



STATE OF ILLINOIS  
**OFFICE OF THE  
AUDITOR GENERAL**

William G. Holland, Auditor General

**SUMMARY REPORT DIGEST**

**NORTHEASTERN ILLINOIS UNIVERSITY**

**Compliance and Single Audit  
For the Year Ended: June 30, 2010**

**Release Date: March 10, 2011**

**Summary of Findings this Audit Cycle:**

• Compliance and Single Audit	7
• Financial Audit (previously Reported 1-27-11	<u>1</u>
<b>TOTAL findings</b>	<b>8</b>
<b>Summary of findings from previous audit cycle</b>	<b>9</b>
<b>Findings repeated:</b>	<b>3</b>

**INTRODUCTION**

The Financial Statement Audit for the year ended June 30, 2010 was previously released on January 27, 2011. That audit contained one finding. This report addresses Federal and State compliance findings pertaining to the Single Audit and State Compliance Examination. In total, this report contains 8 audit findings, one of which was also reported in the Financial Statement Audit.

**SYNOPSIS**

- The University did not comply with certain student financial aid requirements relating to the TEACH grant program.
- The University did not confirm the allocation of payroll costs to grant funds in accordance with OMB Circular A-21.
- The University did not comply with required contractual procedures on required signatures on contracts.
- The University did not comply with University Guidelines related to University-Related Organizations.

{Expenditures and Activity Measures are summarized on the reverse page.}

**NORTHEASTERN ILLINOIS UNIVERSITY  
COMPLIANCE EXAMINATION  
For The Year Ended June 30, 2010**

Income Fund Revenues and Expenditures	2010	2009
<b>FUND BALANCE (DEFICIT), BEGINNING OF YEAR</b>	\$ 4,480,328	\$ (1,582,708)
Income fund revenues:		
Tuition.....	53,314,830	43,203,116
Rental income.....	46,479	48,837
Investment income.....	61,023	117,343
Miscellaneous.....	697,394	1,545,868
Total income fund revenues.....	54,119,726	44,915,164
Income fund expenditures:		
Personal services.....	23,272,181	24,926,427
Social security, Medicare, health and life insurance.....	348,134	363,843
Contractual services.....	8,671,706	7,151,386
Travel.....	267,850	213,038
Commodities.....	1,037,951	858,376
Equipment and library books.....	2,504,422	1,335,007
Telecommunications.....	520,037	500,767
Operation of automotive.....	37,422	26,490
Awards, grnts and matching funds.....	243,144	97,032
Permanent improvements.....	74,801	276,099
Tuition and fee waivers.....	3,459,679	3,103,663
Total income fund expenditures.....	40,437,327	38,852,128
<b>FUND BALANCE END OF YEAR</b>	\$ 18,162,727	\$ 4,480,328
SUPPLEMENTARY INFORMATION (UNAUDITED)	2010	2009
<b><u>EMPLOYMENT STATISTICS</u></b>		
Administration.....	267	280
Faculty.....	466	406
Civil Service.....	473	466
Students.....	256	341
<b>Total Employees.....</b>	<b>1,462</b>	<b>1,493</b>
<b><u>SELECTED ACTIVITY MEASURES</u></b>		
Average annual full-time equivalent students.....	8,500	8,069
Full-time equivalent cost per student - Undergraduate.....	\$8,460	\$8,640
Full-time equivalent cost per student - Graduate.....	\$11,762	\$12,008
<b>PRESIDENT</b>		
During Audit Period and Currently: Dr. Sharon K. Hahs		

## **INTRODUCTION**

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## **FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS**

### **TEACH GRANTS NOT PROPERLY AWARDED**

The University did not comply with certain student financial aid requirements relating to the TEACH grant program.

#### **Ineligible students received grants**

During our detailed testing of all 16 students who received TEACH grants we noted that there were 2 students that each received \$4,000 grants. Neither one of these students were eligible to receive these grants due to the fact that they had already received a first baccalaureate degree prior to the current award year. This resulted in questioned costs of \$8,000.

According to 34 CFR Section 668.32(c)(4), an undergraduate student, other than a student enrolled in a post-baccalaureate program, is not eligible to receive a TEACH Grant if the student has completed the requirements for a first baccalaureate degree. According to 34 CFR Section 686.2(d), a post-baccalaureate program is one that does not lead to a baccalaureate degree, consists of courses required by the State in order for a student to receive a professional certification or licensing credential that is required for employment as a teacher, and is treated as an undergraduate program of study for the purposes of Title IV of the Higher Education Act.

Failure to properly administer federal grants resulted in students receiving awards for which they were not eligible to receive. (Finding 2, Pages 14-15)

#### **University agrees with the auditors**

We recommended that the University review its award process for TEACH grants to ensure that students who are not eligible for the TEACH grant do not receive the grant.

University officials concurred with the recommendation.

## **INADEQUATE CONTROLS OVER PAYROLL PROCESSING OF EMPLOYEES PAID FROM GRANT FUNDS**

The University did not confirm the allocation of payroll costs to grant funds in accordance with OMB Circular A-21.

Through our detailed testing of payroll transactions for 64 employee payroll expenses charged to the Higher Education Institutional Aid, Twenty-First Century Community Learning Centers and GEARUP grants, we noted the following:

- For Higher Education Institutional Aid - one (4%) employee's payroll expense out of 23 tested did not have a signed time and effort sheet that corresponded to the time period that the payroll expense was charged.
- For Twenty-First Century Community Learning Centers – seven (26%) employees payroll expense out of 27 tested did not have a signed time and effort sheet that corresponded to the time period that the payroll expense was charged.
- For GEARUP – two (14%) employees payroll expense out of 14 payroll expenses tested did not have a signed time and effort sheet that corresponded to the time period that the payroll expense was charged.

### **Missing time and effort reports**

The time and effort sheets confirm the percentage of time that an employee worked on a grant.

OMB Circular A-21 states that the apportionment of employees' salaries and wages which are chargeable to more than one sponsored agreement or other cost objective will be: 1) accomplished by methods which will be in accordance with Sections A.2 and C of OMB Circular A-21; 2) produce an equitable distribution of charges for employees' activities; and 3) distinguish the employees' direct activities from their facilities and administrative activities.

In addition, OMB Circular A-110 requires nonfederal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations and program compliance requirements. An effective system of internal control should include procedures to reasonably ensure that the amount of time and payroll cost are correctly charged to each grant. (Finding 3, pages 16-17)

We recommended that the University implement controls that require the time and effort sheets to be returned within a reasonable amount of time. This control, when operating effectively, will enable the University to track time and effort charged to federal grant programs.

### **University agrees with the auditors**

University officials concurred with the recommendation.

## **IMPROVEMENTS NEEDED ON REQUIRED CONTRACTING PROCEDURES**

The University did not comply with certain required contractual procedures on required signatures on contracts.

### **Required signatures missing**

Based on our detailed testing of 28 contracts we noted two contracts (7%), for more than \$250,000, did not have the necessary signatures on the contract. One contract totaling \$500,000 did not have any of the three required signatures. The other contract totaling \$347,222 only had one of the required signatures.

The State Finance Act (30 ILCS 105/9.02) (Act) requires three signatures on contracts of \$250,000 or more in a fiscal year. The three signatures required under the Act are the chief executive officer, the chief legal counsel and the chief fiscal officer.

Failure to maintain proper controls over signatures on contracts could cause the University to be legally bound to a contract that is not in the best interest of the University. (Finding 6, page 21)

### **University agrees with the auditors**

We recommended that the University adhere to its procedures to ensure that all contracts over the threshold amount contain the required signatures.

University officials concurred with the recommendation.

## **NONCOMPLIANCE WITH UNIVERSITY GUIDELINES**

The University did not comply with University Guidelines related to University-Related Organizations (URO) for the Northeastern Illinois University Alumni Association.

Based on our audit procedures performed on University Guidelines 1982 as Amended 1997, we noted the following:

### **No written contract**

### **The Board of Trustees had not approved the Alumni Association's use of the University's name**

### **No accounting records**

- The University did not have a written contract with the Alumni Association which specified the relationship between the University and the URO.
- The Board of Trustees had not approved the Alumni Association's use of the University's name or initials as part of the URO's name.
- In-kind personal services were provided by the University to the Alumni Association during the audit period. The University did not have a contract with the URO as noted above, nor did the University's budget process expressly identify support to the URO.

- The URO did not maintain any accounting records during the audit period.

Section VI. C. of the University Guidelines, issued by the Legislative Audit Commission requires that the relationship of a University to a URO be contained in a written contract between the University and each URO. Section VI. D. requires the governing board's approval to permit the URO to use the University's name or the initials as part of the URO's name. Section VI. E. requires the University budget processes or the contract to expressly identify all support provided to the URO. Section VI. I.4.b. requires the URO to maintain sufficient records, including cost allocation detail, time records, and records of supplies and materials consumed, to enable a post audit review of the contract by the Auditor General. (Finding 7, pages 22-23)

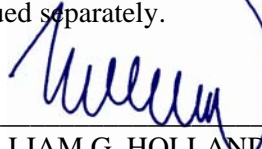
We recommended that the University review its controls over URO's.

**University agrees with the auditors**

University officials concurred with the recommendation and stated that the Board of Trustees has subsequently approved the Alumni Association, authorized the use by the Alumni Association of the University name, and authorized the contractual relationship between the University and the Alumni Association.

**AUDITORS' OPINION**

We conducted a compliance examination of the University for the year ended June 30, 2010 as required by the Illinois State Auditing Act. A financial audit covering the year ending June 30, 2010 was issued separately.



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WILLIAM G. HOLLAND<sub>2</sub>  
Auditor General

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**SPECIAL ASSISTANT AUDITORS**

Clifton Gunderson LLP was our special assistant auditors.