

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

For the Year Ended June 30, 2008
Performed as Special Assistant Auditors for
the Auditor General, State of Illinois

**State of Illinois
 Northeastern Illinois University
 Compliance Examination
 (In Accordance with the Single Audit Act and OMB Circular A-133)
 For the Year Ended June 30, 2008**

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Financial Audit for the Year Ended June 30, 2008

Northeastern Illinois University Foundation
Financial Audit for the Year Ended June 30, 2008

**State of Illinois
Northeastern Illinois University**

Agency Officials

President

Dr. Sharon Hahs

Vice President for Finance and Administration

Mr. Mark Wilcockson, CPA

Associate Vice President - Financial and Administrative
Affairs

Mr. David Jonaitis

Director of Financial Affairs / Controller

Ms. Peggy Ho

Acting Director of Internal Audit

Mr. Ronald Cierny, CPA

Executive Director - Office of University Budgets

Dr. Helen Ang

Agency offices are located at:

5500 North St. Louis Avenue
Chicago, Illinois 60625

January 22, 2009

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

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Northeastern Illinois University (University). We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the University's compliance with the following assertions during the year ended June 30, 2008. Based on this evaluation, we assert that during the year ended June 30, 2008, the University has materially complied with the assertions below.

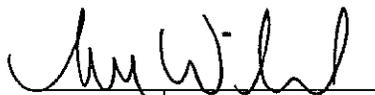
- A. The University has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The University has obligated, expended, received and used public funds of the State in accordance with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

Yours very truly,

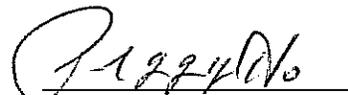
Northeastern Illinois University



Dr. Sharon K. Hahs
President



Mark Wilcockson, CPA
VP for Finance and Administration



Peggy Ho
Director of Financial Affairs

**State of Illinois
 Northeastern Illinois University
 For the Year Ended June 30, 2008**

COMPLIANCE REPORT

SUMMARY

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

ACCOUNTANTS' REPORTS

The Independent Accountants' Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant non-standard language.

SUMMARY OF FINDINGS

<u>Number of Findings</u>	<u>This Report</u>	<u>Prior Report</u>
Repeated Findings	7	8
Prior Recommendations Implemented or Not Repeated	5	5
	3	2

Details of findings are presented in the separately tabbed report section of this report.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

<u>Item No.</u>	<u>Page(s)</u>	<u>Description</u>	<u>Finding Type</u>
FINDING (<i>GOVERNMENT AUDITING STANDARDS</i>)			
08-1	17-18	Controls for Reporting Accrued Compensated Absences	Material Weakness
FINDINGS AND QUESTIONED COSTS (<i>FEDERAL COMPLIANCE</i>)			
08-2	19-21	Inadequate Controls Over University Equipment Acquired from Grant Funds	Noncompliance
08-3	22-24	Required Federal Reports Were Not Submitted Timely	Noncompliance
FINDINGS (<i>STATE COMPLIANCE</i>)			
08-4	25-30	Inadequate Controls Over University Property and Equipment	Material Noncompliance

**State of Illinois
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

<u>Item No.</u>	<u>Page(s)</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (STATE COMPLIANCE)			
08-5	31-33	Noncompliance with Required Contracting Procedures	Material Noncompliance
08-6	34-35	Timesheets Not Required	Noncompliance
08-7	36-38	Inadequate Controls Over Voucher Processing	Noncompliance

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

08-1	17-18	Controls for Reporting Accrued Compensated Absences	Material Noncompliance
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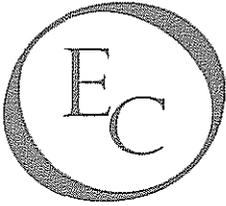
PRIOR FINDINGS NOT REPEATED

A	39	Improper Cut-Off Procedures for Expenditures	
B	39	Inadequate Monitoring of Disbursements to Partner Schools for Grant Programs	
C	40	Noncompliance with University Payroll Distribution Procedures	

EXIT CONFERENCE

The University waived having an exit conference in a letter dated January 6, 2009, from the University's Vice President for Finance and Administration, Mark Wilcockson.

Responses to the recommendations were provided by Mark Wilcockson in a letter dated January 14, 2009.



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

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

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have examined Northeastern Illinois University's (University) compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the year ended June 30, 2008. 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.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the University's compliance with those requirements listed in the first paragraph of this report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the University's compliance with specified requirements.

As described in findings 08-1, 08-4 and 08-5 in the accompanying schedule of findings and questioned costs, the University did not comply with the requirements regarding:

- 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.

Compliance with such requirements is necessary, in our opinion, for the University to comply with the requirements listed in the first paragraph of this report.

In our opinion, except for the noncompliance described in the preceding paragraph, the University complied, in all material respects, with the requirements listed in the first paragraph of this report during the year ended June 30, 2008. However, the results of our procedures disclosed other instances of noncompliance, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings and questioned costs as findings 08-6 and 08-7.

Internal Control

The management of the University is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the University's internal control over compliance with the requirements listed in the first paragraph of this report in order to determine our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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

consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to comply with the requirements listed in the first paragraph of this report such that there is more than a remote likelihood that noncompliance with a requirement that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance as described in the accompanying schedule of findings and questioned costs as item 08-1 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a requirement listed in the first paragraph of this report will not be prevented or detected by the entity's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 08-1 to be a material weakness.

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

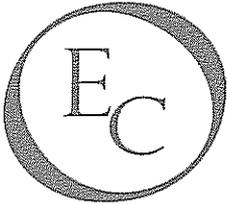
The University's responses to the findings identified in our examination are described in the accompanying schedule of findings and questioned costs. We did not examine the University's responses and, accordingly, we express no opinion on them.

Supplementary Information for State Compliance Purposes

As Special Assistant Auditors for the Auditor General, we have audited the basic financial statements of the business-type activities of the University and its aggregate discretely presented component unit as of and for the year ended June 30, 2008, which collectively comprise the University's basic financial statements, and have issued our report thereon dated January 22, 2009. The accompanying supplementary information, as listed in the table of contents as Supplementary Information for State Compliance Purposes, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the University. The 2008 Supplementary Information for State Compliance Purposes, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2008 taken as a whole. We have also previously audited, in accordance with auditing standards generally accepted in the United States, the University's basic financial statements for the year ended June 30, 2007. In our report dated December 19, 2007, we expressed an unqualified opinion on those statements. In our opinion, the 2007 Supplementary Information for State Compliance Purposes, except for the portion marked "unaudited" is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2007, taken as a whole.

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

E.C. Ortiz & Co., LLP
January 22, 2009



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

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

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the basic financial statements of Northeastern Illinois University (University) and its aggregate discretely presented component unit as of and for the year ended June 30, 2008, and have issued our report thereon dated January 22, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements and not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of

findings and questioned costs to be a significant deficiency in internal control over financial reporting (08-1).

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider item 08-1 to be a material weakness.

Compliance and Other Matters

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

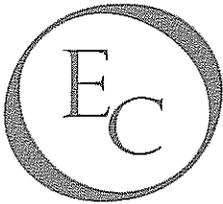
We also noted certain matters which we have reported to management of the University in a separate letter dated January 22, 2009.

The University's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the University's response and, accordingly, we express no opinion 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, Board of Trustees, University management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

E. C. Ortiz & Co., LLP

January 22, 2009



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

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

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

We have audited the compliance of Northeastern Illinois University (University) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

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

In our opinion, the University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 08-2 and 08-3.

Internal Control Over Compliance

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

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 08-2 and 08-3 to be significant deficiencies.

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the business-type activities and the aggregate discretely presented component unit of the University as of and for the year ended June 30, 2008, and have issued our report thereon dated January 22, 2009. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the University's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

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

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

E.C. Ortiz & Co., LLP

January 22, 2009

**SCHEDULE OF FINDINGS
AND
QUESTIONED COSTS**

**State of Illinois
 Northeastern Illinois University
 For the Year Ended June 30, 2008**

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

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

**State of Illinois
Northeastern Illinois University
For the Year Ended June 30, 2008**

Summary of Auditors' Results, Continued

Identification of major programs:

<u>CFDA#</u>	<u>Name of Federal Program or Cluster</u>
	Student Financial Assistance Cluster
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs TRIO Cluster
84.363	School Leadership
84.287	Twenty-First Century Community Learning Centers

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

\$775,607

Auditee qualified as low-risk auditee?

 Yes X No

**State of Illinois
Northeastern Illinois University
For the Year Ended June 30, 2008**

CURRENT FINDING - GOVERNMENT AUDITING STANDARDS

08-1 *Controls for Reporting Accrued Compensated Absences*

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

Effective January 1, 2008, the University began maintaining its records of employees' vested vacation and sick time in its new Human Resources (HR) Banner information system. At the end of the fiscal year, the HR department queried the system in order to extract data, which is then used to adjust the accrued compensated absences liability on the University's financial statements. The HR department does not have procedures in place to ensure the information extracted from the system has been verified and analyzed for accuracy and completeness prior to submission to the Finance department for adjustments in the financial statements.

The liability for accrued compensated absences reported on the University's financial statements amounted to \$10,574,229 at June 30, 2008. Based on our review of the Leave Liability Report (Report), we noted the following errors:

- The June vacation usages of semi-monthly and bi-weekly employees were not included in the Report resulting in an overstatement of the accrued compensated absences liability in the amount of \$247,102.
- Vacation leave balances of 21 tenure track faculty members who formerly served as chairpersons were not included in the Report resulting in an understatement of the accrued compensated absences liability in the amount of \$262,685.
- The Report included non-compensable vacation leave balances for 43 administrative and professional limited employees resulting in an overstatement of the accrued compensated absences liability in the amount of \$80,848.
- Twenty-eight (28) employees with compensable vacation leave balances were not included in the Report resulting in an understatement of \$102,350 in the accrued compensated absences liability.
- The salary rates used in the calculation of accrued compensated absences for 6 employees did not agree with the current salary rate per personnel appointment form resulting in an understatement of \$95,232 in the accrued compensated absences liability.
- Five (5) terminated employees during the year and one provisional employee were included in the Report resulting in an overstatement of \$4,016 in the accrued compensated absences liability.

**State of Illinois
Northeastern Illinois University
For the Year Ended June 30, 2008**

CURRENT FINDING - GOVERNMENT AUDITING STANDARDS, Continued

The University was not aware of the errors noted above until the auditors brought the issues to their attention. An adjusting entry of \$128,301 was proposed to correct the understated liability associated for the exceptions noted. The University did not adjust the financial statements. The amount was determined not to materially affect the financial statements and the adjustment has been included on the auditor's schedule of passed adjustments.

Proper internal controls require management to establish appropriate procedures to ensure that accurate financial statements are presented in accordance with generally accepted accounting principles. In addition, the Fiscal Control and Internal Auditing Act requires State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that financial data is properly recorded and accounted for to permit the preparation of reliable financial reports.

University officials indicated that the errors noted in the Report were mainly due to the implementation of the new information system used to accumulate the information for the accrued compensated absences liability. The Report for this audit was the first prepared with the new system.

Failure to implement proper internal control procedures may result in a material misstatement in the University's financial statements. (Finding Code No. 08-1)

Recommendation

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

University Response

The University concurs with this finding and recommendation and will implement procedures using the new Banner system to ensure that the liabilities for compensated absences are complete and accurate.

**State of Illinois
 Northeastern Illinois University
 For the Year Ended June 30, 2008**

CURRENT FINDINGS - FEDERAL COMPLIANCE

Federal Agency: U.S. Department of Education

Program Name	CFDA #	Program Expenditures
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	(\$9,991,693)
School Leadership	84.363	(1,377,631)
TRIO Cluster - Upward Bound	84.047	(304,818)
TRIO Cluster - Talent Search	84.044	(332,787)

Questioned Costs: \$3,110

08-2 Inadequate Controls Over University Equipment Acquired from Grant Funds

The University did not have adequate controls over its equipment acquired from grant funds.

In our physical identification of 40 items from the property records, we noted the following:

- Five (5) items with a total value of \$3,110 were not found. These items consisted of computer hardware, a video, a camcorder, a tripod, and a video camera. There were no investigations conducted for these missing items.
- Two (2) items with a total value of \$1,449 assigned off-campus to employees were not supported with Off-Campus Equipment Use Forms. These items consisted of a tripod and a video camera.
- Thirteen (13) items with a total value of \$12,517 assigned off-campus to employees were not indicated as off-campus in the Property Listing. These items consisted of: 5 laptops, a palm handheld, 2 computer monitors, 2 printers, an iPod, and 2 digital cameras.

The Office of Management and Budget (OMB) Circular A-110 (Sub Part C - Post Award Requirements, Section 34 - Equipment, Section F) requires that recipient's property management standards for equipment acquired with Federal funds shall have a control system in effect to insure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft of equipment shall be investigated and fully documented. It further requires that equipment records shall be maintained accurately.

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CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

University procedures on Off-Campus Use of Property require that individuals taking property off-campus must prepare an *Off-Campus Equipment Use Contract* (Off-Campus Form). It also requires that an Off-Campus Form be submitted to the accountable Fiscal Agent, Department Chair, Director, or other designee, describing the equipment, reason for off campus use, date to be taken, and expected date of return.

Statewide Accounting Management System (SAMS) Procedure 29.10.10 requires agencies to maintain detailed property records and update property records as necessary to reflect the current balance of State property. Such detail records are to be organized by major asset category and include the following information for each asset: (1) Cost (or other value); (2) function and activity; (3) reference to acquisition source document; (4) acquisition date and date placed in service; (5) name and address of vendor; (6) short description of asset; (7) organization unit charged with custody; (8) location; (9) fund and account from which the item was purchased; (10) method of acquisition; (11) estimated useful life; (12) estimated salvage value; (13) date, method and authorization of disposition; (14) tag number; (15) accumulated depreciation; (16) depreciation method; (17) depreciation convention; and (18) insured value (if applicable).

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

The University recognizes that the equipment items in question, while being used for authorized grant purposes, did not have adequate documentation to support off-campus use or reported as missing items. This lack of documentation was due to the completion of paperwork being delayed during a significant clean-up during the past few months.

Inadequate controls over University property and equipment results in inaccurate and incomplete property records and noncompliance with OMB policies and procedures. It could also result in incorrect accounting information and could cause unnecessary equipment expenditures and inaccurate financial reporting. Loss of University property and equipment may not be detected timely or remain undetected without an accurate property inventory listing and/or strict compliance with University property control procedures. (Finding Code Nos. 08-2, 07-4, 06-2)

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CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

Recommendation

We recommend the University adhere to its procedures to ensure that property records are accurately maintained and updated for the results of periodic physical inventories. We also recommend that the University improve its controls over off-campus use of property and equipment.

University Response

The University concurs with the finding and recommendation and will work with staff to assure that University policies and procedures are adhered to.

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CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

Federal Agency: U.S. Department of Education

Program Name	CFDA #	Program Expenditures
Twenty-First Century Community Learning Centers	84.287	(\$1,463,573)
School Leadership	84.363	(1,377,631)
TRIO Cluster - Upward Bound	84.047	(304,818)

Questioned Costs: None

08-3 Required Federal Reports Were Not Submitted Timely

The University is a recipient of the Twenty-First Century Community Learning Center (21st Century) and School Leadership grants from the U.S. Department of Education. The 21st century is a grant passed through the Illinois State Board of Education (ISBE). The University did not submit the quarterly and final expenditure reports of the 21st Century, as required by ISBE. The annual performance reports of other programs were also not timely submitted.

During our detailed testing of the 21st Century program, we noted the following submission dates for the reports:

<u>21st Century Program</u>	<u>Quarterly Reports</u>	<u>Due Date</u>	<u>Date Submitted</u>	<u>Days Delayed</u>
Project 04	June 30, 2008	July 30, 2008	July 31, 2008	1
Project 07	June 30, 2008	July 30, 2008	July 31, 2008	1
Project 07	June 30, 2008-Final	September 28, 2008	Not yet submitted	109 (as of 01/15/09)

We also noted that the above projects were frozen due to the following:

- Project 04 - refund due to ISBE totaling \$7,052. The University receives grant money from ISBE based on scheduled payments.
- Project 07 - non-submission of the fourth quarter final expenditure report

In our detailed testing of other programs, we also noted the following submission dates for the annual performance reports:

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CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

<u>Program</u>	<u>Reporting Period</u>	<u>Due Date</u>	<u>Date Submitted</u>	<u>Days Delayed</u>
School Leadership	September 1, 2006 to April 30, 2007	June 4, 2007	June 29, 2007	25
TRIO - Upward Bound	September 1, 2006 to August 31, 2007	November 30, 2007	December 18, 2007	18

Under the terms of the grant agreement of the 21st Century program, the expenditure reports are required quarterly and may be filed electronically through the ISBE Web Application Security (IWAS). ISBE requires that the quarterly expenditure reports are due by the end of the following month of each State fiscal year quarter. ISBE further requires that if there are still outstanding obligations as of the project end date, final expenditure reports should be submitted within 90 days of the project end date.

The Catalog of Federal Domestic Assistance for the Star School Leadership Project states that annual progress and financial reports are required in accordance with the Education Department (ED) General Administrative Regulations. The due date for the annual report based on ED's website is June 4, 2007.

The Catalog of Federal Domestic Assistance for the TRIO-Upward Bound states that performance reports are to be submitted on an annual basis. The annual performance report letter sent by the Department of Education requires the completion and submission of the annual performance report for program year 2006 and 2007, by November 30, 2007.

University personnel stated that the exceptions were due to the following:

- For the 21st Century projects, the details of the expenditure by budget line, by function, required for the quarterly expenditure reporting were received late from program personnel.
- For the Star School Leadership and Upward Bound programs, oversight on the part of the project directors.

Failure to submit the required quarterly expenditure reports in a timely manner results in noncompliance with the terms of the grant agreement and resulted in the project being frozen by the grantor. This also reflects adversely on the University's effectiveness in managing its grant program. (Finding Code No. 08-3)

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CURRENT FINDINGS - FEDERAL COMPLIANCE, Continued

Recommendation

We recommend the University comply with all the reporting requirements of its grant agreements and ensure timely submission of reports. We also recommend that a calendar of reporting deadlines be compiled and be monitored by the grant fiscal administrator to ensure compliance.

University Response

The University concurs with this finding and recommendation and will strengthen procedures to comply with grant agreements and ensure timely submission of reports.

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CURRENT FINDINGS - STATE COMPLIANCE

08-4 *Inadequate Controls Over University Property and Equipment*

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

In our physical identification of 80 items in the property records, we noted the following:

- Two (2) servers with a total value of \$9,917 were not tagged with the University decal.
- Two (2) different tags were affixed to each of the 2 items tested with a total value of \$11,615. These items consisted of office furniture and a digital camera.
- Sixteen (16) items with a total value of \$34,345 were not found. These items consisted of: 7 pieces of office furniture, 3 printers, 3 radios, a vacuum pump, a monitor, and a digital camera.
- Two (2) servers with a total value of \$9,150 were not properly maintained. These servers were located in a room that was also used as a janitorial room.
- Information in the property records for thirty-eight (38) equipment items tested were not updated as follows:
 - Twenty-three (23) items with a total value of \$52,435 were found in different locations. No Property Change Notice (PCN) forms were prepared to support the changes in location. These items consisted of: 2 servers, a piece of science equipment, 3 lectern speakers, a marker board, 4 printers, 3 computers, a television, a timer, 3 pieces of office equipment, 2 projectors, a copier, and a visual presents.
 - Room locations were not indicated in the Property Listing for 14 items with a total value of \$18,016. These items consisted of: a lectern speaker, 7 pieces of office equipment, a digital camera, 2 projectors, 2 computers, and a laptop.
 - A shredder valued at \$304 was described as a timer in the Property Listing.

During our tracing to the Property Listing of items physically identified, we noted that 6 items were not included in the Property Listing. These items consisted of: 4 pieces of office equipment, a printer, and a scanner.

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CURRENT FINDINGS - STATE COMPLIANCE, Continued

In our review of the Property Listing as of October 31, 2007 submitted by the University to the Department of Central Management Services (DCMS) on April 30, 2008, we noted that 8 items with a total value of \$41,832 purchased before October 31, 2007 were not reported. These items were valued at \$500 and above. The items were a scanner, 3 servers, and 4 laptops.

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

- Fourteen (14) items deleted were not supported with PCN forms. These items consisted of: 2 laptops, a piano, a camera, a sorter, a binder, a switch, 5 pieces of office furniture, and 2 computers.
- Two (2) items reported stolen by the University, with a total value of \$3,941, were not supported with police reports. These items consisted of a camera and musical equipment.
- Four (4) items reported lost by the University, with a total value of \$51,125, were not supported with internal audit/investigation reports. These items consisted of: a printer, a speaker, a piece of office equipment, and a projector.

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

- Equipment purchases from 13 vouchers tested, with a total value of \$167,143, were not included in the Property Listing as of fiscal year-end. These equipment vouchers consisted of: projectors, computers, processors, network storage, office equipment, server, printer, ethernet port, and exercise equipment.
- Equipment purchases before October 31, 2007 from 6 vouchers tested, with a total value of \$34,344, were not included in the Property Listing as of October 31, 2007 submitted by the University to DCMS. These equipment vouchers consisted of: computers, remote server, ethernet port, and exercise equipment.

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

- Two (2) surplus items with a total value of \$36,187 were reported to DCMS as active equipment. These items consisted of a computer and a plate maker.

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CURRENT FINDINGS - STATE COMPLIANCE, Continued

- Twenty-four (24) items with a total value of \$372,297 reported in the Property Listing as surplus were not found. These items consisted of: 10 laptops, an amplifier, a hub, a projector, a router, 2 computers, 5 switches, 2 servers, and a plate maker.
- A laptop, valued at \$2,493, reported as missing per PCN was included as part of the surplus equipment.
- A computer, valued at \$2,687, transferred to the surplus cage was not supported with a PCN form.

During our review of University controls over off-campus use of equipment and physical verification of the 25 laptops personally assigned, we noted the following:

- Off-campus equipment use forms were not prepared for 2 laptops with a total value of \$5,381 assigned to employees.
- Two (2) off-campus equipment use forms for laptops with a total value of \$3,815 assigned to employees were not completed properly. The forms had missing information such as the equipment asset number and signature of the technician.
- The actual user of a laptop valued at \$1,851 did not match the user indicated in the Property Listing.
- A laptop valued at \$2,236 assigned to an employee was not found.
- The actual serial number of a laptop valued at \$1,851 assigned to an employee did not match the serial number indicated in the off-campus equipment use form.

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

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

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CURRENT FINDINGS - STATE COMPLIANCE, Continued

DCMS Property Control Rules (44 Illinois Administrative Code, Section 5010.460: Annual Inventory) requires all agencies to provide the Property Control Division on an annual basis a listing of all equipment subject to being reported to DCMS as required under Section 5010.220. In relation to this, the University was required by the DCMS to submit a listing of all equipment as of October 31, 2007 subject to being reported to DCMS no later than May 1, 2008.

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

Statewide Accounting Management System (SAMS) Procedure 29.10.10 requires agencies to maintain detailed property records and update property records as necessary to reflect the current balance of State property. Such detail records are to be organized by major asset category and include the following information for each asset: (1) Cost (or other value); (2) function and activity; (3) reference to acquisition source document; (4) acquisition date and date placed in service; (5) name and address of vendor; (6) short description of asset; (7) organization unit charged with custody; (8) location; (9) fund and account from which the item was purchased; (10) method of acquisition; (11) estimated useful life; (12) estimated salvage value; (13) date, method and authorization of disposition; (14) tag number; (15) accumulated depreciation; (16) depreciation method; (17) depreciation convention; and (18) insured value (if applicable).

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

DCMS Property Control Rules (44 Illinois Administrative Code, Section 5010.310: Transaction Codes) requires documentation for certain deletions from an agency inventory, which includes police report and/or internal investigation report for stolen and lost properties.

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CURRENT FINDINGS - STATE COMPLIANCE, Continued

University procedures on Off-Campus Use of Property require that individuals taking property off-campus must prepare an *Off-Campus Equipment Use Contract* (Off-Campus Form). It also requires that an Off-Campus Form be submitted to the accountable Fiscal Agent, Department Chair, Director, or other designee, describing the equipment, reason for off campus use, date to be taken off campus, and expected date of return. The Off-Campus Form further indicates that copies of the form be distributed to the Property Control Department, Fiscal Agent, and the user.

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

Inadequate controls over University property and equipment results in inaccurate and incomplete property records. It could also result in incorrect accounting information and could cause unnecessary equipment expenditures and inaccurate financial reporting. Loss of University property and equipment may not be detected timely or remain undetected without an accurate property inventory listing and/or strict compliance with University property control procedures. Failure to submit the complete Inventory of Equipment with an acquisition value of \$500 or more resulted in noncompliance with DCMS Property Control Rules. (Finding Code Nos. 08-4, 07-5, 06-4, 05-3, 04-2)

Recommendation

We recommend the University adhere to its procedures to ensure that property and equipment records are accurately maintained and updated. Periodic physical inventories should be conducted to ensure existence of equipment, and property records should be updated with the results of the inventory. The University should also improve its controls over off-campus use of property and equipment by reviewing the forms submitted by the employees for completeness and accuracy. We also recommend the University ensure submission of a complete Inventory of Equipment with DCMS.

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CURRENT FINDINGS - STATE COMPLIANCE, Continued

University Response

The University concurs with the finding and recommendation and will continue to improve adherence to our property control policies and procedures.

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CURRENT FINDINGS - STATE COMPLIANCE, Continued

08-5 Noncompliance with Required Contracting Procedures

The University did not comply with certain required contracting procedures.

During our tests of 60 contracts, we noted the following:

- Signatures on 8 contracts (13%) were not dated by the vendor or the University representative.
- Nine contracts (15%) each valued at more than \$10,000 were not filed with the Office of the State Comptroller. These contracts were incurred against locally held funds.
- Six contracts (10%) each valued at more than \$10,000 were not filed within 15 days after execution (5 to 112 days late). These contracts were incurred against locally held funds.
- Fifteen contracts (25%) totaling \$3,743,934 were not approved and executed prior to performance of services. Eight of the 15 contracts pertain to professional services. These contracts were executed 30 to 206 days after the start of services. Late filing affidavits were not filed together with the contracts.
- Eight contracts (13%) did not have the three signatures required for contracts of \$250,000 or more.
- Contracts were not executed for payments for training and ticket purchases covered by 2 purchase orders each valued at more than \$10,000.

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

- A contract was not executed for the purchase of printers, imagers, adapters, and USB cables to a single vendor covered by a purchase order amounting to \$13,337.
- Payment for rental of rooms, equipment and catering services to a single vendor totaling \$33,000 was not competitively bid.

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CURRENT FINDINGS - STATE COMPLIANCE, Continued

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

The Illinois Procurement Code (30 ILCS 500/20-80(b)) and Statewide Accounting Management System (SAMS) Procedure 15.10.40 require all state agencies to file contracts exceeding \$10,000 with the State Comptroller within 15 calendar days after execution. It also requires that all modifications to any contract be filed with the State Comptroller. An Affidavit for Late Filing must be completed for any contract liability not filed within thirty (30) days of execution. In addition, 30 ILCS 500/20-80(d) states that when the contract for services involving professional or artistic services is not reduced to writing prior to the commencement of the contract, the agency should file the contract and "an affidavit, signed by the chief executive officer of the state agency or his or her designee, stating that the services for which payment is being made were agreed to before commencement of the services and setting forth an explanation of why the contract was not reduced to writing before the services commenced." In addition, 30 ILCS 500/20-20(b) requires competitive sealed bidding for procurement of supplies and services other than professional or artistic services, exceeding \$31,300.

SAMS Procedure 15.20.10 states, "File Only contracts, including contracts paid entirely from locally held funds, do not require obligation and are not entered into the SAMS system. They must, however, be filed with the Illinois Office of the Comptroller (IOC) and must meet all IOC documentation and certification requirements."

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

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CURRENT FINDINGS - STATE COMPLIANCE, Continued

SAMS Procedure 15.10.40 requires that contracts for professional or artistic services that will exceed \$5,000 in any fiscal year to any single vendor must be reduced to writing. It further requires that individual orders for other services that will exceed \$10,000 to any single vendor must be reduced to writing.

University officials stated they had procedures in place to file the contracts with the State Comptroller on a timely basis, however, during the University's conversion to a new integrated financial business and information system, some contracts were not filed, or were not filed timely. Also during the conversion, some contract requirements were not completed on a timely basis.

Failure to reduce in writing the contract for services and obtain required signatures exposes the University to potential liabilities and unnecessary legal costs in case of dispute over the scope of services and responsibilities. Failure to file contracts and contract modifications with the State of Illinois, Office of the Comptroller on a timely basis resulted in noncompliance with State statutes and regulations. Failure to adhere to a competitive bidding process may result in the University not getting the lowest possible cost for the services provided. (Finding Code Nos. 08-5, 07-7, 06-6, 05-5)

Recommendation

We recommend the University adhere to its procedures to ensure all contracts over the threshold amounts be reduced to writing and filed with the Office of the Comptroller in accordance with State statutes and regulations. We further recommend that an Affidavit for Late Filing should be completed for any contract liability not filed within thirty (30) days of execution. Contract requirements and signatures must be obtained, and required competitive solicitation procedures must be observed in all instances.

University Response

The University concurs with this finding and recommendation and will increase efforts to ensure compliance with University and state contracting procedures, including compliance with Comptroller filing requirements, procedures for Late Filing Affidavits and signature and competitive solicitation procedures.

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CURRENT FINDINGS - STATE COMPLIANCE, Continued

08-6 Timesheets Not Required

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

The Act required the Illinois Board of Higher Education (IBHE), with respect to State employees of public universities, to adopt and implement personnel policies. The Act (5 ILCS 430/5-5(c)) states, "The policies shall require State employees to periodically submit time sheets documenting the time spent each day on official State business to the nearest quarter hour." The IBHE adopted personnel policies for public universities on February 3, 2004 in accordance with the Act. The University has not incorporated these policies into the University's policies.

During our review of time sheets for 60 employees during the year, we noted that 25 employees documented time to the nearest quarter hour and 35 employees were using the "exception" timekeeping system whereby the employee is assumed to be working unless noted otherwise.

Prior to April 1, 2008, University procedures did not require time reporting documenting the time spent each day on official State business to the nearest quarter hour to be submitted for faculty, administrative and professional, Department chair, and exempt civil service. The employees documenting time to the nearest quarter hour were non-exempt civil service, student aide, work study, temporary help, and hourly professional. Effective April 1, 2008, all University employees, except faculty, are expected to complete time reports that are compliant with the Ethics Act.

University officials stated that the University went live with Banner HR/Payroll on January 2, 2008. Part of the payroll module is electronic time entry that, when implemented, will satisfy the time reporting requirement. However, that module has not yet been implemented. Therefore, the University pilot tested a paper based time reporting system during February and March 2008 and implemented the paper based time reporting system for all exempt employees, except faculty, effective April 1, 2008.

By not requiring positive time reporting from all its employees, the University is not in compliance with the Act. (Finding Code Nos. 08-6, 07-6, 06-05, 05-4)

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CURRENT FINDINGS - STATE COMPLIANCE, Continued

Recommendation

We recommend the University amend its policies to require all employees to submit time reports in compliance with the Act.

University Response

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

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CURRENT FINDINGS - STATE COMPLIANCE, Continued

08-7 Inadequate Controls Over Voucher Processing

The University did not have adequate controls over voucher processing.

During our review, we noted the following:

- Fifteen of 355 (4%) vouchers tested totaling \$73,998 were not properly coded.
- Requisitions for 126 of 355 (35%) vouchers tested totaling \$3,062,378 were not properly completed. Vendor data and/or purchase order numbers were missing.
- Required signatories in the requisitions for 23 of 355 (6%) vouchers tested totaling \$1,144,614 were not completed.
- Thirty-five of 355 (10%) vouchers tested totaling \$985,518 were not properly approved. Voucher approval was either performed by an unauthorized signatory or not dated.
- Eighty-six of 355 (24%) vouchers tested totaling \$2,959,444 were not properly completed. Vendor data was either missing or incorrect.
- Two of 355 (1%) vouchers tested totaling \$175,824 were for professional services performed during fiscal years 2007 and 2008. The fiscal year 2007 expenses amounting to \$57,628 were recorded as fiscal year 2008 expenses. This amount was not adjusted since it was determined to be immaterial in relation to the financial statements.
- Two direct payment vouchers (DPVs) tested totaling \$2,944 were used to pay expenses not within the authorized categories allowed to be paid through DPV, and were not properly supported with the Financial Manager's statement as support.

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

- Two of 60 (3%) vouchers tested totaling \$2,778 was not approved within 30 days upon submission for approval (2 and 14 days late).

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CURRENT FINDINGS - STATE COMPLIANCE, Continued

- Excess lodging costs requested for approval with the Illinois Higher Education Travel Control Board for 26 of 60 (43%) vouchers tested totaling \$38,185 were calculated incorrectly.
- Approval of the travel voucher and/or TARE for 16 of 60 (27%) vouchers tested totaling \$20,481 was not dated.

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

University procedures require that purchase order number and vendor data (such as name, address, FEIN, among others) should be entered on the requisition. It also requires that requisitions must have the following approval signatures, as applicable: (a) Requester; (b) Endorser; (c) Fiscal agent (now called financial manager) or alternate; (d) Dean/Director; (e) Vice President / Area Executive Officer; and (f) President.

University procedures on Accounts Payable Voucher require that purchase order number and vendor data (such as name, address, FEIN, key number, among others) should be entered in the voucher. It also requires that financial managers or alternates approve the payment of the invoice by signing and dating the voucher.

Generally Accepted Accounting Principles (GAAP) for governmental entities is promulgated by the Governmental Accounting Standards Board (GASB). GASB Statement No. 35 requires the accrual basis of accounting for business type activities. The accrual basis of accounting requires expenses to be recognized when incurred.

University procedures on the use direct payment vouchers (DPVs) identify the expenses allowed to be paid through DPVs. In addition, procedures on unauthorized purchases require that purchases made directly with a vendor for goods and services without first encumbering department funds are unauthorized unless transactions meet the criteria for direct payments. In these instances, DPVs must be prepared by Financial Managers or alternates together with a statement that the expenditure was legitimate and the reason for circumventing established purchasing policy.

University procedures on travel voucher require the traveler to complete and submit to the Office of the Controller's, travel voucher with documentation attached within thirty (30) days after completion of the travel. It further requires that the traveler, Financial Manager, and other authorizing signatories (as applicable) must sign and date the travel voucher.

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CURRENT FINDINGS - STATE COMPLIANCE, Continued

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

State of Illinois travel regulations allow for payments of lodging allowances in excess of state rates when pre-approved by the agency head and approved by the Travel Control Board. A report of all lodging exceptions granted by an agency shall be submitted for approval at the quarterly Higher Education Travel Control Board meeting.

University personnel stated that the conditions indicated above were due to the volume of processing and oversight.

Inadequate controls over voucher processing may result in inaccurate voucher processing and/or unrecorded transactions and further result in noncompliance with University procedures and State regulations. (Finding Code Nos. 08-7, 07-9)

Recommendation

We recommend that the University strengthen its controls over voucher processing to ensure accuracy and compliance with University procedures and State regulations. We also recommend the University adhere to its travel procedures to ensure that requirements are complied with.

University Response

The University concurs with this finding and recommendation and will strengthen its procedures and controls over voucher processing. The University also will review its processing of travel reimbursements to ensure compliance with travel procedures.

**State of Illinois
Northeastern Illinois University
For the Year Ended June 30, 2008**

PRIOR FINDINGS NOT REPEATED

A *Improper Cut-Off Procedures for Expenditures*

Status: Implemented.

It was recommended that the University establish procedures to ensure that detailed invoices from partner schools are promptly obtained and reviewed. It was also recommended that yearend cut-off entries for accruals should be reviewed to ensure that they are complete and charged to the proper account and correct fiscal year.

During the current year, our sample testing disclosed that the invoices from partner schools were promptly obtained and reviewed by the University. In addition, we also noted that yearend cut-off entries for accruals were properly reviewed for completeness and accuracy. (Finding Code No. 07-1)

B *Inadequate Monitoring of Disbursements to Partner Schools for Grant Programs*

Status: Implemented.

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

During the current year, our sample testing disclosed that the University required partner schools to submit invoices with detailed supporting documentation and quarterly reports on the required due dates. In addition, the University also requested partner schools to send cut-off invoices at yearend to ensure expenditures are recorded in the proper accounting period. (Finding Code No. 07-3)

**State of Illinois
Northeastern Illinois University
For the Year Ended June 30, 2008**

PRIOR FINDINGS NOT REPEATED, Continued

C *Noncompliance with University Payroll Distribution Procedures*

Status: Repeated, reported as Finding Code No. IM 08-9.

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

During the current year, our sample testing of payroll distribution logs disclosed that paycheck envelopes were released to employees who are authorized representatives only. However, we still noted that paycheck envelopes of employees not present during payroll distribution were placed in open mailboxes or unlocked cabinets/drawers for pick-up by employees at a later time or date. This issue has been included in the immaterial letter finding. (Finding Code Nos. 07-8, 06-7)

**State of Illinois
Northeastern Illinois University
For the Year Ended June 30, 2008**

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 Expenditures of Federal Awards
 - Notes to the Schedule of Expenditures of Federal Awards
 - Schedule of Net Appropriations, Expenditures, Lapsed Balances and Balances Reappropriated
 - Comparative Schedule of Net Appropriations, Expenditures, Lapsed Balances and Balances Reappropriated
 - Comparative Schedule of Income Fund Revenues and Expenditures
 - Schedule of Changes in Capital Assets
 - Analysis of Significant Variations in Expenses
 - Analysis of Significant Variations in Revenues
 - Analysis of Significant Account Balances
 - Summary of Indirect Cost Reimbursement Funds
- Analysis of Operations
 - University Functions and Planning Program
 - University Enrollment and Employee Information (Unaudited)
 - Schedules of Federal Expenditures, Nonfederal Expenses and New Loans
 - Service Efforts and Accomplishments (Unaudited)
 - Schedule of Tuition and Fee Waivers (Unaudited)
 - University Bookstore Information (Unaudited)
- Special Data Requirements for Audits of Universities
 - University Reporting in Accordance with University Guidelines
 - Schedule of Indirect Cost Funds to be deposited into the University Income Fund as Required by 1982 University Guidelines (1997 Amended)
 - Other Entities and Auxiliary Enterprises - Calculation Sheet for Current Excess Funds
 - Description of Accounting Entities
 - Other Entities and Auxiliary Enterprises - Balance Sheets
 - Other Entities and Auxiliary Enterprises - Schedule of Changes in Fund Balances - Current Funds
 - Summary of Foundation Payments to the University

**State of Illinois
Northeastern Illinois University
For the Year Ended June 30, 2008**

Supplementary Information for State Compliance Purposes

Summary, Continued

The accountants' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states that it has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the accountants' opinion, except for that portion marked "unaudited", on which they express no opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**State of Illinois
Northeastern Illinois University**

Fiscal Schedule and Analysis

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2008

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Pass-Through Number	FY 2008 Expenditures
MAJOR PROGRAMS			
<u>DEPARTMENT OF EDUCATION</u>			
STUDENT FINANCIAL ASSISTANCE CLUSTER			
Federal Pell Grant Program	84.063		\$ 8,800,346
Federal Work-Study Program	84.033		459,018
Federal Supplemental Educational Opportunity Grants	84.007		364,560
Academic Competitiveness Grants	84.375		178,375
National Science and Mathematics Access to Retain Talent (SMART) Grants	84.376		87,046
Federal Perkins Loan Program - Federal Capital Contributions (Note 2)	84.038		-
Federal Family Education Loans (Note 3)	84.032		-
TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER			<u>\$ 9,889,345</u>
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334		<u>\$ 9,991,693</u>
TRIO CLUSTER			
TRIO - Talent Search Program	84.044		\$ 332,787
TRIO - Upward Bound Program	84.047		304,818
TRIO - Upward Bound Math and Science Competition	84.047		199,956
TRIO - McNair Post-Baccalaureate Achievement	84.217		<u>206,528</u>
TOTAL TRIO CLUSTER			<u>\$ 1,044,089</u>
School Leadership <i>Star School Leadership Project</i>	84.363		<u>\$ 1,377,631</u>
Twenty-First Century Community Learning Centers			
Passed-Through Illinois State Board of Education			
<i>Title IV - 21st Century Community Learning Centers</i>	84.287	2008-4421-04	\$ 340,620
<i>Title IV - 21st Century Community Learning Centers</i>	84.287	2008-4421-07	<u>1,122,953</u>
			<u>\$ 1,463,573</u>
TOTAL DEPARTMENT OF EDUCATION			<u>\$ 23,766,331</u>
TOTAL MAJOR PROGRAMS			<u>\$ 23,766,331</u>

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

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

Schedule of Expenditures of Federal Awards, Continued
For the Year Ended June 30, 2008

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Pass-Through Number	FY 2008 Expenditures
OTHER PROGRAMS			
<u>DEPARTMENT OF EDUCATION</u>			
Early Reading First <i>Roots of Language and Literacy</i>	84.359		<u>\$ 626,899</u>
Higher Education Institutional Aid <i>Strengthening Institutions - Hispanic Serving Institutions</i>	84.031		<u>\$ 228,963</u>
Improving Teacher Quality State Grants Passed-Through Illinois Board of Higher Education <i>No Child Left Behind</i>	84.367	None	<u>\$ 186,735</u>
Rehabilitation Long-Term Training <i>Rehabilitation Counseling</i>	84.129		<u>\$ 162,333</u>
Bilingual Education Training Grants <i>National Professional Development Program</i>	84.195		\$ 103,458
<i>Training for all Teachers</i>	84.195		7,743
			<u>\$ 111,201</u>
Capacity Building for Traditionally Underserved Populations <i>Rehabilitation Counseling Capacity Building Project</i>	84.315		<u>\$ 83,032</u>
Fund for the Improvement of Postsecondary Education (FIPSE) <i>FIPSE Comprehensive Program</i>	84.116		<u>\$ 59,236</u>
Overseas Programs - Group Projects Abroad <i>International: Overseas-Group Projects Abroad</i>	84.021		<u>\$ 25,976</u>
Child Care Access Means Parents in School <i>Child Care Access Means Parents in Schools</i>	84.335		<u>\$ 22,409</u>
Education Research, Development and Dissemination Passed-Through University of Wisconsin System <i>Does Visual Scaffolding Facilitate Students' Mathematics Learning?</i>	84.305	X392630	<u>\$ 8,545</u>
TOTAL DEPARTMENT OF EDUCATION			<u>\$ 1,515,329</u>

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

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

Schedule of Expenditures of Federal Awards, Continued
For the Year Ended June 30, 2008

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Pass-Through Number	FY 2008 Expenditures
<u>NATIONAL SCIENCE FOUNDATION</u>			
RESEARCH AND DEVELOPMENT CLUSTER			
Intergovernmental Personnel Act			
<i>Title IV - Intergovernmental Personnel Act of 1970 - Pratibha Varma-Nelson</i>	None		<u>\$ 114,482</u>
Mathematical and Physical Sciences			
<i>Research in Undergraduate Institutions: Hamiltonian Instability</i>	47.049		\$ 28,757
<i>Robust Numerical Methods in Polynomial Algebra with Approximate Data</i>	47.049		43,066
Passed-Through Purdue University			
<i>Undergraduate Research Centers</i>	47.049	501-1324-01	<u>26,042</u>
			<u>\$ 97,865</u>
Education and Human Resources			
Passed-Through Chicago State University			
<i>Illinois Louis Stokes Alliance for Minority Participation</i>	47.076	None	<u>\$ 7,066</u>
TOTAL RESEARCH AND DEVELOPMENT CLUSTER			<u>\$ 219,413</u>
TOTAL NATIONAL SCIENCE FOUNDATION			<u>\$ 219,413</u>
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Substance Abuse and Mental Health Services - Projects of Regional and National Significance			
<i>Campus Suicide Awareness and Prevention Program</i>	93.243		<u>\$ 62,996</u>
Block Grants for Prevention and Treatment of Substance Abuse			
Passed-Through Illinois Department of Human Services			
<i>Substance Abuse Prevention</i>	93.959	10C6002591	<u>\$ 60,661</u>
Child Health and Human Development Extramural Research			
<i>An Office of Research Development to Foster Research</i>	93.865		<u>\$ 45,587</u>
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>\$ 169,244</u>

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

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

Schedule of Expenditures of Federal Awards, Continued
For the Year Ended June 30, 2008

Federal Grantor/Pass-Through Grantor Program/Grant Title	CFDA Number	Pass-Through Number	FY 2008 Expenditures
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Community Development Block Grants/Brownfields Economic Development Initiative <i>Economic Development Initiative Special Projects</i>	14.246		<u>\$ 95,800</u>
Equal Opportunity in Housing <i>College Housing Debt Service Grant Program</i>	14.000		<u>\$ 70,000</u>
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>\$ 165,800</u>
<u>DEPARTMENT OF STATE</u>			
Educational Partnerships with Tanzania <i>Educational Partnership with Tanzania</i>	19.424		<u>\$ 17,463</u>
TOTAL DEPARTMENT OF STATE			<u>\$ 17,463</u>
TOTAL OTHER PROGRAMS			<u>\$ 2,087,249</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 25,853,580</u>

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

**State of Illinois
Northeastern Illinois University**

Fiscal Schedules and Analysis, Continued

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

1. Significant Accounting Policy

Basis of Presentation

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

2. Student Loan Program Administered by the University

The University administered the following federal loan program during the year ended June 30, 2008:

Federal Perkins Loan Program CFDA #84.038

Outstanding Balance - July 01, 2007	\$ 2,670,992
Additions:	
Interest income	128,053
Other income	20,919
Decrease in Allowance for Doubtful Accounts	19,710
Total Additions	<u>168,682</u>
Deductions:	
Loans cancelled or written off	169,026
Administrative charges	23,493
Collection costs	48,611
Total Deductions	<u>241,130</u>
Outstanding Balance - June 30, 2008	<u>\$ 2,598,544</u>

**State of Illinois
Northeastern Illinois University**

Fiscal Schedules and Analysis, Continued

Notes to the Schedule of Expenditures of Federal Awards, Continued

For the Year Ended June 30, 2008

3. Guaranteed Loans

During the year ended June 30, 2008, the University awarded \$12,981,013 in new loans under the Federal Family Education Loan Program (CFDA #84.032).

4. Waived Matching Requirement

During the year ended June 30, 2008, the State of Illinois, Northeastern Illinois University was granted a waiver from the U.S. Department of Education that released the University from the requirement of matching any Federal Work-Study (FWS) funds and any Federal Supplemental Education Opportunity Grant (FSEOG) funds.

**State of Illinois
Northeastern Illinois University**

Fiscal Schedules and Analysis, Continued

Schedule of Net Appropriations, Expenditures, Lapsed Balances and Balances Reappropriated*

Appropriations for Fiscal Year 2008

Fourteen months ended August 31, 2008

	<u>Appropriations (Net After Transfers)</u>	<u>Expenditures Through June 30, 2008</u>	<u>Lapse Period Expenditures July 1, to August 31, 2008</u>	<u>Total Expenditures</u>	<u>Lapsed Balances</u>	<u>Balances Reappropriated July 1, 2008</u>
APPROPRIATED FUNDS						
General Revenue Fund 001 (Public Act 95-0348):						
Personal Services	\$ 37,560,400	\$ 37,560,389	\$ -	\$ 37,560,389	\$ 11	\$ -
Social Security - Medicare Contributions	437,700	437,700	-	437,700	-	-
Employer Contributions to Group Insurance	1,072,600	1,072,600	-	1,072,600	-	-
Contractual Services	1,030,000	1,030,000	-	1,030,000	-	-
Equipment	300,000	299,987	-	299,987	13	-
Retention and Graduation Rates for Minority Students	170,000	141,159	27,707	168,866	1,134	-
North Atlantic Slave Trade Study	200,000	142,921	32,775	175,696	24,304	-
Total General Revenue Fund	<u>40,770,700</u>	<u>40,684,756</u>	<u>60,482</u>	<u>40,745,238</u>	<u>25,462</u>	<u>-</u>
Capital Development Fund 141 (Public Act 95-0348):						
Equipment and Remodeling of Buildings	<u>2,071,805</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,071,805</u>
Total Appropriated Funds	<u>\$ 42,842,505</u>	<u>\$ 40,684,756</u>	<u>\$ 60,482</u>	<u>\$ 40,745,238</u>	<u>\$ 25,462</u>	<u>\$ 2,071,805</u>

* The information contained in this schedule was taken from the University records which have been reconciled to those of the Office of the State Comptroller.

State of Illinois
Northeastern Illinois University

Fiscal Schedules and Analysis, Continued

**Comparative Schedule of Net Appropriations, Expenditures,
Lapsed Balances and Balances Reappropriated***

For the Years Ended June 30, 2008, 2007, and 2006

	Fiscal Years		
	2008	2007	2006
	PA 95-0348	PA 94-0798	PA 94-0015
General Revenue Fund-001:			
Appropriations (Net after transfers)	\$ 40,770,700	\$ 40,026,300	\$ 39,247,700
Expenditures:			
Personal Services	37,560,389	36,816,000	34,778,998
Social Security - Medicare Contributions	437,700	437,690	408,286
Employer Contributions to Group Insurance	1,072,600	1,072,600	1,072,600
Contractual Services	1,030,000	1,030,000	2,215,131
Equipment	299,987	299,656	594,055
Retention and Graduation Rates for Minority Students	168,866	152,900	99,146
North Atlantic Slave Trade Study	175,696	185,336	-
Total Expenditures	40,745,238	39,994,182	39,168,216
Lapsed Balances	\$ 25,462	\$ 32,118	\$ 79,484
Capital Development Fund - 141:			
Appropriations (Net after transfers)	\$ 2,071,805	\$ 2,071,805	\$ 2,071,805
Balances Reappropriated	\$ 2,071,805	\$ 2,071,805	\$ 2,071,805
Grand Total, All Funds			
Total Appropriations (Net after transfers)	\$ 42,842,505	\$ 42,098,105	\$ 41,319,505
Total Expenditures	\$ 40,745,238	\$ 39,994,182	\$ 39,168,216
Lapsed Balances	\$ 25,462	\$ 32,118	\$ 79,484
Balances Reappropriated	\$ 2,071,805	\$ 2,071,805	\$ 2,071,805

*The information contained in this schedule was taken from the University records which have been reconciled to those of the State Comptroller.

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

Comparative Schedule of Income Fund Revenues and Expenditures*
For the Years Ended June 30, 2008 and 2007

	2008	2,007
Fund balance (deficit), beginning of year	<u>\$ (6,775,372)</u>	<u>\$ (8,514,662)</u>
Income fund revenues:		
Tuition	41,484,870	35,750,753
Rental income	43,811	39,043
Investment income	45,941	334,608
Miscellaneous	<u>1,392,056</u>	<u>1,782,376</u>
Total income fund revenues	<u>42,966,678</u>	<u>37,906,780</u>
Income fund expenditures:		
Personal services (including change in liability for compensated absences)	24,189,457	23,064,592
Social security, medicare, health and life insurance	357,581	169,736
Contractual services	7,469,028	7,028,257
Travel	190,021	161,890
Commodities	849,770	782,430
Equipment and library books	1,070,084	1,272,984
Telecommunications	512,819	571,251
Operation of automotive	20,090	14,337
Awards, grants and matching funds	156,530	105,799
Permanent improvements	283,245	240,742
Tuition and fee waivers	<u>2,675,389</u>	<u>2,755,472</u>
Total income fund expenditures	<u>37,774,014</u>	<u>36,167,490</u>
Fund balance (deficit), end of year	<u><u>\$ (1,582,708)</u></u>	<u><u>\$ (6,775,372)</u></u>

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

**State of Illinois
Northeastern Illinois University**

Fiscal Schedules and Analysis, Continued

Schedule of Changes in Capital Assets*

For the Years Ended June 30, 2008, 2007, and 2006

	<u>Balance June 30, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2008</u>
Land	\$ 3,481,601	\$ -	\$ -	\$ 3,481,601	\$ -	\$ -	\$ 3,481,601
Land improvements	10,447,865	49,407	-	10,497,272	-	-	10,497,272
Building and building improvements	96,022,016	22,038,469	-	118,060,485	4,542,502	-	122,602,987
Equipment and library books	53,365,210	2,910,122	3,033,750	53,241,582	4,503,285	3,129,975	54,614,892
Construction in progress	21,110,442	2,158,252	21,160,544	2,108,150	560,188	571,992	2,096,346
Total	<u>\$ 184,427,134</u>	<u>\$ 27,156,250</u>	<u>\$ 24,194,294</u>	<u>\$ 187,389,090</u>	<u>\$ 9,605,975</u>	<u>\$ 3,701,967</u>	<u>\$ 193,293,098</u>

** This schedule has been prepared from the University's property control records. These records are maintained on a basis prescribed by the Department of Central Management Services and differ from the information presented in the basic financial statements due to the higher capitalization thresholds which were adopted for financial reporting purposes. These records have been reconciled to the property records submitted to the Office of the State Comptroller.*

**State of Illinois
Northeastern Illinois University**

Fiscal Schedules and Analysis, Continued

Analysis of Significant Variations in Expenses

For the Year Ended June 30, 2008

The Statement of Revenues, Expenses, and Changes in Net Assets is presented on page 18 of the financial audit report. Following are explanations for significant variances between expense accounts exceeding \$100,000 and 10%:

	2008	2007	Increase (Decrease)		Comments
			Amount	Percentage	
Public service	\$ 16,736,104	\$ 19,354,940	\$ (2,618,836)	(14%)	Decrease mainly due to the decrease in Federal and State grants.
Auxiliary enterprises	3,105,951	2,719,513	386,438	14%	Increase mostly due to the 3.5% increase in employee salaries and \$0.2 million increase in expenses related to parking operations.
Other operating expenses	3,691,030	2,857,162	833,868	29%	Increase mainly due to the various expenses on the Enterprise Resource Planning (ERP) system during the FY 2008.

**State of Illinois
Northeastern Illinois University**

Fiscal Schedules and Analysis, Continued

Analysis of Significant Variations in Revenues

For the Year Ended June 30, 2008

The Statement of Revenues, Expenses, and Changes in Net Assets is presented on page 18 of the financial audit report. Following are explanations for significant variances between revenue accounts exceeding \$100,000 and 10%:

	2008	2007	Increase (Decrease)		Comments
			Amount	Percentage	
Student tuition and fees (net of scholarship allowances)	\$ 40,447,226	\$ 34,477,189	\$ 5,970,037	17%	Increase mainly due to an increase in the average tuition rates of 14% and 24% for undergraduate and graduate students, respectively. The increase was partially offset by the 3.42% decrease in enrollment during the FY 2008, and the \$1.3 million increase in scholarship allowance.
State and local grants	3,469,916	5,179,911	(1,709,995)	(33%)	Decrease mostly due to the deferral of grant revenues during the FY 2008 and reduction in grants received during the FY 2008 for programs such as Twenty-First Century Community Learning Centers (\$0.3 million), Higher Education Cooperation Act (HECA) (\$0.5 million), and Advanced Reading (\$0.1 million).

**State of Illinois
Northeastern Illinois University**

Fiscal Schedules and Analysis, Continued

Analysis of Significant Variations in Revenues, Continued

For the Year Ended June 30, 2008

	2008	2007	Increase (Decrease)		Comments
			Amount	Percentage	
Nongovernmental grants and contracts	\$ 1,613,907	\$ 1,174,018	\$ 439,889	37%	Increase mostly due to the new funding in Berwyn Cicero Initiative Ed Excellence grant of about \$0.7 million. The increase was partially offset by the following: (a) deferral of grant revenues during the FY 2008; (b) decrease in Arthur: Ed Excellence grant by about \$0.3 million; and (c) decrease in Kauffman Foundation grant by about \$0.1 million.
Payments on behalf of the University	21,448,970	18,562,423	2,886,547	16%	This increase reflects the rise in employee benefit costs financed by the State of Illinois.
Investment income	608,814	1,414,600	(805,786)	(57%)	Decrease mostly due to the following: (a) lower interest rates offered by the bank on money market funds of approximately 2.94% compared with prior year's rate of 5.10%; (b) decrease in investments by about \$2.5 million; (c) increased merchants fee and analysis fee; and (d) lower market value of matured investments.

**State of Illinois
Northeastern Illinois University**

Fiscal Schedules and Analysis, Continued

Analysis of Significant Variations in Revenues, Continued
For the Year Ended June 30, 2008

	2008	2007	Increase (Decrease)		Comments
			Amount	Percentage	
Other nonoperating revenues	\$ 283,531	\$ 151,803	\$ 131,728	87%	Increase mainly due to the amount refunded from Aetna for student insurance cost.
Capital additions provided by State of Illinois	2,328,793	391,902	1,936,891	494%	Increase mainly due to the additional accrual of \$1.7 million during the FY 2008 relating to the Capital Development Board (CDB) project for the renovation of Building A.

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

Analysis of Significant Account Balances
For the Years Ended June 30, 2008 and 2007

Cash and Investments

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

	2008	2007
Cash and cash equivalents	\$ 15,496,863	\$ 11,023,225
Restricted cash and cash equivalents	9,008,711	8,532,344
Restricted investments	3,832,664	6,346,414
	<u>\$ 28,338,238</u>	<u>\$ 25,901,983</u>

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

Deposits held at U.S. Bank		
University 2004 Bond Reserve Account	\$ 121,543	\$ 90,731
University 2004 Bond Account	452,705	614,170
University 1997 Bond Reserve Account	64,668	43,315
University 1997 Bond Account	381,129	371,467
University 1973 Bond Reserve Account	26,231	15,591
University 1973 Bond Account	245,707	236,685
Certificate of Participation Installment Proceeds	360	126
Deposits held at Pittsburgh National Bank	29,658	32,939
Deposits held at JPMorgan Chase Bank		
University Operating Account	1,482,797	1,190,291
University Clearing Account	(940,497)	(1,684,043)
University Payroll Account	(814,216)	(553,914)
University Student Refund Account	(175,933)	-
Student Union Revenue Fund	1	110
Repair and Replacement Account	1	1,466
Non-Instructional Facility Reserve	7,971	219,481
Equipment Reserve	3,264	7,733
University Emergency Loan Account	(650)	(1,050)
Certificate of Participation Installment Proceeds	7,210,152	6,503,754
University Clearing Money Market Account	1,395,360	862,774
Repair and Replacement Money Market Account	465,321	394,775

**State of Illinois
Northeastern Illinois University**

Fiscal Schedules and Analysis, Continued

Analysis of Significant Account Balances, Continued

For the Years Ended June 30, 2008 and 2007

Cash and Investments, Continued

	2008	2007
U.S. Treasury Notes	\$ 1,544,628	\$ 4,328,565
Federal Home Loan Bank Bonds	205,063	782,705
Federal Farm Credit Bank	752,602	755,145
Fannie Mae	823,518	480,000
Federal Home Loan Mortgage	506,853	-
Illinois Funds	14,538,603	11,197,667
Petty Cash - all accounts	11,399	11,500
	<u>\$ 28,338,238</u>	<u>\$ 25,901,983</u>

As of June 30, 2008, all deposit amounts were fully collateralized with federal government securities pledged by the applicable financial institution, were invested in U.S. government securities, money market mutual funds, or were on deposit with Illinois Funds. The Illinois Funds includes investment in U.S. government-backed securities which yielded an average annual rate of 2.049% during fiscal year 2008. The University has the right to withdraw its participation from the pool at any point in time. The U.S. Treasury Notes have interest rates of 3.125% - 4.750%; Federal Home Loan Bank Bonds have interest rates of 3.070% - 5.375%; Federal Farm Credit Bank has interest rate of 5.930%; Fannie Mae has interest rates of 3.25% - 5.375%; while Federal Home Loan Mortgage has interest rate of 3.900%.

State of Illinois
Northeastern Illinois University

Fiscal Schedules and Analysis, Continued

Analysis of Significant Account Balances, Continued

For the Years Ended June 30, 2008 and 2007

Receivables

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

	2008	2007
Grants	\$ 7,413,893	\$ 4,561,030
Student loans	2,498,672	2,473,381
Tuition and fees	2,099,883	4,851,146
Other receivables	394,684	308,319
	<u>\$ 12,407,132</u>	<u>\$ 12,193,876</u>

Grants receivable consists of amounts due from the federal government and other granting sources at the end of the fiscal year. Though there is a slight decrease in total grant revenues, the significant increase in receivables in FY 2008 was mainly due to the delay in the drawdowns of funds caused by the implementation of the ERP project.

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

The decrease in tuition and fees receivable was brought about by the following: (a) net collection of third party receivable from Illinois Monetary Award Program (IMAP) amounting to about \$2.1 million; (b) write-off of \$0.9 million third party receivables from Illinois Veterans Guard (ILVG) and Illinois National Guard (ING) during the FY 2008; (c) 3.42% decrease in enrollment during the FY 2008; and (d) efficiency in collection from students due to the implementation of the on-line payment in Banner system starting March 2008. This decrease was partially offset by the increase in average tuition rates of 14% and 24% for undergraduate and graduate students, respectively.

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

**State of Illinois
Northeastern Illinois University**

Fiscal Schedules and Analysis, Continued

Analysis of Significant Account Balances, Continued

For the Years Ended June 30, 2008 and 2007

Receivables, Continued

The aging of such receivables, by type, as of June 30, 2008, is as follows:

	Current	1-2 years	2-3 years	Over 3 years	Total
Grants	\$ 7,413,893	\$ -	\$ -	\$ -	\$ 7,413,893
Student loans					
Perkins loan	\$ 2,845,359	\$ 73,741	\$ 96,281	\$ 192,014	\$ 3,207,395
Emergency loan	10,720	2,996	3,040	26,000	42,756
Total student loans	<u>\$ 2,856,079</u>	<u>\$ 76,737</u>	<u>\$ 99,321</u>	<u>\$ 218,014</u>	3,250,151
Allowance for doubtful accounts					(751,479)
Net student loans					<u>\$ 2,498,672</u>
Tuition and fees					
From students	\$ 1,728,548	\$ 463,466	\$ 330,377	\$ 256,571	\$ 2,778,962
Third party reimbursements	740,628	-	-	-	740,628
Total tuition and fees	<u>\$ 2,469,176</u>	<u>\$ 463,466</u>	<u>\$ 330,377</u>	<u>\$ 256,571</u>	3,519,590
Allowance for doubtful accounts					(1,419,707)
Net tuition and fees					<u>\$ 2,099,883</u>
Other receivables					
Parking fines	\$ 46,010	\$ 34,505	\$ 16,755	\$ 193,477	\$ 290,747
Library fines	129,410	151,630	141,781	149,451	572,272
Other accruals	279,114	-	-	-	279,114
Total other receivables	<u>\$ 454,534</u>	<u>\$ 186,135</u>	<u>\$ 158,536</u>	<u>\$ 342,928</u>	1,142,133
Allowance for doubtful accounts					(747,449)
Net other receivables					<u>\$ 394,684</u>

**State of Illinois
Northeastern Illinois University**

Fiscal Schedules and Analysis, Continued

Analysis of Significant Account Balances, Continued

For the Years Ended June 30, 2008 and 2007

Liabilities

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

	2008	2007
Accounts payable and accrued liabilities	\$ 6,460,540	\$ 7,341,548
Deferred revenues	4,500,183	3,953,606
Liability for compensated absences	10,574,229	11,292,529
Revenue bonds payable	20,755,000	21,095,000
Certificates of participation, net	14,611,722	14,972,006
Funds held in custody for others	<u>107,472</u>	<u>112,446</u>
	<u>\$ 57,009,146</u>	<u>\$ 58,767,135</u>

Decrease in Accounts payable and accrued liabilities was mostly due to the following: (a) timely billing of grant expenditures from partner schools in FY 2008 and the prompt payments thereof; and (b) payment of the FY 2007 billings from partner schools.

Increase in Deferred revenues, on the other hand, was mostly due to the following: (a) deferral of grant revenues during the FY 2008 amounting to about \$1 million; and (b) increase in the average tuition rates of 14% and 24% for undergraduate and graduate students, respectively. This increase was partially offset by the 3.42% decrease in enrollment during the FY 2008.

**State of Illinois
Northeastern Illinois University**

Fiscal Schedules and Analysis, Continued

Summary of Indirect Cost Reimbursement Funds

For the Year Ended June 30, 2008

Fund Balance - June 30, 2007		\$ 752,616
Add: Reimbursement Revenues		
ACT4L Training Teachers	\$	573
Academic Enhancements		57,859
Ariel Community Academy		788
Berwyn Cicero Initiative Ed Excel		21,636
Bookstore		20,955
Bridges to Future		3,153
Campus Recreation		40,648
CCT Every Art, Every Child		2,075
Chicago Wilderness Trust Insect Survey		1,645
Chicago Literacy Initiative Partners		1,941
Chicago Shakespeare Theater		2,468
Childcare Access Parents In School		1,660
Child Care Center		30,168
CPS Advanced Reading Development Demo		9,855
CPS Avenues For Success Program		4,453
CPS Michele Clark School		12
CPS State Pre-Kindergarten		13,164
Center for Authentic Science Practice in Education		3,709
Curriculum Infusion Program		349
Drug and Violence Prevention		4,388
English Language Acquisition		3,995
Foster Research Gidea Pilot		157
Gifted-Fast Paced Programs		6,552
GEAR UP Programs		563,205
Hamiltonian Instability		6,952
Health Services		17,460
Housing Support Family Achieve Centers		35,188
Illinois Slave Trade Commission		5
ILP Create After School		1,005
Initiative To Reduce Tobacco Use		5,652

State of Illinois

Northeastern Illinois University

Fiscal Schedules and Analysis, Continued

Summary of Indirect Cost Reimbursement Funds, Continued

For the Year Ended June 30, 2008

Interactive Teaching Learning	\$ 5,914
Latino Leadership CPS Principals	2,487
Learning Together	2,359
Least Restrictive Environment	12,941
Louis Stoke Alliance Minority	922
Maximizing Effectiveness of Math Education	1,036
McNair Scholars Program	13,484
Mostly Music Rothschild Foundation	932
NEIU Suicide Awareness Prevention Program	4,666
Non-Credit Contracts	61
Office of Research Development	3,092
Parking Lot Administration	101,512
PEP Villa Park	5,197
Performing Arts	7,633
Perkins Loan Program	23,493
Polk Bros Every Art, Every Child	158
Polk Bros Foundation	3,450
Rehabilitation Counseling Capacity	6,151
Rehabilitation Long Term Training	12,025
Robust Numerical Methods in Polynomial Algebras	10,749
Roots of Language and Literacy	141,580
SEOG	17,360
Star School Leadership	89,848
Step Up to High School Program	1,525
Student Activities	34,175
Student Union Service	86,158
Substance Abuse HIV HEPA Prevention	4,384
Talent Search	24,651
Teaching Enhancement in Math-Science	80
Technology Initiatives	108,847
Terra Every Art, Every Child Project	828

State of Illinois

Northeastern Illinois University

Fiscal Schedules and Analysis, Continued

Summary of Indirect Cost Reimbursement Funds, Continued

For the Year Ended June 30, 2008

Upward Bound	\$ 28,643	
UW Cognition and Student Learning Research	1,530	
Vending	11,034	
Waukegan Community Dist 60	1,308	
21st Century Community Learning Centers	108,413	
Work Study Programs	26,567	
Other Sources	17,325	<u>1,784,188</u>
Total Available		2,536,804
Less: Expenditures and Transfer		
Academic Services	180,307	
Administrative Services	506,172	
Student Services	63,296	
Funds transferred to Income Fund	42,535	<u>792,310</u>
Fund Balance - June 30, 2008		<u><u>\$ 1,744,494</u></u>

**State of Illinois
Northeastern Illinois University**

Analysis of Operations

For the Year Ended June 30, 2008

**University Functions and Planning Program
Description of Planning System:**

Functions

The University's major goal is "...to serve the people of the State of Illinois by providing quality higher education at the bachelor's and master's degree level in the liberal arts, professional education and such other areas as would enhance the State's delivery of post-secondary instruction to the citizens of the Chicago area." The University accomplishes its mission by offering undergraduate and graduate degree courses, non-degree courses and community services.

Planning

The University's Priorities Statements for fiscal years 2009 through 2014 represent the highest priorities of the University and serve as the planning document for the University in the development of new and expanded programs, the allocation of current sources, and requests for new funds to support initiatives.

The University has identified seven major goals to be pursued: 1) Recruiting and retaining a diverse student body, both at the undergraduate and graduate levels using strategic enrollment management practices; 2) Developing a comprehensive strategic plan for the University which addresses program offerings, enrollment management, fiscal resources, technology, facilities planning and staffing to guide University planning and decision making; 3) Fostering a student-centered community that supports successful outcomes both in and out of the classroom; 4) Creating a University environment that fosters excellence in teaching, learning and scholarship through the use of information technology and learning resources; 5) Strengthening and expanding educational opportunities to enhance understanding of international and global issues; 6) Collaborating with external constituents to provide instruction, research, and service programs that build upon the programmatic strengths of the University and are consistent with the University's instructional, research, and service missions; and 7) Securing the necessary resources to meet programmatic needs and enhance the working environment for faculty and staff. Also outlined in the University's Priorities Statements are the specific strategies to be used to achieve the objectives.

State of Illinois
Northeastern Illinois University

Analysis of Operations, Continued

For the Year Ended June 30, 2008

University Functions and Planning Program, Continued

Description of Planning System:

The state-level budget and planning process is derived from the Illinois State Board of Higher Education and involves both a top-down and bottom-up approach. The University evaluates planning and results on an annual basis, beginning at the departmental level and eventually resulting in reviews by the President and the Board of Trustees. Evaluations are used to obtain information regarding the University's progress towards reaching their objectives. Reports are created showing University results, which are then submitted to the Illinois State Board of Higher Education for review and discussion.

**State of Illinois
Northeastern Illinois University**

Analysis of Operations, Continued

For the Year Ended June 30, 2008

University Enrollment and Employee Information (Unaudited)

Enrollment Information

Enrollments of both undergraduate and graduate students for each term (including extension centers and part-time students) for the school years 2007-2008 and 2006-2007 as shown in the Board of Trustees' Enrollment Report were as follows:

	2007-08	2006-07
Fall	11,644	12,056
Spring	10,806	11,267
Summer	5,873	6,155

Average Annual Full Time Equivalent (FTE) Enrollment

In fiscal year 2008, the University had an average FTE enrollment of 8,172 students, comprised of 6,738 undergraduates and 1,434 graduate students. This number was calculated in accordance with the Illinois Board of Higher Education guidelines as follows: annual undergraduate semester credit hours (SCH) divided by 30. It is assumed that a full time undergraduate student enrolls for 15 hours per term, 2 terms per year. The same logic was used to calculate graduate FTE, except that SCH was divided by 24. It is assumed that a full time graduate student enrolls for 12 hours per term, 2 terms per year.

Annual Cost per FTE Student

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

Assuming an undergraduate FTE enrolls for 2 terms at 15 hours per term, and that a graduate FTE enrolls for 2 terms at 12 hours per term, the fiscal year 2008 annual costs per FTE, calculated by dividing the total costs of instruction by the corresponding FTE, were as follows: a) undergraduate - \$8,121, and b) graduate - \$11,591.

Costs per Credit Hour

The University's costs per credit hour (based upon total expenditures for instruction divided by total credit hours) for fiscal years 2008 and 2007 are as follows:

	2008	2007
Costs per Credit Hour	<u>\$ 302</u>	<u>\$ 280</u>

State of Illinois
Northeastern Illinois University

Analysis of Operations, Continued

For the Year Ended June 30, 2008

University Enrollment and Employee Information (Unaudited), Continued

Student/Faculty Ratio

The University's student/faculty ratio (based upon full time equivalent students and faculty on a staff year basis) for fiscal years 2008 and 2007 is as follows:

	2008	2007
Student/Faculty Ratio	<u>15:1</u>	<u>16:1</u>

Employee Information

The average number of employees at the University during fiscal years 2008 and 2007 is as follows:

	2008	2007
Administration	267	290
Faculty	437	423
Civil Service	487	464
Students	<u>369</u>	<u>368</u>
Total Employees	<u>1,560</u>	<u>1,545</u>

State of Illinois
Northeastern Illinois University

Analysis of Operations, Continued

For the Year ended June 30, 2008

Schedules of Federal Expenditures, Nonfederal Expenses and New Loans

Schedule A - Federal Financial Component

Total Federal Expenditures Reported on SEFA Schedule	\$ 25,853,580
Total New Loans Made not included on SEFA Schedule	12,981,013
Amount of Federal Loan Balances at Beginning of the Year (not included on the SEFA Schedule and continued compliance required)	2,670,992
Total Schedule A	<u>\$ 41,505,585</u>

Schedule B - Total Financial Component

Total Operating Expenses (From Financial Statements)	\$ 135,366,177
Total Nonoperating Expenses (From Financial Statements)	1,604,529
Total New Loans Made	12,981,013
Amount of Federal Loan Balances at Beginning of the Year	2,670,992
Total Schedule B	<u>\$ 152,622,711</u>

Schedule C

		<u>Percent</u>
Total Schedule A	\$ 41,505,585	27.2%
Total Nonfederal Expenses	111,117,126	72.8%
Total Schedule B	<u>\$ 152,622,711</u>	<u>100.0%</u>

These schedules are used to determine the University's single audit costs in accordance with OMB Circular A-133.

**State of Illinois
Northeastern Illinois University**

Analysis of Operations, Continued

*For the Year Ended June 30, 2007**

Service Efforts and Accomplishments (Unaudited)

Mission Statement

Northeastern Illinois University is dedicated to both excellence and access. The most important facets of the University's mission are to offer high quality undergraduate and graduate programs to a broad spectrum of students and to foster student growth and development. To these ends, the University attaches primary importance to excellence in teaching, with emphasis also given to pure and applied research and to academic and public service.

Program Goals

(1) To serve a population which is diverse in age, culture, language, and race; and (2) To provide students and faculty with opportunities to integrate field-based learning, research and public service with classroom instruction.

	Fiscal Year 2005 Actual	Fiscal Year 2006 Actual	Fiscal Year 2007 Target	Fiscal Year 2007 Actual
Input Indicators				
Total expenditures - all sources (in thousands) (a)	\$114,204.00	\$117,850.10	\$126,417.70	\$125,362.00
Total expenditures - state appropriated funds (in thousands)	\$39,203.80	\$39,168.20	\$40,026.30	\$39,994.20
Total staff - all fund sources (b)	1,493	1,490	1,490	1,481
Total staff - state appropriated fund sources (b)	1,132	1,143	1,143	1,133
Output Indicators				
Undergraduate headcount enrollment	9,305	9,418	N/A	9,115
Total headcount enrollment	12,164	12,227	N/A	11,644
Percent: part-time student enrollment (c)	54.3%	53.6%	N/A	53.2%
Baccalaureate degrees conferred	1,247	1,364	N/A	1,367
Master's degrees conferred	558	595	N/A	595
Minority Graduates: percent of total baccalaureate degrees conferred	47.4%	47.7%	N/A	46.4%
Minority Graduates: percent of total Master's degrees	36.9%	35.1%	N/A	38.2%

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

** Information for the year ended June 30, 2008 not yet available.*

State of Illinois
Northeastern Illinois University

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

Service Efforts and Accomplishments (Unaudited), Continued

	Fiscal Year 2005 Actual	Fiscal Year 2006 Actual	Fiscal Year 2007 Target	Fiscal Year 2007 Actual
Outcome Indicators				
Percent of graduates employed full-time (d)	81.2%	79.7%	N/A	N/A
Percent of graduates employed part-time (d)	8.0%	9.5%	N/A	N/A
Percent of graduates unemployed and not seeking employment (d)	7.2%	8.1%	N/A	N/A
Percent of graduates employed full-time in a related field (d)	79.5%	72.9%	N/A	N/A
Percent of graduates earning a post-baccalaureate degree (d)	46.4%	54.1%	N/A	N/A
Percent of graduates satisfied with career path preparation provided by the undergraduate education experience (d)	92.0%	93.2%	N/A	N/A
Percent of graduates satisfied with post-graduate employment (d)	92.7%	93.9%	N/A	N/A
Six year graduation rate: first-time, full-time freshman (c)	16.9%	18.5%	N/A	N/A
Percent of baccalaureate degree recipients employed or enrolled in further education within one year of graduation	N/A	N/A	N/A	N/A
Annual number of students completing requirements for initial teacher certification	306	N/A	N/A	N/A
External Benchmarks				
Six-year graduation rate: statewide average (c)	58.9%	58.5%	N/A	N/A
Instructional cost per credit hour: public university average, all instructional levels (in dollars)	\$302.80	\$312.17	N/A	N/A
Percent of total expenditures (all sources) devoted to Instruction: public university average	26.9%	26.9%	26.9%	26.7%
Percent of total expenditures (all sources) devoted to Research and Public Service: public university average	23.6%	23.0%	23.0%	22.1%

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

** Information for the year ended June 30, 2008 not yet available.*

**State of Illinois
Northeastern Illinois University**

Analysis of Operations, Continued

*For the Year Ended June 30, 2007**

Service Efforts and Accomplishments (Unaudited), Continued

	Fiscal Year 2005 Actual	Fiscal Year 2006 Actual	Fiscal Year 2007 Target	Fiscal Year 2007 Actual
External Benchmarks, Continued				
Percent of total expenditures (all sources) devoted to Academic and Student Support: public university average	24.6%	24.3%	24.3%	24.9%
Percent of total expenditures (all sources) devoted to all other programs: public university average (e)	24.9%	25.8%	25.8%	26.3%
Undergraduate tuition and mandatory fees: annual based on thirty credit hours, public university average (in dollars) (f)	\$6,185.00	\$7,476.00	\$8,272.00	\$8,347.87
Undergraduate tuition and mandatory fees as a percentage of Illinois per capita disposable income	15.3%	19.2%	N/A	21.3%
Percent of undergraduate students receiving some form of financial aid: public university average	78.1%	78.4%	N/A	N/A
Percent of undergraduate students receiving grant or scholarship assistance: public university average	56.4%	54.2%	N/A	N/A
Percent of undergraduate students receiving loan assistance: public university average	49.6%	50.3%	N/A	N/A
Percent of undergraduate students receiving employment assistance: public university average	22.8%	22.2%	N/A	N/A
Efficiency/Cost-Effectiveness				
Instructional cost per credit hour, all instructional levels (in dollars)	\$272.91	\$274.99	N/A	N/A
Percent of total expenditures (all sources) devoted to Instruction	36.0%	37.0%	37.0%	37.0%
Percent of total expenditures (all sources) devoted to Research and Public Service	14.3%	14.3%	14.3%	15.7%
Percent of total expenditures (all sources) devoted to Academic and Student Support	20.3%	21.4%	21.4%	20.8%

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

** Information for the year ended June 30, 2008 not yet available.*

State of Illinois
Northeastern Illinois University

Analysis of Operations, Continued

*For the Year Ended June 30, 2007**

Service Efforts and Accomplishments (Unaudited), Continued

	Fiscal Year 2005 Actual	Fiscal Year 2006 Actual	Fiscal Year 2007 Target	Fiscal Year 2007 Actual
<u>Efficiency/Cost-Effectiveness, Continued</u>				
Percent of total expenditures (all sources) devoted to all other programs (e)	29.4%	27.3%	27.3%	26.5%
Undergraduate tuition and mandatory fees: annual based on thirty credit hours (in dollars) (f)	\$4,932.00	\$6,306.00	\$6,921.00	\$7,166.00
Percent of undergraduate students receiving some form of financial aid	60.5%	61.5%	N/A	N/A
Percent of undergraduate students receiving grant or scholarship assistance	50.0%	52.3%	N/A	N/A
Percent of undergraduate students receiving loan assistance	19.5%	20.4%	N/A	N/A
Percent of undergraduate students receiving employment assistance	6.5%	6.0%	N/A	N/A

Footnotes

- a. Total expenditures include expenditures from appropriated funds as well as from restricted and non-appropriated fund sources. For this report, appropriated funds include the state General Revenue Fund and the University Income Fund.
- b. Staff levels reference the number of staff years (a measure of staff effort over a twelve-month period) supported by respective fund sources. State appropriated funds include university income funds.
- c. Institutions with high ratios of part-time students will have longer time to graduation.
- d. Data regarding graduate employment, attainment, and career path preparation/satisfaction was obtained from the Illinois Board of Higher Education's Baccalaureate Follow-Up Survey. The Survey is conducted annually on a rolling cycle that surveys graduates one, five, and nine years after graduation. Data provided reflects the class of 2000 five years out (FY 2005) and the class of 1997 nine years out (FY 2006).
- e. All other programs include Institutional Support, Operation and Maintenance of Physical Plant, and Independent Operations, including student housing and food service operations.
- f. Entry-level tuition and fees.

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

** Information for the year ended June 30, 2008 not yet available.*

State of Illinois
Northeastern Illinois University

Analysis of Operations, Continued

For the Year Ended June 30, 2008

Schedule of Tuition and Fee Waivers (Unaudited)
(In Thousands of Dollars)

	Undergraduate				Graduate			
	Tuition Waived		Fees Waived		Tuition Waived		Fees Waived	
	Recipients	Value of Waivers	Recipients	Value of Waivers	Recipients	Value of Waivers	Recipients	Value of Waivers
<u>MANDATORY WAIVERS</u>								
Teacher Special Education	11	\$ 46.4	11	\$ 13.5	13	\$ 30.8	13	\$ 3.6
General Assembly	33	109.6	33	2.2	7	19.4	7	0.4
ROTC	9	24.1	9	0.8	-	-	-	-
DCFS	3	7.7	3	3.6	-	-	-	-
Children of Employees	39	58.8	-	-	-	-	-	-
Veterans Grants & Scholarships	376	609.9	376	166.9	50	62.7	50	4.7
Subtotal	471	856.5	432	187.0	70	112.9	70	8.7
<u>DISCRETIONARY WAIVERS</u>								
Faculty/Administrators	3	3.8	3	0.8	58	77.4	58	8.6
Civil Service	43	53.3	43	11.7	53	76.5	53	7.6
Academic/Other Talent	347	653.0	-	-	441	476.4	-	-
Foreign Exchange Students	78	419.8	78	31.6	17	49.8	17	3.7
Student Need-Financial Aid	-	-	-	-	24	45.4	-	-
Student Need-Special Programs	71	100.6	-	-	-	-	-	-
Cooperating Professionals	-	-	-	-	71	45.2	-	-
Research Assistants	-	-	-	-	9	25.7	9	3.9
Teaching Assistants	-	-	-	-	23	48.9	23	8.5
Other Assistants	-	-	-	-	124	401.8	124	60.0
Interinstitutional/Related Agencies	41	47.1	41	14.1	10	13.9	10	1.7
Children of Deceased Employees	1	3.4	1	0.6	-	-	-	-
Contract/Training Grants	-	-	-	-	78	63.1	78	7.8
Subtotal	584	1,281.0	166	58.8	908	1,324.1	372	101.8
Total	1,055	\$ 2,137.5	598	\$ 245.8	978	\$ 1,437.0	442	\$ 110.5

State of Illinois
Northeastern Illinois University

Analysis of Operations, Continued
For the Year Ended June 30, 2008

University Bookstore Information (Unaudited)

The summary of University bookstore information for fiscal year 2008 is as follows:

Contracted/Rents to Students/University operated	Contracted
Contractor	Beck's Bookstore, Inc.
Contract Term	07/01/01 - 06/30/11
Amount of Gross Sales for bookstore	\$6,015,917
Amount (if any) to be paid to bookstore by the University	None
Commissions	\$419,108
Commission terms	8.0% of Net Sales
Given exclusive rights	Yes
Competition/ "Other" nearby/On-campus bookstores	Barnes and Noble

State of Illinois
Northeastern Illinois University

Special Data Requirements for Audits of Universities

For the Year Ended June 30, 2008

University Reporting in Accordance with University Guidelines

In accordance with an Office of the Auditor General, July 25, 2000, memorandum entitled “Matters Regarding University Audits” (Memorandum), certain supplemental data is required to be reported for University audits. The table below cross references the memorandum requirements (indicated by number and letter paragraph references) to the University financial statements and audit reports for the year ended June 30, 2008, where such special data is found.

Compliance Findings

13(a) At June 30, 2008, no findings of noncompliance with *University Guidelines* were noted.

Indirect Cost Reimbursements

13(b) A statement of the sources and applications of indirect cost reimbursements is included on pages 62 through 64 of this report.

13(c) The University’s calculation sheet for indirect cost carry-forward is included in this report on page 79. The excess funds were deposited to the Income Fund within 45 days after the end of the lapse period.

Tuition Charges and Fees

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

Auxiliary Enterprises, Activities and Accounting Entities

13(e) Identification of each specific accounting entity and descriptions of the sources of revenue and purpose of each are presented in this report on page 81.

13(f) Entity financial statements are presented on pages 82 and 83 of this report. The entity financial statements should be read in conjunction with Northeastern Illinois University’s audited financial statements for the year ended June 30, 2008.

13(g) The University’s calculation sheet for current excess funds is presented in this report on page 80. There were no excess funds required to be deposited to the Income Fund.

State of Illinois
Northeastern Illinois University

Special Data Requirements for Audits of Universities, Continued

For the Year Ended June 30, 2008

University Reporting in Accordance with University Guidelines, Continued

- 13(h) Support received by Auxiliary Enterprises from State appropriated funds for retirement and group insurance benefits amounted to approximately \$153,961 and \$504,864, respectively, for the year ended June 30, 2008.
- 13(i) A Statement of revenues and expenses for various bond indenture required accounts is presented on page 36 of the financial audit report.
- 13(j) The revenue bond fund accounting conforms to the terms of the bond issue, including all covenants thereto.
- 13(k) A list and description of non-instructional facilities reserves are presented on page 47 of the financial audit report.

University Related Organizations

- 13(l) The University recognizes the Northeastern Illinois University Foundation (Foundation) as a University Related Organization. The University has designated no organization as “Independent Organizations” as defined in Section VII of *University Guidelines*.
- 13(m) The Foundation does not pay the University for services provided. Compensation is in the form of University support. See page 84 of this report for details related to services and support provided.
- 13(n) The University does not pay the Foundation for services provided. Compensation is in the form of services and facilities provided. See footnote 7 on page 39 of the financial audit report for details related to services and support provided.
- 13(o) At June 30, 2008, there are no unreimbursed subsidies to the Foundation from the University or appropriated funds.
- 13(p) There is no debt financing provided by the Foundation.

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Special Data Requirements for Audits of Universities, Continued
For the Year Ended June 30, 2008

University Reporting in Accordance with University Guidelines, Continued

Other Topics

- 13(q) Schedules of cash and investments held by the University are presented in the Analysis of Significant Account Balances section of this report on pages 57 and 58, and in footnote 2 on pages 25 through 28 of the financial audit report.
- 13(r) Income from the investment of pooled funds is credited to the University's Income Fund. Income from the investment of non-pooled funds is credited to the fund making the investment.
- 13(s) Costs per full time equivalent student are presented on page 67 in this report.
- 13(t) Neither the University nor the Foundation has purchased any real estate during the year ended June 30, 2008.
- 13(u) Neither the University nor the Foundation issued certificates of participation during the year ended June 30, 2008.

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Special Data Requirements for Audits of Universities, Continued
For the Year Ended June 30, 2008

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

1. Cash and cash equivalents balance:	
Cash and cash equivalents	<u>\$ 1,862,132</u>
2. Allocated reimbursements:	
Total indirect cost reimbursements allocated for expenditure for the fiscal year completed:	
\$1,658,000: enter 30% of this amount	497,400
3. Unallocated reimbursements:	
Lesser of the actual unallocated indirect cost reimbursements for the year completed OR 10% of total indirect cost allocations for the year completed	165,800
4. Encumbrances and current liabilities paid in the lapse period:	
Current liabilities and encumbrances	<u>117,638</u>
5. Indirect cost carry-forward	<u>780,838</u>
Excess cash to be deposited to the University Income Fund	<u><u>\$ 1,081,294</u></u>

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Special Data Requirements for Audits of Universities, Continued

For the Year Ended June 30, 2008

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

	Student Fee Programs	Public Service Activities	Student and Staff Services	Service Departments	Other Educational Services	Educational Contracts	Auxiliary Enterprises		
							Student Union	Parking Lot Administration	Other Auxiliary Enterprises
1. Current available funds									
Cash	<u>A. \$ 1,199,017</u>	<u>\$ (60,801)</u>	<u>\$ 511,239</u>	<u>\$ 1,269,421</u>	<u>\$ 136,351</u>	<u>\$ 26,078</u>	<u>\$ 1,124,481</u>	<u>\$ 404,904</u>	<u>\$ 351,021</u>
2. Working capital allowance									
Highest month's expenditures	\$ 1,397,362	\$ 117,378	\$ 1,026,960	\$ 950,469	\$ 75,582	\$ 27,680	\$ 1,072,407	\$ 407,497	\$ 70,689
Encumbrances and current liabilities paid in lapse period	216,287	32,519	24,546	313,080	11,658	11,565	28,948	46,540	11,456
Deferred income	351,947	-	95,155	-	-	-	88,224	103,116	-
Refundable deposits	-	18	-	-	-	-	125,581	-	91,528
Working capital allowance	<u>B. \$ 1,965,596</u>	<u>\$ 149,915</u>	<u>\$ 1,146,661</u>	<u>\$ 1,263,549</u>	<u>\$ 87,240</u>	<u>\$ 39,245</u>	<u>\$ 1,315,160</u>	<u>\$ 557,153</u>	<u>\$ 173,673</u>
3. Current excess funds (margin of compliance):									
Deduct B from A	<u>C. \$ (766,579)</u>	<u>\$ (210,716)</u>	<u>\$ (635,422)</u>	<u>\$ 5,872</u>	<u>\$ 49,111</u>	<u>\$ (13,167)</u>	<u>\$ (190,679)</u>	<u>\$ (152,249)</u>	<u>\$ 177,348</u>
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				<u>D. (572,605)</u>	<u>(1,108,615)</u>				<u>(1,223,157)</u>
Enter the algebraic sum of C and D and remit the amount due, if any, for deposit in the Income Fund				<u>\$ (566,733)</u>	<u>\$ (1,059,504)</u>				<u>\$ (1,045,809)</u>

Excess Funds Offset

Indentured capital reserves									
Allowable capital reserves				\$ 2,224,956	\$ 1,139,942				\$ 1,587,622
Actual capital reserves				<u>1,652,351</u>	<u>31,327</u>				<u>364,465</u>
Total Excess Funds Offset				<u>\$ 572,605</u>	<u>\$ 1,108,615</u>				<u>\$ 1,223,157</u>

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Special Data Requirements for Audits of Universities, Continued

For the Year Ended June 30, 2008

Description of Accounting Entities

Accounting entities as defined by the 1982 (Amended 1997) Legislative Audit Commission Guidelines and their primary revenue sources are as follows:

Activities

Student Fee Programs are organized student activities funded primarily by student fees.

Public Service Activities are noncredit conferences, seminars, short courses and other services offered to the public for a fee. The primary revenue source is the fee charged to participants.

Student and Staff Services are services offered at a charge to University staff and students.

Service Departments provide products or services to organizational units within the University. Charges for services provide the revenue.

Other Educational Services are activities related to the educational process which incidentally generate products or services made available to the public for a charge.

Educational Contracts are courses for credit which are presented by, and have the course content coordinated with, a government unit, community organization or private business.

Auxiliary Enterprises

Student Union is an operation financed by revenue bonds with principal operations, including food service, vending machines, conference and assembly space, and information services.

Parking Lot Administration provides the operation, maintenance, and development of the University parking facilities. Revenues come from charges for parking and fines.

Other Auxiliary Enterprises are self-supporting activities that include vending machines, child care, bookstore, and student card services.

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Special Data Requirements for Audits of Universities, Continued

Other Entities and Auxiliary Enterprises - Balance Sheets

June 30, 2008

	Student Fee Programs	Indirect Cost	Public Service Activities	Student and Staff Services	Service Departments	Other Educational Services	Educational Contracts	Auxiliary Enterprises			Totals
								Student Union	Parking Lot Administration	Other Auxiliary Enterprises	
Assets											
Current Fund Assets											
Cash and investments	\$ 1,199,017	\$ 1,862,132	\$ (60,801)	\$ 511,239	\$ 1,269,421	\$ 136,351	\$ 26,078	\$ 1,124,481	\$ 404,904	\$ 351,021	\$ 6,823,843
Accounts receivable - net	234,612	-	-	-	-	-	72,502	142,099	102,808	-	552,021
Inventories	-	-	-	-	53,499	-	-	3,898	-	-	57,397
Total	1,433,629	1,862,132	(60,801)	511,239	1,322,920	136,351	98,580	1,270,478	507,712	351,021	7,433,261
Plant Fund Assets											
Cash and investments	384,737	-	100,321	14,301	1,652,351	31,327	8,219	1,665,919	702,042	364,465	4,923,682
Accounts receivable - net	-	-	-	-	59,862	-	-	-	-	-	59,862
Land and land improvements	1,431,877	-	291,813	233,793	275,664	175,336	3,090	634,433	4,265,753	436,398	7,748,157
Buildings and construction in progress	8,954,358	-	5,122,518	1,168,094	2,431,374	4,632,529	578,872	5,456,836	15,663,536	5,879,246	49,887,363
Equipment	3,354,817	-	285,567	97,304	6,187,966	2,559,644	348,029	554,679	737,499	122,745	14,248,250
Total	14,125,789	-	5,800,219	1,513,492	10,607,217	7,398,836	938,210	8,311,867	21,368,830	6,802,854	76,867,314
Total assets	\$ 15,559,418	\$ 1,862,132	\$ 5,739,418	\$ 2,024,731	\$ 11,930,137	\$ 7,535,187	\$ 1,036,790	\$ 9,582,345	\$ 21,876,542	\$ 7,153,875	\$ 84,300,575
Liabilities											
Current Fund Liabilities											
Accounts payable and accrued liabilities	\$ 216,287	\$ 117,638	\$ 32,519	\$ 24,546	\$ 313,080	\$ 11,658	\$ 11,565	\$ 54,076	\$ 46,540	\$ 11,456	\$ 839,365
Deferred income	351,947	-	-	95,155	-	-	-	88,224	103,116	-	638,442
Refundable deposits	-	-	18	-	-	-	-	125,581	-	91,528	217,127
Total	568,234	117,638	32,537	119,701	313,080	11,658	11,565	267,881	149,656	102,984	1,694,934
Plant Fund Liabilities											
Accounts payable and accrued liabilities	5,425	-	-	-	-	16,752	-	14,399	219,666	144	256,386
Revenue bonds payable	-	-	-	-	-	-	-	3,785,000	16,970,000	-	20,755,000
Total	5,425	-	-	-	-	16,752	-	3,799,399	17,189,666	144	21,011,386
Total liabilities	573,659	117,638	32,537	119,701	313,080	28,410	11,565	4,067,280	17,339,322	103,128	22,706,320
Fund balance											
Current	865,395	1,744,494	(93,338)	391,538	1,009,840	124,693	87,015	1,002,597	358,056	248,037	5,738,327
Reserves - Plant	379,312	-	100,321	14,301	1,712,213	14,575	8,219	1,651,520	482,376	364,321	4,727,158
Investment in Plant	13,741,052	-	5,699,898	1,499,191	8,895,004	7,367,509	929,991	2,860,948	3,696,788	6,438,389	51,128,770
Total fund balance	14,985,759	1,744,494	5,706,881	1,905,030	11,617,057	7,506,777	1,025,225	5,515,065	4,537,220	7,050,747	61,594,255
Total liabilities and fund balance	\$ 15,559,418	\$ 1,862,132	\$ 5,739,418	\$ 2,024,731	\$ 11,930,137	\$ 7,535,187	\$ 1,036,790	\$ 9,582,345	\$ 21,876,542	\$ 7,153,875	\$ 84,300,575

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Special Data Requirements for Audits of Universities, Continued
For the Year Ended June 30, 2008

Other Entities and Auxiliary Enterprises
Schedule of Changes in Fund Balances - Current Funds

Accounting Entities and Auxiliary Enterprises	Balance June 30, 2007	Revenues	Expenditures and Transfers	Balance June 30, 2008
Student Fee Programs	\$ 299,395	\$ 5,122,051	\$ 4,556,051	\$ 865,395
Indirect Cost	752,615	1,784,188	792,309	1,744,494
Public Service Activities	22,359	333,004	448,701	(93,338)
Student and Staff Services	399,605	2,324,885	2,332,952	391,538
Service Departments	239,230	2,492,026	1,721,416	1,009,840
Other Educational Services	86,404	46,306	8,017	124,693
Educational Contracts	17,160	151,641	81,786	87,015
Student Union	1,454,405	2,416,796	2,868,604	1,002,597
Parking Lot Administration	135,574	2,030,461	1,807,979	358,056
Other Auxiliary Enterprises	81,947	603,362	437,272	248,037
Total	\$ 3,488,694	\$ 17,304,720	\$ 15,055,087	\$ 5,738,327

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Special Data Requirements for Audits of Universities, Continued
For the Year Ended June 30, 2008

Summary of Foundation Payments to the University

During fiscal year 2008, the University engaged the Foundation, under contract, to provide fundraising services. As provided in the contract agreement, the University advanced \$ -0- in funds and provided an additional \$110,567 of services to the Foundation. As required by the contract, the Foundation repaid the University, using funds considered unrestricted for purposes of the University Guidelines computations. In addition, the Foundation gave the University non-qualifying restricted funds. Presented below is a summary of all funds that the Foundation gave to the University during the audit period.

Funds considered UNRESTRICTED for purposes of the guidelines computations:

- Totally Unrestricted	\$ 1,100
- Restricted only as to campus, college or department and generally available for on-going University operations:	
- Given to specific departments	<u>257,365</u>
Total funds considered Unrestricted	258,465

Funds considered RESTRICTED for purposes of the guidelines computations:

- Given for scholarships, and grants and awards	<u>180,137</u>
Total funds provided to the University by the Foundation	438,602

The Foundation also provided fundraising activities for the University.
The value of the activities on a time and material basis were:

- Fundraising and special events expenses	<u>86,100</u>
Total financial and service support	<u>\$ 524,702</u>