* also meet the reporting requirement for State Compliance:

2017-001	17	Inadequate Controls over Financial Close and Reporting	Significant Deficiency/ Noncompliance
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PRIOR FINDINGS NOT REPEATED

A	53	Inadequate Controls over Recording of Bond Issuance Costs	
B	53	Inadequate Controls over Monitoring of Deposits and Investments	
C	53	Inadequate Controls over Allowance for Doubtful Accounts and Monitoring of Construction Projects	
D	54	Awarding of Student Financial Aid	
E	54	Untimely Return of Unearned Student Financial Aid	
F	54	Inadequate Controls over University Property and Equipment	
G	55	Required Reports Not Filed Timely	

EXIT CONFERENCE

The University waived having an exit conference in a letter dated February 27, 2018, from Michael Pierick, Vice President for Finance and Administration/Treasurer.

Responses to the recommendations were provided by Craig Duetsch, Assistant Vice President for Business Services, in a letter dated March 14, 2018.



**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 (University) compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the year ended June 30, 2017. The management of the University is responsible for compliance with these requirements. Our responsibility is to express an opinion on the University's compliance based on our examination.

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

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act (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 the University complied, in all material respects, with the specified requirements listed above. An examination involves performing procedures to obtain evidence about whether the University complied with the specified requirements listed above. The nature, timing and extent of the procedures selected depend on our judgment, 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 the University's compliance with specified requirements.

In our opinion, the University complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the year ended June 30, 2017. 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 2017-001 and 2017-007 through 2017-018.

The University's responses to the findings identified in our examination are described in the accompanying schedule of findings and questioned costs. The 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 the University is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the University's internal control over compliance with the requirements listed in the first paragraph of this report 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 the University's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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 2017-001 and 2017-007 through 2017-018, 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.

The University's responses to the internal control findings identified in our examination are described in the accompanying schedule of findings and questioned costs. The 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 the University and its discretely presented component unit as of and for the year ended June 30, 2017, and have issued our report thereon dated February 21, 2018, which contained unmodified opinions on those financial statements. Our report included reference to other auditors who audited the financial statements of the University's discretely presented component unit and whose report had been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit was based solely on the report of the other auditors. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to February 21, 2018. The accompanying supplementary information for the year ended June 30, 2017 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 the 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, 2017 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, 2017 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, 2017.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the University's basic financial statements as of and for the year ended June 30, 2016 (not presented herein), and have issued our report thereon dated January 10, 2017, which contained unmodified opinions on the respective financial statements of the business-type activities and its discretely presented component unit. Our report included a reference to other auditors who audited the financial statements of the University's discretely presented component unit, as described in our report on the University's financial statements. The accompanying supplementary information for the year ended June 30, 2016 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, 2016 financial statements. The accompanying supplementary information for the years ended June 30, 2016 in Schedules 3 through 5 has been subjected to the auditing procedures applied in the audit of the June 30, 2016 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, 2016 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

March 14, 2018, except for our report on the Supplementary Information for State Compliance Purposes, as to which the date is February 21, 2018.



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 (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, 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated February 21, 2018. Our report includes a reference to other auditors who 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 of the financial statements, we considered the 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 University's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 2017-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 Responses to Findings

The University's response to the finding identified in our audit is described in the accompanying schedule of findings. The 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 the 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 the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Chicago, Illinois
February 21, 2018



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 (University) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2017. 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.

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 the University for financial statement purposes.

We did not audit the 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 the University for the year ended June 30, 2017 was examined by the accountants for the servicer in accordance with the U.S. Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institutions Servicers*. 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 the 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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

Opinion on Each of Major Federal Program

In our opinion, the 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, 2017.

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 2017-002 through 2017-006. Our opinion on each major federal program is not modified with respect to these matters.

The University's responses to the noncompliance findings identified in our audit are described in the accompanying schedules of findings and questioned costs. The 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 the 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 the 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 the 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, 2017 was examined by the accountants for the servicer in accordance with the U.S. Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. 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 2017-002 through 2017-006 that we consider to be significant deficiencies.

The 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. The 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 the University and its discretely presented component unit as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated February 21, 2018 which contained unmodified opinions on those financial statements. Our report includes a reference to other auditors who audited the financial statements of the University's discretely presented component unit, as described in our report on the University's 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 February 21, 2018. 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

March 14, 2018, except for our report on the Schedule of Expenditures and Federal Awards, as to which the date is February 21, 2018.

**STATE OF ILLINOIS
 NORTHEASTERN ILLINOIS UNIVERSITY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2017**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of 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, 98.865, 93.397, 93.351, 10.220, 10.223	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: \$1,817,643

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, 2017**

CURRENT FINDING – GOVERNMENT AUDITING STANDARDS

2017-001. **FINDING** (Inadequate Controls over Financial Close and Reporting)

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.

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

- The University misclassified its student receivables and related allowance for doubtful accounts totaling \$11,241,739 and \$9,602,549, respectively, as noncurrent assets instead of current assets on the University's financial statements.
- The University erroneously categorized a portion of its student receivable aged over 365 days in the 91 to 180 days category resulting in an understatement of bad debts and allowance for doubtful accounts of \$753,828.
- The University misclassified the allocated health, dental, and life insurance expenses of operation and maintenance plant program to the institutional support program totaling \$2,616,441.
- The University classified its revenues from student and staff services and public service activities as revenues of auxiliary enterprises instead of other operating revenues totaling \$324,863 on the University's financial statements.
- The University did not remove the University's share of Excess Liquid Capital totaling \$165,518 from the University's Federal Perkins Loan Revolving Fund after the return of federal share to the Department of Education. As such, the restricted net position for student loans and unrestricted net position were overstated and understated, respectively.
- The University did not consistently ensure noncapital assets are reported as restricted when constraints upon the use of the associated net positions, externally imposed by creditors, change the availability of the assets. As such, an adjustment to reclassify noncapital assets totaling \$1,404,363 from unrestricted to restricted classification was necessary.
- The University misclassified the net position of funds restricted for repair and replacement of the auxiliary system totaling \$412,480, as unrestricted.

The University subsequently made the necessary adjustments in the financial statements.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

CURRENT FINDING – GOVERNMENT AUDITING STANDARDS

2017-001. **FINDING** (Inadequate Controls over Financial Close and Reporting) (continued)

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 30, states that for accounting and financial reporting purposes, the term current assets is used to designate cash and other assets or resources commonly identified as those that are reasonably expected to be realized in cash or sold or consumed within a year.

Generally Accepted Accounting Principles (GAAP), the allowance for doubtful accounts should represent management's best estimate of the amount of receivables that will not be collected. The allowance for doubtful accounts is a significant estimate that requires proper analysis and evaluation of past and current events as well as assumptions used.

Governmental Accounting Standards Board Statement No. 34, Paragraph 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, requires net position should be reported as restricted when constraints imposed upon the use of the net position are externally imposed by creditors, such as through debt covenants. Further, Governmental Accounting Standards Board Statement No. 34, Paragraph 99, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, requires the reporting of restricted assets when constraints imposed upon the use of the net position are externally imposed by creditors which change the nature or normal understanding of the availability of the asset, such as assets that cannot be used to extinguish liabilities outside of those allowed by the bond covenants.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University to establish and maintain a 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.

The University's Board of Trustees and management share 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 and disclosure to ensure the financial statements are presented in accordance with accounting principles generally accepted in the United States of America.

University officials stated student receivables which are more than one year old have historically been classified as noncurrent assets in its financial statements and this practice has been in place for several years. University officials also stated with respect to the calculation of bad debt and allowance for doubtful accounts, misclassification of some expense and revenue accounts, and University's share of Excess Liquid Capital, these were due to administrative oversight and errors in recording transactions and the financial close and reporting process.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

CURRENT FINDING – *GOVERNMENT AUDITING STANDARDS*

2017-001. **FINDING** (Inadequate Controls over Financial Close and Reporting) (continued)

Failure to establish and implement proper internal control procedures over financial reporting may result in a material misstatement in the University's financial statements. (Finding Code No. 2017-001)

RECOMMENDATION

We recommend the University review its current process for the preparation and review of the annual financial statements to ensure financial information is complete, accurate, and prepared in accordance with GAAP.

UNIVERSITY'S RESPONSE

The University accepts the recommendation, and as noted, subsequently made the necessary adjustments in the financial statements. The University's new Controller will oversee a review of the current process for preparation and review of the annual financial statements to ensure financial information is accurate, complete, and prepared in full accordance with GAAP.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2017-002. **FINDING** (Inaccurate FISAP Reporting)

Federal Agency:	U.S. Department of Education
CFDA Numbers:	84.038
Program Name:	Student Financial Assistance Cluster (Federal Perkins Loan Program)
Program Expenditures:	\$1,890,674
Questioned Costs:	None

Northeastern Illinois University (University) did not report its proportional share of Excess Liquid Capital for the Federal Perkins Loan (Perkins) Program on the Fiscal Operations Report and Application to Participate (FISAP).

In our testing of the Academic Year 2016-2017 FISAP, we noted the University did not report the institutional share of Excess Liquid Capital totaling \$165,518 in Part III, Section A, Line 30.2, Repayments of Excess/Liquidated Fund Capital to Institution. In addition, the institutional share of the Excess Liquid Capital was not removed from the Perkins Fund and was not returned to the University's fund.

The Higher Education Act of 1965, Section 466(c) [20 U.S.C. 1087ff], requires upon finding by the institution or the Secretary, that the liquid assets of a student loan fund established pursuant to an agreement under this part exceed the amount required for loans or otherwise in the foreseeable future, and upon notice to such institution or to the Secretary, as the case may be, there shall be, subject to such limitations as may be included in regulations of the Secretary or in such agreement, a capital distribution from such fund. Such capital distribution shall be made as follows: (a) the Secretary shall first be paid an amount which bears the same ratio to the total to be distributed as the Federal capital contribution bear to the sums of such Federal capital contributions and the capital contributions to the fund made by the institutions; (b) the remainder of the capital distribution shall be paid to the institution.

The Code of Federal Regulations (Code) (34 CFR 675.19(b)(3)) requires an institution to submit a FISAP plus other information the Secretary requires. The institution shall ensure the information reported is accurate and shall submit it on the form and at the time specified by the Secretary.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2017-002. **FINDING** (Inaccurate FISAP Reporting) (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 all required information is reported in the FISAP.

University officials stated this exception was due to administrative oversight. After the proportional share of the U.S. Department of Education was paid and recorded, the University failed to record the removal of its institutional share from the Perkins Fund in a timely manner and therefore was not reported in the FISAP.

Inaccurately reporting results on the FISAP may jeopardize future federal funding. (Finding Code No. 2017-002, 2016-006, 2015-007)

RECOMMENDATION

We recommend the University strengthen its procedures to ensure accurate preparation and reporting of information on the FISAP.

UNIVERSITY'S RESPONSE

The University agrees with the recommendation and is currently addressing controls to assure accurate preparation and reporting on the FISAP in particular related to removal of institutional share from the Perkins Fund.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2017-003. **FINDING** (Reporting to NSLDS)

Federal Agency:	U.S. Department of Education
CFDA Numbers:	84.007, 84.268, 84.033, 84.038, 84.063, 84.379
Program Name:	Student Financial Assistance Cluster
Program Expenditures:	\$40,012,601
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 following:

- The University did not resubmit the NSLDS roster file (File) containing reporting edits to make necessary corrections to the student information timely. One (8%) of 12 Files was not resubmitted to NSLDS within 10 days from the receipt of the File. The sample was not intended to be, and was not, a statistically valid sample.
- The University did not report student's withdrawal date to NSLDS. One (3%) of 40 students tested officially withdrew from classes but was not reported to NSLDS. 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.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2017-003. **FINDING** (Reporting to NSLDS) (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 submission errors to NSLDS are corrected and resubmitted in a timely manner.

University officials stated the delay in the submission of correction of errors to NSLDS was due to administrative oversight. The University assumed the errors were resolved and did not revisit the report for the month where the exception was identified. University officials also stated the student status changes were not reported to NSLDS because an enrollment services staff member accidentally removed the student social security number in the system, therefore, the student was not included the report of student status changes submitted to NSLDS.

Failure to provide enrollment reporting status information timely to NSLDS may jeopardize future federal funding. (Finding Code No. 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 and will develop training, monitoring and controls to ensure that reports to the NSLDS are accurate and timely.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2017-004. **FINDING** (Untimely Notification of Disbursements of Loan and TEACH Grants)

Federal Agency:	U.S. Department of Education
CFDA Numbers:	84.268; 84.038; 84.379
Program Name:	Student Financial Assistance Cluster (Federal Direct Student Loans; Federal Perkins Loan Program; Teacher Education Assistance for College and Higher Education Grants)
Program Expenditures:	\$21,943,561; \$1,890,674; \$134,217
Questioned Costs:	None

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

In testing 35 students that received Federal Direct Student Loans, Federal Perkins Loans, and Teacher Education Assistance for College and Higher Education Grants (TEACH Grant) during the fiscal year, we noted nine (26%) were notified 43 to 133 days after the federal assistance was credited to the students' accounts. The total direct loan, Perkins loan, and TEACH Grant disbursed to these students was \$32,207. The sample was not intended to be, and was not, a statistically valid sample.

The Code of Federal Regulations (Code) (34 CFR 668.165 (a)(3)(i)) states that institution must notify a student or parent in writing no earlier than 30 days before, and no later than 30 days after, crediting the student's ledger account at the institution, if institution obtains affirmative confirmation from the student.

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 required notifications are sent to students and parents in a timely manner.

University officials stated the University's automated workflow processes failed to function properly in fall 2016, resulting in a backlog of late batch notifications being electronically sent to students.

Failure to timely notify students regarding disbursements of financial aid may result in federal aid loans disbursed to students accounts that were not agreed by the students. (Finding Code No. 2017-004)

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2017-004. **FINDING** (Untimely Notification of Disbursements of Loan and TEACH Grants)
(continued)

RECOMMENDATION

We recommend the University review its automated workflow process to timely detect and correct issues and ensure compliance with the federal regulations to notify students receiving financial aid within the required timeframe.

UNIVERSITY'S RESPONSE

The University agrees with the recommendation and will assess its automated workflow processes in order to detect and rectify any issues in a manner that allows timely notifications of disbursement.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2017-005. **FINDING** (Inaccurate Calculation of Return of Title IV Funds)

Federal Agency:	U.S. 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:	\$21,943,561; \$14,997,851
Questioned Costs:	\$8,831 Known (Projected: Undetermined)

Northeastern Illinois University (University) inaccurately calculated the return of the Title IV funds for students who withdrew from the University.

During testing of 40 students awarded with Title IV grants who withdrew from classes during the Academic Year 2016-2017, we noted the University erroneously included the cost of room and board in the institutional charges for five (13%) students residing in the student residence hall that is under a concession arrangement with an operator entity. Contracts for room and board are entered between the students and the operator entity of the residence hall. The erroneous inclusion of room and board in the calculation of institutional charges resulted in excessive return of Title IV funds totaling \$8,831. The sample was not intended to be, and was not, a statistically valid sample.

The Code of Federal Regulations (Code) (34 CFR 668.22(g)) states institutional charges are tuition, fees, room and board (if the student contracts with the institution for the room and board) and other educationally-related expenses assessed by the institution.

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.

University officials stated this exception was due to an oversight. The University failed to remove the the accounts receivable detail codes for student residence hall in the system as this should not be included in the institutional charges used in determining unearned portion of Title IV funds to be returned to the federal awarding agency.

Failure to correctly calculate institutional charges resulted in excessive return of unearned Title IV funds and noncompliance with federal regulation. (Finding Code No. 2017-005)

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2017-005. **FINDING** (Inaccurate Calculation of Return of Title IV Funds) (continued)

RECOMMENDATION

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

UNIVERSITY'S RESPONSE

The University agrees with the recommendation and will develop training, monitoring and controls to ensure accurate calculations of return of Title IV funds.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2017-006. **FINDING** (Time and Effort Reports Not Submitted or Timely Submitted)

Federal Agency:	U.S. Department of Education, National Science Foundation, U.S Department of Health and Human Services National Institutes of Health
CFDA Numbers:	84.334; 47.074; 47.076; 93.397
Program Name:	Gaining Early Awareness and Readiness for Undergraduate Programs Research & Development Cluster (Biological Sciences - RUI: Light-Controlled Morphogenesis in Early Development of Myxobacteria; 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:	\$14,331,137; \$125,990; \$345,938; \$839,099
Questioned Costs:	None

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

During our review of payroll documents for 46 employees who received salaries from federally funded grants, we noted 25 (54%) employees did not submit their time and effort reports certifying their efforts expended on federally funded projects to the University's Controllor's Office for review. Subsequently, 13 employees submitted their time and effort reports 13 to 103 days after the September 30, 2017 due date. The sample was not intended to be, and was not, a statistically valid sample.

The Code of Federal Regulations (Code) (2 CFR 220 Appendix A Subsection J.10.a) states compensation costs for personal services, including salaries and wages, 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 and other work allocable as F&A costs are determined and supported. The Code (2 CFR 220 Appendix A Subsection J.10.b.(2)(b)) states the apportionment of employees' salaries and wages which are chargeable to more than one sponsored agreement or other cost objective will be accomplished by acceptable methods. The method must recognize the principle of after-the-fact confirmation or determination so that costs distributed represent actual costs.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2017-006. **FINDING** (Time and Effort Reports Not Submitted or Timely Submitted)
(continued)

The Code (2 CFR 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 430(i)) states charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. Also, the Code (2 CFR 430(i)(1)(viii)(C)) requires the nonfederal entity's system of internal controls include processes to review after-the fact interim charges made to a Federal awards based on budget estimates. All necessary adjustment must be made such that the final amount charged to the Federal awards 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 mean of verification of work performed and endorsed by the PI and maintained in the Controller's Office. Time and effort reports for period June – August 2017 are due at the end of September 2017.

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 statues, regulations, and the terms and conditions of the federal award. Effective internal controls should include procedures to ensure timely submission of time and effort.

University officials stated the above issues were due to the elimination of the position that handles the processing and monitoring of the submission of the Time and Effort Reports as a result of the budget impasse and resulting lack of funding. University officials stated, in the transfer of duties to another staff member, the necessary process was not maintained.

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. 2017-006)

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

CURRENT FINDINGS – FEDERAL COMPLIANCE

2017-006. **FINDING** (Time and Effort Reports Not Submitted or Timely Submitted)
(continued)

RECOMMENDATION

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

UNIVERSITY'S RESPONSE

The University agrees with the recommendation and plans to evaluate the current manual time and effort reporting processes for possible automation.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

CURRENT FINDINGS – STATE COMPLIANCE

2017-007. **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 three (12%) 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 2 to 143 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 utilizes its new employee orientation process for employees to sign statements acknowledging their understanding of the reporting requirements under the Act. According to University officials, during the fiscal year, many orientation sessions were cancelled due to furloughs and alternative processes were not adequately developed to assure that all forms were signed when orientation sessions were cancelled.

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. 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 has already developed steps to ensure that all employees sign the statement acknowledging their requirements under the Act.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

CURRENT FINDINGS – STATE COMPLIANCE

2017-008. **FINDING** (Noncompliance with the Campus Security Enhancement Act of 2008)

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

During our testing of 25 new employees in security sensitive positions, we noted the background checks for two (8%) employees were not completed prior to their employment. The background checks for these employees were completed 7 to 27 days after commencement of employment.

The Campus Security Enhancement Act of 2008 (Act) (110 ILCS 12/5) states “Each public institution of higher education shall, through written policy and procedures, identify security sensitive positions and make provision for the completion of criminal background investigations prior to employing individuals in those positions.”

University procedures states the University conducts background checks on employees and employment candidates, including administrative and professional staff, civil service staff, and faculty to ensure a safe work environment and to protect the assets of the University. Procedures further state the Office of Human Resources will review the results of the Criminal History Search and Sex Offender Registry for all positions before the official offer of employment is extended.

University officials stated the background checks were not completed prior to employment due to incomplete documentation from employees required for the background checks and inadequate procedures in place to monitor this prior to the employee start-date.

Failure to complete the required background investigations prior to employment of individuals in security-sensitive positions may result in the endangerment of University students and personnel and results in noncompliance with the Act. (Finding Code No. 2017-008, 2016-009, 2015-010, 2014-011, 2013-012)

RECOMMENDATION

We recommend the University continue to review and monitor its internal policies and procedures to ensure timely completion of background checks as required by the Act.

UNIVERSITY’S RESPONSE

The University agrees with the recommendation and has already begun discussion to ensure that background checks are completed on all employees before employment begins.

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FOR THE YEAR ENDED JUNE 30, 2017**

CURRENT FINDINGS – STATE COMPLIANCE

2017-009. **FINDING** (Noncompliance with the Freedom of Information Act)

Northeastern Illinois University (University) did not fully comply with the Freedom of Information Act (Act).

During our sample testing of eight requests for records under the Act received by the University during the fiscal year, the University did not respond to three (38%) requests within five business days after the request date. Although the University requested an extension, the University responded 1 to 4 business days after the extended due date.

In addition, the University's Freedom of Information Officer did not complete the required annual training in Fiscal Year 2017.

The Act (5 ILCS 140/3(d)) requires the University to either comply with or deny a request for public records within 5 business days after its receipt of the request, unless the time for response is properly extended.

The Act (5 ILCS 140/3.5(b)) requires designated Freedom of Information officers to successfully complete an electronic training curriculum developed by the Public Access Counselor annually. Successful completion of the required training curriculum within the periods provided shall be a prerequisite to continue serving as a Freedom of Information Officer.

University officials stated the untimely response to the Freedom of Information Act requests was due to administrative oversight. University officials also stated the Freedom of Information Officer did not complete the annual training due to oversight in managing the training calendar.

Failure to provide records or responses to the requesters within the required timeline set by the Act does not provide the requester timely access to full and complete information to public records to promote transparency and accountability of public bodies in accordance with the Act. By not completing the Public Access Counselor's training curriculum annually, the University may not be aware of the current requirements of the Act. (Finding Code No. 2017-009, 2016-014)

RECOMMENDATION

We recommend the University review its internal policies and procedures regarding the timely response to requests received under the Act. We also recommend the University ensure the Freedom of Information Officer annually completes the electronic training curriculum developed and administered by the Public Access Counselor.

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NORTHEASTERN ILLINOIS UNIVERSITY
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CURRENT FINDINGS – STATE COMPLIANCE

2017-009. **FINDING** (Noncompliance with the Freedom of Information Act) (continued)

UNIVERSITY’S RESPONSE

The University agrees with the recommendation and will ensure administrative steps are implemented to provide timely response to requests received under the Act, and to ensure the Freedom of Information Officer annually completed the training.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

CURRENT FINDINGS – STATE COMPLIANCE

2017-010. **FINDING** (Noncompliance with the Open Meetings Act)

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

During our testing of the University's compliance with the Act, we noted the following:

- Two (50%) of four Board of Trustee (BOT) members appointed during Fiscal Year 2017 did not complete or timely complete the electronic training curriculum developed and administered by the Public Access Counselor in compliance with the Act. One member completed the training 86 days after it was due. Another member did not complete the training.
- One (50%) of two designated employees to receive training on compliance with the Act did not complete the required annual training during Fiscal Year 2017. The designated employee subsequently completed the annual training after it was noted during the audit.

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.

The Act (5 ILCS 120/1.05(a)) states the University shall submit a list of designated employees, officers, or members to receive training on compliance with the Open Meetings Act. The designated employees, officers, and members must successfully complete an electronic training curriculum developed and administered by the Public Access Counselor within 6 months after the effective date of this amendatory Act of the 96th General Assembly, and thereafter must successfully complete an annual training program. An additional designated employee, officer, or member must successfully complete the training within 30 days after designation.

University officials stated the new members of the BOT did not complete the training due to an oversight in procedures. University officials also stated the designated employee did not complete the annual training due to technical error on the training website.

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FOR THE YEAR ENDED JUNE 30, 2017**

CURRENT FINDINGS – STATE COMPLIANCE

2017-010. **FINDING** (Noncompliance with the Open Meetings Act) (continued)

Failure to complete the required training under the Act may result in BOT members and employees not being made aware of the current requirements of the Act. (Finding Code No. 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. We also recommend designated employees complete the annual training in compliance with the Act.

UNIVERSITY'S RESPONSE

The University agrees with the recommendation and already updated its training calendar to assure that all Board of Trustees and designated employees are trained on Open Meetings Act requirements.

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FOR THE YEAR ENDED JUNE 30, 2017**

CURRENT FINDINGS – STATE COMPLIANCE

2017-011. **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 “exception” 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 five (20%) employees for the pay period tested were not timely completed and approved by the supervisor or unit head. The timesheets were approved 2 to 170 days late.

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.

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. University officials also stated 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 service provided;

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CURRENT FINDINGS – STATE COMPLIANCE

2017-011. **FINDING** (Time Sheets Not Required and Not Timely Completed and Approved)
(continued)

thus, they are not considered employees and not required to submit timesheets. In addition, University officials 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. 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 and is evaluating how to implement timesheets for adjuncts and instructors. The University will prepare a plan by fall 2018 with an eye towards implementation in calendar year 2019. The University does not agree that Graduate Assistants (GAs) should complete timesheets, as they are not employees. The University will implement an alternative payment mechanism for GAs in Fiscal Year 2019.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

CURRENT FINDINGS – STATE COMPLIANCE

2017-012. **FINDING** (Noncompliance with the Fiscal Control and Internal Auditing Act)

Northeastern Illinois University (University) failed to comply with the Fiscal Control and Internal Auditing Act (FCIAA) and International Standards for the Professional Practice of Internal Auditing.

During testing of the University’s internal auditing activities, auditors noted the following:

- The University Internal Audit division did not perform the audits as outlined in the University’s Fiscal Year 2016 and 2017 Internal Audit Plan. There were no audits completed relating to internal accounting and administrative controls, including testing of: (1) the obligation, expenditure, receipt, and use of public funds of the State and of funds held in trust; (2) grants received or made by the University completed during the current fiscal year; and (3) reviews of the design of major new electronic data processing systems and major modifications of those systems.
- The University submitted its FCIAA certification to the Office of the Auditor General six days after it was due.
- The University’s Internal Audit division did not undergo a peer review since the last external quality assurance completed in Fiscal Year 2012.

The FCIAA (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.

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FOR THE YEAR ENDED JUNE 30, 2017**

CURRENT FINDINGS – STATE COMPLIANCE

2017-012. **FINDING** (Noncompliance with the Fiscal Control and Internal Auditing Act)
(continued)

The FCIAA (30 ILCS 10/3003) requires each chief executive officer of all State agencies to conduct an evaluation of their systems of internal fiscal and administrative controls and file a certification based on their evaluation with the Auditor General by May 1 of each year.

The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing (Standards) have been adopted by the State of Illinois Internal Audit Advisory Board. The 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.

University officials stated that its long-time Director of Internal Audit retired at the end of calendar year 2015. A new Director was hired and worked from March 2016, to the end of March 2017. The position was then vacant until September 2017. This turnover and vacancy resulted in some internal audit requirements not being met.

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. Failure to submit the FCIAA certification timely is noncompliance with the FCIAA. Failure to have an external assessment may result in deficiencies in the internal audit department not being timely detected and opportunities for improvement not timely identified. (Finding Code No. 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 and submit its FCIAA certification to the Office of the Auditor General timely. 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 finding and recommendation. The University has developed and is in the process of completing a two-year annual plan covering the required areas of the FCIAA. The Audit Plan includes a quality assurance review that will be conducted in Fiscal Year 2019. The University has a singular internal auditor and that position was vacant for the last three months of Fiscal Year 2017 and first two months of Fiscal Year 2018.

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FOR THE YEAR ENDED JUNE 30, 2017**

CURRENT FINDINGS – STATE COMPLIANCE

2017-013. **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 \$152,437, did not include an international anti-boycott certification clause.

The International Anti-Boycott Certification Act (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 (Act) of 1979 or the regulations of the U.S. Department of Commerce promulgated under that Act.

- Five (20%) contracts tested, totaling \$755,800, 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.

- Two (8%) contracts tested, totaling \$127,437, did not include a subcontractor utilization clause.

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

2017-013. **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.

- One (4%) contract tested, totaling \$84,578, did not include an appropriation contingency clause.

The Code (30 ILCS 500/20-60(b)) requires all contracts made or entered into shall recite that they are subject to termination and cancellation in any year for which the General Assembly fails to make an appropriation to make payments under the terms of the contract.

- Four (16%) contracts tested, totaling \$357,015, did not have the State Board of Elections Certification clause.

The Code (30 ILCS 500/20-160(b)) requires that every contract and every submission to a vendor portal shall contain (1) a certification by a bidder, offeror, vendor or contractor that either (i) is not required to register as business entity with the State Board of Elections or (ii) has registered as a business entity with the State Board of Elections and acknowledges a continuing duty to update the registration; and (2) a statement that the contract is voidable under Section 50-60 of the Code (30 ILCS 500/50-60) for the bidder's, offeror's, vendor's, or contractor's failure to comply with this Section.

- The signed Financial Disclosure and Conflict of Interest for one (4%) contract amounting to \$56,437 was missing. In addition, the Financial Disclosure and Conflict of Interest for another contract (4%) amounting to \$74,980 was not signed by vendor.

The Code (30 ILCS 500/50-35) requires that contracts with an annual value more than \$50,000 shall be accompanied by disclosure of the financial interests of the bidder, offeror, potential contractor or contractor.

University officials stated the incomplete or missing clauses in the contracts were due to the occasional vendor legal department's refusal to sign contracts which contained certifications that were not material to the purchase. University officials further stated, the missing or incomplete Financial Disclosures were an oversight made by the responsible Purchasing Officer.

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CURRENT FINDINGS – STATE COMPLIANCE

2017-013. **FINDING** (Inadequate Controls over Contractual Agreements) (continued)

Failure to ensure the University's contractual procedures include all required certifications may hinder the University in enforcing actions against the vendors in the event of noncompliance with various statutes and regulations. Failure to obtain Financial Disclosure and Conflict of Interest forms is noncompliance with State law. (Finding Code No. 2017-013)

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 recommendations and will work closely with vendor's legal departments to develop agreeable language and ensure compliance, and additional monitoring and training will be developed for purchasing officers.

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CURRENT FINDINGS – STATE COMPLIANCE

2017-014. **FINDING** (Noncompliance with the University Guidelines on Excess Funds)

Northeastern Illinois University (University) did not comply with the University Guidelines on remittance of excess funds.

During our testing of the University's compliance with the University Guidelines 1982 (As Amended 1997), we noted the University complied with the requirement to calculate excess funds on auxiliary enterprises and accounting entities but failed to remit amounts due to the Income Fund from Educational Contracts Fund amounting to \$98,870.

The University Guidelines 1982 (As Amended 1997) section IV-D.1 states each University shall calculate the working capital allowance and capital reserves using the entity financial statements required by the Guidelines and applying the formulae established by the Guidelines. The calculation will be completed on a timely basis. The University shall remit any excess funds for deposits in the Income Fund no later than the 45 days after the close of the lapse period.

University officials stated the Controller has historically completed all excess fund calculations. Due to the vacancy in the Controller's position, the necessary calculations and transfer were not completed on time.

Failure to remit the excess funds resulted in noncompliance of the University Guidelines. (Finding Code No. 2017-014)

RECOMMENDATION

We recommend the University ensure compliance with all the requirements of the University Guidelines.

UNIVERSITY'S RESPONSE

The University agrees with the recommendation and will assure compliance with the University Guidelines regarding calculations and transfers.

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CURRENT FINDINGS – STATE COMPLIANCE

2017-015. **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. However, the University did not ensure an adequately developed and tested contingency plan existed for recovering its critical systems. The University did not have a formal disaster contingency plan documenting the process and procedures to recover all necessary systems in the event of a disaster.

The University performs regular backup and maintains the backup data in a location separate from the main campus. The University did not perform testing of backup information to determine whether the University can recover its data.

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 implementing a disaster contingency platform and regular testing has not been feasible due to staffing and computer resources 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. 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.

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CURRENT FINDINGS – STATE COMPLIANCE

2017-015. **FINDING** (Lack of Disaster Contingency Plan) (continued)

UNIVERSITY’S RESPONSE

The University agrees with the finding. However, the University’s ability to fully comply with the recommendations is contingent on appropriate funding from the State.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

CURRENT FINDINGS – STATE COMPLIANCE

2017-016. **FINDING** (Noncompliance with Payment Card Industry Security Standards)

Northeastern Illinois University (University) had not completed all requirements to demonstrate full compliance with the Payment Card Industry Data Security Standards (PCI DSS).

The University accepted credit card payments for tuition, student fees, ticket sales, and parking fees. In Fiscal Year 2017, the University handled approximately 26,000 transactions estimated at approximately \$22 million.

During review of the University's efforts to ensure compliance with PCI DSS, 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 and staff turnover.

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. 2017-016, 2016-017, 2015-014)

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CURRENT FINDINGS – STATE COMPLIANCE

2017-016. **FINDING** (Noncompliance with Payment Card Industry Security Standards)
(continued)

RECOMMENDATION

We recommend the University:

- At least annually, assess each program accepting credit card payments and match the payment method to the appropriate SAQ.
- Complete the appropriate SAQ(s) for its environment and maintain documentation supporting its validation efforts.
- Maintain contact with service providers to ensure sufficient knowledge and awareness of PCI compliance status, issues, and guidance.

UNIVERSITY’S RESPONSE

The University agrees with the finding. However, the University’s ability to fully comply with the recommendations is contingent on appropriate funding from the State.

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CURRENT FINDINGS – STATE COMPLIANCE

2017-017. **FINDING** (Weaknesses over System Access)

Northeastern Illinois University (University) had not established adequate controls over system access. During our testing, we noted the following weaknesses:

- Access rights were not always timely removed.
- User access rights to the applications were not periodically reviewed by supervisors to ensure access was appropriate based upon job responsibilities.

The University's process to remove access rights from separated employees requires the Human Resource Department (HR) to flag employee records in the system upon separation. This process triggers the system to deactivate the separated users' access to the University's network. During testing of system access, we noted 118 separated employees continued to have network access. In addition, HR notifies the University Technology Services (UTS) via email the official date of employee separation. This notification is used by UTS to disable separated employees' access within the University's administrative systems. During testing, we noted 5 of 25 (20%) separated employees' user accounts were not disabled timely. Three of the accounts were disabled 4 to 77 days after the employees' separation. Two separated employees still continued to have active administrative accounts more than one year after separation.

UTS performs a review twice a year to verify user access to computer applications. During the review, employees verify their access to applications; however, this process does not provide enough detail to allow the supervisor to determine whether the access rights of employees are appropriate based on their job responsibilities.

Generally accepted information systems technology guidance endorses the development of computer security policies that adequately addresses the current technological environment and well-designed and well-managed controls to protect computer systems and data.

University officials stated the account removal feature in the system was not enabled and access reconciliation was being done manually during high turnover period, which resulted in the errors.

Inadequate controls over system access increases the risk of unauthorized access and the risk that confidentiality, integrity and availability of systems and data will be compromised. (Finding Code No. 2017-017)

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CURRENT FINDINGS – STATE COMPLIANCE

2017-017. **FINDING** (Weaknesses over System Access) (continued)

RECOMMENDATION

We recommend the University:

- Ensure access rights of separated employees are removed on a timely basis.
- Ensure access rights are periodically reviewed by supervisors and if necessary, appropriately adjusted based upon staff job responsibilities.

UNIVERSITY'S RESPONSE

The University agrees with the finding. However, the University's ability to fully comply with the recommendations is contingent on appropriate funding from the State.

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CURRENT FINDINGS – STATE COMPLIANCE

2017-018. **FINDING** (Computer Security Weaknesses)

Northeastern Illinois University (University) had computer security weaknesses.

During our testing, we noted the following weaknesses:

- 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.
- A Security awareness and training program did not exist.
- University employees were not required to sign an annual statement of understanding of the University policies.
- Virus definitions were not up-to-date on some workstations.
- Encryption software was not installed on laptops.
- Concurrent network sessions were not limited per user to its administrative systems.

The University had not performed a risk assessment to identify confidential or personal information to ensure such information is protected from unauthorized disclosure.

The University does not have a formal comprehensive security awareness program. In addition, there is no periodic training to employees on computer security or the proper handling of confidential information. The Identity Protection 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. 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.

Auditors selected 25 workstations (9 laptops and 16 desktops) from different departments to determine if vendor released patches, service packs, fixes and updates were implemented on these workstations. Auditors also tested these workstations for encryption. It was noted that six (24%) workstations did not have the updated patches and anti-virus software, and all nine laptops (100%) did not have encryption software installed.

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, 2017**

CURRENT FINDINGS – STATE COMPLIANCE

2017-018. **FINDING** (Computer Security Weaknesses) (continued)

University officials stated the University Technology Services (UTS) has undergone complete re-assessment and restructuring. Due to this undertaking, UTS was unable to focus on certain projects such as the security awareness program, updating virus definitions and service packs. Session limits are not currently technically feasible for web-based systems that support multiple tabs.

The lack of comprehensive risk assessment to 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. 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 Identity Protection Act.
- Require University employees to sign an annual statement of understanding of the University policies.
- Ensure virus definitions and software patches are up to date on all workstations.
- Establish procedures so that all laptops that may contain sensitive information have encryption software.
- Establish concurrent session limits on systems.

UNIVERSITY'S RESPONSE

The University substantially agrees with the findings (other than session limits on web-based systems) and will evaluate options for addressing the recommendations to assure a secure computer system. Session limits are not currently technically feasible for web-based systems that support multiple tabs.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

PRIOR FINDINGS NOT REPEATED

A. **FINDING** (Inadequate Controls over Recording of Bond Issuance Costs)

During the prior audit, Northeastern Illinois University (University) did not establish adequate internal controls over recording of bond issuance costs. The University incorrectly recorded underwriters' discounts and bond insurance premium as bond discounts.

During the current audit, the University did not incur underwriters' discounts and bond insurance premium during the fiscal year. (Finding Code No. 2016-001)

B. **FINDING** (Inadequate Controls over Monitoring of Deposits and Investments)

During the prior audit, the University did not establish adequate internal controls over deposits and investments to comply with its policy and did not perform a review of the adequacy of collateral coverage on a regular basis.

During the current audit, the University reviewed and amended its investment policy to conform to its practice of 100% collateral in excess of the federally insured amounts from the requirement of 110% collateral in prior year. Our sample testing did not disclose noncompliance with the University current investment policy. (Finding Code No. 2016-002)

C. **FINDING** (Inadequate Controls over Allowance for Doubtful Accounts and Monitoring of Construction Projects)

During the prior audit, the University did not establish an adequate process to evaluate the estimated allowance for doubtful accounts receivable and did not have adequate controls in place to monitor the completion of its construction in projects.

During the current audit, our testing disclosed the University has established a methodology to determine the estimated amount of receivable that will not be collected based on evaluation of past and current transactions. In addition, the University has established a process to monitor the progress of construction projects. (Finding Code No. 2016-003)

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

PRIOR FINDINGS NOT REPEATED

D. FINDING (Awarding of Student Financial Aid)

During the prior examination, the University did not have adequate controls over the awarding of students financial aid. A student was paid in excess of the amount of financial aid awarded. In addition, approvals in the cost of attendance to allow special conditions were not documented and supporting documents for these adjustments were not scanned into the University's Financial Aid system.

During the current examination, our sample testing did not disclose similar exceptions. In addition, the University revised its policy and procedures to clearly identify adjustments in costs of attendance requiring approval and supporting documents. (Finding Code No. 2016-004, 2015-003, 2014-007, 2013-003, 12-3, 11-3, 10-4)

E. FINDING (Untimely Return of Unearned Student Financial Aid)

During the prior examination, the University did not timely return the unearned portion of the Title IV aid provided to students who withdrew from classes resulting in noncompliance with federal regulations.

During the current examination, our sample testing did not disclose similar exceptions. (Finding Code No. 2016-005, 2015-004, 2014-008, 2013-001, 12-1, 11-1, 10-5)

F. FINDING (Inadequate Controls over University Property and Equipment)

During the prior examination, the University did not have adequate controls over its property and equipment. Five equipment items were not found, laboratory instruments were sent to the third party recycling unit without the approval of Central Management Services, four equipment items were not included in the property listing of the University, and a CPU was identified as obsolete.

During the current examination, our testing disclosed an equipment item that could not be located and 2 equipment items that were found in a location different from the property listing. These were not considered to be as significant as in the prior year; thus, this was reported to the University in the Report of Immaterial Findings. (Finding Code No. 2016-011, 2015-012, 2014-014)

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

PRIOR FINDINGS NOT REPEATED

G. **FINDING** (Required Reports Not Filed Timely)

During the prior examination, the University did not timely submit its Agency Workforce Report for Fiscal Year 2015 with the Office of the Governor, a Travel Headquarters Report with the Legislative Audit Commission, or vehicle accident reports to the Department of Central Management Services.

During the current examination, our testing disclosed the University timely submitted these reports. (Finding Code No. 2016-013)

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
COMPLIANCE EXAMINATION
FOR THE YEAR ENDED JUNE 30, 2017**

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 2017 Invoices (Unaudited)
 - University Enrollment and Employee Information (Unaudited)
 - Service Efforts and Accomplishments (Unaudited)
 - University Bookstore Information (Unaudited)
 - Summary of Indirect Cost Reimbursement Funds (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 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)
 - Schedule of Real Estate Acquisitions in Excess of \$250,000 (Unaudited)

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
COMPLIANCE EXAMINATION
FOR THE YEAR ENDED JUNE 30, 2017**

Summary (Continued)

The accountant's report that covers the Supplementary Information for State Compliance Purposes, Schedules 1 through 6 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
FISCAL SCHEDULES AND ANALYSIS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2017

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		\$ 423,464	\$ -
Federal Direct Student Loans	84.268		21,943,561	-
Federal Work-Study Program	84.033		622,834	-
Federal Perkins Loan Program	84.038		1,890,674	-
Federal Pell Grant Program	84.063		14,997,851	-
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379		134,217	-
Total Department of Education			<u>40,012,601</u>	<u>-</u>
Total Student Financial Assistance Cluster			<u>40,012,601</u>	<u>-</u>
Research and Development Cluster				
National Science Foundation				
Mathematical and Physical Sciences				
Regularization of Hypersensitive Problems for Numerical Computation with Empirical Data	47.049		2,864	-
Geosciences				
P2C2: Collaborative Research: Rocky Mountain Ecohydrology During the Eemian Interglacial	47.050		23,115	-
Collaborative Research: REU Site: Water Resources and Quality in the Riviera Maya, Mexico	47.050		20,557	-
Total Geosciences			<u>43,672</u>	<u>-</u>
Computer and Information Science and Engineering				
Passed- Through University of Texas at El Paso BPC-AE: Computing Alliance of Hispanic-Serving Institutions	47.070	CNS-1042341	14,389	-
Biological Sciences				
RUI: Light-Controlled Morphogenesis in Early Development of Myxobacteria	47.074		125,990	-
Social, Behavioral, and Economic Sciences				
Completing the Mesoamerican Online Ethnobotanical Database (MOED)	47.075		2,140	-
Passed-Through University of Chicago SL-CN: The Role of Gesture in Mathematics Learning: from Research to Practice	47.075	1640893	9,305	-
Total Social, Behavioral, and Economic Sciences			<u>11,445</u>	<u>-</u>

STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
FISCAL SCHEDULES AND ANALYSIS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)

For the Year Ended June 30, 2017

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		345,938	167,319
Peer Enhanced Experiential Research in STEM (PEERS)				
	47.076		75,304	-
A Hybrid Course Model of Peer-Led Learning for the Social Sciences				
	47.076		14,902	-
Integrating Science, Mathematics, and Computing Within an Elementary and Middle School Pre-Service Teacher Education Curriculum				
	47.076		108,700	-
University and Community College Collaboration for Mathematics and Biology Scholar Teacher Education				
	47.076		10,318	-
Passed-Through Chicago State University Illinois Louis Stokes Alliance for Minority Participation (ILSAMP)				
	47.076	1411219	14,598	-
Total Education and Human Resources			<u>569,760</u>	<u>167,319</u>
Total National Science Foundation			<u>768,120</u>	<u>167,319</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		360,232	18,000
Passed-Through Ithaca College Signaling Specificity Mediated by the C. elegans FGF Receptor Tyrosine Kinase				
	93.859	R15GM122001	15,678	-
Total Biomedical Research and Research Training			<u>375,910</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	17,857	-
Cancer Centers Support Grants				
The Chicago Collaborative to Promote and Advance Cancer Health Equity				
	93.397		839,099	101,991
Research Infrastructure Programs				
Passed-Through University of Chicago Hexacago: A Game-Based Approach to Engaging Youth in Health and Science				
	93.351	FP058904-A	9,310	-
Total Department of Health and Human Services			<u>1,242,176</u>	<u>119,991</u>

STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
FISCAL SCHEDULES AND ANALYSIS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
For the Year Ended June 30, 2017

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 Agriculture				
Higher Education-Multicultural Scholars Grant Program Multicultural Scholars Program	10.220		7,583	-
Hispanic Serving Institutions Education Grants Agriculture and Undergraduate Achievement	10.223		74,363	-
Total Department of Agriculture			81,946	-
Total Research and Development Cluster			2,092,242	287,310
Department of Education				
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334		14,331,137	2,496,466
Department of Education			14,331,137	2,496,466
TOTAL MAJOR PROGRAMS			56,435,980	2,783,776
OTHER PROGRAMS:				
Department of Education				
TRIO Cluster				
TRIO Talent Search	84.044		404,832	-
TRIO McNair Post-Baccalaureate Achievement	84.217		222,365	-
TRIO Upward Bound	84.047		211,137	-
TRIO Student Support Services	84.042		624,362	-
Total TRIO Cluster			1,462,696	-
Higher Education Institutional Aid				
Enhancing Career Opportunities in Biomedical and Environmental Health Sciences at an Urban Hispanic Serving Institution	84.031		770,476	-
EXITO: Exit on Time in STEM	84.031		52,183	48,603
A Comprehensive System of Support: Increasing Retention into the Third Year	84.031		32,082	-
Total Higher Education Institutional Aid			854,741	48,603
Rehabilitation Long-Term Training				
Rehabilitation Long-Term Training Program - Vocational Rehabilitation	84.129		167,070	-
English Language Acquisition State Grants				
English as a New Language: Improving Teacher Education Knowledge (ENLITEN)	84.365		103,401	-

STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
FISCAL SCHEDULES AND ANALYSIS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
For the Year Ended June 30, 2017

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)				
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	226,266	-
Project 4421-13: Austin	84.287	2017-4421-13-15- 016-5405-51	490,053	83,254
Project 4421-25: Morton Success	84.287	2017-4421-25-15- 016-5405-51	364,854	-
Total Twenty-First Century Community Learning Centers			<u>1,081,173</u>	<u>83,254</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	376,989	103,595
Total Department of Education			<u>4,046,070</u>	<u>235,452</u>
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	96,038	-
Total Department of Health and Human Services			<u>96,038</u>	<u>-</u>
National Endowment for the Arts				
Promotion of the Arts Grants to Organizations and Individuals Prison and Neighborhood Arts Project				
	45.024		10,000	-
Total National Endowment for the Arts			<u>10,000</u>	<u>-</u>
TOTAL OTHER PROGRAMS			<u>4,152,108</u>	<u>235,452</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 60,588,088</u>	<u>\$ 3,019,228</u>

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
FISCAL SCHEDULES AND ANALYSIS**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2017

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, 2017 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, 2017, the University's outstanding loan balance totaled \$1,617,217 under Federal Perkins Loan Program (CFDA #84.038) and loans made to eligible student during the year totaled \$75,439. Administrative costs charged to the loan program is \$3,772.

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	\$ 9,352,728
Direct Unsubsidized Loans	11,653,817
Direct Graduate PLUS Loans	2,174
Direct Parent Plus Loan	934,842
Total	<u>\$ 21,943,561</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
FISCAL SCHEDULES AND ANALYSIS**

**SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
EXPENDITURE AUTHORITY FOR THE FISCAL YEAR 2017**

For the Fifteen Months Ended September 30, 2017

	<u>Expenditures Authority (Net of Transfers)</u>	<u>Expenditures Through June 30</u>	<u>Lapse Period Expenditures July 1 to September 30</u>	<u>Total Expenditures 15 Months Ended September 30</u>	<u>Balances Lapsed September 30</u>
Public Act Nos. 99-0524, 100-0021 and Court-Ordered Expenditures					
APPROPRIATED FUNDS					
Education Assistance Fund - 007					
Operational Expenses	\$ 24,434,900	\$ 19,562,000	\$ 4,872,900	\$ 24,434,900	\$ —
General Revenue Fund - 001					
Operational Expenses	12,463,900	—	12,463,900	12,463,900	—
TOTAL APPROPRIATED FUNDS	<u>\$ 36,898,800</u>	<u>\$ 19,562,000</u>	<u>\$ 17,336,800</u>	<u>\$ 36,898,800</u>	<u>\$ —</u>

Note 1: Expenditures authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller records as of September 30, 2017, 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: The Circuit Court of St. Clair County in *AFSCME Council 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 100-0021 states appropriation authority granted by the General Assembly does not supersede any court order directing the expenditure of funds and states such payments are added to the appropriations granted by the General Assembly, 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 Fiscal Year 2017.

Note 4: Public Act 99-524 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 at page 79 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 appropriations until Public Act 100-0021 was approved on July 6, 2017. During the impasse, the University incurred reimburseable payroll and non-payroll obligations within Fund 001 and Fund 007; however, 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 at page 79 includes information from University management about the number of invoices and the total dollar amount of invoices held by the University to be submitted against either its Fiscal Year 2017 or Fiscal Year 2018 appropriation.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
FISCAL SCHEDULES AND ANALYSIS**

**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND
LAPSED BALANCES**

For the Years Ended June 30, 2017 and 2016

	Fiscal Year	
	2017 P.A. 99-0524, P.A. 100- 0021, and Court- Ordered Expenditures	2016 P.A. 99-0502, P.A. 99- 00524, and Court- Ordered Expenditures
Education Assistance Fund - 007		
Appropriations (net of transfers)	\$ 24,434,900	\$ 10,695,100
Expenditures		
Ordinary and contingent expenses	24,434,900	10,695,076
Total expenditures	24,434,900	10,695,076
Lapsed balances	\$ —	\$ 24
General Revenue Fund - 001		
Appropriations (net of transfers)	\$ 12,463,900	\$ —
Expenditures		
Ordinary and contingent expenses	12,463,900	—
Total expenditures	12,463,900	—
Lapsed balances	\$ —	\$ —
Grand Total, All Funds		
Appropriations (net of transfers)	\$ 36,898,800	\$ 10,695,100
Expenditures	36,898,800	10,695,076
Lapsed balances	\$ —	\$ 24

Note 1: Fiscal Years 2017 and 2016 expenditures authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller records as of September 30, 2017 and September 30, 2016, 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.

Note 3: The Circuit Court of St. Clair County in *AFSCME Council 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 100-0021 states, appropriation authority granted by the General Assembly does not supersede any court order directing the expenditure of funds and states such payments are added to the appropriations granted by the General Assembly, the University was able to submit vouchers to pay its employees in full from Fund 001 and Fund 007 without maximum expenditure limit for personal service costs during Fiscal Year 2017.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
FISCAL SCHEDULES AND ANALYSIS**

**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND
LAPSED BALANCES (continued)**

For the Years Ended June 30, 2017 and 2016

Note 4: Public Act 99-524 authorizes the University to pay Fiscal Year 2016 costs using its Fiscal Year 2017 appropriations for operational expenditures. The Analysis of Operations section of this report at page 79 includes information from University management about the number of invoices and the total dollar amount of invoices held by the University to be submitted against its Fiscal Year 2017 appropriations.

Note 5: During Fiscal Year 2017, the University operated without enacted appropriations 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 Analyses of Operations section of this report at page 79 includes information from the University management about the number of invoices and the total dollar amount of invoices from Fiscal Year 2016 and Fiscal Year 2017 held by the University to be submitted against either Fiscal Year 2017 or Fiscal Year 2018 appropriation.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
FISCAL SCHEDULES AND ANALYSIS**

COMPARATIVE SCHEDULE OF INCOME FUND REVENUES AND EXPENDITURES*

For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
FUND BALANCE, BEGINNING OF YEAR		
Fund balance, beginning of year, as previously reported	\$ 17,870,565	\$ 43,182,475
Prior period adjustment	1,098,700	-
Fund balance, beginning of year, as restated	<u>18,969,265</u>	<u>43,182,475</u>
Income fund revenues:		
Tuition	59,300,515	58,819,093
Rental income	178,628	110,782
Investment income	129,843	19,188
Miscellaneous	<u>1,893,619</u>	<u>1,666,403</u>
Total income fund revenues	<u>61,502,605</u>	<u>60,615,466</u>
Income fund expenditures:		
Personal services (including change in accrued compensated absences)	46,815,018	57,050,055
Social Security, Medicare, health, and life insurance	1,594,859	2,130,544
Contractual services	11,753,112	9,831,609
Travel	174,119	214,099
Commodities	631,899	718,098
Equipment and library books	551,978	725,071
Telecommunications	462,066	605,063
Operation of automotive	36,347	26,425
Awards, grants, and matching funds	1,354,789	1,308,142
Permanent improvements	16,246	6,406,547
Tuition and fee waivers	4,115,451	4,058,513
Other expenses	<u>2,068,729</u>	<u>2,853,210</u>
Total income fund expenditures	<u>69,574,613</u>	<u>85,927,376</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 10,897,257</u></u>	<u><u>\$ 17,870,565</u></u>

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

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
FISCAL SCHEDULE AND ANALYSIS**

SCHEDULE OF CHANGES IN CAPITAL ASSETS

For the Year Ended June 30, 2017

	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2017</u>
Land	\$ 23,263,959	\$ 1,385	\$ 37,069	\$ 23,228,275
Land improvements	12,145,086	-	-	12,145,086
Building and building improvements	187,308,791	33,329,061	-	220,637,852
Equipment	33,875,511	860,425	674,175	34,061,761
Library books	25,495,394	555,736	1,347	26,049,783
Construction in progress	<u>8,389,019</u>	<u>661,626</u>	<u>4,569,025</u>	<u>4,481,620</u>
Total	<u>\$290,477,760</u>	<u>\$ 35,408,233</u>	<u>\$ 5,281,616</u>	<u>\$ 320,604,377</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 Office of the State Comptroller.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
FISCAL SCHEDULE AND ANALYSIS**

**SCHEDULES OF FEDERAL EXPENDITURES, NONFEDERAL EXPENSES AND NEW
LOANS**

For the Year Ended June 30, 2017

SCHEDULE A - FEDERAL FINANCIAL COMPONENT

Total federal expenditures reported on SEFA schedule	\$ 60,588,088	
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	\$ 60,588,088	

SCHEDULE B - TOTAL FINANCIAL COMPONENT

Total operating expenses (from financial statements)	\$ 196,729,894
Total nonoperating expenses (from financial statements)	2,166,228
Total new loans made	21,943,560
Amount of federal loan balances at the beginning of the year	1,811,463
Other non-cash federal award expenditures	—
TOTAL SCHEDULE B	\$ 222,651,145

SCHEDULE C

	\$	Percent
Total Schedule A	60,588,088	27.2%
Total nonfederal expenses	162,063,057	72.8%
TOTAL SCHEDULE C	\$ 222,651,145	100.0%

**Loan amounts are included on SEFA schedule.*

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

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
ANALYSIS OF OPERATIONS (UNAUDITED)**

UNIVERSITY FUNCTIONS AND PLANNING PROGRAM (UNAUDITED)
For the Year Ended June 30, 2017

Description of Planning System

Functions

Mission

The 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, will be used to establish their work and budget priorities each year and will 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
ANALYSIS OF OPERATIONS (UNAUDITED)**

UNIVERSITY FUNCTIONS AND PLANNING PROGRAM (UNAUDITED) (continued)
For the Year Ended June 30, 2017

- (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 will undertake in the next few years to achieve its strategic goals. The University will analyze 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 will develop annual work plans and work teams (across units) as needed to move their plan forward.

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

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

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
ANALYSIS OF OPERATIONS (UNAUDITED)**

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENSES (UNAUDITED)

For the Year Ended June 30, 2017

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 between expense accounts exceeding \$1,000,000 and 10%:

	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>		<u>Explanation</u>
			<u>Amount</u>	<u>%</u>	
Institutional support	\$19,973,247	\$18,236,139	\$ 1,737,108	10%	The increase was mainly due to the increase in costs of retirement, health, dental and life insurance allocated to this program.
Scholarships and fellowships	6,754,998	7,853,324	(1,098,326)	(14%)	The decrease was mainly due to the decline in grants awarded to students for Pell and SEOG from \$16 million in Fiscal Year 2016 to \$15.4 million in Fiscal Year 2017.
Depreciation	7,018,475	5,560,519	1,457,956	26%	The increase was mainly due to the depreciation of buildings acquired through eminent domain in Fiscal Year 2016 with useful life lesser than the standard University policy.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
ANALYSIS OF OPERATIONS (UNAUDITED)**

ANALYSIS OF SIGNIFICANT VARIATIONS IN REVENUES (UNAUDITED)

For the Year Ended June 30, 2017

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 between expense accounts exceeding \$1,000,000 and 10%:

	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>		<u>Explanation</u>
			<u>Amount</u>	<u>%</u>	
State appropriations - general revenue fund	\$19,562,103	\$10,694,997	\$8,867,106	83%	The increase was mainly due to the appropriations received through PA 99-0524 from about \$10.7 million in Fiscal Year 2016 to \$19.5 million in Fiscal Year 2017.
Payments on behalf of the University	71,523,784	60,747,243	10,776,541	18%	The increase was mainly due to the increase in costs of retirement, health, dental, and life insurance paid by the State on behalf of the University.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
ANALYSIS OF OPERATIONS (UNAUDITED)**

ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING (UNAUDITED)

For the Year Ended June 30, 2017

There were no significant expenditures during the lapse period.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
ANALYSIS OF OPERATIONS (UNAUDITED)**

ANALYSIS OF SIGNIFICANT ACCOUNT BALANCES (UNAUDITED)

For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash and Cash Equivalents		
Cash and cash equivalents are classified as follows:		
Cash and cash equivalents	\$ 20,770,367	\$ 28,734,042
Restricted cash and cash equivalents	3,672,253	2,219,474
	<u> </u>	<u> </u>
Total Cash and Cash Equivalents	<u>\$ 24,442,620</u>	<u>\$ 30,953,516</u>
Cash and cash equivalents were held in the following accounts:		
Deposits held at U.S. Bank		
Series 2014-1 Bond Fund	\$ 316,875	\$ 315,400
Series 2014-2 Bond Fund	220,425	220,425
Deposits held at PNC Bank	10,981	18,433
Deposits held at JP Morgan Chase Bank		
University Operating Account	1,096,700	2,644,813
University Operating Investment Account	14,639,498	28,612,602
University Clearing Account	(1,240,281)	(1,751,205)
University Payroll Account	(87,352)	(568,656)
University Student Refund Account	(231,607)	(314,161)
Student Union Revenue Fund	7	7
Repair and Replacement Account	184,004	432,166
Equipment Reserve	446,253	146,253
University Emergency Loan Account	-	(250)
2010 COP Installment Payment Account	10	1
2012 COP Installment Payment Account	35	3
2012 COP Project Account	61,019	60,935
2015 COP Installment Payment Account	995,726	993,325
2015 COP Cost of Issuance Account	32,555	32,525
Illinois Funds	7,991,072	104,200
Petty Cash - all accounts	6,700	6,700
	<u> </u>	<u> </u>
Total Cash and Cash Equivalents	<u>\$ 24,442,620</u>	<u>\$ 30,953,516</u>

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
ANALYSIS OF OPERATIONS (UNAUDITED)**

ANALYSIS OF SIGNIFICANT ACCOUNT BALANCES (UNAUDITED) (continued)
For the Years Ended June 30, 2017 and 2016

Cash and Cash Equivalents (continued)

As of June 30 2017, 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 0.56% during Fiscal Year 2017. The University has the right to withdraw its participation from the pool at any point in time.

Cash and cash equivalent continues to decline because financial support received from the State of Illinois was not sufficient to cover additional funds needed by the University. As such, in spite of the increase in State appropriations from Fiscal Year 2016 to Fiscal Year 2017, the University continues to enforced longer employee furlough and cancel classes and cut operating costs to save funds and keep its operations.

In addition, the University did not receive reimbursements timely from the State of Illinois for the Illinois Monetary Awards Program for grants awarded to students for fall 2016 and spring 2017 totaling \$6.7 million contributing to the financial problem of the University.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
ANALYSIS OF OPERATIONS (UNAUDITED)**

ANALYSIS OF SIGNIFICANT ACCOUNT BALANCES (UNAUDITED)

For the Years Ended June 30, 2017 and 2016

Receivables

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

	<u>2017</u>	<u>2016</u>
Grants	\$ 4,843,872	\$ 5,790,886
Student loans	1,006,520	1,174,490
Tuition and fees	6,776,586	7,228,506
Other receivables	<u>817,673</u>	<u>742,296</u>
Total Receivables	<u>\$ 13,444,651</u>	<u>\$ 14,936,178</u>

Grants receivable consists of amounts due from the federal government and other granting sources. The decrease in grants receivable was mainly due the winding-down of GEAR UP IV which decline from \$3.3 million in Fiscal Year 2016 to \$2.4 million in Fiscal Year 2017.

Student loans comprise substantially of loans made through the Federal Perkins Loan Program. The decrease of student loans was mainly due to collections of about \$300 thousand offset by loans to students of \$123 thousand.

Despite the 8.5% increase in rate per credit hour (from \$322 in AY 2015-2016 to \$349.37 in AY 2016-2017), tuition and fee receivables decreased because of the decline in student enrollment of about 3% to 5% during the academic year and increase in allowance for doubtful accounts of about \$3.4 million (or 31%).

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

STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
ANALYSIS OF OPERATIONS (UNAUDITED)

ANALYSIS OF SIGNIFICANT ACCOUNT BALANCES (UNAUDITED)

For the Year Ended June 30, 2017

Receivables (continued)

The aging of such receivables, by type, as of June 30, 2017, is as follows:

	<u>Current</u>	<u>1-2 years</u>	<u>2-3 years</u>	<u>Over 3 years</u>	<u>Total</u>
Grants	\$ 4,843,872	\$ -	\$ -	\$ -	\$ 4,843,872
Student loans					
Perkins loan	1,103,012	105,373	117,198	291,634	1,617,217
Emergency loan	4,764	4,136	627	28,611	38,138
Teach	4,596	-	-	-	4,596
Total student loans	<u>\$ 1,112,372</u>	<u>\$ 109,509</u>	<u>\$ 117,825</u>	<u>\$ 320,245</u>	1,659,951
Allowance for doubtful accounts					<u>(653,431)</u>
Net student loans					<u>\$ 1,006,520</u>
Tuition and fees					
From students	\$ 8,335,874	\$ 3,627,275	\$ 2,353,698	\$ 6,683,084	\$ 20,999,931
Third party reimbursements	<u>(28,772)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(28,772)</u>
Total tuition and fees	<u>\$ 8,307,102</u>	<u>\$ 3,627,275</u>	<u>\$ 2,353,698</u>	<u>\$ 6,683,084</u>	20,971,159
Allowance for doubtful accounts					<u>(14,194,573)</u>
Net tuition and fees					<u>\$ 6,776,586</u>
Other receivables					
Parking fines	\$ 73,530	\$ 59,194	\$ 5,853	\$ 288,838	\$ 427,415
Library fines	96,297	85,910	62,259	484,222	728,688
Other accruals	<u>749,573</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>749,573</u>
Total other receivables	<u>\$ 919,400</u>	<u>\$ 145,104</u>	<u>\$ 68,112</u>	<u>\$ 773,060</u>	1,905,676
Allowance for doubtful accounts					<u>(1,088,003)</u>
Net other receivables					<u>\$ 817,673</u>

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
ANALYSIS OF OPERATIONS (UNAUDITED)**

ANALYSIS OF SIGNIFICANT ACCOUNT BALANCES (UNAUDITED)

For the Years Ended June 30, 2017 and 2016

Liabilities

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

	<u>2017</u>	<u>2016</u>
Accounts payable and accrued liabilities	\$ 9,189,462	\$ 8,956,104
Unearned revenues	1,256,565	1,207,772
Liability for compensated absences	6,678,328	6,803,544
Revenue bonds payable, net	15,247,496	15,513,782
Certificates of participation, net	41,220,451	42,837,253
Funds held in custody for others	447,150	364,279
Installment purchases payable	<u>243,546</u>	<u>321,872</u>
Total Liabilities	<u>\$ 74,282,998</u>	<u>\$ 76,004,606</u>

The decrease in accounts payable and accrued liabilities was mainly due to the reversal of accrued expenses for health, dental and life insurance erroneously recorded in Fiscal Year 2017 and 2016 totaling \$2.8 million offset by a liability recorded as a result of a negotiated settlement with a tenant of a property purchased by the University in prior years totaling \$2.3 million.

The decrease in certificates of participation (COP) was mainly due to payments of maturing portion of Series 2010, 2012 and 2015 COPs. While, the decrease in revenue bonds payable was mainly due to payments of maturing portion of Series 2014 revenue bond.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
ANALYSIS OF OPERATIONS (UNAUDITED)**

BUDGET IMPASSE DISCLOSURES (UNAUDITED)

For the Year Ended June 30, 2017

Article 74 of Public Act 99-0524 authorized the Northeastern Illinois University (University) to pay Fiscal Year 2016 costs using the University's Fiscal Year 2017 appropriations for non-payroll expenditures. In addition, Article 998 of Public Act 100-0021 authorized the University to pay its unpaid Fiscal Year 2016 and Fiscal Year 2017 costs using either the University's Fiscal Year 2017 or Fiscal Year 2018 appropriations for non-payroll expenditures. The following chart shows the University's plan to pay its prior costs using future appropriations:

		Fiscal Year 2016 Invoices			
		Paid From Fiscal Year 2017 Appropriations		Expect Payment From Fiscal Year 2018 Appropriations	
Fund No.	Fund Name	Number	Dollar Value	Number	Dollar Value
007	Education Assistance Fund	8	\$ 19,478,463	—	\$ —

		Fiscal Year 2017 Invoices			
		Paid From Fiscal Year 2017 Appropriations		Expect Payment From Fiscal Year 2018 Appropriations	
Fund No.	Fund Name	Number	Dollar Value	Number	Dollar Value
001	General Revenue Fund	5	\$ 12,463,900	—	\$ —
007	Education Assistance Fund	458	4,956,437	—	—
		463	\$ 17,420,337	—	\$ —

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
ANALYSIS OF OPERATIONS (UNAUDITED)**

**ALTERNATIVE FINANCING IN LIEU OF APPROPRIATIONS AND PROGRAMS TO
ADDRESS UNTIMELY PAYMENTS TO VENDORS (UNAUDITED)**

For the Year Ended June 30, 2017

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 2017.

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 2017.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
ANALYSIS OF OPERATIONS (UNAUDITED)**

INTEREST COSTS ON FISCAL YEAR 2017 INVOICES (UNAUDITED)

For the Year Ended June 30, 2017

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
ANALYSIS OF OPERATIONS (UNAUDITED)**

UNIVERSITY ENROLLMENT AND EMPLOYEE INFORMATION (UNAUDITED)
For the Year Ended June 30, 2017

Enrollment Information

Enrollments of both undergraduate and graduate students for each term (including extension centers and part-time students) for the academic years 2016-2017 and 2015-2016, as shown in the Board of Trustees' Enrollment Report were as follows:

	<u>2016 - 2017</u>	<u>2015 - 2016</u>
Fall	9,538	9,891
Spring	8,696	9,090
Summer	4,175	4,396

Average Annual Full-Time Equivalent (FTE) Enrollment

In Fiscal Year 2017, the University had an average FTE enrollment of 6,568 students, comprised of 5,458 undergraduates and 1,145 graduate students. This number was calculated in accordance with the Illinois Board of Higher Education guidelines as follows: annual undergraduate semester credit hours (SCH) divided by 30. It is assumed that a full-time undergraduate student enrolls for 15 hours per term, two terms per year. The same logic was used to calculate graduate FTE, except that SCH was divided by 24. It is assumed that a fulltime graduate student enrolls for 12 hours per term, two terms per year.

Annual Cost per FTE Student

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

Assuming an undergraduate FTE enrolls for two terms at 15 hours per term, and that a graduate FTE enrolls for two terms at 12 hours per term, the Fiscal Year 2017 annual costs per FTE, calculated by dividing the total costs of instruction by the corresponding FTE, were as follows: a) undergraduate - \$11,351, and b) graduate - \$14,692.

Costs per Credit Hour

The University's costs per credit hour (based upon total expenditures for instruction divided by total credit hours) for Fiscal Years 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Costs per Credit Hour	\$ 410	\$ 402

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
ANALYSIS OF OPERATIONS (UNAUDITED)**

UNIVERSITY ENROLLMENT AND EMPLOYEE INFORMATION (UNAUDITED)

(continued)

For the Year Ended June 30, 2017

Student/Faculty Ratio

The University's student/faculty ratio (based upon full-time equivalent students and faculty on a staff year basis) for Fiscal Years 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Student/Faculty Ratio	16:1	16:1

Employee Information

The average number of employees at the University during Fiscal Years 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Administration	284	337
Faculty	593	608
Civil service	517	602
Students	<u>636</u>	<u>455</u>
Total employees	<u><u>2,030</u></u>	<u><u>2,002</u></u>

STATE OF ILLINOIS
 NORTHEASTERN ILLINOIS UNIVERSITY
 ANALYSIS OF OPERATIONS (UNAUDITED)

SERVICE EFFORTS AND ACCOMPLISHMENTS (UNAUDITED)

For the Year Ended June 30, 2017

Source	Indicator	2010	2011	2012	2013	2014	2015	2016	2017	Target Value	Next Measurement Date
Student Success											
NEIU	First Year to Second Year Retention Rate	68.2%	64.1%	61.6%	61.0%	60.3%	60.6%	55.2%	46.4%	56.0%	Fall, 2018
NEIU	First Year to Third Year Retention Rate	52.2%	52.1%	44.3%	46.5%	44.9%	45.4%	43.0%	37.7%	46.0%	Fall, 2018
NEIU	Six-Year Graduation Rate	20.1%	23.1%	20.9%	20.3%	21.8%	22.2%	23.9%	23.9%	24.7%	Fall, 2018
NEIU	New Freshmen Enrollment	1,042	950	1,040	808	771	748	801	830	750	Fall, 2018
NEIU	Undergraduates with Declared Majors and Pre-Majors	72.9%	74.7%	79.2%	81.5%	83.7%	84.7%	84.6%	86.4%	88.1%	Spring 2019
Enhanced University Operations											
IBHE	Comparative Instructional Costs as a Percentage of State Average	97.6%	92.4%	95.3%	95.1%	104.3%	104.7%	Not available	Not available	100.0%	FY2018
NEIU	Energy Usage (BTUs of Energy per sq. ft.)	153.8	153.7	131.1	125.3	147.7	135.1	122.9	125.2	131.2	FY2018
NEIU	Institutional Support as Percentage of Total Operating Expenses	9.2%	8.8%	7.3%	9.0%	10.7%	10.1%	9.7%	10.20%	6.5%	FY2018
Fiscal Strength											
NEIU	Tuition as Percentage of State Average	83.0%	85.0%	85.0%	85.0%	84.0%	85.0%	87.0%	91.0%	< 95%	FY2018
NEIU	Endowment Contributions	\$ 490,374	\$ 190,581	\$ 463,764	\$ 476,760	\$ 379,004	\$ 768,031	\$ 529,666	\$513,939	\$ 530,000	FY2018
NEIU	Overall Contributions to NEIU	\$ 928,614	\$ 735,450	\$ 1,013,959	\$ 1,656,023	\$ 1,028,925	\$ 2,661,734	\$ 1,581,205	\$1,747,338	\$ 1,600,000	FY2018

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
ANALYSIS OF OPERATIONS (UNAUDITED)**

UNIVERSITY BOOKSTORE INFORMATION (UNAUDITED)

For the Year Ended June 30, 2017

The summary of University bookstore information for Fiscal Year 2017 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:	\$ 1,315,668
Commissions:	\$ 280,000
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 first year:	\$ 280,000
Guaranteed annual commission:	90% of the calculated commission on net revenue of the immediately preceding year

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
ANALYSIS OF OPERATIONS (UNAUDITED)**

SUMMARY OF INDIRECT COST REIMBURSEMENT FUNDS (UNAUDITED)

For the Year Ended June 30, 2017

FUND BALANCE, JUNE 30, 2016	\$ 1,640,949
Twenty-first Century Community Learning Centers (21st CCLC)	(334)
21st CCLC - Austin	35,698
21st CCLC - Morton Success	27,026
21st CCLC - Pathways	16,761
Academic Enhancements	63,653
Development of Assessment Protocols for Assessing Computational Thinking in Physics and Engineering Making Activities (ACTMA)	36,601
Bookstore	14,010
Bridges to the Future	3,758
Campus Recreation	41,058
Campus Improvement Fees	20,056
Chicago Community Trust (CCT) Next Generation Educators	277
CCT Hive: Maker Mob	373
CCT Hive: Make Take Teach	1,732
Childcare Center	45,360
CTUF Cook County Juvenile	1,683
College Ready Writers Program	24
Computer Resource Fees	55,043
English as a New Language: Improving Teacher Education Knowledge (ENLITEN)	6,594
English Language Acquisition	(371)
Fry Foundation	1,893
Gaining Early Awareness and Readiness for Programs Undergraduate Programs (GEAR UP)	816,455
Green Fees	3,152
Health Services	36,292
Hybrid Course of Peer-Led	4,400
JP Morgan Chase Fellowship Initiative	25,397
JS Morton Academic Tutoring	280
Library Fees	22,665
Long Term Vocational Rehabilitation	4,023
Louis Stoke Alliance Minority	791
TRIO_McNair Scholars	12,363
Mesoamerican Online Ethnobotanical	2,140
Multi-Faith Veterans' Support Initiative	825
No Child Left Behind (NCBL) - Plans For Academic Success	21,623
NCBL Steps 2017	5,247
National Institutes of Health (NIH) RO1: FAB 400	5,714
National Science Foundation (NSF) REU Mexico	6,106
NSF STEM+C	27,049
NSF Science of Learning	3,109
NSF Noyce Teacher Scholarship Program	2,403

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
ANALYSIS OF OPERATIONS (UNAUDITED)**

SUMMARY OF INDIRECT COST REIMBURSEMENT FUNDS (UNAUDITED) (continued)

For the Year Ended June 30, 2017

NU Neighbors: A Social Science Partnership to Reduce Cancer Disparities	(4,082)	
Maximizing Access to Research Careers (MARC)	17,660	
On-line Course Fees	18,289	
Parking Lot Administration	82,339	
Peer Enhance Experiential	4,882	
Performing Arts	8,176	
Perkins Loan Program	3,772	
Personnel Preparation for Children with Disability	(2)	
Polk Bros Studio Habits	2,300	
R15 Academic Research Enhancement Award (AREA)	2,111	
Rehabilitation Long Term Training	503	
P2C2: Collaborative Research: Rocky Mountain Ecohydrology During the Eemian	3,833	
RTI International Planning Grant	207	
RTI International GEAR UP Study	547	
RUI: Light-Controlled Morphogenesis in Early Development of Myxobacteria	20,785	
Supplemental Educational Opportunity Grants (SEOG)	20,165	
Student Activities	48,739	
Student Union Service	63,021	
TRIO_Talent Search	29,558	
Technology Initiatives	100,101	
TRIO_Student Support Services 2016 Classic Year	13,290	
TRIO_Student Support Services 2016 Disability	15,891	
TRIO_Student Support Services 2016 Teacher Preparation	17,067	
Hexacago: A Game-Based Approach to Engaging Youth in Health and Science	689	
TRIO_Upward Bound	14,642	
The Chicago Collaborative to Promote and Advance Cancer Health Equity	179,392	
Agriculture and Undergraduate Achievement (AGUA)	11,807	
Vending	4,422	
Work Study Programs	29,220	2,080,253
Other Sources - Indirect Cost on Course Fees/PELL Administrative Fee		35,465
Total Available		3,756,667
Less: Expenditures and Transfer		
Academic Services	768,930	
Administrative Services	501,284	
Funds Transferred to Income Fund	899,516	2,169,730
FUND BALANCE, JUNE 30, 2017		\$ 1,586,937

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
ANALYSIS OF OPERATIONS (UNAUDITED)**

SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES (UNAUDITED)
For the Year Ended June 30, 2017

University Reporting in Accordance with University Guidelines (Unaudited)

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, 2017, where such special data is found.

Compliance Findings

- 13(a) Finding of noncompliance with the University Guidelines for the year ended June 30, 2017 was noted, see finding 2017-014.

Indirect Cost Reimbursements

- 13(b) A statement of the sources and applications of indirect cost reimbursements is included on pages 86 and 87 of this report.
- 13(c) The University’s calculation sheet for indirect cost carry-forward is included in this report on page 91.

Tuition Charges and Fees

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

Auxiliary Enterprises, Activities and Accounting Entities

- 13(e) Identification of each specific accounting entity and descriptions of the sources of revenue and purpose of each are presented in this report on page 93.
- 13(f) Entity financial statements are presented on pages 94 and 95 of this report. The entity financial statements should be read in conjunction with the University’s audited financial statements for the year ended June 30, 2017.
- 13(g) The University’s calculation sheet for current excess funds is presented in this report on page 92.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
ANALYSIS OF OPERATIONS (UNAUDITED)**

SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES (UNAUDITED)
For the Year Ended June 30, 2017

University Reporting in Accordance with University Guidelines (Unaudited) (continued)

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 \$998,462 and \$607,755, respectively, for the year ended June 30, 2017. These amounts of supports were estimated by University management.
- 13(i) A Statement of Revenues, Expenses, and Changes in Net Position for Various Bond Indenture Required Accounts is presented in Note 18 of the June 30, 2017 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 97 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 9 of the June 30, 2017 financial statements for details related to services and support provided.
- 13(o) At June 30, 2017, 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
ANALYSIS OF OPERATIONS (UNAUDITED)**

SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES (UNAUDITED)
For the Year Ended June 30, 2017

University Reporting in Accordance with University Guidelines (Unaudited) (continued)

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 74 to 75, and in Note 2 of the June 30, 2017 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 82 of this report.
- 13(t) Acquisitions of real estate in excess of \$250,000 by the University during the year ended June 30, 2017 that were not funded by a separate appropriation specifically identifying the particular acquisition are presented on page 98 of this report.
- 13(u) The University's certificates of participation are presented in Note 7 of the June 30, 2017 financial statements.

**STATE OF ILLINOIS
 NORTHEASTERN ILLINOIS UNIVERSITY
 ANALYSIS OF OPERATIONS (UNAUDITED)**

SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES (UNAUDITED)
 For the Year Ended June 30, 2017

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

1. Cash and cash equivalents balance:	
Cash and cash equivalents	<u>\$ 1,555,843</u>
2. Allocated reimbursements:	
Indirect cost reimbursements allocated for expenditure for the fiscal year completed: (\$1,892,998 @ 30%)	567,899
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	189,300
4. Encumbrances and current liabilities paid in the lapse period:	
Current liabilities and encumbrances	<u>108,019</u>
5. Indirect cost carry-forward	<u>865,218</u>
EXCESS CASH TO BE DEPOSITED TO THE UNIVERSITY INCOME FUND	<u><u>\$ 690,625</u></u>

STATE OF ILLINOIS
 NORTHEASTERN ILLINOIS UNIVERSITY
 ANALYSIS OF OPERATIONS (UNAUDITED)

SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES (UNAUDITED)

For the Year Ended June 30, 2017

Schedule of Excess Funds Calculation by Entity as Required by the 1982 University Guidelines (Amended 1997) (Unaudited)

	Student Fee Programs	Public Service Activities	Student and Staff Services	Service Departments	Other Educational Services	Educational Contracts	Student Union	Auxiliary Enterprises				
								Revenue Bonds	Parking Lot Administration	Other Auxiliary Enterprises		
1. Current Available Funds:												
Cash	A. \$ 1,577,775	\$ 367,692	\$ (773,702) *	\$ 2,114,240	\$ 12,180	\$ 641,772	\$ 219,972	\$ 1,062,683	\$ 1,282,655	\$ 140,079		
2. Working capital allowance:												
Highest month's expenditures	\$ 1,222,574	\$ 91,460	\$ 1,309,371	\$ 618,848	\$ 54,516	\$ 53,972	\$ 347,005	\$ 544,001	\$ 891,006	\$ 92,852		
Encumbrances and current liabilities paid in lapse period	294,050	14,109	160,295	1,448,339	27,411	41,081	71,222	25,441	96,663	16,163		
Allowance for Sick Leave/Vacation Payouts	-	-	-	-	-	-	63,755	36,043	99,798	-		
Deferred income	181,749	-	-	-	-	-	31,035	39,243	70,278	-		
Refundable deposits	200	18	-	53,063	-	-	-	-	-	59,093		
Total working capital allowance	B. \$ 1,698,573	\$ 105,587	\$ 1,469,666	\$ 2,120,250	\$ 81,927	\$ 95,053	\$ 513,017	\$ 644,728	\$ 1,157,745	\$ 168,108		
3. Current Excess Funds:												
Deduct B from A	C. \$ (120,798)	262,105	(2,243,368)	(6,010)	(69,747)	546,719	(293,045)	417,955	124,910	(28,029)		
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. (930,688)					(447,849)			(1,354,211)			
Enter the algebraic sum of C and D and remit the amount due, if any, for deposit in the Income Fund		\$ (668,583)				\$ 98,870			\$ (1,229,301)			
Excess Funds Offset												
Allowable capital reserves		1,294,454				488,676			3,926,131	**		
Actual capital reserves		363,766				40,827			2,571,920			
Total Excess Funds Offset		\$ 930,688				\$ 447,849			\$ 1,354,211			

* This negative cash balance in Student and Staff Services is deemed to be temporary and occurs only on select months of the fiscal year.

** 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
ANALYSIS OF OPERATIONS (UNAUDITED)**

SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES (UNAUDITED)
For the Year Ended June 30, 2017

Description of Accounting Entities (Unaudited)

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
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ANALYSIS OF OPERATIONS (UNAUDITED)

SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES (UNAUDITED)
For the Year Ended June 30, 2017

Balance Sheets - Other Entities and Auxiliary Enterprises (Unaudited)

	Student Fee Programs	Indirect Cost	Public Service Activities	Student and Staff Services	Service Departments	Other Educational Services	Educational Contracts	Student Union	Auxiliary Enterprises			
									Revenue Bonds	Parking Lot Administration	Total Revenue Bonds	Other Auxiliary Enterprises
Assets												
Current Fund Assets												
Cash and cash equivalents	\$ 1,577,775	\$ 1,555,843	\$ 367,692	\$ (773,702)	\$ 2,114,240	\$ 12,179	\$ 641,772	\$ 219,972	\$ 1,062,683	\$ 1,282,655	\$ 140,079	
Accounts receivable - net	581,287	-	(544)	351,980	-	-	-	197,728	152,172	349,900	-	
Prepaid expenses	550,445	69,826	574	2,817	3,009	-	-	9,593	-	9,593	-	
Inventories	-	-	-	-	11,905	-	-	470	-	470	-	
Total	2,709,507	1,625,669	367,722	(418,905)	2,129,154	12,179	641,772	427,763	1,214,855	1,642,618	140,079	
Plant Fund Assets												
Cash and cash equivalents	983,403	-	364,160	-	2,111,018	80,756	40,827	1,042,737	1,529,183	2,571,920	606,684	
Land and land improvements	840,388	-	279,095	220,316	192,978	263,633	91,779	1,502,137	-	1,502,137	411,536	
Buildings and construction in progress	13,063,271	-	7,420,234	1,686,926	1,905,393	7,982,532	1,000,902	3,803,823	11,402,089	15,205,912	3,484,333	
Equipment	3,070,568	-	42,249	38,143	4,596,747	2,042,168	328,911	31,318	45,069	76,387	91,089	
Total	17,957,630	-	8,105,738	1,945,385	8,806,136	10,369,089	1,462,419	6,380,015	12,976,341	19,356,356	4,593,642	
Total assets	20,667,137	1,625,669	8,473,460	1,526,480	10,935,290	10,381,268	2,104,191	6,807,778	14,191,196	20,998,974	4,733,721	
Liabilities												
Current Fund Liabilities												
Accounts payable and accrued liabilities	210,140	38,636	9,714	16,970	137,026	12,820	21,546	126,126	58,277	184,403	15,910	
Unearned revenues	181,749	96	-	-	-	-	-	31,035	39,243	70,278	-	
Refundable deposits	200	-	18	-	53,063	-	-	-	-	-	59,093	
Total	392,089	38,732	9,732	16,970	190,089	12,820	21,546	157,161	97,520	254,681	75,003	
Plant Fund Liabilities												
Accounts payable and accrued liabilities	-	-	394	-	243,547	12,286	-	-	297,300	297,300	-	
Revenue bonds payable	-	-	-	-	243,547	12,286	-	-	15,247,496	15,247,496	-	
Total	-	-	394	-	243,547	12,286	-	-	15,544,796	15,544,796	-	
Total liabilities	392,089	38,732	10,126	16,970	433,636	25,106	21,546	157,161	15,642,316	15,799,477	75,003	
Fund balance												
Unrestricted	2,317,418	1,586,937	357,990	(435,875)	1,939,065	(641)	620,226	270,601	1,117,335	1,387,936	65,076	
Reserves - Plant	983,403	-	363,766	-	1,867,471	68,470	40,827	1,042,737	1,231,883	2,274,620	606,684	
Investment in plant	16,974,227	-	7,741,578	1,945,385	6,695,118	10,288,333	1,421,592	5,337,279	(3,800,338)	1,536,941	3,986,958	
Total fund balance	20,275,048	1,586,937	8,463,334	1,509,510	10,501,654	10,356,162	2,082,645	6,650,617	(1,451,120)	5,199,497	4,658,718	
Total liabilities and fund balance	20,667,137	1,625,669	8,473,460	1,526,480	10,935,290	10,381,268	2,104,191	6,807,778	14,191,196	20,998,974	4,733,721	

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
ANALYSIS OF OPERATIONS (UNAUDITED)**

SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES (UNAUDITED)

For the Year Ended June 30, 2017

**Schedule of Revenues, Expenditures and Changes in Fund Balances - Other Entities and
Auxiliary Enterprises (Unaudited)**

Accounting Entities and Auxiliary Enterprises	Balance June 30, 2016	Revenues	Expenditures and Transfers	Balance June 30, 2017
Student Fee Programs	\$ 1,734,550	\$ 8,966,619	\$ 8,383,751	\$ 2,317,418
Indirect Cost	1,640,949	2,033,049	2,087,061	1,586,937
Public Service Activities	187,250	499,229	328,489	357,990
Student and Staff Services	(430,900)	3,302,795	3,307,770	(435,875)
Service Departments	1,285,593	3,222,265	2,568,793	1,939,065
Other Educational Services	(17,032)	172,645	156,254	(641)
Educational Contracts	420,011	434,439	234,224	620,226
Revenue Bonds:				
Student Union	170,970 *	1,250,947	1,151,316	270,601
Parking Lot Administration	1,155,776	1,637,360	1,675,801	1,117,335
Other Auxiliary Enterprises	(126,758) *	907,196	715,362	65,076
Total	\$ 6,020,409	\$ 22,426,544	\$ 20,608,821	\$ 7,838,132

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

STATE OF ILLINOIS
 NORTHEASTERN ILLINOIS UNIVERSITY
 ANALYSIS OF OPERATIONS (UNAUDITED)

SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES

For the Year Ended June 30, 2017

Schedule of Tuition and Fee Waivers (Unaudited)

	Undergraduate			Graduate				
	Tuition Waivers	Fee Waivers	Tuition Waivers	Fee Waivers	Value of	Value of		
	Number of Recipients	Number of Recipients	Number of Recipients	Number of Recipients	Waivers (in thousands)	Waivers (in thousands)		
Mandatory Waivers								
Teacher Special Education	4	\$ 32.8	4	\$ 2.3	23	\$ 107.3	23	\$ 5.3
ROTC	6	39.6	6	2.8	-	-	-	-
DCFS	6	31.8	6	2.2	-	-	-	-
Children of Employees	41	123.2	-	-	-	-	-	-
Senior Citizens	6	20.7	-	-	2	4.3	-	-
Veterans Grants and Scholarships	155	777.0	155	54.5	42	175.1	42	8.6
	216 *	1,025.1	169 *	61.8	67	286.7	65	13.9
Discretionary Waivers								
Faculty/Administrators	-	-	-	-	5	5.1	5	0.2
Civil Service	32	94.3	32	6.6	108	336.9	108	16.6
Academic/Other Talent	538	1,158.2	-	-	196	233.8	-	-
Foreign Exchange Students	61	641.5	61	45.0	7	57.1	7	2.8
Student Need-Financial Aid	86	36.0	-	-	23	25.6	-	-
Cooperating Professionals	8	9.6	-	-	32	46.6	-	-
Research Assistants	-	-	-	-	16	61.1	16	3.0
Teaching Assistants	-	-	-	-	47	179.6	47	8.8
Other Assistants	-	-	-	-	70	269.2	70	13.2
Interinstitutional/Related Agencies	38	136.1	38	9.6	17	43.3	17	2.1
Contract/Training Grants	-	-	-	-	26	136.3	26	6.7
	726 *	2,075.7	94 *	61.2	542 *	1,394.6	291 *	53.4
Total	942	\$ 3,100.8	263	\$ 123.0	609	\$ 1,681.3	356	\$ 67.3

* 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 2016-2017.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
ANALYSIS OF OPERATIONS (UNAUDITED)**

SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES (UNAUDITED)
For the Year Ended June 30, 2017

Summary of Foundation Payments to the University (Unaudited)

In Fiscal Year 2017, 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 \$176,883 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	\$ 537,673
Funds considered restricted for purposes of the Guidelines computations:	
Given for scholarships, grants, and awards	<u>611,684</u>
Total Funds provided to the University by the Foundation	1,149,357
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>\$ 1,149,357</u></u>

**STATE OF ILLINOIS
 NORTHEASTERN ILLINOIS UNIVERSITY
 ANALYSIS OF OPERATIONS (UNAUDITED)**

SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES (UNAUDITED)

For the Year Ended June 30, 2017

Schedule of Real Estate Acquisitions in Excess of \$250,000 (Unaudited)

University Guidelines require that the University report annually on the acquisition of real estate costing in excess of \$250,000, and not funded by a separate appropriation specifically identifying the particular acquisition. In Fiscal Year 2017, the University incurred additional costs in relation to real estate properties purchased in previous years as follow:

<u>Property Description</u>	<u>Land</u>	<u>Building</u>	<u>Total</u>
Bryn Mawr Avenue Properties	\$ 559,400	\$ -	\$ 559,400
El Centro Properties	<u>2,300,000</u>	<u>-</u>	<u>2,300,000</u>
Total	<u>\$ 2,859,400</u>	<u>\$ -</u>	<u>\$ 2,859,400</u>