

**STATE OF ILLINOIS
NORTHERN ILLINOIS UNIVERSITY**

**COMPLIANCE EXAMINATION
(In Accordance With the Single Audit Act
and Applicable Federal Regulations)
For the Year Ended June 30, 2016**

**Performed as Special Assistant Auditors for
the Auditor General, State of Illinois**



State of Illinois
Northern Illinois University
Compliance Examination
(In Accordance With the Single Audit Act and Applicable Federal Regulations)
For the Year Ended June 30, 2016

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FINANCIAL STATEMENT REPORT

The University's financial statement report for the year ended June 30, 2016, which includes the independent auditors' report, management's discussion and analysis, basic financial statements and notes, has been issued separately. The University's report required under *Government Auditing Standards* for the year ended June 30, 2016 which includes the independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of basic financial statements performed in accordance with *Government Auditing Standards* has also been issued separately.

**State of Illinois
Northern Illinois University
Compliance Examination
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**State of Illinois
Northern Illinois University**

Agency Officials

Douglas D. Baker	President
Lisa C. Freeman	Executive Vice President and Provost
Mike Mann	Associate Vice President, State Government Relations & Board Liaison
Anne C. Kaplan	Vice President, Outreach, Engagement, and Regional Development
Brett Coryell	Vice President, Information Technology
Jerry Blazey	Interim Vice President, Research and Innovation Partnerships
Sean T. Frazier	Associate Vice President and Director, Intercollegiate Athletics
Eric A. Weldy (outgoing 12/31/16)	Vice President, Student Affairs and Enrollment Management
Vernese Edghill-Walden	Senior Associate Vice President, Academic Diversity & Chief Diversity Officer
Catherine Squires	Vice President, University Advancement
Harlan Teller	Interim Vice President, Marketing and Communications
Jerry D. Blakemore (outgoing 12/31/16)	Vice President and General Counsel
Gregory A. Brady (incoming 1/1/17)	Acting Vice President and General Counsel
Danielle Schultz	Director of Internal Audit

Financial Staff

Alan Phillips (outgoing 2/28/17)	Vice President, Administration and Finance
Lawrence Pinkelton	Acting Chief Financial Officer
Shyree Sanan	Controller

NIU Office is located at:

300 Altgeld Hall
DeKalb, Illinois 60115



**Northern Illinois
University**

*Division of Administration
and Finance*

DeKalb, Illinois 60115-2828
(815)753-1695
Fax: (815)753-1950

March 14, 2017

RSM US LLP
20 N. Martingale Rd.
Suite 500
Schaumburg, IL 60173

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 University. We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the University's compliance with the following assertions during the period ended June 30, 2016. Based on this evaluation, we assert that during the year ended June 30, 2016 the University has materially complied with the assertions below.

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

Yours truly,

Northern Illinois University

SIGNED ORIGINAL ON FILE

Douglas D. Baker, President

Lawrence Pinkelton, Acting Chief Financial Officer

Gregory A. Brady, Acting Vice President and General Counsel

**State of Illinois
Northern Illinois University**

**Compliance Report Summary
For the Year Ended June 30, 2016**

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

ACCOUNTANTS' REPORT

The Independent Accountants' Report on State Compliance, on Internal Control over Compliance and on Supplementary Information for State Compliance Purposes does not contain scope limitations or disclaimers. The report refers to other auditors. However, there is no other significant nonstandard language.

SUMMARY OF FINDINGS

<u>Number of</u>	<u>Current Report</u>	<u>Prior Report</u>
Findings	12	10
Repeated findings	6	7
Prior recommendations implemented or not repeated	4	2

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Item No.	Page	Description	Finding Type
Findings (<i>Government Auditing Standards</i>)			
2016-001	14	Financial Reporting Process	Material Weakness
2016-002	18	Inadequate Controls over Compensated Absences Data	Significant Deficiency
Findings (<i>State Compliance</i>)			
2016-003	19	Inadequate Internal Controls over Contracts	Significant Deficiency and Noncompliance
2016-004	23	Inadequate Control over Cash Receipts and Accounts Receivable Recording and Reporting Processes	Significant Deficiency and Noncompliance
2016-005	25	Voucher Processing	Significant Deficiency and Noncompliance
2016-006	27	Noncompliance with the Board of Higher Education Act	Significant Deficiency and Noncompliance
2016-007	28	Noncompliance with the Illinois Pension Code	Significant Deficiency and Noncompliance
2016-008	29	Noncompliance with the Freedom of Information and State Records Retention Acts	Significant Deficiency and Noncompliance
2016-009	31	Failure to Submit Proper Time Reporting	Significant Deficiency and Noncompliance

**State of Illinois
Northern Illinois University**

**Compliance Report Summary (Continued)
For the Year Ended June 30, 2016**

Item No.	Page	Description	Finding Type
Findings (State Compliance) (Continued)			
2016-010	32	Procurement Card Use	Significant Deficiency and Noncompliance
2016-011	34	Inadequate Controls over Property and Equipment	Significant Deficiency and Noncompliance
2016-012	36	Noncompliance with the Higher Education Veterans Service Act	Significant Deficiency and Noncompliance

In addition, the following finding which is reported as a current finding relating to *Government Auditing Standards* also meets the reporting requirements for State Compliance.

Findings (Government Auditing Standards)			
2016-001	14	Financial Reporting Process	Material Weakness and Noncompliance
2016-002	18	Inadequate Controls over Compensated Absences Data	Significant Deficiency and Noncompliance

Prior Findings Not Repeated			
A	37	Untimely After-the-Fact Verification of Time and Effort	
B	37	Inadequate Documentation for Federal Program Expenditures	
C	37	Incomplete TA-2 Forms	
D	37	Failure to Comply with the University Faculty Research and Consulting Act	

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with University personnel at an exit conference on March 14, 2017. Attending were:

University:

Danielle Schultz	Director of Internal Audit
Lawrence Pinkelton	Acting Chief Financial Officer
Shyree Sanan	Controller
Raul Garcia	Deputy Controller
Danell Jackowski	Accounts Payable Manager
Kathy Marshall	General Ledger Manager

Office of the Auditor General:

Tom Kizziah	Audit Manager
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RSM US LLP:

Joseph Evans	Partner
David Robydek	Senior Manager
Sarah Darnall	Supervisor

The responses to the recommendations were provided by Shyree Sanan in correspondence dated March 14, 2017.

**Independent Accountants' 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

Robert T. Boey, Honorable Chair of the
Compliance, Audit, Risk Management, and Legal Affairs Committee

Compliance

As Special Assistant Auditors for the Auditor General, we have examined Northern 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, 2016. 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; and, accordingly, included examining, on a test basis, evidence about the University's compliance with those requirements listed in the first paragraph of this report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the University's compliance with specified requirements.

In our opinion, Northern Illinois University complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the year ended June 30, 2016. 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 2016-001 through 2016-012.

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.

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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a material weakness and significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2016-001 to be a material weakness.

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. We consider the deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2016-002 through 2016-012 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 findings identified in our examination are described in the accompanying schedule of findings and questioned costs. We did not examine the University's responses and, accordingly, we express no opinion on the responses.

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 and aggregate discretely presented component units of Northern Illinois University as of and for the year ended June 30, 2016, and have issued our report thereon dated January 17, 2017. Our report contains emphasis of matter paragraphs for the accounting treatment of the appropriations granted under Public Act 099-0524 and for the lack of an appropriations bill to fund the University's fiscal year 2017 operations. Our opinion is not modified with respect to either of these matters. Our report includes a reference to other auditors who audited the financial statements of the

University's discretely presented component units, 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 University's basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to January 17, 2017. The accompanying supplementary information for the year ended June 30, 2016 in Schedules 1 through 15 and 21 through 24 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, 2016 in Schedules 1 through 15 and 21 through 24 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, 2016 in Schedules 1 through 15 and 21 through 24 is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2016.

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, 2015 (not presented herein), and have issued our report thereon dated February 3, 2016 which contained unmodified opinions on financial statements of the business-type activities and the aggregate discretely presented component units. Our report included a reference to other auditors and an emphasis of a matter paragraph for the implementation of Governmental Accounting Standards Board Statements No. 68 and 71. The accompanying supplementary information for the year ended June 30, 2015 in Schedules 2 through 10 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, 2015 financial statements. The accompanying supplementary information for the year ended June 30, 2015 in Schedules 2 through 10 has been subjected to the auditing procedures applied in the audit of the June 30, 2015 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, 2015 in Schedules 2 through 10 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 and in Schedules 16 through 20 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.

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

SIGNED ORIGINAL ON FILE

Schaumburg, Illinois
March 14, 2017, except for our report on the Supplementary Information
for State Compliance Purposes, as to which the date is January 17, 2017

**Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance with
Government Auditing Standards**

Honorable Frank J. Mautino
Auditor General
State of Illinois and

Cherilyn G. Murer, Honorable Chair of the
Compliance, Audit, Risk Management, and Legal Affairs Committee

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 Northern Illinois University (University) and its aggregate discretely presented component units, collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated January 17, 2017. Our report contains emphasis of matter paragraphs for the accounting treatment of the appropriations granted under Public Act 099-0524 and for the lack of an appropriations bill to fund the University's fiscal year 2017 operations. Our opinion is not modified with respect to either of these matters. Our report includes a reference to other auditors who audited the financial statements of the University's discretely presented component units, 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 opinion 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.

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. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings as item 2016-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings as item 2016-002 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*.

Northern Illinois University's Response to Findings

The University's responses to the findings identified in our audit are described in the accompanying schedule of findings. The University's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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

Schaumburg, Illinois
January 17, 2017

**Independent Auditors' 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

Robert T. Boey, Honorable Chair of the
Compliance, Audit, Risk Management, and Legal Affairs Committee

Report on Compliance for Each Major Federal Program

We have audited Northern 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, 2016. 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 those agencies determined to be component units of the University for financial statement purposes.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' 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 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and 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 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, 2016.

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.

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, material weaknesses may exist that have not been identified.

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 and the aggregate discretely presented component units of the University as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated January 17, 2017, which contained unmodified opinions on those financial statements. Our report contained emphasis of matters paragraphs regarding appropriations revenue recognition related to Public Act 099-0524 and the lack of appropriations to fund the University's fiscal year 2017 operations and included a reference to other auditors. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to January 17, 2017. 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

Schaumburg, Illinois
March 14, 2017, except for the Schedule of Expenditures
of Federal Awards, as to which the date is January 17, 2017

**State of Illinois
Northern Illinois University
Schedule of Findings and Questioned Costs
Summary of Auditors' Results
For the Year Ended June 30, 2016**

Financial Statements

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

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified that are not considered to be material weakness(es)? Yes No

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes No

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a) Yes No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Student Financial Assistance Cluster	84.007 84.033 84.038 84.063 84.268 84.379
English Language Acquisition State Grants	84.365

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee? Yes No

**State of Illinois
Northern Illinois University
Schedule of Findings and Questioned Costs
Current Findings – Government Auditing Standards
For the Year Ended June 30, 2016**

Finding 2016-001 Financial Reporting Process

Northern Illinois University's (the University) internal controls over financial reporting are not sufficient to prevent misstatements.

During our audit of the significant balances comprising the University's financial statements we noted the following errors and deficiencies:

Errors Related to the Recording of Capital Assets

- The University improperly capitalized \$1,267,471 of asbestos remediation costs as a capital asset instead of expensing them in fiscal year 2015. As the amount was not material to the financial statements, an audit adjustment was booked in fiscal year 2016 to remove the costs from capital assets by expensing them rather than restating opening net position. This corrects the year-end balance of capital assets and net position but results in current year operating expenses being overstated by \$1,267,471.

Governmental Accounting Standards Board Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, states that, except in certain circumstances, "pollution remediation outlays, including outlays for property, plant, and equipment, should be reported as an expense." None of the circumstances applied to the University.

- The University has improperly capitalized net library book activity (additions – disposals) as an addition each year instead of separately tracking additions and deletions. This impacts the financial statements as the University is keeping older, fully depreciated books on its asset listing and expensing a portion of its additions each year instead of capitalizing them. Additionally, in fiscal year 2016, there was a formula error in the University's calculation and disposals were added to additions instead of subtracted. When informed of the error, the University recorded a correcting entry which reduced net capital assets by \$3,013,864 and increased operating expenses by the same amount. This partially corrected the error and an unrecorded audit adjustment was proposed to fully correct the misstatement. This results in net capital assets and opening net position being understated by \$2,512,884 and \$1,844,552 respectively and current year operating expenses being overstated by \$668,332.

Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by Governmental Accounting Standards Board Statement No. 37, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments: Omnibus - an Amendment of GASB Statements No. 21 and No. 34*, states that, "capital assets should be reported at historical cost. The cost of a capital asset should include ancillary charges necessary to place the asset into its intended location and condition for use. Ancillary charges include costs that are directly attributable to asset acquisition — such as freight and transportation charges, site preparation costs, and professional fees."

- The University improperly capitalized the amounts noted below as fiscal year 2016 capital asset additions. They were evaluated together for the purposes of determining a proposed adjustment:
 - \$3,100,743 of costs already capitalized as an addition in fiscal year 2015
 - \$49,850 of costs billed in error by a vendor and refunded to the University
 - \$32,908 of costs for which the University cannot provide a vendor invoice
 - \$11,520 of employee training costs
 - \$1,970 of overhead allocation for which there is not sufficient documentation to support that the costs were necessary to place the asset into service

**State of Illinois
Northern Illinois University
Schedule of Findings and Questioned Costs (Continued)
Current Findings – Government Auditing Standards
For the Year Ended June 30, 2016**

Finding 2016-001 Financial Reporting Process (Continued)

No adjustment was recorded which results in net capital assets being overstated at year-end by \$3,012,275 and operating expenses being understated by the same amount. The year-end misstatement is less than the amount of errors noted above due to the depreciation the University recorded on the assets during the fiscal year totaling \$184,716.

Governmental Accounting Standards Board Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, states that application training is a post-implementation/operation stage activity and that, “outlays associated with activities in the post-implementation/operation stage should be expensed as incurred.”

- The University expensed \$398,006 of leasehold improvements for one of its facilities in fiscal year 2015 instead of capitalizing the cost to capital assets and amortizing it over the life of the lease. The improvement should have been considered an intangible asset as the University has a legal right to use the improvements over the course of the lease. This results in a year-end understatement of net capital assets and ending net position of \$250,430 and a \$53,664 understatement of operating expenses. No adjustment was proposed as the dollar amounts were not individually significant to the financial statements.

Governmental Accounting Standards Board Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, states that an intangible asset should be recognized on the statement of net position if it “arises from a contractual or legal right” and should be treated as a capital asset and amortized over the life of the lease.

Errors Related to Revenue Recognition

- The University participates in the Perkins Loan program under which it makes loans to students using both institutional and federal funds. The University has a receivable recorded for the loans and interest owed by students under the program and a liability recorded for the amount of the receivable that must be repaid to the federal government when the program is closed. In fiscal year 2005 the University recognized revenue of \$784,920 for interest and fees students owed on the loans and increased the recorded loan receivable by the same amount. This receivable was to be reversed in fiscal year 2006 when the University received the interest and fees but was never reversed resulting in revenue being recorded twice. No adjustment was recorded in fiscal year 2016 to remove the receivable which results in an overstatement of net student loans, government loan fund advances, and opening net position by \$784,920, \$675,031, and \$109,889 respectively. The overstatement of the receivable is split between the University’s opening net position and amount owed to the federal government as the liability is adjusted each year based on the net income or loss generated by the loan program.
- The University improperly excluded \$453,805 from its calculation of revenues earned over the course of the summer session and are therefore only partially earned as of year-end. This resulted in the University recognizing \$290,901 more summer session tuition and fees revenue in fiscal year 2016 than was earned and understating unearned tuition and fees by the same amount. No adjustment was proposed as the dollar amount was not individually significant to the financial statements.
- The University did not set up a receivable for \$69,996 of operating revenue earned in fiscal year 2015 and recognized it as revenue in fiscal year 2016 when it was received. No adjustment was proposed as the dollar amount was not individually significant to the financial statements.

**State of Illinois
Northern Illinois University
Schedule of Findings and Questioned Costs (Continued)
Current Findings – Government Auditing Standards
For the Year Ended June 30, 2016**

Finding 2016-001 Financial Reporting Process (Continued)

- The University did not recognize \$41,481 of revenue that was earned during fiscal years 2014 and 2015 for services provided to the Illinois Board of Examiners. This resulted in beginning and ending net position being understated by \$41,481. No adjustment was proposed as the dollar amount was not individually significant to the financial statements.
- The University recorded \$8,217 of billed revenue as unearned; however, the University provided services for the amount billed in fiscal year 2016 and thus should have considered the revenue earned. No adjustment was proposed as the dollar amount was not individually significant to the financial statements.
- The University recognizes parking pass revenues on a cash basis instead of on an accrual basis. Parking passes that can be used in fiscal year 2017, and for which a portion of the revenue should have been classified as unearned, went on sale starting December 2015. Management has not determined the specific dollar amount of the sales that should have been classified as unearned. It should be noted that total sales between December 1, 2015 and June 30, 2016 totaled \$271,447 and the error amount would be less. No adjustment was proposed as the dollar amount was not individually significant to the financial statements.

Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by Governmental Accounting Standards Board Statement No. 37, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments: Omnibus - an Amendment of GASB Statements No. 21 and No. 34*, states that, “the statement of net position and the statement of revenues, expenses, and changes in net position should be prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions should be recognized when the exchange takes place.”

Errors Noted Related to Classification and Presentation

- The University did not properly eliminate all inter-university transactions from the financial statements. The proposed adjustment was not recorded resulting in operating revenues and expenses being overstated by \$2,087,937.
- The University did not properly record expenses related to credit card and bank fees. We noted the University records credit card fees as a reduction of operating revenue and then records an adjusting entry to recognize credit card fee expense and increase revenue back to the gross amount. The adjusting entries booked by the University did not fully recapture all of the improperly reduced revenue amounts which resulted in operating revenues and expenses being understated by \$57,888. No adjustment was proposed as the dollar amount was not individually significant to the financial statements.
- The University did not properly eliminate a transfer of resources between University departments. This transfer decreased the amount of revenue and expense reported by the University by \$20,806. No adjustment was proposed as the dollar amount was not individual significant to the financial statements.

**State of Illinois
Northern Illinois University
Schedule of Findings and Questioned Costs (Continued)
Current Findings – Government Auditing Standards
For the Year Ended June 30, 2016**

Finding 2016-001 Financial Reporting Process (Continued)

Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by Governmental Accounting Standards Board Statement No. 37, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments: Omnibus - an Amendment of GASB Statements No. 21 and No. 34*, states that, "eliminations should be made in the statement of activities to remove the "doubling-up" effect of internal service fund activity. The effect of similar internal events (such as allocations of accounting staff salaries) that are, in effect, allocations of overhead expenses from one function to another or within the same function also should be eliminated, so that the allocated expenses are reported only by the function to which they were allocated."

Further, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls, to provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

According to University management, the errors noted above were due to several factors. The Controller's Office experienced high staff turnover due to retirements and a competitive market which resulted in loss of institutional knowledge and technical expertise. Budget constraints and cost curtailment initiatives requiring additional review of critical positions delayed refill of positions to meet year-end objectives. In addition, manual processes and underutilized systems capacity are prone to human error.

Inaccuracies in the recorded amounts of the University's financial statement balances delays completion of the audit process and delays the timely release of the University's financial reports to users. Also insufficient and/or ineffective controls over financial reporting could lead to significant reporting inaccuracies in the financial statements. (Finding Code No. 2016-001, 2015-001, 2014-001, 2013-001, 2012-001, 2011-001)

Recommendation

We recommend the University improve controls over financial reporting to ensure accurate presentation and disclosure of the University's annual financial statements.

University Response

The University accepts the auditor's recommendation. Management has conducted a comprehensive review of each component of this finding and is taking the following corrective actions that will eliminate all material exceptions:

- 1) University will modify procedures to track and report capital projects and all fixed assets to ensure proper accounting for capital assets.
- 2) University has begun to modify written policies and procedures, and develop communication and training programs around revenue recognition to ensure proper year-end recognition of revenue.
- 3) University has assessed opportunities for system enhancements and will work towards implementation of various functionalities and ERP modules that will streamline workflows, create efficiencies, and reduce opportunities for human errors.
- 4) And finally the University has initiated recruitment efforts to fill critical positions to meet year-end financial reporting objectives.

**State of Illinois
Northern Illinois University
Schedule of Findings and Questioned Costs (Continued)
Current Findings – Government Auditing Standards
For the Year Ended June 30, 2016**

Finding 2016-002 Inadequate Controls over Compensated Absences Data

Northern Illinois University (the University) did not use accurate information to determine its year-end accrual for compensated absences.

We tested a sample of nine employees to determine if the University was properly accounting for leave time earned and used during the year and noted errors for five of the nine employees. For two of the employees, the hours earned during the pay period ended June 30, 2016 were excluded from their year-end accrued balance and for the remaining three employees the vacation time taken during the first pay period in fiscal year 2017 was subtracted from their June 30, 2016 balances.

We discussed these issues with the University and asked that the accrued balances be reexamined. The University then identified a total of 57 employees whose June 30, 2016 balances did not include all the hours earned as of year-end and 626 employees whose June 30, 2016 balance had been reduced by vacation time taken in fiscal year 2017. These errors resulted in a \$193,816 understatement of the compensated absences accrual and operating expenses. No adjustment was proposed as the total error amount was not significant to the financial statements.

Governmental Accounting Standards Board Statement No. 16, *Accounting for Compensated Absences*, states that "vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employee."

Further, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls, to provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

According to University management, the errors noted above were due to both a system change and the timing of when the report was produced.

Using inaccurate data to determine amounts recorded in the financial statements could cause the financials to be misstated. (Finding Code No. 2016-002)

Recommendation

We recommend the University improve its processes to account for accrued leave to ensure year-end balances are accurate.

University Response

The University accepts the auditor's recommendation. Management has updated procedures necessary to ensure system inputs and all corresponding management reporting is accurate.

**State of Illinois
Northern Illinois University
Schedule of Findings and Questioned Costs (Continued)
Current Findings – State Compliance
For the Year Ended June 30, 2016**

Schedule of Findings

Finding 2016-003 Inadequate Internal Controls over Contracts

Northern Illinois University has not established adequate internal controls over contracts to ensure that they are approved prior to performance and comply with all applicable state requirements.

During our review of 84 contracts in effect during the year ending June 30, 2016 we noted the following:

- 27 contracts (32%) were missing one or more of the below certifications/clauses
 - Child Labor Act Certification (17 contracts, 20%)
 - Forced Labor Act Certification (17 contracts, 20%)
 - Prevailing Wage Act Certification (1 contract, 1%)
 - International Anti-Boycott Certification (7 contracts, 8%)
 - Appropriation Contingency Clause (17 contracts, 20%)
 - Contractor's Federal Taxpayer Identification Number and Legal Status Disclosure Certification (9 contracts, 11%)
 - Access to and Right to Audit Records Certification (15 contracts, 18%)
- 11 contracts (13%) did not have a contract obligation document filed with the Illinois State Comptroller's Office. Each contract contained an order for delivery that exceeded \$20,000.
- 8 contracts (10% and totaling \$10,666,510) were not approved prior to goods or services being provided.
- The public procurement files for 5 contracts (6% and totaling \$1,201,077) did not contain all the evaluation material used to determine the vendor to whom the contract was awarded. Each contract was awarded under qualified based selection procurement rules.
- 2 contracts (2%) exceeding \$50,000 each were approved without obtaining the vendors' disclosure of financial interest form.

Additionally, we noted the University gave a vendor two orders for tree trimming services on July 1, 2015. One order was for \$55,400 while the other was for \$50,000. If combined these orders would have exceeded the small purchasing threshold of \$55,800 and would have been required to be put out to bid. Per inquiry of the University, the orders were not combined as two different departments requested the service and had different funding sources. We note that the University has a centralized procurement function and that a benefit of a centralized purchasing function is that different departments' needs can be combined when obtaining goods and services.

The Illinois Administrative Code (44 Ill. Admin. Code 4.15) states that a contract means all types of State agreements, regardless of what they are called, for the procurement, use, or disposal of supplies, services, professional or artistic services, or construction or for leases of real property.

The State Prohibition of Goods from Child Labor Act (30 ILCS 584/10) states that every contract entered into by any State agency for the procurement of equipment, materials, or supplies, other than procurement related to a public works contract, must specify that no foreign-made equipment, materials, or supplies furnished to the State under the contract may be produced in whole or in part by the labor of any child under the age of 12. The contractor must agree to comply with this provision of the contract.

**State of Illinois
Northern Illinois University
Schedule of Findings and Questioned Costs (Continued)
Current Findings – State Compliance
For the Year Ended June 30, 2016**

Schedule of Findings (Continued)

Finding 2016-003 Inadequate Internal Controls over Contracts (Continued)

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

The Prevailing Wage Act (820 ILCS 130/4 (a-1)) states that the University must include a clause in any contract for the construction of fixed works, including the maintenance, repair, assembly, or disassembly work performed on equipment whether owned, leased, or rented, that not less than the prevailing wage rate shall be paid to all laborers, workers, and mechanics working under the contract.

The International Anti-Boycott Certification Act (30 ILCS 582/5) states that 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 Illinois' threshold for small purchases or \$10,000, whichever is less, shall contain certification, as a material condition of the contract, by which the contractor agrees that neither the contractor nor any substantially-owned affiliated company is participating or shall participate in an international boycott in violation of the provisions of the U.S. Export Administration Act of 1979 or the regulations of the U.S. Department of Commerce promulgated under that Act.

The Illinois Procurement Code (30 ILCS 500/20-60(b)) states that 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.

State of Illinois Accounting Bulletin No. 59 states that all purchase orders filed or obligated by universities with the Comptroller contain a vender certification stating that the contractor has provided the State a correct Federal Taxpayer Identification Number and legal status disclosure.

The Illinois Procurement Code (30 ILCS 500/20-65(b)) states that every contract or subcontract require the contractor or subcontractor to maintain books or records relating to performance under the contract and necessary to support amounts charged under the contract for a period of at least 3 years after final payment is made by the State and that the records must be made available for review and audit by the Auditor General, chief procurement officer, internal auditor, and the purchasing agency. The contractor or subcontractor shall fully cooperate with any audit.

The Statewide Accounting Management System procedure number 15.10.40 states that individual purchases or orders for delivery of services, commodities, or equipment that exceed \$20,000 must be filed with the Comptroller.

Northern Illinois University Business Procedure Manual Procedure No. 9-2 states all purchases must be made with a purchase order or P-Card and that a purchase order requires at least a procurement services buyer's signature.

**State of Illinois
Northern Illinois University
Schedule of Findings and Questioned Costs (Continued)
Current Findings – State Compliance
For the Year Ended June 30, 2016**

Schedule of Findings (Continued)

Finding 2016-003 Inadequate Internal Controls over Contracts (Continued)

The Illinois Administrative Code (44 Ill. Admin. Code 4.2080) states that a public procurement file shall be maintained for all contracts regardless of the method of procurement and contain the basis on which the award was made including all evaluation material, score sheets, and other documentation related to or prepared in conjunction with the evaluation.

The Illinois Administrative Code (44 Ill. Admin. Code 4.5035) states that disclosures of financial interests and potential conflicts of interest be obtained from all bidders and offers when the annual value of the bid or offer exceeds \$50,000. It also states these disclosures must also be obtained for small purchases [i.e. below the bid threshold] when it exceeds \$50,000.

The Illinois Procurement Code (30 ILCS 500/20-5 through 30 ILCS 500/20-20) states that unless otherwise authorized by law, all State contracts shall be awarded by competitive sealed bidding. One exception is the procurement of supplies and non-professional and non-artistic services not exceeding \$10,000 adjusted each July 1, for inflation. Chief Procurement Officers may, by rule, modify this amount. During fiscal year 2016, this modified amount was \$55,800.

The Illinois Northern Illinois University Business Procedure Manual Procedure No. 9-2 states that bids or other competitive source selections are required for general supplies and services that exceed \$55,800.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University to establish and maintain a system, or systems, of internal fiscal and administrative controls, to provide assurance that resources are utilized efficiently, effectively, and in compliance with applicable law; obligations and costs are in compliance with applicable law; funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation; revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources; and funds held outside the State Treasury are managed, used, and obtained in strict accordance with the terms of their enabling authorities and that no unauthorized funds exist.

University officials stated it was the University's understanding certifications were not required unless there was a two-party signed agreement for the purchase and contract obligation documents were not required to be reduced to writing for purchases of commodities or equipment. They also stated several University departments initiated purchases prior to requesting authorization to make the purchase and the two missing disclosures of financial interest were due to an oversight. Finally, University officials noted evaluators of vendors' responses to qualified based selection procurement requests were not required to turn in their notes or scoring sheets.

**State of Illinois
Northern Illinois University
Schedule of Findings and Questioned Costs (Continued)
Current Findings – State Compliance
For the Year Ended June 30, 2016**

Schedule of Findings (Continued)

Finding 2016-003 Inadequate Internal Controls over Contracts (Continued)

Failure to include all required certifications may result in goods or services received failing to comply with State statutes and regulations while not filing contract obligation documents with the Comptroller's office is noncompliance with a State regulation. Not fully executing a contract prior to the commencement of services or delivery of goods leaves the University vulnerable to unnecessary liabilities and potential legal problems while not having complete documentation of how a vendor was selected could bring the University's compliance with the Procurement Code into question. Finally, not obtaining required conflict of interest forms and not combining similar purchases together for bids could result in the University procuring goods or services at a higher rate than would have otherwise been paid. (2016-003, 2015-005, 2014-006, 2013-007, 12-7)

Recommendation

We recommend the University implement appropriate procedures to ensure contracts are complete, are properly approved prior to performance, and supported with complete public procurement files.

University Response

The University accepts the Auditor's recommendation. Management has conducted a comprehensive review of each component of this finding and is taking the following corrective actions that will eliminate material exceptions:

- 1) Develop terms and conditions boilerplate for purchase orders, which reference attestation to all state-mandated certifications, and revise current certification form in the University's request for proposal and invitation to bid forms to cover adherence to all other certifications that may not be included in the State's form.
- 2) Receive clarification of SAMs Manual from IL Comptroller's Office on the filing of contract obligations documents as relates to services.
- 3) The process for reviewing and negotiating Architectural, Engineering, and Land Surveying Qualifications Based Selection contracts has been revamped to ensure all files are complete.
- 4) Continue to develop and expand the newly created contract management process to eliminate performance or delivery before contract.

**State of Illinois
Northern Illinois University
Schedule of Findings and Questioned Costs (Continued)
Current Findings – State Compliance
For the Year Ended June 30, 2016**

Schedule of Findings (Continued)

**Finding 2016-004 Inadequate Control over Cash Receipts and Accounts Receivable
Recording and Reporting Processes**

Northern Illinois University (University) did not exercise adequate control over its cash receipts and accounts receivable recording and reporting processes.

We tested 49 cash receipts received by the University during fiscal year 2016 totaling \$2,053,968 and noted the following

- One receipt (2%) of \$15,000 was payment for services provided in a prior fiscal year for which there was no recorded receivable. This resulted in the University recognizing \$15,000 of revenue in the wrong fiscal year. The University was also still providing services to the customer in fiscal year 2016 and as of June 30, 2016 the customer owed the University \$99,659. No receivable was recorded, however, to capture this amount.
- Two receipts (4%) totaling \$24,659 were not deposited timely as defined by the University's deposit policy. The deposits were made one and seven days late.
- Nine receipts (18%) totaling \$105,790, all of which were vendor refunds, did not have documentation showing when they were received by the University so we were unable to determine if they were deposited in accordance with University policy.

We also reviewed all four quarters of the University's quarterly accounts receivable reporting to the State and noted the following.

- The Quarterly Reporting of Accounts Receivable Activity – Concerning the Collection of Accounts Over 180 Days Past Due and Accounts Over \$15 Thousand (Form C-99A) understated the amount of the receivable balance owed by commercial customers for three of the four quarters (75%). Quarter one's amount was understated by \$25,000, quarter two by \$198,000, and quarter four by \$103,000. These differences were amounts received by the University after each quarter's end but before the form was prepared.
- Six adjustments were made on the Quarterly Summary of Accounts Receivable Activity (Form C-97) without explanation. The adjustments ranged from \$1,000 to \$11,000.
- The fourth quarter's Form C-97 understated the number of student loans outstanding by 25.

Procedure 26.20.10 of the Statewide Accounting Management System manual (SAMS) states the University should record a receivable when the amount due is measurable such as when goods or services have been delivered.

Northern Illinois University Business Procedure Manual Procedure No. 5-1 states receipts are to be deposited daily with the Bursar's Office or an authorized depository bank unless the amount of the receipt is below \$500, in which case the receipt must be deposited within 5 business days.

Procedure 26.30.50 of the SAMS manual states form C-99A is to contain the dollar amount of accounts that are over 180 days past due and greater than \$15,000.

**State of Illinois
Northern Illinois University
Schedule of Findings and Questioned Costs (Continued)
Current Findings – State Compliance
For the Year Ended June 30, 2016**

Schedule of Findings (Continued)

**Finding 2016-004 Inadequate Control over Cash Receipts and Accounts Receivable
Recording and Reporting Processes (Continued)**

Procedure 26.30.20 of the SAMS manual states any adjustments made on form C-97 should be explained in the explanation/comment section of the form. It also states the number of accounts for each major revenue source must be reported at the end of the quarter.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University to establish and maintain a system, or systems, of internal fiscal and administrative controls, to provide assurance that resources are utilized efficiently, effectively, and in compliance with applicable law; obligations and costs are in compliance with applicable law; funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation; revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources; and funds held outside the State Treasury are managed, used, and obtained in strict accordance with the terms of their enabling authorities and that no unauthorized funds exist.

University officials stated the unrecorded receivable amount was due to oversight and untimely deposits were due to workload levels. The lack of documentation for the date a receipt was received was due to the department receiving those funds not recording the dates. The understatement of amounts reported on the C-99A form and the missing adjustment explanations on the C-97 forms were due to a misunderstanding of how the forms were to be prepared. The understatement of the number of student loans was a typing error.

Not recording receivables and reporting inaccurate receivable numbers to the State can cause a misstatement in the University's financial report and hinder useful analysis of receivable balances and collection periods. The untimely deposit of cash receipts increases the risk of loss and delays the usage of available funds. (Finding Code No. 2016-004)

Recommendation

We recommend that the University strengthen controls over its cash receipts and accounts receivable processes to ensure that amounts owed to the University are properly recorded and reported and that when amounts are paid they are promptly deposited.

University Response

The University accepts the Auditor's recommendation. Management has conducted a comprehensive review of each component of this finding and is taking the following corrective actions that will eliminate material exceptions:

- 1) University will modify procedures to track and report billing through Commercial Receivables to ensure these receivables are properly recorded and reported.
- 2) University will update current quarterly reporting business practices to align with SAMS manual reporting requirements.

**State of Illinois
Northern Illinois University
Schedule of Findings and Questioned Costs (Continued)
Current Findings – State Compliance
For the Year Ended June 30, 2016**

Schedule of Findings (Continued)

Finding 2016-005 Voucher Processing

Northern Illinois University (University) did not process certain expenditures accurately or in accordance with its own or State policies.

We tested 215 expenditures for purposes of State Compliance from Contractual Services, Travel, Printing, Commodities, Equipment, Electronic Data Processing, Telecommunications, and Operation of Automotive Equipment and noted the following:

- Twelve expenditures (6%) were not approved for payment within 30 days. These expenditures were approved for payment between 34 and 79 days (4 to 49 days late).
- Two expenditures (1%) were for goods or services purchased before authorization for the purchase was given through a purchase order.
- Two expenditures (1%) included sales tax amounting to \$17.
- Two expenditures (1%) for furniture purchases over \$500 were made without filing a new furniture affidavit.
- One expenditure (1%) for \$123 included charges for goods or services that were recorded in the wrong fiscal year. The amount attributable to a prior fiscal year was \$83.
- One expenditure (1%) payment of \$206 was not supported by a signed payment authorization.
- One expenditure (1%) was charged the incorrect account code.

Additionally, we noted per inquiry of the Director of Procurement Services that during fiscal year 2016, the University began implementing a policy under which expenditures under \$100 did not require a purchase order. This policy was not reduced to an official written version, but two expenditures (1%) were processed under the policy.

The State Prompt Payment Act (30 ILCS 540/3-2(1.1) et seq.) requires state agencies to review in a timely manner each bill or invoice after its receipt.

Northern Illinois University Business Procedure Manual Procedure No. 9-2 states that all purchases must be made on a purchase order or a P-Card and that the purchase order requires a number of authorizing signatures based on the dollar value of the purchase.

The State Property Control Act (30 ILCS 605/7a) requires state agencies to file an affidavit prior to the purchase of any new furniture over \$500 specifying the type of new furniture to be bought, the quantity, cost per item, and total cost. The affidavit must also state why the furniture must be new instead of using surplus furniture from the Department of Central Management Services surplus inventory.

**State of Illinois
Northern Illinois University
Schedule of Findings and Questioned Costs (Continued)
Current Findings – State Compliance
For the Year Ended June 30, 2016**

Schedule of Findings (Continued)

Finding 2016-005 Voucher Processing (Continued)

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University to establish and maintain a system, or systems, of internal fiscal and administrative controls, to provide assurance that: (1) resources are utilized efficiently, effectively, and in compliance with applicable law; (2) obligations and costs are in compliance with applicable law; (3) funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation; (4) revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources; and (5) funds held outside the State Treasury are managed, used, and obtained in strict accordance with the terms of their enabling authorities and that no unauthorized funds exist. These controls would include not paying for unnecessary amounts such as sales tax from which the University is exempt, recording expenditures in the correct account and fiscal year, and ensuring that all vendor invoices are accurate prior to issuing payment.

University officials stated the noted invoices were not approved within 30 days by the approving departments due to organizational change and employee turnover. Also, University policy is to reimburse sales tax paid by employees if the amount of the purchase is less than \$100 and University practice regarding new furniture affidavits is to call the Department of Central Management Services, which was done but the University never received a response on the two noted purchases. For other minor invoice issues noted, current University procedures were not followed by the approving departments.

Late approval of invoices, lack of required approvals, and paying for unnecessary expenditures could result in a loss of State funds. Recording expenditures in the incorrect fiscal year or account results in inaccurate financial statements. (Finding Code No. 2016-005, 2015-008, 2014-007)

Recommendation

We recommend the University improve controls to ensure expenditures are approved timely, are posted to the correct fiscal year, and vouchers are properly prepared and comply with State law.

University Response

The University accepts the Auditor's recommendation. Management has conducted a comprehensive review of each component of this finding and will continue to engage campus departments with appropriate training on payment policies and proper year-end cut off procedures. University will work to leverage technology that will eliminate inefficiencies and streamline payment processes to ensure timeliness of vendor payments.

**State of Illinois
Northern Illinois University
Schedule of Findings and Questioned Costs (Continued)
Current Findings – State Compliance
For the Year Ended June 30, 2016**

Schedule of Findings (Continued)

Finding 2016-006 Noncompliance with the Board of Higher Education Act

The University did not comply with the requirements of the Board of Higher Education Act (Act).

The University did not submit the required separate, monthly report for July 2015 to the Department of Human Rights or the Attorney General for adjudicated cases in which there was a finding of racial, ethnic, or religious intimidation or sexual harassment. These cases were reported later in a four month report that was filed with the Department of Human Rights and the Attorney General in October 2015. Additionally, the University did not have a general educational requirement in place during the 2015-2016 school year that called for students to complete coursework on improving human relations before obtaining a degree.

The Act (110 ILCS 205/9.21) required the University to report monthly [until August 21, 2015 at which point the requirement was changed to annually] to the Department of Human Rights and the Attorney General on each adjudicated case in which a finding of racial, ethnic, or religious intimidation or sexual harassment is made in a grievance, affirmative action or other proceeding established by the University to investigate and determine allegations of racial, ethnic or religious intimidation and sexual harassment.

The Act also requires the University to include, in the general education requirements for obtaining a degree, coursework on improving human relations to include race, ethnicity, gender and other issues related to improving human relations to address racism and sexual harassment on its campuses, through existing courses.

University officials stated the issues noted occurred due to staff turnover and staffing constraints.

Failure to submit required reports and include a human relations general educational requirement in the University's graduation requirements constitutes noncompliance with the Act. (Finding Code No. 2016-006)

Recommendation

We recommend the University implement controls to ensure reports are filed as required by the Act and update its graduation requirements to include the required coursework on improving human relations.

University Response

The University accepts the Auditor's recommendation. Management has conducted a comprehensive review of each component of this finding and has begun to modify procedures to ensure that annual reports are prepared and completed on an annual basis. In addition, corrective action has been initiated to implement a general education requirement in compliance with the Act.

**State of Illinois
Northern Illinois University
Schedule of Findings and Questioned Costs (Continued)
Current Findings – State Compliance
For the Year Ended June 30, 2016**

Schedule of Findings (Continued)

Finding 2016-007 Noncompliance with the Illinois Pension Code

Northern Illinois University (University) did not fully comply with the provisions of the Illinois Pension Code.

The University is a participant of the State University Retirement System (System). As a participant in the System, the University is not responsible for making employer contributions as they are paid on its behalf by the State of Illinois unless an employee is paid with trust or federal funds. However, when an employee is paid with trust or federal funds, the normal pension benefit cost of that employee is paid with those funds and the University is responsible for remitting the contributions to the System. During our testing, we noted the University did not remit \$29,686 of these contributions to the System.

The Pension Code (Code) (40 ILCS 5/15-155(b)) requires when an employee is paid from trust or grant funds that the University pay contributions to the System from those same funds sufficient to cover the accruing normal costs of the employee.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University to establish and maintain a system, or systems, of internal fiscal and administrative controls, to provide assurance that resources are utilized efficiently, effectively, and in compliance with applicable law; obligations and costs are in compliance with applicable law; funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation; revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources; and funds held outside the State Treasury are managed, used, and obtained in strict accordance with the terms of their enabling authorities and that no unauthorized funds exist. These controls should ensure all contributions due to the System are remitted.

University officials stated the delay in payment remission to the System was caused by staff turnover, manual processes, and undocumented procedures. Employees' wages were charged to grants through manual adjustments throughout fiscal year 2016 when it was determined that the employees were working on grant activities. Due to staff turnover these adjustments were not provided timely to the department responsible for submitting the contributions to the System.

Noncompliance with the Code results in reduced contributions to the System and may result in decreased earnings potential for the System. (Finding Code No. 2016-007)

Recommendation

We recommend the University implement procedures to ensure amounts payable to the System are properly tracked and remitted to the System.

University Response

The University accepts the Auditor's recommendation. The University has begun to implement corrective actions to modify business procedures and leverage technology to ensure State University Retirement System contributions are submitted timely.

**State of Illinois
Northern Illinois University
Schedule of Findings and Questioned Costs (Continued)
Current Findings – State Compliance
For the Year Ended June 30, 2016**

Schedule of Findings (Continued)

**Finding 2016-008 Noncompliance with the Freedom of Information and State Records
Retention Acts**

Northern Illinois University (University) did not fully respond to Freedom of Information Act requests and did not retain documents in accordance with the Records Retention Act and its own policies.

We selected a sample of 25 responses to Freedom of Information Act requests to review the completeness of the University's responses and noted the following.

- 3 responses (12%) did not include all the information requested. The University did not inform the requestor the information was not included in the response or provide a reason as to why it was not included. One of the requestors noted that information was missing and informed the University of the oversight. The missing information was provided 5 business days after it was due based on the original request.
- 1 response (4%) to a request for a listing of all e-mails written and received by an employee in the Administration and Finance office for a period of four months contained 351 e-mails or approximately 3 a day. The requestor questioned the completeness of the list and was informed the University had provided all the information it had and if the employee had deleted any e-mails during the requested timeframe it was too late to recover them. The e-mails requested would have been approximately two years old at the time of the request.

The Freedom of Information Act (5 ILCS 140/1 and 140/3) states that all persons are entitled to full and complete information regarding the affairs of government and the official acts and policies of those who represent them as public officials and public employees. It also states the University should promptly comply with a request for public records within 5 business days of receiving the request.

The State Records Act (5 ILCS 160/2) states that records includes all electronic material made or received by any agency in the State in connection with the pursuance of state law, transaction of public business, or appropriate for preservation as evidence of the organization, function, policies, decisions, procedures, operations, or other activities of the State.

The State Records Act (5 ILCS 160/17) states that no record shall be disposed of by any agency of the State, unless approval of the State Records Commission is first obtained.

Northern Illinois University's Record Retention and Administrative Guidelines states that a record includes business emails and general correspondence emails if they have any bearing on actions taken or not taken. It also states if a record is not included in a department's record retention schedule it cannot be destroyed. If it is included, the record may be destroyed in accordance with the timeframe in the schedule and after approval has been obtained from the State.

The retention schedule for the University's Office of Finance and Planning states correspondence must be retained for 3 years prior to being transferred to the University's Archives for either permanent retention or disposal.

**State of Illinois
Northern Illinois University
Schedule of Findings and Questioned Costs (Continued)
Current Findings – State Compliance
For the Year Ended June 30, 2016**

Schedule of Findings (Continued)

**Finding 2016-008 Noncompliance with the Freedom of Information and the State Records Acts
(Continued)**

University officials stated information missing from responses was due to the significant volume of requests received and the short timeframe in which responses were due. The non-retention of e-mails was possibly due to a former University employee not understanding document retention requirements combined with the University's migration to a new e-mail system.

Not supplying complete responses to Freedom of Information Act requests and the failure to properly retain records results in noncompliance with State law and decreases the University's transparency. (Finding Code No. 2016-008)

Recommendation

We recommend the University strengthen controls over its process of providing responses to Freedom of Information Act requests and implement controls to ensure its employees are aware of document retention policies and procedures.

University Response

The University accepts the Auditor's recommendation. The University has dedicated a full-time employee to manage the FOIA response process. The University has leveraged technology to better track and organize all FOIA documents, communications and responses, and to ensure employee emails are retained in accordance with the Records Retention Act

**State of Illinois
Northern Illinois University
Schedule of Findings and Questioned Costs (Continued)
Current Findings – State Compliance
For the Year Ended June 30, 2016**

Schedule of Findings (Continued)

Finding 2016-009 Failure to Submit Proper Time Reporting

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

We noted that the University had not fully implemented the requirement to collect data from all employees to be in compliance with the Act. Out of the 25 employees selected for testing, 5 employees did not submit time sheets listing the number of hours worked for the period tested.

The State Officials and Employees Ethics Act (Act) (5 ILCS 430) requires the University to adopt personnel policies consistent with the Act. The Act (5 ILCS 430/5-5(c)) further states, "The policies shall require State employees to periodically submit time sheets documenting the time spent each day on official State business to the nearest quarter hour."

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University to establish and maintain a system, or systems, of internal fiscal and administrative controls, to provide assurance that resources are utilized efficiently, effectively, and in compliance with applicable law; obligations and costs are in compliance with applicable law; funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation; revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources; and funds held outside the State Treasury are managed, used, and obtained in strict accordance with the terms of their enabling authorities and that no unauthorized funds exist.

University officials stated that the University has a process in place to track time reporting. Although faculty currently report their time commitment for instructional activities, service work, and time and effort on federal grants, discussions continue for implementing faculty time reporting that complies with this mandate.

By not requiring appropriate time sheets from all of its employees, the University lacks complete documentation of the time spent by faculty and staff on official state business as contemplated by the Act. (Finding Code No. 2016-009, 2015-004, 2014-003, 2013-004, 12-6, 11-3, 10-1, 09-4, 08-4, 07-7, 06-4, 05-6)

Recommendation

We recommend the University continue its efforts to develop and implement a program to require all employees to submit time sheets in accordance with the Act.

University Response

The University accepts the Auditor's recommendation. The University has instituted a process that captures time worked and benefit usage for Non-Faculty and Civil Service employees. The University is exploring alternative strategies that embrace the unique complexities of reporting time worked by faculty.

**State of Illinois
Northern Illinois University
Schedule of Findings and Questioned Costs (Continued)
Current Findings – State Compliance
For the Year Ended June 30, 2016**

Schedule of Findings (Continued)

Finding 2016-010 Procurement Card Use

Northern Illinois University (University) has not established adequate internal controls over procurement card (P-card) transactions.

The University operates a procurement card program that allows individuals throughout the University to make smaller purchases (defined as less than \$5,000) on a credit card, which is directly paid by the University on a monthly basis. The University's policies require employees assigned a procurement card to complete training on policies and procedures and to sign an agreement stipulating that they will use the card in accordance with the University's policies. The University's procedures also require all purchases on the cards be reviewed by the employee's manager and that receipts or other documentation of the purchases on the card be given to the manager for review and that these documents be maintained.

We tested the purchases made by 25 individuals during 4 months of the fiscal year (95 purchase logs detailing 1,723 transactions totaling \$578,688) and noted the following:

- Twelve transactions (1%) totaling \$7,246 included the payment of sales tax (\$545) which is a prohibited charge as the University is tax-exempt.
- Nine procurement card logs (1%) contained paid sales tax errors that should have been detected and corrected during review.
- Nineteen transactions (1%) totaling \$9,167 were not allocated to the correct expense account.
- Three transactions (1%) totaling \$2,969 did not have supporting receipts.
- One employee exceeded the \$10,000 monthly limit on her procurement card. No documentation of the approval for the exceeded limit was provided.

The University had approximately 529 procurement cards active during the fiscal year and incurred \$6,786,394 of expenditures during the year ended June 30, 2016.

Per section 4.1 *Card Holders are Required To* of the Manual, the card holder is responsible for ensuring no taxes are charged to the card, and for obtaining a refund if sales tax is charged. Additionally, per section 4.1, the card holder must retain receipts and backup documentation for all transactions of any amount.

Per section 4.1.1 *Approving Managers are Required To* of the Manual, the approving manager must monitor the use of the procurement card to ensure compliance with the University's policies and approve all transactions and monthly statements in a timely manner.

Per section 3.5 *Credit Limits* of the Manual, Individual procurement card credit limits will default to \$5,000 per transaction and \$10,000 per month. Card holders may request approval from the Approving Manager to increase credit limits in order to allow a one-time, specific transaction that will be higher than the transaction and/or monthly limit.

**State of Illinois
Northern Illinois University
Schedule of Findings and Questioned Costs (Continued)
Current Findings – State Compliance
For the Year Ended June 30, 2016**

Schedule of Findings (Continued)

Finding 2016-010 Procurement Card Use (Continued)

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University to establish and maintain a system, or systems, of internal fiscal and administrative controls, to provide assurance that: (1) resources are utilized efficiently, effectively, and in compliance with applicable law; (2) obligations and costs are in compliance with applicable law; (3) funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation; (4) revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources; and (5) funds held outside the State Treasury are managed, used, and obtained in strict accordance with the terms of their enabling authorities and that no unauthorized funds exist.

University officials stated that although the University has appropriate policies in place which stipulate procurement card holders are not to pay sales tax, retain receipts of all transactions, and correctly allocate expenses to the proper account, there were several instances in which the cardholders associated with the exceptions did not follow University policies and procedures. Additionally, management stated that although a procurement card security feature will not allow a cardholder to exceed their approved monthly limit, the one instance where monthly transactions exceeded the documented monthly limit was due to insufficient documentation of the approved monthly limit increase.

Paying for sales tax is an unnecessary use of the University's limited resources. Not allocating charges to the correct accounts may result in the University's financials being misstated. Additionally, not performing thorough reviews of the purchasing logs and not retaining documentation of approved purchase limits can result in inappropriate charges not being detected. (Finding Code No. 2016-010, 2015-009, 2014-009)

Recommendation

We recommend that the University review its current process for reviewing and approving procurement card transactions and consider any changes necessary to ensure charges are made in accordance with the University's policies and procedures.

University Response

The University accepts the Auditor's recommendation. Management has conducted a comprehensive review of each component of this finding and is taking the following corrective actions that will eliminate material exceptions:

- 1) Provide ongoing training with cardholders
- 2) Enhance communications on policies and procedures
- 3) Provide additional review and oversight of cardholders' purchase documentation
- 4) Finalize staffing and training of new P-card Administrator

**State of Illinois
Northern Illinois University
Schedule of Findings and Questioned Costs (Continued)
Current Findings – State Compliance
For the Year Ended June 30, 2016**

Schedule of Findings (Continued)

Finding 2016-011 Inadequate Controls over Property and Equipment

Northern Illinois University (University) did not fully comply with requirements applicable to its property and equipment.

We reviewed the University's property inventory certification as of November 30, 2015 that was submitted to the Department of Central Management Services (DCMS). The inventory certification to DCMS reported 315 items (\$356,432) of equipment that could not be located by the University. These assets were acquired by the University during the current as well as past fiscal years. Included in this listing were approximately 107 computers, servers, CPUs, or other electronic storage devices.

Additionally, we tested the final amended versions of the Agency Report of State Property (C-15) reports the University filed for all four quarters of fiscal year 2016 and noted several errors. In the University's quarter two filing, the amount of equipment additions were understated by \$4,003,750 to correct a prior period error that overstated the beginning balance of equipment. Then, in the University's quarter three filing, deletions from construction in progress were overstated by \$108,044 when an amount was removed twice in error. This error was not corrected which resulted in a \$108,044 understatement of the University's reported ending construction in progress amount for both quarters three and four.

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

The State Comptroller Act (15 ILCS 405/17) requires the University to report to the Comptroller of the State of Illinois (Comptroller), on forms prescribed by the Comptroller, all property acquired or disposed of by the University in such detail and at such times as the Comptroller requires in order to allow the Comptroller to maintain a current inventory record of all property held by or on behalf of the State or any State agency.

Statewide Accounting Management System (SAMS) Procedure 01.10.50 states that Agency heads have the overall responsibility to see that the fiscal management programs and procedures prescribed by the Comptroller are carried out.

SAMS Procedure 29.20.10 requires the University to report all additions in each asset category that occurred during the quarter being reported and to report in the deletions column corrections of prior year errors. It also requires the University to include a footnote for all corrections made.

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

University officials stated controls are in place over equipment; however, due to the number of assets held by the University and the movable nature of the items discrepancies occur. Errors in the C-15 reports were due to manual processes that are prone to human error.

**State of Illinois
Northern Illinois University
Schedule of Findings and Questioned Costs (Continued)
Current Findings – State Compliance
For the Year Ended June 30, 2016**

Schedule of Findings (Continued)

Finding 2016-011 Inadequate Controls over Property and Equipment (Continued)

Inadequate controls over property and equipment can lead to the University misreporting the assets it actually owns and impact the University's financial statements. It can also increase the risk that property and equipment will be misplaced or stolen. (Finding Code No. 2016-011, 2015-010)

Recommendation

We recommend the University strengthen its internal controls over the accountability and reporting of University property.

University Response

The University accepts the Auditor's recommendation. The University will continue to review and amend its processes to strengthen control over University assets. The University will work to leverage technology and retrain staff to ensure accurate recording of assets and reporting of the C-15 report.

**State of Illinois
Northern Illinois University
Schedule of Findings and Questioned Costs (Continued)
Current Findings – State Compliance
For the Year Ended June 30, 2016**

Schedule of Findings (Continued)

Finding 2016-012 Noncompliance with the Higher Education Veterans Service Act

Northern Illinois University (University) did not fully comply with the Higher Education Veterans Service (Act) Act.

The Higher Education Veterans Service Act (110 ILCS 49/20) states that by September 1st of each fiscal year the University is to report to the Illinois Board of Higher Education the fiscal impact of services and programs offered to veterans related to requirements of the Act for the prior fiscal year.

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

University officials stated the underlying cause for the untimely filing of the 2015 academic year report was due to staff turnover. No director or certifying official was in place at the time the report was due. The current director became aware of the reporting requirement in August of 2016 and took immediate action to comply.

Failure to report the fiscal impact of programs and services offered to veterans results in noncompliance with the Act. (Finding Code No. 2016-012)

Recommendation

We recommend the University submit the fiscal impact report to the Illinois Board of Higher Education in compliance with the Act.

University Response

The University accepts the Auditor's recommendation. The University has taken corrective action to train additional staff members in completing the survey to ensure compliance.

**State of Illinois
Northern Illinois University
Prior Findings Not Repeated
For the Year Ended June 30, 2016**

A. Finding: Untimely After-the-Fact Verification of Time and Effort

In the prior examination, the University did not verify the allocation of payroll and benefits charged to federal grants was accurate in a timely manner.

Disposition

In the current year, our sample testing of payroll expenditures for federal grants indicated they were supported by time and effort reports which were completed in a timely manner as defined by University policy. (Finding Code No. 2015-002)

B. Finding: Inadequate Documentation for Federal Program Expenditures

In the prior examination, the University did not have supporting documentation for some of the expenditures charged to the Professional and Cultural Exchange Programs – Citizen Exchanges program (CFDA 19.415). (Finding Code No. 2015-003)

Disposition

In the current year, our expenditure samples from the Professional and Cultural Exchange Programs – Citizen Exchanges program (CFDA 19.415) indicated supporting documentation was present.

C. Finding: Incomplete TA-2 Forms

In the prior examination, the University submitted incomplete TA-2 forms to the Legislative Audit Commission (Commission) and had not yet recouped an improper fiscal year 2014 disbursement to an employee for unreimbursable travel expenses. (Finding Code Nos. 2015-006, 2014-005)

Disposition

In the current year, our sample of TA-2 forms selected for testing indicated they were complete and filed with the Legislative Audit Commission. Further, the improper disbursement was recouped by the University.

D. Finding: Failure to Comply with the University Faculty Research and Consulting Act

In the prior examination, faculty members of the University performed outside consulting work without first obtaining prior approval from the University.

Disposition

In the current year, our sample of faculty members performing outside consulting work obtained prior approval from the University to perform the work. (Finding Code No. 2015-007, 2014-008)

**State of Illinois
Northern Illinois University
Summary of Prior Year *Government Auditing Standards* and Federal Compliance Findings
For the Year Ended June 30, 2016**

Finding 2015-001 Financial Reporting Process

Condition: The University's internal controls over financial reporting are not sufficient to prevent misstatements. During our review of the draft financial statements provided by the University, several errors and deficiencies were identified.

Corrective Action Plan: Management has conducted a process review of each component of this finding and has implemented corrective actions that include the following:

- 1) Expand training for staff accountants on accounting guidelines, standards and reconciliation procedures.
- 2) Expand use of technology and systems to automate manual processes.
- 3) Update and refine policies and procedures for departments that provide data feeds to the accounting function.

Current Status: This finding is repeated as 2016-001.

Finding 2015-002 Untimely After-the-Fact Verification of Time and Effort.

Federal Programs Impacted: All programs to which payroll and benefit expenses are allocated.

Condition: The University did not verify the allocation of payroll and benefits charged to federal grants was accurate in a timely manner.

Corrective Action Plan: The University will review its current process for managing time and effort reports and will implement a system of distributing them in a more timely fashion.

Current Status: Corrective action plan is complete.

Finding 2015-003 Inadequate Documentation for Federal Program Expenditures

Federal Department: Department of State

CFDA Number: 19.415

Program Name: Professional and Cultural Exchange Programs – Citizen Exchanges

Condition: The University did not have supporting documentation for certain expenditures charged to Federal programs.

Corrective Action Plan: The University will remove the charges from the grant award in question totaling of \$248 of unsupported documentation, as well as the overcharge of \$90 for retirement expense. The University will review its procedures to strengthen controls to ensure grant charges are supported with proper documentation.

Current Status: Corrective action plan is complete.

State of Illinois
Northern Illinois University
Schedule of Expenditures of Federal Awards
as of June 30, 2016

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Federal Project or Pass-Through Number	FY 2016 Expenditures	To Subrecipients
* STUDENT FINANCIAL ASSISTANCE CLUSTER				
DEPARTMENT OF EDUCATION				
Federal Supplemental Educational Opportunity Grants G7B70075	84.007	P007A111243	836,864	-
Federal Work-Study Program G7B70238	84.033	P033A111243	874,070	-
Federal Pell Grant Program G7B70076	84.063	P063P111370	29,284,022	-
Federal Perkins Loan Program, Beginning Loan Balance	84.038		8,399,212	-
Federal Perkins Loan Program, New Loans	84.038		993,208	-
Federal Perkins Loan Program, Administrative Cost Allowance	84.038		158,945	-
Federal Direct Loans Program G7B70071	84.268		122,984,312	-
Teacher Education Assistance for College and Higher Education Grants (TEACH) G7B70077	84.379	P379T121370	89,146	-
Total Student Financial Assistance Cluster			163,619,779	
RESEARCH AND DEVELOPMENT CLUSTER				
NATIONAL SCIENCE FOUNDATION				
Engineering Grants:				
CAREER: Advanced Photochemical Paradigms for Enhanced Photovoltaics and Photocatalysis and Photocatalysis G1A62475	47.041		77,275	-
I-Corps L: Tinkering Labs G1A62565	47.041	1505499	22,494	-
Wireless Communication Integrated Active Noise Reduction System G6A64172	47.041		102,188	-
			201,957	-
Mathematical and Physical Sciences:				
Application of Statistics in Assessing Nanoreliability G1A62493	47.049	DMS-1208273	29,740	-
Synthetic Methodologies Utilizing Superelectrophiles G1A62523	47.049	CHE-1300878	81,524	-
Unconventional Electrodynamics in Unconventional Solids G1A62530	47.049	DMR-1310199	97,711	-
Collaborative Research: ATD: Dynamical Sampling and Resonance for Sensing Networks G1A62531	47.049	DMS-1322127	41,132	-
Phenomenology of electroweak Symmetry Breaking, Supersymmetry, and the Frontiers of the Standard Model G1A62548	47.049		55,782	-
Creation and Crystallinity Control of Artificial Ices Using Superconducting Vortices G1A62551	47.049		95,184	-
Searching for New Phenomena with Leptons G1A62576	47.049		202,722	-
Using the Higgs boson to probe and test the Standard Model at ATLAS G1A62582	47.049		61,871	-
Development of Ultra-cold Quantum-degenerate Relativistic Electron Beams for Research and Applications G1A62586	47.049		97,619	-
Search for New Phenomena at the Energy Frontier G1A62587	47.049		24,641	-
Passed-Through Columbia University: US ATLAS Operations: Empowering us Universities for Discoveries at the Energy Frontier G6A64044	47.049	5-25191 PO G03010	145,867	-
Passed-Through University of Chicago Development of Ultrafast Tracking Electronics for the ATLAS Trigger G6A64070	47.049	FP048009-C	31,261	-
Passed-Through University of Notre Dame The Quarknet Project G6A64208	47.049	PHY-1219444	7,335	-
			972,389	-
Geosciences:				
Catalyzing Early Career partnerships to Promote Discipline-Based Education Research in the Geosciences G1B66767	47.050	1425927	1,177	-
Collaborative Research: Developing new Science and Technology for Subglacial Studies of the Willins Ice Plain and West Antarctic Ice Sheet G1A62532	47.050		1,890	-
Copper & Gold in Sulfur-rich Magmatic-hydrothermal Systems G1A62552	47.050	1347782	56,500	-
Holeocene Precipitation Changes G1A62581	47.050	1502989	19,176	-
Diatom and Oxygen Isotope Evidence of Pliocene Antarctic Ice Sheet Dynamics and Ross Sea Paleooceanography G1A62584	47.050	1443420	16,841	1,711
Passed-Through Columbia University IODP Expedition 361 South African Climates: microfossils G6A64204	47.050	145028	16,016	-
			111,600	1,711
Computers and Information Science and Engineering:				
HCC: Collaborative Research: Integrating Cognitive and Computational Models of Narrative G1A62525	47.070	1319974	66,751	-
CC-NIE Integration: Collaborative Research: EPSON: Embracing Parallel Networks and Storage for Predictable End-to-End Data Movement G1A62561	47.070	1440797	171,087	-
			237,838	-
Biological Sciences:				
Subgenomic RNAs in Genetic Reco G1A62366	47.074	MCB-0920617	1,471	-
CAREER: Library Based Design of Linked Equilibria to Control Protein Interactions G1A62395	47.074	MCB-0953323	88,416	-
Dimensions NASA: Collaborative Research: The Biogeography and Draught Tolerance in Grasses G1A62529	47.074	DEB-1342782	21,502	-
Collaborative Research: Ecological Diversification and molecular Evolution of Grasses (Poaceae) G1A62459	47.074	DEB-1120761	2,635	-
			114,024	-
Social, Behavioral, and Economic Sciences:				
Collaborative Research: Cultural Models of Nature Across Cultures: Space, Causality, and Primary Food Producers G1A62528	47.075		40,880	16,997
CAREER: Exit Strategies: Assessing Long-Term Social, Cultural, and Political Impacts of the Depart of INGOs in Rural Haiti G1A62571	47.075	1455142	89,155	26,832
			130,035	43,829

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<u>NATIONAL SCIENCE FOUNDATION (Continued)</u>				
Education and Human Resources:				
IMUSLE-Incremental Mindset and Utility for Science Learning and Engagement G1A62460	47.076	1136143	64,356	-
PROMISE: Providing Resources and Opportunities to Maximize Interest in STEM Education G1B66748	47.076	DUE-1068463	351,710	16,605
Renewable Energy Technology Across the Engineering Technology Curriculum G1A62480	47.076	1140447	31,088	-
Empowering Teachers to Enhance Adolescents' Motivation for Science G1A62481	47.076	1102925	22,624	-
Internet Accessible Remote Laboratories with Collaborative Design G1A62490	47.076	1140502	51,914	-
Collaborative Research: WLSIM2, The Next Generation Landform Simulator G1A62492	47.076	1140375	63,531	13,800
Doctoral Dissertation Research: The Effects of Honeysuckle Encroachment on White Oak Savannas in Relation to Understory light, soil and Dispersal G1A62499	47.076	None	706	-
Fellowship for Christopher Budnick G1A62516	47.076	Fellowship	42,666	-
Collaborative Research: The Geo-CC&CP Foundry - Building Institutional Capacity for Broadening Participation in the Geoscience Workforce G1A62557	47.076	1445228	123,724	-
Collaborative Research: Learning & Teaching Engineering Dynamics Through Interactive Simulations G1A62558	47.076	1432289	54,780	-
Passed-Through University of Missouri on behalf of Missouri University of Science and Technology Engineering Uncertainty Repository G6A64098	47.076	1245070	19,753	-
Passed-Through American Institutes for Research STEM I.E. (Interest and Engagement) G6A64155	47.076		60,829	28,147
			<u>887,681</u>	<u>58,552</u>
Trans-NSF Recovery Act Research Support:				
RAGES-Collaborative Research: Integrative Study of Marine Ice Sheet Stability and Subglacial Life Habitats-Robotic Access to Grounding Zones - ARRA G1A62368	47.082	ANT-0839107	112,145	20,912
LISSARD-Collaborative Research: Integrative Study of Marine Ice Sheet Stability and Subglacial Life Habitats-Lake & Ice Stream Subglacial Access- ARRA G1A62369	47.082	ANT-0839059	65,166	9,688
Searches for New Phenomena with High Energy Particle Colliders G1A62483	47.082	PHY-1206092	221,851	-
Total NSF Recovery Act Research Support			<u>399,162</u>	<u>30,600</u>
Total National Science Foundation			<u>3,054,686</u>	<u>134,692</u>
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Maternal and Child Health Federal Consolidated Programs:				
MCH Research G1A62590	93.110		44,823	12,349
			<u>44,823</u>	<u>12,349</u>
Research Related to Deafness and Communication Disorders:				
Processing of Spoken Language in Young Children who use cochlear Implants G1A62450	93.173	1R15DC011605-01	25,612	314
			<u>25,612</u>	<u>314</u>
Research on Healthcare Costs, Quality and Outcomes:				
Passed-Through Northwestern University Healthcare Research and Quality/DHHS G6A64178	93.226	1 R18 HS023921 - 01	314,373	-
			<u>314,373</u>	<u>-</u>
Mental Health Research Grants:				
Biomarkers for Posttraumatic Stress in Women Following a Campus Mass Shooting G1A62501	93.242	1 R15MH099521-01	53,071	-
Automatic 3D Quantification of Synapse Distribution in Complex Dendritic Arbor G1A62527	93.242	1R15MH099569-01A1	137,767	64,931
			<u>190,838</u>	<u>64,931</u>
Occupational Safety and Health Program				
Randomized Controlled Trial of Whole Body Vibration Intervention in Truck Drivers G6A64176	93.262		10,224	-
Multi-tasking to Hyper-tasking: Investigating the Impact of the Next Generation 911 G6A64182	93.262		43,815	-
			<u>54,039</u>	<u>-</u>
Minority Health and Health Disparities Research				
E-diaries to assess health effects of microaggressions G1A62575	93.307		145,525	30,615
			<u>145,525</u>	<u>30,615</u>
Cancer Cause and Prevention Research:				
Lung Cancer Recurrence and Survival: Statistical Methods and Models for Ethnic and Gender Disparities, Epigenetics and related Issues G1A62442	93.393	1R15CA152896-01A1	118,977	-
			<u>118,977</u>	<u>-</u>
Cancer Treatment Research:				
Targeting the tumor microenvironment in B-Cell malignancies G1A62542	93.395	1R03CA175872-01A1	42,799	-
			<u>42,799</u>	<u>-</u>
ACA-Transforming Clinical Practice Initiative: Practice Transformation Networks (PTNs)				
Great Lakes Practice Transformation Network G6A64202	93.638		130,699	-
			<u>130,699</u>	<u>-</u>
Cardiovascular Diseases Research:				
Mechanisms of Social Isolation and Environmental Enrichment in an Animal Model G1A62491	93.837	1R15EY020995-01	109,380	-
			<u>109,380</u>	<u>-</u>
Allergy, Immunology and Transplantation Research:				
Role of VeA-Dependent Genes and Proteins in Mycotoxin Production and Development G1A62479	93.855	2R15AI081232-02	(752)	-
Design and Study of IspF Inhibitors as Antibacterial Agents G1A62550	93.855	1R15I113653-01	139,036	21,703
Pass-Through Seattle Biomedical Research, Inc. Rickettsia Met AP functional study G6A64148	93.855		6,510	-
			<u>144,794</u>	<u>21,703</u>

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DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)				
Allergy, Immunology and Transplantation Research (Continued): Orphan genes in pathogenic bacteria G1A62570	93.859		162,003	-
			162,003	-
Child Health and Human Development Extramural Research: Reactions to Prolonged Infant Crying in Parents at Risk for Child Physical Abuse G1A62583	93.865		146,717	-
Passed-Through Global Obesity Prevention Center Assessing the impact of zoning policies on fast-foods around schools G6A64228	93.865		5,864	-
			152,581	-
Total Department of Health and Human Services			1,636,443	129,912
DEPARTMENT OF EDUCATION				
Office of Special Education and Rehabilitative Services: Peer Health Navigation for Medicaid Beneficiaries with Physical Disabilities: A Community-Based Participatory Research Intervention Development Study G4A63067	84.133		30,943	-
			30,943	-
Education Research, Development and Dissemination: Testing the onPAR Model in Developmental Literacy Education G1A62574	84.305	R305A150193	395,675	94,301
Passed-Through University of Kansas: Development and Validation of Online Adaptive Reading Motivation Measures G6A64017	84.305	FY2011-103	24,165	-
Passed-Through University of Illinois at Chicago: Reading for Understanding Across Grades 6-12: Evidence -based Argumentation for Disciplinary learning G4A63051	84.305	2010-01569-01-00	333,869	52,954
			753,709	147,255
Statewide Longitudinal Data Systems: Passed-Through University of Minnesota Chicago Longitudinal Survey G6A64171	84.372		18,394	-
Passed-Through Illinois State Board of Education 41-FN17260	84.372		340,000	-
			358,394	-
Total Department of Education			1,143,046	147,255
DEPARTMENT OF AGRICULTURE				
Agricultural Research-Basic and Applied Research: USDA Identification of Regulatory Genes in A. Flavus and A. Nidulans that are involved in Mycotoxin Product G2A62555	10.001	58-6435-9-386	16,043	-
			16,043	-
Farmers' Market and Local Food Promotion Program: USDA Farmers to Markets to Consumers: Removing the Obstacles to Growth G2A62567	10.168		65,200	-
			65,200	-
Grants for Agricultural Research, Special Research Grants: Passed-Through Kansas State University: KSU/Air force Family Advocacy Research Analysis and Support Project FASOR G6A64037	10.200	2015-39575-24367	67,688	-
Intimate Partner Risk Assessment Quality Assurance Project G6A64159	10.200	S15042	184,440	-
			252,128	-
Total Department of Agriculture			333,371	-
DEPARTMENT OF COMMERCE				
National Institute of Standards and Technology: Measurement and Engineering Research and Standards Dev/Val of Physics Based AM Models for Process Control & Quality Assurance G2A62519	11.609	70NANB13H194	752,816	438,277
Passed-Through the Northwestern University Development of Roadmap & Consortium for Innovation in Sheet Metal Forming G6A64149	11.609	SP0026516-PROJ0007766	11,336	-
			764,152	438,277
Manufacturing Extension Partnership: Pass-Through Illinois Manufacturing Extension Center Training Module Dev to Exploit the Synergy between Lean Manufacturing & Green Supply Chain Practices G6A64119	11.611		391,846	-
Regional Host Organization for Illinois Manufacturing Excellence Center G6A64144	11.611		651,431	-
			1,043,277	-
Science, Technology, Business and/or Education Outreach NIST Summer Undergraduate Research Fellowship G2A62600	11.620		3,465	-
			3,465	-
Total Department of Commerce			1,810,894	438,277

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DEPARTMENT OF DEFENSE				
US Army Research Institute (ARI) for the Behavioral and Social Sciences Specification of Effective Monitoring Behaviors for Leadership Competency Development and Adaptability G2A62503	12.000	AFS-ALCS2010-7	23,690	-
Passed-Through Kansas State University Illinois Center for Defense Manufacturing (ICDM) G6A64109	12.000	S14036	50,000	-
			<u>73,690</u>	<u>-</u>
Total Department of Defense			<u>73,690</u>	<u>-</u>
DEPARTMENT OF INTERIOR				
Fish and Wildlife Management Assistance: Assessing Management Needs to Enhance the Recovery for the Eastern Mississauga G2A62410/G2A62538	15.608	F13AC00624	4,551	-
			<u>4,551</u>	<u>-</u>
Great Lakes Restoration: Annual Lake Erie Watersnake Census (LEWS) G2A62495	15.662	F12AP00909	275	-
			<u>275</u>	<u>-</u>
U.S. Geological Survey Research and Data Collection: Seismic Monitoring of the Asian Carp Water Gun Deployment in the Chicago Area Waterway System, the Illinois River, and Other Systems. G2A62554	15.808	G14AC00279	44,514	-
			<u>44,514</u>	<u>-</u>
Total Department of Interior			<u>49,340</u>	<u>-</u>
US OFFICE OF PERSONNEL MANAGEMENT				
Intergovernmental Personnel Act Mobility Program: US Army Medical Command IPA Joint Appt. G2A62549	27.011		101,742	-
Hines VA Hospital - Veterans Affairs G2A62566	27.011		12,269	-
			<u>114,011</u>	<u>-</u>
Total US Office of Personnel Management			<u>114,011</u>	<u>-</u>
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION				
Science Estimating Global Volume of Excavation by Fluvial Processes on Mars: Inferring Volume of Water and its Implications G2A62517	43.001	NNX13AK65G	85,036	-
Passed-Through University of Nevada, Las Vegas Exploration of Biological Dark Matter in Geothermal Springs G6A64069	43.001	13-725F-03	30,750	-
			<u>115,786</u>	<u>-</u>
Total National Aeronautics and Space Administration			<u>115,786</u>	<u>-</u>
NATIONAL ENDOWMENT FOR THE HUMANITIES				
Promotion of the Humanities Fellowships and Stipends The Humanitarian Eye: Photography and the 20th-Century Quest to Save Innocents Abroad G2A62541	45.160	FA-57772-14	4,200	-
			<u>4,200</u>	<u>-</u>
Total Department of National Endowment for the Humanities			<u>4,200</u>	<u>-</u>

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DEPARTMENT OF ENERGY				
Office of Science Financial Assistance Program:				
Polarized X-Rays as a Probe of Spin Polarization G2A62156	81.049	DE-FG02-03ER46097	98,030	-
Studies of Conventional & ERL-Based Recirculator Electron Cooling for an Electron Ion G2A62502	81.049	DE-SC0008588	41,777	-
Searching for Physics Beyond the Standard Model at the Intensity Frontier G2A62543	81.049	DE-SC0012231	125,965	-
Nonlinear Dynamics & Phase Space Manipulations of High-Brightness Beams G2A62547	81.049	DE-SC0011831	80,224	-
eSHIVA in IOTA; Experiment on Stochasticity in high intensity G2A62599	81.049		2,549	-
Passed-Through the Kansas State University				
Nano-patterned cathode surfaces for high efficiency photoinjectors G6A64156	81.049	DE-SC0009656 2NPC	24,870	-
Pat G6A64179	81.049	DE-SC0013162	42,308	-
			<u>415,723</u>	<u>-</u>
Fossil Energy Research and Development:				
Assessing the Geomechanical Response of CO2 Disposal in Flood Basalt Reservoirs G2A62559	81.089		2,373	-
			<u>2,373</u>	<u>-</u>
Department of Energy Managed Labs:				
Geospatial Infrastructure Tech G2A62384	81.000		(131)	-
Development of the MUZE Preliminary Design G2A62494	81.000	PO 608549	58,778	-
G-2 Tracking Detector G2A62496	81.000	PO 609097	1,663	-
System Software Integration and Development G2A62511	81.000	3F-31421	199,159	-
Single Crystal Diffuse Xray & Neutron Scattering Experiments G2A62515	81.000	9J-30261-0042A	33,770	-
Phase 1 Upgrade: ATLAS - L1calo G2A62537	81.000		(153)	-
Community Dashboard Development G2A62540	81.000	9J-30261-0049A	33,216	-
Study of Ceramic Ion Conductors G2A62566	81.000	9J-30261-0051A	22,948	-
Searching for New Physics w/ Higgs Bosons at ATLAS G2A62560	81.000	277858	17,352	-
Synthesis and characterization of Fe-based pnictide superconductors G2A62563	81.000	4J-30341-0002A	34,921	-
Materials Development for Energy Efficiency and Renewable Energy Applications G2A62564	81.000	4J-30341-0003A	16,788	-
Fabrication and Characterization of Superconducting Nanostructures G2A62572	81.000		36,886	-
DOE Optical Stochastic Cooling G2A62573	81.000	DE-AC02-06CH11357	44,702	-
Support for visiting Prof. Lesovik to facilitate creation of theoretical platform for an efficient cooper pair splitter G2A62577	81.000		18,375	-
Argonne Split and Delay Monochromator G2A62578	81.000	4J-30341-0008A	5,256	-
Argonne Atomic scale Surface Structure G2A62579	81.000		14,512	-
Summer Support for Andrew Green G2A62580	81.000		9,600	-
Argonne Adaptive CoS for Wide-area Data Flows G2A62585	81.000	4J-30341-0010A	23,699	-
Formation, Manipulations and Applications of Flat and Magnetized Beams at the FAST Facility G2A62589	81.000	624333	27,342	-
Atomic-scale surface structure and dynamics G2A62593	81.000		29,028	-
Structural investigations G2A62594	81.000		10,974	-
Engineering design support for Muon g-2 tracker G2A62596	81.000		17,194	-
Contributions to the development of a photon detector system G2A62598	81.000		7,952	-
Photodiodes Service Contract with Fermilab G2A62610	81.000		1,090	-
Passed-Through Universities Research Association, Inc.				
Channeling Radiation Experiment at Fermilab ASTA User Facility G6A64152	81.000	14-F-08	1,277	-
			<u>666,198</u>	<u>-</u>
Total Department of Energy			<u>1,084,294</u>	<u>-</u>
DEPARTMENT OF HOMELAND SECURITY				
Homeland Security Research, Development, Testing, Evaluation, and Demonstration of Technologies Related to Nuclear Threat Detection				
Dept of Homeland Security G2A62588	97.077	2015-DN-077-ARI094	153,077	69,891
			<u>153,077</u>	<u>69,891</u>
Total Department of Homeland Security			<u>153,077</u>	<u>69,891</u>
Total Research and Development Cluster			<u>9,572,838</u>	<u>920,027</u>
ECONOMIC DEVELOPMENT CLUSTER				
DEPARTMENT OF COMMERCE ECONOMIC DEVELOPMENT ADMINISTRATION				
Economic Adjustment Assistance:				
Rockford Region Economic Development - EDA/DOC Comprehensive Strategy 5 year update G6B70221	11.307		10,394	-
			<u>10,394</u>	<u>-</u>
Total Economic Development Cluster			<u>10,394</u>	<u>-</u>

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HIGHWAY SAFETY CLUSTER				
DEPARTMENT OF TRANSPORTATION				
National Priority Safety Programs				
FY15 Sustained Traffic Enforcement Program G4B67536	20.616		6,695	-
Sustained Traffic Enforcement Program (STEP) G4B67553	20.616		4,480	-
			<u>11,175</u>	<u>-</u>
Total Highway Safety Cluster			<u>11,175</u>	<u>-</u>
TRIO CLUSTER				
DEPARTMENT OF EDUCATION				
TRIO - Student Support Services G1B66736				
	84.042	P042A101432	37,662	-
			<u>37,662</u>	<u>-</u>
TRIO - Upward Bound G1B66755	84.047	P047A121484	440,427	-
			<u>440,427</u>	<u>-</u>
Total Trio Cluster			<u>478,089</u>	<u>-</u>
CCDF CLUSTER				
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Child Care and Development Block Grant				
Pass-Through Illinois Department of Human Services 41-CP30140 / 41-MC24596	93.575	None	162,000	-
			<u>162,000</u>	<u>-</u>
Total CCDF Cluster			<u>162,000</u>	<u>-</u>
SPECIAL EDUCATION CLUSTER (IDEA)				
DEPARTMENT OF EDUCATION				
Special Education_Grants to States				
Passed-Through Southern Illinois University:				
IDEA: State Personnel Development Grant-IL IHE Partnership G4B67517	84.027	763944	(69)	-
IDEA: State Personnel Development Grant-IL IHE Partnership G4B67538	84.027	763944-007	11,430	-
IDEA: State Personnel Development Grant-IL IHE Partnership G4B67562	84.027		3,377	-
			<u>14,738</u>	<u>-</u>
Total Special Education Cluster (IDEA)			<u>14,738</u>	<u>-</u>
OTHER PROGRAMS				
DEPARTMENT OF HEALTH AND HUMAN SERVICES ARRA				
Health Information Technology Regional Extension Centers Program:				
Office of National Coord for Health Information Technology Illinois Health Information Technology Exchange Program Collaborative ARRA G1B66725	93.718	90RC0023/01	44,361	-
			<u>44,361</u>	<u>-</u>
Total Department of Health and Human Services ARRA			<u>44,361</u>	<u>-</u>
DEPARTMENT OF EDUCATION				
Title I Grants to Local Educational Agencies				
Illinois Interactive Report Card Module G4B67524	84.010		18,914	-
IIRC Design Work G4B67525	84.010		99,740	-
			<u>118,654</u>	<u>-</u>
Migrant Education - State Grant Program				
Migrant Education_State Grant Program G4B67560	84.011		3,828	-
Rochelle Migrant Incentive Program G4B67561	84.011		987	-
			<u>4,815</u>	<u>-</u>
National Resource Centers Program for Foreign Language and Area Studies or Foreign Language and International Studies Program and Foreign Language and Area Studies Fellowship Program:				
Foreign Language and Area Studies Fellowships G1B66734	84.015	P015A100167	(3,273)	-
National Resource Center at Northern Illinois University G1B66768	84.015	P015A140055	214,194	-
Foreign Language and Area Studies Fellowships G1B66769	84.015	P015B140055	251,839	-
			<u>462,760</u>	<u>-</u>

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<u>DEPARTMENT OF EDUCATION (Continued)</u>				
Rehabilitation Long-Term Training:				
Preparation of Rehabilitation Teachers and Orientation & Mobility of Rehabilitation of Individuals Who are Deaf or Hard of Hearing G1B66738	84.129	H129Q100002	11,156	-
			<u>11,156</u>	<u>-</u>
Rehabilitation Services Demonstration and Training Programs:				
Preparing the USA for the UEB: A Massive Open Online Course for Personnel Providing Vocational Rehabilitation Services or Educational Services to You G1B66771	84.235	H235E140006	110,438	-
			<u>110,438</u>	<u>-</u>
Twenty-First Century Community Learning Centers:				
Passed-Through the Communities in Schools of Aurora, Inc 21st CCLS FY2015 West Chicago SD33 G6B70231	84.287		31,500	-
			<u>31,500</u>	<u>-</u>
Special Education Personnel Development to Improve Services and Results for Children With Disabilities:				
Program for Training of Teachers and Orientation and Mobility Instructors G1B66760	84.325	H325K130217	270,865	-
Project Prevent and Address Bullying (PPAB) for Student with Disabilities: A Multitiered Behavioral Framework G1B66783	84.325		68,131	-
Preparing new teachers of students with visual impairments G1B66790	84.325		4,616	-
			<u>343,612</u>	<u>-</u>
English Language Acquisition State Grants:				
* Passed-Through Illinois State Board of Education: Development of Reading ESL, Early Childhood, Math and Science: Project Dreams G1B66750	84.365	T365Z110199-12	323,473	-
			<u>323,473</u>	<u>-</u>
Mathematics and Science Partnerships:				
Passed-Through Illinois State Board of Education: Integrated Professional Development Using Next Generation Science Exemplar G6B70244	84.366		34,749	-
			<u>34,749</u>	<u>-</u>
Improving Teacher Quality State Grants:				
Passed-Through Illinois Board of Higher Education NIU Higher Ed Transitions Committee: Regional College Readiness Partnership G4B63061	84.367	IBHE	6,386	-
FY14 Promoting Achievement thru Literacy Skills Across High School Curriculum G4B67521	84.367	IBHE	91,600	67,003
			<u>97,986</u>	<u>67,003</u>
Race to the Top – Early Learning Challenge				
Passed-Through Illinois Board of Higher Education Northern Illinois Consortium for Early Childhood Articulations G3B67546	84.412	IBHE	24,792	-
			<u>24,792</u>	<u>-</u>
Total Department of Education			<u>1,563,935</u>	<u>67,003</u>
<u>DEPARTMENT OF AGRICULTURE</u>				
Child and Adult Care Food Program				
Passed Through Illinois State Board of Education: Federal School Lunch Program 41-CP30140/41-MC24596	10.558		55,000	-
			<u>55,000</u>	<u>-</u>
Total Department of Agriculture			<u>55,000</u>	<u>-</u>

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Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Federal Project or Pass-Through Number	FY 2016 Expenditures	To Subrecipients
DEPARTMENT OF LABOR				
Employment Training Administration H-1B Job Training Grants: Job Innovation Accelerator Challenge G2B66753	17.268	JA-22454-11-60-A-17	210,895 210,895	22,907 22,907
Total Department of Labor			210,895	22,907
DEPARTMENT OF STATE				
Professional and Cultural Exchange Programs - Citizen Exchanges Youth Leadership Program 2013 - Philippines: Environmental Leadership in the Philippines G2B66757 Youth Leadership Program 2013 - Philippines: Environmental Leadership in the Philippines G2B66758 Belizean Youth Sport Coalition for Youth Development and Social Change G2B66762 Southeast Asia Youth Leadership Program 2014 G2B66765 Citizens Exchange Programs: Youth Programs Project: GLOBAL G2B66772 / G2B66773 FY2014 Southeast Asia Youth Leadership Program G2B66775 / G2B66776 PYLP 2015 G2B66785 / G2B66786	19.415 19.415 19.415 19.415 19.415 19.415 19.415	S-ECAPY-12-CA-154(RJ) S-ECAPY-12-CA-154 (RJ) S-ECAGD-13-GR-177 (DT) S-ECAGD-14-CA-1039 S-ECAPY-12-CA-154 S-ECAGD-14-CA-1039 S-ECAGD-15-CA-1123	858 (8,864) 98,603 7,034 41,941 458,513 191,044 789,129	- - - - - - 122,034 122,034
Public Diplomacy Programs 2015 Fulbright Gateway Orientation G2B66779	19.040		47,297 47,297	- -
Academic Exchange Programs - Undergraduate Programs Study of the US Institutes for Student Leaders from SE Asia on Civic Engagemnet G2B66780 Leading and Organizing for Change in Southeast Asia G2B66782	19.009 19.009		93,673 99,733 193,406	- - -
Total Department of State			1,029,832	122,034
NATIONAL ENDOWMENT FOR THE HUMANITIES				
Promotion of the Humanities_Division of Preservation and Access Textile Storage and Environmental Monitoring G2B66786 From Theory to Practice: Extending the Reach of Digital Power Preservation Workshops G2B66777	45.149 45.149	PG-52231-14	(595) 91,578 90,983	- - -
Promotion of the Humanities_Fellowships and Stipends Arabic Slave Writings and the American Canon G2B66742	45.160		2,100 2,100	- -
Promotion of the Humanities_Professional Development NEH Enduring Questions Course on "What is the Role of Women in an Ideal Society?" G2B66759	45.163	AQ-50947-13	977 977	- -
Total National Endowment for the Humanities			94,060	-
ENVIRONMENTAL PROTECTION AGENCY				
Office of Chemical Safety and Pollution Prevention Regional Host Organization for Illinois Manufacturing Excellence G6A64193	66.717		4,553 4,553	- -
Total EPA			4,553	-
DEPARTMENT OF ENERGY				
Department of Energy Managed Labs Joint Appt: Zhili Xiao G2A62424 Joint Appt: Philippe Piot G2A62425 Joint Appt: Young Min Shin G2A62467 Joint Appt: Andres Glatz G2A62497 Joint Appt: Swapan Chattopadhyay G2A62569 Joint Appt: Zhili Xiao G2A62591 Joint Appt: Andres Glatz G2A62592 Joint Appt: David J Schroeder G2B66787 Joint Appt: Michael Syphers G2B66789	81.000 81.000 81.000 81.000 81.000 81.000 81.000 81.000 81.000	DE-AC02-06CH11357 PO 589180 Rev 1 & 2 PO 602342 DE-AC02-06CH11357	3,556 74,797 51,504 20,850 132,462 109,097 100,855 78,647 99,390 671,158	- - - - - - - - - -
Total Department of Energy			671,158	-
INSTITUTE OF MUSEUM AND LIBRARY SCIENCES				
Museums for America Anthropology Museum Rehousing Project G2B66770	45.301	MA-30-14-0414-14	87,623 87,623	- -
Total Institute of Museum and Library Sciences			87,623	-
VIETNAM EDUCATION FOUNDATION				
Fellowship Program Vietnam Education Foundation Graduate Fellowship in Biology G2B66781	85.802		24,077 24,077	- -
Total Vietnam Education Foundation			24,077	-
Total Other Programs			3,785,494	211,944
TOTAL EXPENDITURES OF FEDERAL AWARDS			177,654,507	1,131,971

* Cluster/program was tested as a major program in fiscal year 2016

**State of Illinois
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**Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016**

Note 1. Significant Accounting Policy

The accompanying Schedule of Expenditures of Federal Awards (Schedule) of Northern Illinois University (University) has been prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule does not purport to present the results of operations or the net income or loss for the respective period as would a statement of income or a statement of revenues and expenses. Pass-through entity identifying numbers are presented on the Schedule where available.

Note 2. Nature of Programs

For purposes of the Schedule, federal awards include all grants, contracts, and similar agreements entered into directly between the University and agencies and departments of the federal government and all sub-awards to the University by nonfederal organizations pursuant to federal grants, contracts, and similar agreements. The U.S. Department of Education has been designated as the University's cognizant agency for the audit performed in accordance with the requirements of the Uniform Guidance. The University did not receive federal noncash assistance during the fiscal year ended June 30, 2016. No federal insurance was received by the University during the year ended June 30, 2016.

Note 3. Cost Allocation

The University has a plan for allocation of common and indirect costs related to grant programs in accordance with, as applicable, either the cost principles in OMB Circular A- 21, Cost Principles for Educational Institutions or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. The University allocates amounts to grant programs using an indirect cost rate based on a federally negotiated higher education rate agreement, and therefore does not use the 10 percent de minimis rate under the Uniform Guidance.

Note 4. Reconciliation of the Schedule of Expenditures of Federal Awards to the Statement of Revenues, Expenses, and Changes in Net Position

The following is a reconciliation of total expenditures as reported on the accompanying Schedule of Expenditures of Federal Awards to the operating revenue item of federal and state grants and other contracts and the nonoperating revenue item of Pell grants on the Statement of Revenues, Expenses, and Changes in Net Position included in the University's financial statements:

	<u>(in Thousands)</u>
Total expenditures as reported in the Schedule of Expenditures of Federal Awards	\$ 177,655
Remove the following:	
Federal Perkins Loan Program, Beginning Fund Balance	(8,399)
Federal Perkins Loan Program, New Loans	(993)
Federal Direct Loans Program	(122,984)
Add the following:	
Direct state grants/contracts	<u>12,168</u>
Total federal and state grants and other contracts, FSEOG, and Pell Grants revenues as reported in the Statement of Revenues, Expenses, and Changes in Net Position	<u>\$ 57,447</u>

**State of Illinois
Northern Illinois University**

**Notes to Schedule of Expenditures of Federal Awards (continued)
For the Year Ended June 30, 2016**

Note 5. Federal Student Loan Program

During the fiscal year ended June 30, 2016, the University issued new loans to students under the Federal Direct Student Loan Program (FDLP). The loan program includes subsidized and unsubsidized Stafford Loans, Parents' Loans for Undergraduate Students (PLUS), and PLUS Loans for graduate and professional students. The value of loans issued for the FDLP is based on disbursed amounts. The loan amounts issued during the year are disclosed on the Schedule. The University is responsible only for the performance of certain administrative duties with respect to the federally guaranteed student loan programs and, accordingly, balances and transactions relating to these loan programs are not included in the University's basic financial statements. Therefore, it is not practicable to determine the balance of loans outstanding to students and former students of the University at June 30, 2016.

In addition, the University participates in the Federal Perkins Loan Program through the Department of Education. This loan program is directly administered by the University and is considered a revolving loan program whereby collections received on past loans, including interest, is loaned out to current students. The beginning balance on these loans are disclosed in the Schedule. The outstanding balance at June 30, 2016 was \$7,880,094. The loans issued through the Federal Perkins Loan Program during the year ended June 30, 2016, was \$993,208. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule.

**Supplementary Information for State Compliance Purposes
Summary**

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

- Fiscal Schedules and Analysis:

- Schedule of Appropriations, Expenditures, and Lapsed Balances
- Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances
- Comparative Schedule of Income Fund Revenues and Expenses
- Schedule of Changes in Capital Assets
- Comparative Schedule of Cash and Temporary Cash Equivalents, at Cost
- Comparative Schedule of Investments, at Cost
- Analysis of Receivables and Inventories
- Analysis of Significant Variations in Expenses
- Analysis of Significant Variations in Revenues
- Analysis of Significant Variations in Account Balances
- Analysis of Significant Lapse Period Spending
- Schedule of Federal Expenditures, Nonfederal Expenses, and New Loans
- Entity Financial Statements:
 - Other Entities:
 - Condensed Financial Information:
 - Balance Sheet
 - Schedule of Revenues, Expenditures and Changes in Current Fund Balances
 - Schedule of Revenues, Expenditures and Changes in Plant Fund Balances
 - Auxiliary Business Operations, Service Departments, and Indirect Cost Support:
 - Condensed Financial Information:
 - Balance Sheet
 - Schedule of Revenues, Expenditures and Changes in Current Fund Balances
 - Schedule of Revenues, Expenditures and Changes in Plant Fund Balances
 - Auxiliary Enterprises - Revenue Bond Funds:
 - Condensed Financial Information:
 - Balance Sheet
 - Schedule of Revenues, Expenditures and Changes in Current Fund Balances
 - Schedule of Revenues, Expenditures and Changes in Plant Fund Balances
 - Schedule of Indentured Capital Reserves (Unaudited)
 - Calculation Sheet for Current Excess Funds:
 - Other Entities (Unaudited)
 - Auxiliary Business Operations (Unaudited)
 - Service Departments (Unaudited)
 - Auxiliary Enterprises - Revenue Bond Funds (Unaudited)
 - Indirect Cost Support - Sources and Application of Indirect Cost Recoveries
 - Calculation Sheet for Indirect Cost Support Carryforward
 - Description of Accounting Entities
 - Auxiliary Enterprises - Revenue Bond Funds - Schedule of Revenues, Expenses, and Changes in Net Position

**Supplementary Information for State Compliance Purposes
Summary (Continued)**

- Analysis of Operations (Unaudited):
 - Cross-Reference Table of Reporting Requirements
 - University Functions and Planning Program (Unaudited)
 - Budget Impasse Disclosures
 - Interest Costs on Fiscal Year 2016 Invoices
 - Alternative Financing in Lieu of Appropriations and Programs to Address
Untimely Payments to Vendors
 - Comparative Employment Statistics (Unaudited)
 - Emergency Purchases (Unaudited)
 - Comparative Enrollment Statistics (Unaudited)
 - Schedule of Tuition and Fee Waivers (Unaudited)
 - Debt Financed by University-Related Organization (Unaudited)
 - Acquisition of Real Estate Costing in Excess of \$250,000 and Not Funded
by a Separate Appropriation (Unaudited)
 - Bookstore Operations (Unaudited)
 - Comments on Certain Matters Regarding Auxiliary Enterprises, Activities, and
Accounting Entities, and Tuition, Charges, and Fees (Unaudited)
 - Comments on Certain Matters Regarding University-Related Organizations and
Other Matters (Unaudited)
 - Summary of Foundation Payments to/from the University (Unaudited)
 - Summary of Alumni Association Payments to/from the University (Unaudited)
 - Summary of Research Foundation Payments to/from University (Unaudited)
 - Current Unrestricted Funds - Auxiliary Enterprises - Revenue Bond Funds -
Occupancy Report of Residence Halls (Unaudited)
 - Current Unrestricted Funds - Auxiliary Enterprises - Revenue Bond Funds -
Insured Value Summary (Unaudited)

The accountants' report that covers the Supplementary Information for State Compliance Purposes presented on page 6 in the Introductory Section states that it has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the auditors' opinion, except for that portion marked "unaudited" on which the auditors expressed no opinion, it is fairly stated in all material respects in relation to the basic financial statements, from which it has been derived, taken as a whole. The accountants' report also states that the Analysis of Operations section has 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 this section.

Schedule of Appropriations, Expenditures, and Lapsed Balances
Expenditure Authority for Fiscal Year 2016
Fourteen Months Ended August 31, 2016

Public Act 99-0502, Public Act 99-0524, and Court-Ordered Expenditures	Expenditure Authority (Net After Transfers)	Expenditures Through June 30, 2016	Lapse Period Expenditures July 1 to August 31, 2016	Total Expenditures, Fourteen Months Ended August 31, 2016	Balances Lapsed August 31, 2016
EDUCATION ASSISTANCE FUND-007					
Ordinary and Contingent Expenses	\$ 26,403,200	\$ 26,403,150	\$ 50	\$ 26,403,200	\$ -
Total Education Assistance Fund	26,403,200	26,403,150	50	26,403,200	-
STATE COLLEGE AND UNIVERSITY TRUST FUND-417					
Scholarships	36,000	-	20,975	20,975	15,025
Total State College and Univeristy Trust Fund	36,000	-	20,975	20,975	15,025
TOTAL APPROPRIATED FUNDS	\$ 26,439,200	\$ 26,403,150	\$ 21,025	\$ 26,424,175	\$ 15,025

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller records as of September 30, 2016, and have been reconciled to University records.

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

Note 3: During Fiscal Year 2016, the University operated without enacted appropriations until Public Act 99-0502 and Public Act 99-0524 were signed into law on April 25, 2016, and June 30, 2016 respectively. During the impasse, 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 such, the University's court-ordered involuntary withholding payroll payments previously processed through the State Treasury were merged into the enacted appropriation for Fund 007. Further, the University incurred reimbursable payroll and non-payroll obligations within Fund 007 and 417, which the University was unable to process a reimbursement for the expenditures incurred by the University's Income Fund until the passage of Public Act 99-0502 and Public Act 99-0524.

Note 4: Public Act 99-524 authorizes 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 86 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 appropriation.

Comparative Schedule of Net Appropriations, Expenditures,
and Lapsed Balances
For the Years Ended June 30, 2016 and 2015

	Fiscal Years	
	2016	2015
	PA99-0502 PA99-0524	PA99-0001
Education Assistance Fund - 007		
Appropriations (net after transfers)	\$ 26,403,200	\$ 91,092,700
Expenditures		
Ordinary and contingent expenses	26,403,200	-
Personal services	-	82,410,600
Contributions to Social Security and Medicare	-	883,500
Contractual services	-	3,695,115
Commodities	-	892,940
Equipment and library books	-	717,027
Telecommunications services	-	511,068
Automotive	-	104,300
CMS health insurance	-	1,770,650
Total expenditures	26,403,200	90,985,200
Lapsed balances	\$ -	\$ 107,500
State College and University Trust Fund - 417		
Appropriations (net after transfers)	\$ 36,000	\$ 36,000
Expenditures - scholarship grant awards	20,975	20,600
	\$ 15,025	\$ 15,400
Grand Total - All Funds		
Appropriations (net after transfers)	\$ 26,439,200	\$ 91,128,700
Total expenditures	26,424,175	91,005,800
Lapse balances	\$ 15,025	\$ 122,900

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller records as of September 30, 2016, and have been reconciled to University records.

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

**Comparative Schedule of Net Appropriations, Expenditures,
and Lapsed Balances (Continued)
For the Years Ended June 30, 2016 and 2015**

Note 3: During Fiscal Year 2016, the University operated without enacted appropriations until Public Act 99-0502 and Public Act 99-0524 were signed into law on April 25, 2016, and June 30, 2016 respectively. During the impasse, 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 such, the University's court-ordered involuntary withholding payroll payments previously processed through the State Treasury were merged into the enacted appropriation for Fund 007. Further, the University incurred reimbursable payroll and non-payroll obligations within Fund 007 and 417, which the University was unable to process a reimbursement for the expenditures incurred by the University's Income Fund until the passage of Public Act 99-0502 and Public Act 99-0524.

Note 4: Public Act 99-524 authorizes 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 86 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 appropriation.

**Comparative Schedule of Income Fund Revenues and Expenses
For the Years Ended June 30, 2016 and 2015**

	2016	2015
Income Fund Revenues		
Tuition, net of waivers	\$ 158,056,807	\$ 153,511,711
Material fees	6,880,517	7,880,215
Other	810,440	2,105,688
	<u>165,747,764</u>	<u>163,497,614</u>
Total Income Fund Revenues	<u>\$ 165,747,764</u>	<u>\$ 163,497,614</u>
Income Fund Expenses		
Personal services	\$ 128,015,872	\$ 84,201,999
FICA/Medicare	3,062,839	2,550,579
Unemployment compensation benefits	35,337	42,097
Group insurance	3,541,300	1,770,650
Contractual services	39,440,874	28,853,743
Travel	471,149	922,398
Commodities	2,651,375	2,970,530
Equipment and library books	5,586,783	8,858,610
Telecommunications	1,023,959	734,841
Automotive	302,555	492,737
Award/grants and matching funds	8,617,175	7,698,791
Permanent improvements	1,023,690	1,750,469
Transfers out for non-revenue bond debt service	6,275,728	5,066,449
Expense Subtotal	<u>200,048,636</u>	<u>145,913,893</u>
GASB No. 35 Adjustments		
Depreciation expense	4,225,354	4,152,813
Capital asset additions/disposals	(2,621,962)	(4,330,325)
GASB No. 35 Adjustments Total	<u>1,603,392</u>	<u>(177,512)</u>
Total Income Fund Expenses	<u>\$ 201,652,028</u>	<u>\$ 145,736,381</u>

Note 1: Income fund revenues and expenses are reported gross of scholarship discounts except those due to tuition and fee waivers.

Note 2: In fiscal year 2016 the University expanded the number of expense line items disclosed for added clarity. Fiscal year 2015's numbers have been adjusted for the change for comparison.

State of Illinois
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Schedule 4

Schedule of Changes in Capital Assets*
For the Year Ended June 30, 2016

	Balance June 30, 2015	Additions	Transfers	Deductions	Balance June 30, 2016
Land	\$ 19,280,619	\$ -	\$ -	\$ -	\$ 19,280,619
Land improvements	82,137,364	-	1,526,549	-	83,663,913
Buildings	672,134,299	-	961,831	-	673,096,130
Equipment	255,495,770	5,918,833	4,049,933	5,456,063	260,008,473
Intangible assets	3,820,547	-	-	-	3,820,547
Construction in progress	33,894,806	11,566,887	(6,538,313)	1,267,471	37,655,909
Totals	<u>\$ 1,066,763,405</u>	<u>\$ 17,485,720</u>	<u>\$ -</u>	<u>\$ 6,723,534</u>	<u>\$ 1,077,525,591</u>

* This summary schedule was prepared using State property records required by the Illinois Administrative Code (Code). The capitalization policy in the Code is different than the capitalization policy established by the Office of the State Comptroller for financial reporting in accordance with generally accepted accounting principles.

State of Illinois
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Schedule 5

Comparative Schedule of Cash and Temporary
Cash Equivalents, at Cost
(Excluding Foundation and Alumni Association)
June 30, 2016 and 2015

	2016	2015
Cash on hand	\$ 101,000	\$ 97,820
Checking accounts (1)		
Formally: National Bank and Trust Co. of Sycamore, Sycamore, Illinois	25,783,974	13,823,574
First National Bank, DeKalb, Illinois (fka Castle Bank)	3,724,300	3,779,224
Temporary cash investments		
Illinois Funds - U.S. Bank, Springfield, Illinois	43,091,871	43,227,592
Illinois Funds Epay Deposit - Illinois National Bank, Springfield, Illinois	1,000	-
Money market mutual funds:		
The Bank of New York Mellon Trust Co., NA, Chicago, Illinois:		
Hoffman Estates Debt Reserves Fund and Communications Ducts Reserve Fund	651,678	650,384
Old National Wealth Management Evansville, Indiana:		
Performance contract 11A, Escrow fund	4,820,726	-
Amalgamated Bank, Chicago, Illinois	9,997,969	9,542,695
	<u>\$ 88,172,518</u>	<u>\$ 71,121,289</u>

(1) These amounts represent bank balances.

Comparative Schedule of Investments, at Cost
June 30, 2016 and 2015

	2016	2015
U.S. Treasury obligations, U.S. agency obligations, treasury notes and strips, 0.375 to 1.55 percent	<u>\$ 69,196,328</u>	<u>\$ 123,637,232</u>

Note: Interest rates for June 30, 2016.

Analysis of Receivables and Inventories
June 30, 2016 and 2015

Receivables

Reported receivables as of June 30, 2016 and 2015 are summarized below (\$000s):

	<u>June 30</u>	
	<u>2016</u>	<u>2015</u>
Accounts receivable	\$ 58,109	\$ 44,090
Less allowance for doubtful accounts	<u>(16,138)</u>	<u>(14,304)</u>
Net accounts receivable	<u>\$ 41,971</u>	<u>\$ 29,786</u>
Student loans receivable	\$ 7,930	\$ 8,572
Less allowance for doubtful accounts	<u>(50)</u>	<u>(71)</u>
Net student loans receivable	<u>\$ 7,880</u>	<u>\$ 8,501</u>

Accounts receivable consists primarily of amounts due from students (\$46.1 million in 2016 and \$35.5 million in 2015) and other agencies (\$12.0 million and \$8.6 million in 2016 and 2015, respectively).

Student loans receivable consists primarily of student loans issued under the federal government's Perkins Loan Program.

The University provides for an allowance for doubtful accounts to account for nonpayment of student tuition.

The allowance for doubtful accounts relating to student notes is the result of the difficulty of collecting Perkins Loan receivables.

The University utilizes the State offset system as well as private collection services to supplement University collection procedures.

Analysis of Receivables and Inventories (Continued)
June 30, 2016 and 2015

Inventories

Reported inventories as of June 30, 2016 and 2015 are summarized below (\$000s):

	<u>June 30</u>	
	<u>2016</u>	<u>2015</u>
Food	\$ 661	\$ 496
Books	1,761	1,690
Inventories for resale	746	841
Commodities and supplies	217	271
Other miscellaneous items	21	23
	<hr/>	
Total	<u>\$ 3,406</u>	<u>\$ 3,321</u>

Inventories are valued at cost (first-in and first-out or average cost method, depending on the nature of the inventory item) or market, whichever is lower.

**Analysis of Significant Variations in Expenses
For the Years Ended June 30, 2016 and 2015
(in Thousands)**

Following are explanations for significant variances between expense accounts reported in the Statement of Revenues, Expenses, and Changes in Net Position in the financial audit report exceeding \$2,000,000 and 10%:

	2016	2015	Increase (Decrease)	Percent Changes	Explanation
Research	\$ 17,010	\$ 14,480	\$ 2,530	17%	Increase due to additional grant activity, primarily with the Illinois County Behavioral Risk grant and the IMEC grant in FY16.
Public Service	18,035	21,489	(3,454)	-16%	Decrease primarily due to the Illinois Shared Learning Environment grant ending in FY16. This decreased salary expense as well as experts/consultants, and contracts expense.
Operation and maintenance of plant	25,573	29,893	(4,320)	-14%	Decrease due to decline in salaries and a decline in renovations partially offset by an increase in repairs and maintenance
Institutional support	26,592	36,630	(10,038)	-27%	Decrease due to additional expenses being capitalized for projects in progress
Staff benefits	168,457	153,649	14,808	10%	Increase due to added costs from state-managed health insurance and unfunded pension costs

In fiscal year 2015, there was a GAS finding regarding the classification of the University's expense offset for assets that were capitalized. The University corrected the issue in fiscal year 2016 and reclassified the expense offset amounts for fiscal year 2015 to correct the prior year allocation for comparability. The numbers presented above are from fiscal year 2016's financial statements which presented the adjusted numbers.

**Analysis of Significant Variations in Revenues
For the Years Ended June 30, 2016 and 2015
(in Thousands)**

Following are explanations for significant variances between revenue accounts reported in the Statement of Revenues, Expenses, and Changes in Net Position in the financial audit report exceeding \$2,000,000 and 10%:

	2016	2015	Increase (Decrease)	Percent Changes	Explanation
State Appropriations	\$ 26,424	\$ 91,006	\$ (64,582)	-71%	Due to the 2016 State Budget impasse, the University did not receive the full state appropriation.
State Appropriations-on Behalf Payments	158,477	143,272	15,205	11%	Increase due to state funding for employer required contributions to CMS and SURS.
State of Illinois MAP	9,760	19,970	(10,210)	-51%	Due to the 2016 State Budget impasse, MAP funds were disbursed for only 1/2 the year.
State Appropriations-Capital	1,823	9,143	(7,320)	-80%	Due to the 2016 State Budget impasse, funding for capital appropriations was decreased.

Analysis of Significant Variations in Account Balances
June 30, 2016 and 2015
(in Thousands)

Following are explanations for significant variances between asset and liability accounts reported in the Statement of Net Position in the financial audit report exceeding \$2,000,000 and 10%:

	2016	2015	Increase (Decrease)	Percent Changes	Explanation
Cash and cash equivalents (Restricted and Unrestricted)	\$ 42,925	\$ 24,567	\$ 18,358	75%	Increase due to liquidity strategies in light of budget impasse.
Accounts receivable	41,971	29,786	12,185	41%	Increase in student receivables attributed to reduced 2016 appropriation for the Illinois monetary award program.
Appropriations receivable from state	21	16,965	(16,944)	-100%	IL did not allot appropriations for the second half of the fiscal year which resulted in this decrease in appropriations receivable. The emergency budget passed on June 30 was designated for fiscal year 2017.
Investments (Restricted and Unrestricted)	112,406	166,650	(54,244)	-33%	Decline attributed to budget impasse which resulted in more liquid financial strategy.
Notes and Certificates of Participation Payable	10,866	13,291	(2,425)	-18%	Decrease attributed to annual debt service payments.

**Analysis of Significant Lapse Period Spending
Year Ended June 30, 2016**

No significant lapse period spending was noted for the Education Assistance Fund or the State College and University Trust Fund.

**Schedule of Federal Expenditures, Nonfederal Expenses,
and New Loans
For the Year Ended June 30, 2016 (Accrual Basis)
(Expressed in Thousands)**

Schedule A - Federal Financial Component

Total federal expenditures reported on SEFA schedule	\$	177,655	
Total new loans made not included on SEFA schedule		-	*
Amount of federal loan balances at beginning of the year (not included on the SEFA schedule) and continued compliance required		-	*
Administrative cost allowance on federal loan programs (not included on SEFA schedule)		-	*
Other noncash federal award expenditures (not included on SEFA schedule)		-	
		<hr/>	
Total Schedule A	\$	177,655	
		<hr/> <hr/>	

Schedule B - Total Financial Component

Total operating expenses (from financial statements)	\$	555,478
Total nonoperating expenses and losses (from financial statements)		24,101
Total new loans made		123,978
Amount of federal loan balances at beginning of year		8,399
Administrative cost allowance on federal loan programs		159
Other noncash federal award expenditures		-
		<hr/>
Total Schedule B	\$	712,115
		<hr/> <hr/>

Schedule C

	<u>Amount</u>	<u>Percent</u>
Total Schedule A	\$ 177,655	24.9%
Total nonfederal expenses	<hr/> 534,460	<hr/> 75.1%
Total Schedule B	<hr/> \$ 712,115	<hr/> 100%

* Loan amounts and associated cost allowances (which reduced expense amounts reported in the financial statements) are included on the SEFA schedule

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

Other Entities
Condensed Financial Information
June 30, 2016

Balance Sheet	Continuing Education Contract Courses	Continuing Education and Public Service	Sales and Services of Educational Activities	Student Programs and Services	Total
Assets					
Current fund:					
Cash and cash equivalents	\$ 4,720,397	\$ 8,021,170	\$ 7,680,473	\$ -	\$ 20,422,040
Other assets	91,012	1,173,329	1,384,580	143,056	2,791,977
Total current fund	4,811,409	9,194,499	9,065,053	143,056	23,214,017
Plant fund:					
Plant fund assets	57,587	637,672	264,937	994,710	1,954,906
Total Assets	<u>\$ 4,868,996</u>	<u>\$ 9,832,171</u>	<u>\$ 9,329,990</u>	<u>\$ 1,137,766</u>	<u>\$ 25,168,923</u>
Liabilities					
Accounts payable and accrued expenses	\$ 31,113	\$ 378,750	\$ 785,691	\$ 7,400,606	\$ 8,596,160
Unearned revenue	116,846	432,114	17,775	4,804,615	5,371,350
Total liabilities	147,959	810,864	803,466	12,205,221	13,967,510
Fund balances					
Current fund	4,663,450	8,383,635	8,261,587	(12,062,165)	9,246,507
Plant fund	57,587	637,672	264,937	994,710	1,954,906
Total fund balances	4,721,037	9,021,307	8,526,524	(11,067,455)	11,201,413
Total liabilities and fund balances	<u>\$ 4,868,996</u>	<u>\$ 9,832,171</u>	<u>\$ 9,329,990</u>	<u>\$ 1,137,766</u>	<u>\$ 25,168,923</u>

**Schedule of Revenues, Expenditures and
Changes in Current Fund Balances
For the Year Ended June 30, 2016**

Beginning current fund balances	\$ 4,750,047	\$ 7,960,264	\$ 6,940,312	\$ (1,653,431)	\$ 17,997,192
Revenues	3,152,918	10,966,762	8,014,531	26,223,100	48,357,311
Expenditures	(2,260,197)	(10,361,420)	(7,570,581)	(36,689,626)	(56,881,824)
Transfers	(979,318)	(181,971)	877,325	57,792	(226,172)
Ending current fund balances	<u>\$ 4,663,450</u>	<u>\$ 8,383,635</u>	<u>\$ 8,261,587</u>	<u>\$ (12,062,165)</u>	<u>\$ 9,246,507</u>

Other Entities
Condensed Financial Information (Continued)
Schedule of Revenues, Expenditures and Changes
in Plant Fund Balances
For the Year Ended June 30, 2016

	Continuing Education Contract Courses	Continuing Education and Public Service	Sales and Services of Educational Activities	Student Programs and Services	Total
Beginning plant fund balances	\$ 55,229	\$ 673,124	\$ 272,283	\$ 1,040,724	\$ 2,041,360
Revenues	10,027	13,197	42,333	74,642	140,199
Expenditures	(7,669)	(48,649)	(49,679)	(120,656)	(226,653)
Ending plant fund balances	\$ 57,587	\$ 637,672	\$ 264,937	\$ 994,710	\$ 1,954,906

**Auxiliary Business Operations, Service Departments,
and Indirect Cost Support
Condensed Financial Information
June 30, 2016**

Balance Sheet	Auxiliary Business Operations	Service Departments	Indirect Cost Support	Total
Assets				
Current fund:				
Cash and cash equivalents	\$ 6,895,489	\$ 7,378,009	\$ 4,676,231	\$ 18,949,729
Accounts receivable	2,999	172,959	28	175,986
Inventories	7,698	714,225	-	721,923
Other assets	252,731	388,027	-	640,758
Total current fund	7,158,917	8,653,220	4,676,259	20,488,396
Plant fund:				
Plant fund assets	126,000	10,030,502	947,123	11,103,625
Total assets	\$ 7,284,917	\$ 18,683,722	\$ 5,623,382	\$ 31,592,021
Liabilities				
Accounts payable and accrued expenses	\$ 34,094	\$ 1,966,617	\$ 135,452	\$ 2,136,163
Unearned revenue	3,017,698	-	-	3,017,698
Total liabilities	3,051,792	1,966,617	135,452	5,153,861
Fund balances				
Current fund	4,107,125	6,686,603	4,540,807	15,334,535
Plant fund	126,000	10,030,502	947,123	11,103,625
Total fund balances	4,233,125	16,717,105	5,487,930	26,438,160
Total liabilities and fund balances	\$ 7,284,917	\$ 18,683,722	\$ 5,623,382	\$ 31,592,021

**Schedule of Revenues, Expenditures and
Changes in Current Fund Balances
For the Year Ended June 30, 2016**

Beginning current fund balances	\$ 2,807,397	\$ 10,142,130	\$ 2,390,202	\$ 15,339,729
Revenues	8,880,322	48,145,234	4,132,733	61,158,289
Expenditures	(7,894,995)	(51,600,761)	(2,172,325)	(61,668,081)
Transfers	314,401	-	190,197	504,598
Ending current fund balances	\$ 4,107,125	\$ 6,686,603	\$ 4,540,807	\$ 15,334,535

**Auxiliary Business Operations, Service Departments,
and Indirect Cost Support
Condensed Financial Information (Continued)
Schedule of Revenues, Expenditures and Changes
in Plant Fund Balances
For the Year Ended June 30, 2016**

	Auxiliary Business Operations	Service Departments	Indirect Cost Support	Total
Beginning plant fund balances	\$ 169,892	\$ 6,187,160	\$ 941,418	\$ 7,298,470
Revenues	7,167	5,601,860	155,391	5,764,418
Expenditures	(51,059)	(1,758,518)	(149,686)	(1,959,263)
Ending plant fund balances	<u>\$ 126,000</u>	<u>\$ 10,030,502</u>	<u>\$ 947,123</u>	<u>\$ 11,103,625</u>

Auxiliary Enterprises - Revenue Bond Funds
Condensed Financial Information
June 30, 2016

Balance Sheet	Residence Halls	Student Services	Recreation Facilities	Parking	Total
Assets					
Current fund:					
Cash and cash equivalents	\$ 75,896,914	\$ 7,066,273	\$ 318,579	\$ 1,137,071	\$ 84,418,837
Accounts receivable	540,470	117,621	3,467	-	661,558
Inventories	808,255	1,775,516	-	-	2,583,771
Due from plant fund	3,361,360	-	-	-	3,361,360
Subtotal Current fund	80,606,999	8,959,410	322,046	1,137,071	91,025,526
Plant fund:					
Accounts receivable	811,943	-	-	-	811,943
Restricted investments	27,885,797	-	-	-	27,885,797
Land, Buildings & Equipment	195,178,800	18,611,260	38,026,410	6,579,779	258,396,249
Subtotal Plant fund	223,876,540	18,611,260	38,026,410	6,579,779	287,093,989
Total assets	\$ 304,483,539	\$ 27,570,670	\$ 38,348,456	\$ 7,716,850	\$ 378,119,515
Liabilities					
Accounts payable and accrued expenses	\$ 2,743,488	\$ 64,001	\$ 20,888	\$ 130	\$ 2,828,507
Unearned revenue	1,007,390	138,493	147,543	-	1,293,426
Subtotal Current fund	3,750,878	202,494	168,431	130	4,121,933
Plant fund					
Accounts payable and accrued expenses	14,930,980	-	-	-	14,930,980
Due to current fund	3,361,360	-	-	-	3,361,360
Debt	315,736,841	-	-	-	315,736,841
Subtotal Plant fund	334,029,181	-	-	-	334,029,181
Total liabilities	337,780,059	202,494	168,431	130	338,151,114
Fund balances					
Current fund	76,856,121	8,756,916	153,615	1,136,941	86,903,593
Plant fund	(110,152,641)	18,611,260	38,026,410	6,579,779	(46,935,192)
Total fund balances	(33,296,520)	27,368,176	38,180,025	7,716,720	39,968,401
Total liabilities and fund balances	\$ 304,483,539	\$ 27,570,670	\$ 38,348,456	\$ 7,716,850	\$ 378,119,515

Auxiliary Enterprises - Revenue Bond Funds
Condensed Financial Information (Continued)
June 30, 2016

Schedule of Revenues, Expenditures and
Changes in Current and Plant Fund Balances
For the Year Ended June 30, 2016

	Residence Halls	Student Services	Recreation Facilities	Parking	Total
Current fund:					
Beginning fund balances	\$ 116,913,535	\$ (12,226,049)	\$ (39,037,567)	\$ (4,221,413)	\$ 61,428,506
Allocation of Cash Adjustment*	(63,436,653)	19,083,109	39,369,169	4,984,375	-
Reclassification of Debt Service Activities**	11,059,002	-	-	-	11,059,002
Adjusted beginning fund balance	64,535,884	6,857,060	331,602	762,962	72,487,508
Revenues	46,959,155	14,270,189	5,355,423	2,194,231	68,778,998
Expenditures	(34,638,918)	(12,370,333)	(5,533,410)	(1,820,252)	(54,362,913)
Ending current fund balances	\$ 76,856,121	\$ 8,756,916	\$ 153,615	\$ 1,136,941	\$ 86,903,593
Plant fund:					
Beginning fund balances	\$ (80,873,861)	\$ 19,083,109	\$ 39,369,169	\$ 4,984,375	\$ (17,437,208)
Reclassification of Debt Service Activities**	(11,059,002)	-	-	-	(11,059,002)
Adjusted beginning fund balance	(91,932,863)	19,083,109	39,369,169	4,984,375	(28,496,210)
Revenues	6,531,366	490,393	539,355	1,883,037	9,444,151
Expenditures	(24,751,144)	(962,242)	(1,882,114)	(287,633)	(27,883,133)
Ending plant fund balances	(110,152,641)	18,611,260	38,026,410	6,579,779	(46,935,192)
Total fund balances	\$ (33,296,520)	\$ 27,368,176	\$ 38,180,025	\$ 7,716,720	\$ 39,968,401

* The current fund balance reclassification is due to a change in assumptions used when preparing the schedules. In prior years, the schedules were prepared under the assumption that the revenue bond fund sub-entities, recreation facilities, student services, and parking, funded their plant fund additions through the use of current fund resources vs. through the use of the restricted bond proceeds. As these sub-entities did not have enough cash in their current funds to pay for the additions, they used cash from the residence hall sub-entity in which all the restricted revenue bond fund proceeds were recorded. In the current year, it was determined this was an inaccurate assumption as all revenue bond sub-entities have a right to use the restricted bond proceeds for additions and additions were paid for using those funds.

** The debt service reclassification for \$11.1 million includes investments (\$6.9 million) and accrued investment income (\$0.8 million) offset by current bond obligation (\$4.8 million), capital lease interest payable (\$4.0 million), and accrued payables (\$10.0 million). These values were previously reported under the current fund category but in the current year it was determined they would be more properly reported as part of the plant fund.

Auxiliary Enterprises - Revenue Bond Funds
Schedule of Indentured Capital Reserves
June 30, 2016
(Unaudited)

Replacement cost of buildings	\$ 770,451,183
Replacement cost of equipment	<u>49,091,767</u>
Total replacement cost of buildings and equipment	<u>\$ 819,542,950</u>
Allowable indentured capital reserves - 5 percent of total replacement cost of buildings and equipment	\$ 40,977,148
Less actual indentured capital reserve at June 30	<u>-</u>
Margin of compliance	<u>\$ 40,977,148</u>

Note: Replacement costs shown above were calculated based on provisions of the University Guidelines 1982, as amended in 1997, and the bond indenture, using the original cost of the facilities adjusted for the change in the building cost index as reported in the "Engineering News Record."

Other Entities
Calculation Sheet for Current Excess Funds
June 30, 2016
(Unaudited)

		Continuing Education Contract Courses	Continuing Education and Public Service	Sales and Services of Educational Activities	Student Programs and Services	Totals
1. Current available funds:						
Cash	A.	\$ 4,720,397	\$ 8,021,170	\$ 7,680,473	\$ -	\$ 20,422,040
2. Working capital allowance:						
Highest month's expenditures		1,727,806	3,439,162	2,768,586	13,044,310	20,979,864
Encumbrances and current liabilities paid in lapse period		31,113	378,750	785,691	7,400,606	8,596,160
Unearned revenue		116,846	432,114	17,775	4,804,615	5,371,350
Total working capital allowance	B.	<u>1,875,765</u>	<u>4,250,026</u>	<u>3,572,052</u>	<u>25,249,531</u>	<u>34,947,374</u>
3. Current excess funds:						
Deduct B from A and enter here.	C.	2,844,632	3,771,144	4,108,421	(25,249,531)	(14,525,334)
4. Calculation of income fund remittance:						
An entity may offset excess capital or current funds within the entity. Enter the amount to be offset, if any, here.	D.	<u>(3,339,517)</u>	<u>(1,564,349)</u>	<u>(2,035,612)</u>	<u>(2,036,577)</u>	<u>(8,976,055)</u>
Enter the algebraic sum of C and D and remit the amount due, if any, for deposit in the income fund.						<u>\$ (23,501,389)</u>
Excess funds offset calculation						
Buildings		\$ 45,526,322	\$ -	\$ -	\$ -	\$ 45,526,322
Maximum rate		5%	5%	5%	5%	5%
Building capital offset		<u>2,276,316</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,276,316</u>
Equipment		\$ 5,316,004	\$ 7,821,745	\$ 10,178,060	\$ 10,182,885	\$ 33,498,694
Maximum rate		20%	20%	20%	20%	20%
Equipment capital offset		<u>1,063,201</u>	<u>1,564,349</u>	<u>2,035,612</u>	<u>2,036,577</u>	<u>6,699,739</u>
Total excess funds offset		<u>\$ 3,339,517</u>	<u>\$ 1,564,349</u>	<u>\$ 2,035,612</u>	<u>\$ 2,036,577</u>	<u>\$ 8,976,055</u>

Note: Assets subject to the excess fund calculation are recorded in the University Plant Fund. Separate ledgers are maintained detailing the composition and source of these assets for the excess fund calculation.

Auxiliary Business Operations
Calculation Sheet for Current Excess Funds
June 30, 2016
(Unaudited)

1.	Current available funds:		
	Add:		
	Cash and cash equivalents		\$ 6,895,489
	Total current available funds	A.	6,895,489
2.	Working capital allowance:		
	Add:		
	Highest month's expenditures		4,286,364
	Encumbrances and current liabilities paid in lapse period		34,094
	Unearned revenue		<u>3,017,698</u>
	Working capital allowance	B.	<u>7,338,156</u>
3.	Current excess funds:		
	Deduct B from A and enter here	C.	(442,667)
4.	Calculation of income fund remittance:		
	An entity may offset excess capital or current funds within the entity. Enter the amount to be offset, if any, here.	D.	(359,917) <u>(155,608)</u>
	Enter the algebraic sum of C and D and remit the amount due, if any, for deposit in the Income Fund.		<u><u>\$ (958,192)</u></u>

Service Departments
Calculation Sheet for Current Excess Funds
June 30, 2016
(Unaudited)

1.	Current available funds:	
	Cash and cash equivalents	A. \$ 7,378,009
2.	Working capital allowance:	
	Highest month's expenditures	11,552,991
	Encumbrances and current liabilities paid in lapse period	1,966,617
	Unearned revenue	<u>-</u>
	Total working capital allowance	B. <u>13,519,608</u>
3.	Current excess funds:	
	Deduct B from A and enter here	C. (6,141,599)
4.	Calculation of income fund remittance:	
	An entity may offset excess capital or current funds within the entity. Enter the amount to be offset, if any, here.	D. <u>(9,955,013)</u>
	Enter the algebraic sum of C and D and remit the amount due, if any, for deposit in the Income Fund.	<u><u>\$ (16,096,612)</u></u>

Auxiliary Enterprises - Revenue Bond Funds
Calculation Sheet for Current Excess Funds
June 30, 2016
(Unaudited)

	Residence Halls	Student Services	Recreation Facilities	Parking	Excess Cash Total
A. Current available funds:					
Add:					
Cash	\$ 75,896,914	\$ 7,066,273	\$ 318,579	\$ 1,137,071	\$ 84,418,837
Total current available funds	75,896,914	7,066,273	318,579	1,137,071	84,418,837
B. Working capital allowance:					
Add:					
Highest month's expenditures	60,704,570	3,640,903	1,777,942	274,530	66,397,945
Encumbrances and current liabilities paid in lapse period	2,743,488	64,001	20,888	130	2,828,507
Unearned revenue	1,007,390	138,493	147,543	-	1,293,426
Working capital allowance	64,455,448	3,843,397	1,946,373	274,660	70,519,878
C. Current excess funds:					
Deduct B from A and enter here.	11,441,466	3,222,876	(1,627,794)	862,411	13,898,959
D. Capital offset - Building					(38,522,559)
Capital offset - Equipment					(9,818,353)
Capital Offset Total					(48,340,912)
				Total	\$ (34,441,953)

Indirect Cost Support
Sources and Application of Indirect Cost Recoveries
For the Year Ended June 30, 2016

Balance, beginning of year	<u>\$ 2,390,202</u>
Sources	
Federal and state grants and contracts	<u>4,132,733</u>
Applications	
Research	688,516
Instruction	16,433
Public service	1,412
Academic support	673,890
Student services	672
Operation and maintenance of plant	76,388
Institutional support	714,625
Staff Benefits	<u>389</u>
Total applications	<u>2,172,325</u>
Transfers	<u>190,197</u>
Net increase	<u>2,150,605</u>
Balance, end of year	<u><u>\$ 4,540,807</u></u>

Calculation Sheet for Indirect Cost
Support Carryforward
June 30, 2016

1.	Cash and cash equivalents balance:	
	Enter the June 30 indirect cost entity balance for cash and cash equivalents:	
	Add:	
	Cash and cash equivalents	<u>\$ 4,676,231</u>
2.	Allocated reimbursements:	
	Enter the total indirect cost reimbursements allocated for expenditure for the fiscal year completed:	
	\$4,290,449. Enter 30 percent of this amount.	<u>1,287,135</u>
3.	Unallocated reimbursements:	
	Enter the lesser of the actual unallocated indirect cost reimbursements for the year completed OR 10 percent of total indirect cost allocations for the year completed.	<u>429,045</u>
4.	Encumbrances and current liabilities paid in the lapse period:	
	Enter the amount of:	
	Current liabilities	135,452
	Indirect cost carryforward:	
	Enter the total of Items 2, 3, and 4	<u>1,851,632</u>
	Subtract from Item 1	2,824,599
	If a positive number results, enter here and remit for deposit in the Income Fund	<u>\$ 2,824,599</u>

Description of Accounting Entities
June 30, 2016

A listing of the University's auxiliary enterprise accounting entities, their purpose, and their sources of revenue as of June 30, 2016 is provided below:

AUXILIARY ENTERPRISES

Revenue Bond Funds

This entity represents all of the activity of the Auxiliary Enterprises Revenue Bond Funds. This includes the student residence halls, student center, recreational facilities, and campus parking. Construction of each of these facilities was either fully or partially funded through the issuance of revenue bonds. The primary sources of revenue include room and board income, student fees, bookstore sales, food service operations, parking fee and fines, and investment income.

Auxiliary Business Operations

This entity consists of auxiliary services primarily supported by student fees. The sub-entities are:

Lorado Taft - The purpose of this account is to support the operations of the Lorado Taft dormitory and food service. Income is from food sales, dorm rentals, conference fees, and facility use fees.

Student Contract Busing - This is the student campus bus operation. Income is from student fees.

University Health Service - The Health Service provides clinic-type services to University students. It is supported from student fees.

SERVICE DEPARTMENTS

This group of accounts provides service to various University departments on a charge-back basis. Rates are established and reviewed periodically to operate each service department on a break-even basis.

INDIRECT COST SUPPORT

These accounts are supported by indirect cost reimbursements or accounts that receive funding as a by-product of federal grants. The funds pay for administrative costs, physical plant costs, including utilities, and grant proposals.

Description of Accounting Entities (Continued)
June 30, 2016

OTHER ENTITIES

Continuing Education Contract Courses

These activities are established to provide credit courses to individuals and groups external to the institution. Revenues are mainly from tuition for the courses.

Continuing Education and Public Service

These activities are established primarily to provide noncredit services to individuals and groups external to the institution. These activities include community service programs and cooperative extension services. Included in this category are conferences, institutes, general advisory services, reference bureaus, radio and television, consulting, and similar non-instructional services to particular sectors of the community.

Sales and Services of Educational Activities

Sales and services of educational activities support instruction and help demonstrate classroom or related educational techniques to students. Revenues are from services or materials furnished which are incidental to the department. Receipts are from testing, cartographic services, book sales, sales of instructional materials, and public opinion services.

Student Programs and Services

These programs are supported by student activity fees, gate receipts from athletic events, and income from concerts and performances sponsored by the Student Association.

In addition to the intercollegiate athletics program, the funds sponsor a variety of student functions, including speakers, acquisition of art objects, artist series, legal assistance, orientation, and grant-in-aid.

**Auxiliary Enterprises - Revenue Bonds Funds -
Schedule of Revenues, Expenses, and
Changes in Net Position
For the Year Ended June 30, 2016**

Revenues

Food and other merchandise sales	\$ 21,314,921
Room and other rentals	33,524,595
Parking revenue	2,739,772
Student fees	15,863,792
Interest in investments	323,125
Other revenues	4,456,944

Total revenues 78,223,149

Expenses

Cost of food and other merchandise sales	7,835,195
Personal services	13,766,859
Student services	4,032,459
Employee meals furnished	28,360
Insurance	398,482
Laundry	164,994
General and administrative	4,391,337
Repairs and other services	12,373,521
Utilities	5,389,398
Interest expense	22,007,067
Depreciation	11,858,374

Total expenses 82,246,046

Change in net position \$ (4,022,897)

**State of Illinois
Northern Illinois University**

**Cross-Reference Table of Reporting Requirements
June 30, 2016
(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 by the University. The table below cross-references the Memorandum requirements (indicated by number and letter paragraph references) to the University financial statements, compliance examination; and audit reports for the year ended June 30, 2016, where such special data is found.

Reference Number from T. Loobey's Memorandum Dated July 25, 2000, <u>on University Guidelines</u>	Report and Page Number Where Information is Disclosed <u>Supplementary Information for State Compliance Purposes</u>
13a. Violation of <i>University Guidelines, 1982 as Amended</i>	N/A
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Other Financial Related Schedules for Universities

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**State of Illinois
Northern Illinois University**

**University Functions and Planning Program
For the Year Ended June 30, 2016
(Unaudited)**

NIU Statement of Vision and Mission

The vision of Northern Illinois University is to be a premier student-centered, research-focused public university, contributing to the advancement of knowledge for the benefit of the people of the region, the state, the nation, and the world.

With this vision, the mission of the University is to promote excellence and engagement in teaching and learning, research and scholarship, creativity and artistry, and outreach and service.

Our Keystone Goal

Students who invest in an NIU education are committed to achieving fulfilling careers and being responsible citizens in our changing world. Our goal is to provide them a broad-based education and enriching student experience, ensuring their timely degree completion and success in securing employment in their field of interest or graduate school enrollment within six months of graduation, if they so choose.

Our Core Values

The following three pillars reflect NIU Core Values.

- We will practice **ethically inspired leadership** in all that we do, and ensure our graduates are prepared to be ethical and inspired leaders in their fields and communities.
- We are committed to building **thriving communities** at NIU, embracing diversity, and engaging with other stakeholder communities we serve regionally and globally. We inspire students to become actively engaged and form bonds that will serve them as students and into their careers.
- We recognize NIU's financial **sustainability** as our responsibility and fundamental to our existence. We practice and advance principles of environmental, economic and social sustainability which enrich the lives of our students, faculty, staff and the world we live in.

Our Collaborative Strategic Culture

Our strategic planning process is designed to achieve an institutional norm of ongoing, aligned strategic thinking that ensures NIU's continued relevancy and leadership during a time of unprecedented change in higher education. We build on our previous planning initiatives as well as our current knowledge of changing student demographics, emerging pedagogies and players, and realities of government funding and job markets.

**State of Illinois
Northern Illinois University**

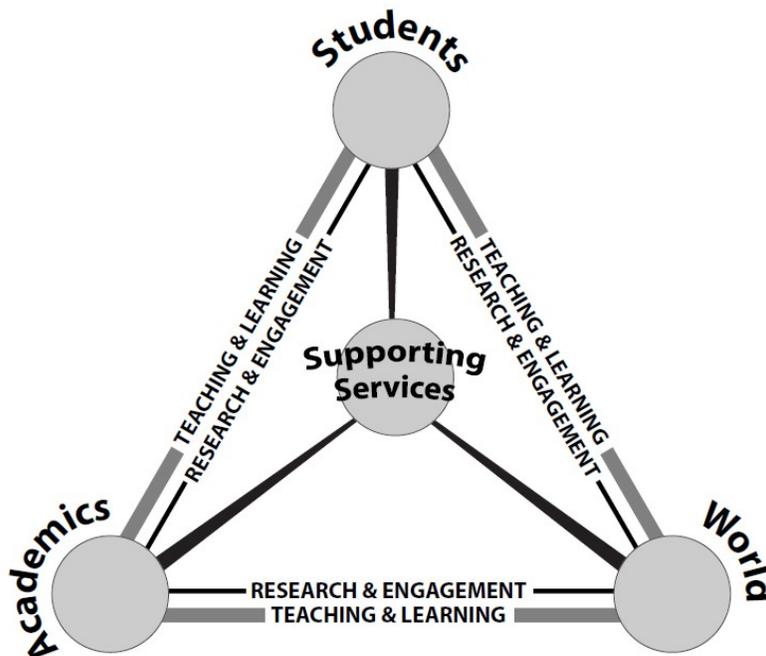
**University Functions and Planning Program (Continued)
For the Year Ended June 30, 2016
(Unaudited)**

All academic and supporting services units are encouraged to engage in an ongoing process of exploring ideas and creating their program scenarios, goals and action plans guided by this Framework and our Strategic Imperatives.

This process is enabled by NIU's rich legacy, our strong programs and engaged stakeholders. All are encouraged to participate responsibly through our system of shared governance, taking ownership of their own and their university's bold futures. Through these bonds of shared values, agreements, teamwork and trust, we nurture an environment for unleashing and empowering a collaborative culture of innovation and change among faculty, students, staff, alumni and community.

Our Triangle Strategy

The Triangle Map provides a big-picture of our strategic and organizational playing field. By mapping our individual unit scenarios and action plans on this field, we further collaborate our individual initiatives and encourage our big-picture awareness of opportunities and direction.



**State of Illinois
Northern Illinois University**

**University Functions and Planning Program (Continued)
For the Year Ended June 30, 2016
(Unaudited)**

This Triangle Map connects three fields representing Students, Academics and the World, and a fourth field representing Supporting Services. Strategy and action plans can be developed to address initiatives within each of these fields, as well as addressing connections among the fields. NIU's distinguishing roles in research and engagement provide additional opportunities and purpose for connecting each.

The four fields -

1. **Students** are NIU's purpose, passion and economic engine. NIU is committed to being the school of choice for a strong, diverse student population including first-generation students.
2. Our **Academic** programs and faculty define who we are as an institution, providing an integrated liberal arts education offering vibrant research projects and engagement opportunities, and being internationally recognized for the diversity and accomplishment of our faculty and staff.
3. The **World** around us provides changing global and societal needs for our teaching, research and engagement activities, job markets for our students, partners for our programs, diversity in our students and faculty, and accomplished alumni supporting our people, programs, and place.
4. **Supporting Services** facilitate our ability to focus on Students, Academics and the World by providing enabling services and supporting our student and academic initiatives.

Our Strategic Imperatives

The following Strategic Imperatives are provided as touchstones, points of significant opportunity for NIU to change and thrive at this time. They are not intended to be fully inclusive and permanent. Not every initiative needs to address these imperatives to be vital. By referring to the imperatives while engaging in our individual planning initiatives, it is expected we will consider possibilities for advancing each, and ensure a basis for connecting our distributed strategic initiatives into our collaborative culture and direction as an institution. As we achieve goals and are informed by our environment over time, strategic imperatives will change.

1. **Come together as a collaborative, mutually supportive and aligned NIU community** to take control of our destiny and realize our full potential.
2. **Develop face-to-face connections with every NIU student** to understand their needs, choices and experiences, and achieve desired retention and enrollment goals and learning and graduation outcomes.

**State of Illinois
Northern Illinois University**

**University Functions and Planning Program (Continued)
For the Year Ended June 30, 2016
(Unaudited)**

3. **Achieve career fulfillment and fair compensation for faculty and staff**, ensuring NIU's national recognition for excellence and engagement in teaching and learning, research and scholarship, creativity and artistry, and outreach and service.
4. **Increase affordability of a high quality NIU education** by focusing on opportunities such as innovative use of technology, seeking efficiencies in administration and operations, attracting diversified sources of funding, and ensuring timely graduation and career readiness through effective advising and course scheduling.
5. **Maximize the value of the residential campus experience** in order to enhance learning outcomes and recruitment, and build a sense of place that connects and inspires while serving the unique needs of our diverse populations including both regional and international students.
6. **Significantly grow NIU as a leading public research university**, building on our existing areas of research strength and the Chicago region as a world leader in innovation, while continuing to engage undergraduate and graduate students in faculty-driven and student-initiated research and artistry.
7. **Enhance the global competitiveness and livability of our local economies** by integrating the talent and resources of NIU faculty, staff and students with those of our region to positively impact economic and workforce development, innovation and entrepreneurship, and the quality of life.

Program Prioritization

In the fall of 2014, NIU began a program prioritization process that will be critical to the growth of the university and our ability to deliver on our cornerstone goal of student career success. Its goal is to build a strong foundation for maintaining and improving the quality of academic and administrative programs across NIU, by assuring that our programs reflect our institutional mission and strategic goals. Program prioritization will help accelerate our ability to create stronger and more lasting connections across our "triangle" of students, faculty, and the outside world. More information about program prioritization can be found at: www.niu.edu/program-prioritization.

Location, Address, and Head of the University

Douglas D. Baker, President
Northern Illinois University
DeKalb, Illinois 60115

**State of Illinois
Northern Illinois University**

**Matters Related to the Budget Impasse and Its Impact
For the Year Ended June 30, 2016
(Unaudited)**

Budget Impasse Disclosure

Payment of Fiscal Year 2016 Costs in Future Fiscal Years

Article 74 of Public Act 99-0524 authorized the University to pay Fiscal Year 2016 costs using the University's Fiscal Year 2017 appropriations for operational expenditures. The following chart shows the University's plan to expend its Fiscal Year 2017 appropriations to cover its Fiscal Year 2016 costs:

<u>Fund #</u>	<u>Fund Name</u>	<u>Number</u>	<u>Dollar Value</u>
007	Education Assistance Fund	17	\$ 48,158,000

Interest Costs on Fiscal Year 2016 Invoices

Prompt Payment Interest Costs

The 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.

Alternative Financing in Lieu of Appropriations and Programs to Address Untimely Payments to Vendors

Transactions Involving the Illinois Finance Authority

The University and its vendors did not participate in alternative financing in lieu of enacted appropriations involving the Illinois Finance Authority during Fiscal Year 2016.

Transactions Involving the Vendor Payment Program and Vendor Support Initiative Program

None of the University's vendors participate in the Vendor Payment Program (VPP) or the Vendor Support Initiative Program (VSI) during Fiscal year 2015 and Fiscal Year 2016.

State of Illinois
Northern Illinois University

Comparative Employment Statistics*
June 30, 2016 and 2015
(Unaudited)

	Instructional Activities	Organized Research	Public Service	Academic Support	Student Services	Institutional Support	Operations and Maintenance Physical Plant	Independent Operations	Total All Functions
Year ended June 30, 2016:									
Appropriated funds:									
Facility/administrative	1,317.3	10.6	21.3	148.8	96.7	116.8	6.6	-	1,718.1
Civil service	258.0	9.9	11.9	140.4	56.9	155.3	236.2	-	868.6
Student employees	42.9	0.3	-	20.3	10.2	3.9	10.5	-	88.1
Miscellaneous contracts	18.7	-	0.1	6.0	5.4	5.1	3.3	-	38.6
	<u>1,636.9</u>	<u>20.8</u>	<u>33.3</u>	<u>315.5</u>	<u>169.2</u>	<u>281.1</u>	<u>256.6</u>	<u>-</u>	<u>2,713.4</u>
Nonappropriated funds:									
Facility/administrative	90.0	115.4	134.2	25.2	114.2	10.7	1.5	42.0	533.2
Civil service	9.4	9.2	24.0	21.1	75.1	37.8	68.9	237.0	482.5
Student employees	26.6	12.1	11.2	1.4	101.0	8.3	0.5	189.7	350.8
Miscellaneous contracts	9.7	15.5	101.1	5.5	4.4	2.5	1.3	33.1	173.1
	<u>135.7</u>	<u>152.2</u>	<u>270.5</u>	<u>53.2</u>	<u>294.7</u>	<u>59.3</u>	<u>72.2</u>	<u>501.8</u>	<u>1,539.6</u>
Total All Funds	<u>1,772.6</u>	<u>173.0</u>	<u>303.8</u>	<u>368.7</u>	<u>463.9</u>	<u>340.4</u>	<u>328.8</u>	<u>501.8</u>	<u>4,253.0</u>
Year ended June 30, 2015:									
Appropriated funds:									
Facility/administrative	1,353.7	7.0	25.7	152.5	95.7	111.9	6.0	-	1,752.5
Civil service	259.8	2.8	18.6	141.6	57.1	173.0	226.7	-	879.6
Student employees	50.6	0.2	0.1	25.8	11.1	4.7	14.0	-	106.5
Miscellaneous contracts	29.6	0.2	0.1	10.3	7.8	6.8	7.7	-	62.5
	<u>1,693.7</u>	<u>10.2</u>	<u>44.5</u>	<u>330.2</u>	<u>171.7</u>	<u>296.4</u>	<u>254.4</u>	<u>-</u>	<u>2,801.1</u>
Nonappropriated funds:									
Facility/administrative	109.6	126.0	130.9	29.3	118.7	12.9	1.7	42.0	571.1
Civil service	7.6	7.1	22.9	23.7	71.4	37.6	73.7	270.5	514.5
Student employees	27.3	10.8	7.1	4.9	96.8	10.9	0.9	222.3	381.0
Miscellaneous contracts	7.3	18.9	32.4	6.6	4.6	5.6	2.1	41.4	118.9
	<u>151.8</u>	<u>162.8</u>	<u>193.3</u>	<u>64.5</u>	<u>291.5</u>	<u>67.0</u>	<u>78.4</u>	<u>576.2</u>	<u>1,585.5</u>
Total All Funds	<u>1,845.5</u>	<u>173.0</u>	<u>237.8</u>	<u>394.7</u>	<u>463.2</u>	<u>363.4</u>	<u>332.8</u>	<u>576.2</u>	<u>4,386.6</u>

*Provided by the Office of Budget and Planning.

This is the employment information reported to the State of Illinois Board of Higher Education. Staff years are computed by dividing an employee's number of months of employment during the fiscal year by 12 and multiplying that number by a factor of one for full-time and multiplying by the percentage of appointment for part-time. One example of staff year computation is as follows:

1 full-time employee employed 12 months of fiscal year counts as 1 staff year.

**State of Illinois
Northern Illinois University**

**Emergency Purchases
For the Year Ended June 30, 2016
(Unaudited)**

Following is a list of emergency purchase affidavits filed by the University with the Office of the Auditor General during the year:

ASGK Public Strategies LLC – Actual Cost: \$20,875

Consulting services for communications counsel for issue management and ongoing support in crisis communications to ensure the maintenance of the of the university's reputation and relationships with stakeholders and the community was required due to numerous recent events and a lack of sufficient internal resources. Northern Illinois University required immediate crisis management services to mitigate negative perception of the University.

Anthony Travel – Actual Cost: \$77,128

NIU Football team played in the Poinsettia Bowl on December 23, 2015, and air travel was required for the band and cheer team (not enough time to process a competitive source selection).

Sheraton San Diego Hotel & Marina – Actual Cost: \$137,650

Poinsettia Bowl Football Team Lodging, December 19-23, 2015, in San Diego, CA (immediate action to prevent disruption in University services and to protect/further University interests; hotel is determined by Bowl organization).

Charles J. Shepard – Actual Cost: \$22,661

A 90-day emergency purchase was issued to this vendor for the purpose of a real estate lease. This short-term award allowed the State adequate time to review the renewal of an existing lease agreement and allowed for the required 60-day advertisement of the renewal award prior to the renewal/purchase order issuance.

Urban Equity Properties LLC – Actual Cost: \$26,622

A 90-day emergency purchase was issued to this vendor for the purpose of a real estate lease. This short-term award allowed the State adequate time to review the renewal of an existing lease agreement and allowed for the required 60-day advertisement of the renewal award prior to the renewal/purchase order issuance.

**State of Illinois
Northern Illinois University**

**Comparative Enrollment Statistics*
June 30, 2016
(Unaudited)**

	Semesters					
	Summer 2015	Fall 2015	Spring 2016	Summer 2014	Fall 2014	Spring 2015
On-Campus:						
Undergraduate	1,877	13,045	11,726	1,827	13,394	12,035
Graduate	1,543	2,293	2,145	1,428	2,367	2,259
Professional	51	312	289	33	343	320
Subtotal	3,471	15,650	14,160	3,288	16,104	14,614
Off-Campus:						
Undergraduate	336	324	428	360	327	320
Graduate	1,090	764	703	1,222	717	740
Subtotal	1,426	1,088	1,131	1,582	1,044	1,060
Total	4,897	16,738	15,291	4,870	17,148	15,674

Note: All full-time equivalents are computed as follows:

Fall and Spring semesters:

$$\text{Undergraduate full-time equivalent} = \frac{\text{Credit hours}}{15.00}$$

$$\text{Graduate full-time equivalent} = \frac{\text{Credit hours}}{12.00}$$

$$\text{Professional full-time equivalent} = \frac{\text{Credit hours}}{12.00}$$

Summer sessions:

$$\text{Undergraduate full-time equivalent} = \frac{\text{Credit hours}}{7.50}$$

$$\text{Graduate full-time equivalent} = \frac{\text{Credit hours}}{6.00}$$

* Provided by Office of Budget and Planning based on beginning of semester count for Fall and Spring semesters and end of the semester count for Summer.

**State of Illinois
Northern Illinois University**

**Schedule of Tuition and Fee Waivers
For the Year Ended June 30, 2016
(in Thousands)**

(Unaudited)

	Tuition Waivers			Fee Waivers		
	Undergraduate	Graduate	Total	Undergraduate	Graduate	Total
Mandatory waivers:						
Teacher/special education	477	93	570	165	3	168
General Assembly	8	-	8	-	-	-
ROTC	294	4	298	3	-	3
DCFS	191	15	206	33	-	33
Children of employees	595	-	595	-	-	-
Senior citizens	9	-	9	-	-	-
Discretionary waivers:						
Faculty/administrative	24	487	511	9	11	20
Civil service	219	292	511	68	1	69
Academic/other talent	1,760	1,475	3,235	-	-	-
Athletic	1,467	-	1,467	-	-	-
Gender equity in intercollegiate athletics	1,644	-	1,644	-	-	-
Foreign students	-	257	257	-	-	-
Cooperating professionals	18	1,136	1,154	-	-	-
Graduate assistants		9,211	9,211			
Interinstitutional/related agencies	16	56	72	-	-	-
Retired University employees	2	36	38	1	-	1
Children of deceased employees	32	-	32	11	-	11
Student need - financial aid	-	-	-	-	-	-
Student need - special programs	-	20	20	-	-	-
Other assistants	23	1,734	1,757	-	-	-
Fellowships	-	89	89	-	-	-
Contract/training grants	-	960	960	-	-	-
Total	\$ 6,779	\$ 15,865	\$ 22,644	\$ 290	\$ 15	\$ 305

**State of Illinois
Northern Illinois University**

**Debt Financed by University-Related Organization
For the Year Ended June 30, 2016
(Unaudited)**

In August 2006, the Northern Illinois University Foundation issued bonds in connection with the construction of the Jeffrey and Kimberly Yordon Center which were secured by a ten-year operating lease with the University. The bonds were issued at an effective interest rate of 4.66% which was renegotiated to 1.875% in March 2013. These bonds were fully retired in August 2015 and the lease payments from the University ended August 2016.

In March 2013, the Northern Illinois University Foundation issued bonds in connection with the construction of the Kenneth and Ellen Chessick Practice Center. At June 30, 2016, the amount of outstanding bonds were \$2,263,207. The bonds were issued at an interest rate of 1.62% and are due March 2021. An 89-month operating lease with the University secures these bonds.

In December 2014, the Northern Illinois Research Foundation issued a \$200,000 note payable for the acquisition of EIGERlab. At June 30, 2016 the amount of the note outstanding was \$144,134. The note was issued at an interest rate of 4% with monthly payments to be made until December 2019.

**State of Illinois
Northern Illinois University**

**Acquisition of Real Estate Costing in Excess of
\$250,000 and Not Funded by a Separate Appropriation
For the Year Ended June 30, 2016
(Unaudited)**

The University and UROs did not purchase any real estate costing in excess of \$250,000.

**State of Illinois
Northern Illinois University**

**Bookstore Operations
For the Year Ended June 30, 2016
(Unaudited)**

Contracted/rents to students/University operated	University operated
Contractor	N/A
Contract term	N/A
Amount of gross sales for Bookstore in FY 16	\$4,097,206
Amount (if any) to be paid to Bookstore for FY 16 by University	N/A
Commissions	N/A
Commission terms	N/A
Given exclusive rights	No
Competition/"other" nearby/on-campus bookstores	Yes

**State of Illinois
Northern Illinois University**

**Comments on Certain Matters Regarding Auxiliary
Enterprises, Activities, and Accounting Entities,
and Tuition, Charges, and Fees
June 30, 2016
(Unaudited)**

AUXILIARY ENTERPRISES, ACTIVITIES, AND ACCOUNTING ENTITIES

1. All employer contributions, except for certain restricted federal funds, to the University retirement system are made from the General Revenue Fund appropriation to the State Universities Retirement System for this purpose. Accordingly, the portion of the retirement contribution attributable to employees in auxiliary enterprise operations is paid from appropriated funds and amounted to approximately \$9,747,136 and \$10,272,420 for the years ended June 30, 2016 and June 30, 2015, respectively.
2. The University's governing board has established no non-instructional facilities (development) reserves.

TUITION, CHARGES, AND FEES

Northern Illinois University does not have statutory authority to divert and is not diverting tuition to auxiliary enterprise operations.

BOND COVENANTS

There were no violations of revenue bond covenants noted during the audit of Northern Illinois University for the year ended June 30, 2016.

**State of Illinois
Northern Illinois University**

**Comments on Certain Matters Regarding
University-Related Organizations
and Other Matters
June 30, 2016
(Unaudited)**

1. Northern Illinois University Foundation, Northern Illinois University Alumni Association, and Northern Illinois Research Foundation are recognized by Northern Illinois University as related organizations.
2. There are no organizations considered by the University to be independent organizations as defined in Section VII of University Guidelines 1982, as amended in 1997.
3. There are no unreimbursed subsidies between the University and its related organizations.

Comment on Other Topics

1. Income from investments of pooled funds is allocated and credited monthly to the original sources of the funds based on their respective cash balances.
2. In August 1993, the University issued \$8,485,000 of Certificates of Participation to refinance an educational center occupied by Northern Illinois University in Hoffman Estates, Illinois, payable through installments commencing in 1994, for a period of twenty-three years. Balance at June 30, 2016 was \$1,305,000.
3. In April 2014, the University issued Certificates of Participation (Capital Improvement Projects) in the amount of \$11,975,000 at a premium of \$1,140,000. The proceeds were used to refinance a 113,000 square foot facility located on the campus of and for the use of Northern Illinois University by redeeming all of the Illinois Development Finance Authority Lease Revenue Bonds (Northern Illinois Naperville Project) Series 1999 in the amount of \$11,630,000 and prepaying an Installment Payment Contract between the Board and Energy Systems Group, LLC in the amount of \$1,182,000. This resulted in approximate savings of \$916,000 in future debt service payments on the old debt. The Series 2014 COPs are payable through installments commencing in 2015, for a period of eleven years. The interest is 4%-5%; the balance at June 30, 2016 was \$11,035,000.

**State of Illinois
Northern Illinois University**

**Summary of Foundation Payments
To/From the University
For the Year Ended June 30, 2016
(Unaudited)**

During fiscal year 2016, the University engaged the Foundation, under contract, to provide fundraising services. As provided in the contract agreement, the University paid \$630,000 for fundraising services. Additionally, the University provided services to the Foundation valued at \$643,000. As required by the contract, the Foundation fully repaid the University for the services provided, using funds considered unrestricted for purpose of the University Guidelines computations.

Presented below is a summary of all funds that the Foundation gave to the University during fiscal year 2016:

Funds considered unrestricted for purposes of the Guidelines computations:	
Totally unrestricted - administrative services	\$ 658,746
Restricted only as to campus, college, or department and generally available for ongoing University operations:	
Support for University programs and departments	5,263,111
Administrative and office expense	862,357
Provided for library books, equipment, and property and improvements	<u>20,029</u>
Total funds considered unrestricted	<u>6,804,243</u>
Funds considered restricted for purposes of the Guidelines computations:	
Provided for scholarships and awards	2,785,359
Provided for library books, equipment, and property and improvements	41,344
Other restricted funds provided to the University:	
Restricted fund	1,255,146
Endowment fund	<u>596,404</u>
Total funds considered restricted	<u>4,678,253</u>
Total funds provided to the University by the Foundation	<u>\$ 11,482,496</u>

**State of Illinois
Northern Illinois University**

**Summary of Alumni Association Payments
To/From the University
For the Year Ended June 30, 2016
(Unaudited)**

In accordance with a memorandum of understanding between the University and the Alumni Association with regard to funding staffing costs in the alumni relations area, the Alumni Association did not make any contributions during 2016. There were no amounts paid by the University to the Alumni Association.

Presented below is a summary of all funds that the Association gave to the University during fiscal year 2016:

Funds considered unrestricted for purposes of the Guidelines computations:	
Restricted only as to campus, college, or department and generally available for ongoing University operations:	
Support for University programs and departments	<u>\$ 340,081</u>
Total funds considered unrestricted	<u>340,081</u>
Funds considered restricted for purposes of the Guidelines computations:	
Endowment fund	<u>25,000</u>
Total funds considered restricted	<u>25,000</u>
Total funds provided to the University by the Association	<u><u>\$ 365,081</u></u>

**State of Illinois
Northern Illinois University**

**Summary of Research Foundation Payments
To/From University
For the Year Ended June 30, 2016
(Unaudited)**

During fiscal year 2016, the University engaged the Research Foundation, under contract, to provide services to aid the University in its economic development, public service/research and educational missions, valued at \$353,000.

Presented below is a summary of all funds that the Research Foundation gave to the University during fiscal year 2016:

Funds considered unrestricted for purposes of the
Guidelines computations:

Total unrestricted - administrative services	\$ 188,000
Support for University programs and departments	<u>1,080,000</u>
Total funds considered unrestricted	<u>\$ 1,268,000</u>

**State of Illinois
Northern Illinois University**

**Current Unrestricted Funds - Auxiliary Enterprises -
Revenue Bond Funds - Occupancy Report
of Residence Halls
For the Fiscal Year 2016
(Unaudited)**

	Design Capacity	Fall Semester Occupancy	Spring Semester Occupancy	Average Occupancy	Room and Board Rate
Neptune Complex	1,117	968	821	895	9,760
Gilbert Hall	270	233	223	228	10,756
Northern View	240	175	167	171	7,708
Grant Towers	1,660	633	567	600	10,756
Stevenson Towers	1,280	1,186	1,066	1,126	10,756
New Hall	1,008	976	946	961	13,350
Total Residence Halls	5,575	4,171	3,790	3,981	

Based on 9 month occupancy.

**State of Illinois
Northern Illinois University**

**Current Unrestricted Funds - Auxiliary Enterprises -
Revenue Bond Funds - Insured Value Summary
For the Year Ended June 30, 2016
(Unaudited)**

	Insured Value		
	Building	Contents	Business Interruption
Barsema Alumni & Visitors Center	\$ 8,129,000	\$ 478,000	\$ -
Campus Life Building	9,340,000	1,595,000	-
Campus Child Care Center	3,113,000	254,000	-
Center for Black Studies	666,000	-	-
Convocation Center	55,230,000	6,310,000	-
Gilbert Hall	17,563,000	-	-
Grant Towers Complex	106,026,000	2,641,000	-
Holmes Student Center	75,964,000	5,280,000	-
Huskie Stadium	29,777,000	3,264,000	-
Huskie Stadium Field Turf	500,000	-	-
Latino Center	856,000	205,000	-
Lincoln Hall	36,813,000	1,956,000	-
Neptune Complex	34,088,000	2,454,000	-
Neptune North	13,371,000	451,000	-
Parking Services/Duramad House	180,000	210,000	-
Parking Structure	10,983,000	-	-
Stevenson Towers Complex	106,026,000	8,351,000	-
Student Recreation Building	14,524,000	899,000	-
University Resources for Women	410,000	-	-
Evans Field House	12,571,000	1,136,000	-
Dorland Warehouse	9,877,000	2,809,000	-
Soccer Field Building	861,000	-	-
Northern View Community	14,400,000	338,000	-
New Hall	76,386,000	3,808,000	-
Western Intramural Facilities	5,949,000	1,872,000	-
Business interruption	-	-	44,770,000
Total	\$ 643,603,000	\$ 44,311,000	\$ 44,770,000

The University obtains its property insurance, including boiler and machinery coverage, through the Midwestern Higher Education Compact's Master Property Program. The University purchases limits of \$1 billion in layers: the first layer provides \$100 million in individual limits and the next two layers provide a total of \$900 million on a shared, but per occurrence, basis. The Holmes Student Center has coverage for silverware and silverplate, and State and University self-insurance programs and commercial insurance are in force to provide liability coverage for University operations, including Revenue Bond.