



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

William G. Holland, Auditor General

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**SUMMARY REPORT DIGEST**

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**NORTHEASTERN ILLINOIS UNIVERSITY**

**Financial, Compliance, and Single Audit  
For the Year Ended: June 30, 2011**

**Release Date: March 8, 2012**

**Summary of Findings:**

|                                  |          |
|----------------------------------|----------|
| <b>Total this audit:</b>         | <b>9</b> |
| <b>Total last audit:</b>         | <b>8</b> |
| <b>Repeated from last audit:</b> | <b>3</b> |

**SYNOPSIS**

- The University did not properly identify all students who withdrew from the University and did not determine or return the unearned portion of Title IV aid provided to all students who withdrew from the University resulting in inaccuracies in the amounts reported in their financial statements and noncompliance with federal regulations.
- The University did not have adequate controls in place over the awarding of student financial aid.
- The University did not reconcile its cash balance for the Federal Direct Loan Program on a monthly basis.
- The University reported inaccurate information on its Fiscal Operations Report and Application to Participate (FISAP) filed September 30, 2011.

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

**NORTHEASTERN ILLINOIS UNIVERSITY**  
**FINANCIAL AUDIT AND COMPLIANCE EXAMINATION**  
**For The Year Ended June 30, 2011**

| <b>FINANCIAL OPERATIONS</b>                                | <b>2011</b>           | <b>2010</b>           |
|--|-----------------------|-----------------------|
| <b>Operating Revenues</b>                                  |                       |                       |
| Student tuition and fees, net.....                         | \$53,052,879          | \$50,741,927          |
| Federal grants and contracts .....                         | 13,561,635            | 12,002,930            |
| State and local grants.....                                | 2,706,114             | 3,124,281             |
| Nongovernmental grants and contracts.....                  | 1,495,146             | 1,566,650             |
| Auxiliary enterprises.....                                 | 3,912,966             | 3,734,399             |
| Other operating revenues.....                              | <u>4,317,416</u>      | <u>3,893,200</u>      |
| Total Operating Revenues.....                              | <u>\$79,046,156</u>   | <u>\$75,063,387</u>   |
| <b>Operating Expenses</b>                                  |                       |                       |
| Instruction.....   | \$ 70,745,029         | \$ 65,483,818         |
| Research.....  | 764,946               | 894,756               |
| Public service.....  | 13,439,552            | 13,634,224            |
| Academic support.....                                      | 9,603,298             | 10,111,431            |
| Student services and programs.....                         | 11,608,228            | 12,318,597            |
| Institutional support.....                                 | 13,440,062            | 13,651,118            |
| Operation and maintenance of plant.....                    | 14,014,069            | 14,366,452            |
| Scholarships and fellowships.....                          | 9,124,810             | 7,845,618             |
| Auxiliary enterprises.....                                 | 4,052,508             | 3,943,137             |
| Depreciation expense.....                                  | 4,944,041             | 5,029,378             |
| Other operating expenses.....                              | <u>1,763,866</u>      | <u>1,485,620</u>      |
| Total Operating Expenses.....                              | <u>\$ 153,500,409</u> | <u>\$ 148,764,149</u> |
| Operating Income (Loss).....                               | \$ (74,454,253)       | \$ (73,700,762)       |
| <b>NONOPERATING REVENUES (EXPENSES)</b>                    |                       |                       |
| State appropriations - general revenue fund.....           | \$ 40,711,218         | \$ 39,578,482         |
| ARRA fund.....   | -                     | 4,154,162             |
| Payments on behalf of the University.....                  | 33,390,867            | 30,095,726            |
| Pell Grant.....  | 19,972,301            | 15,743,639            |
| Gifts and donations.....                                   | -                     | -                     |
| Investment income.....                                     | 164,381               | 113,838               |
| Interest on Indebtedness.....                              | (1,499,699)           | (1,378,661)           |
| Other, net.....  | <u>(128,072)</u>      | <u>(36,830)</u>       |
| <b>NET NONOPERATING REVENUES (EXPENSES)</b>                | <u>92,610,996</u>     | <u>88,270,356</u>     |
| <b>INCREASE (DECREASE) IN NET ASSETS.....</b>              | <u>\$ 18,156,743</u>  | <u>\$ 14,569,594</u>  |
| Net assets, beginning of year.....                         | \$ 111,829,457        | \$ 97,259,863         |
| Net assets, end of year.....                               | \$ 129,986,200        | \$ 111,829,457        |
| <b>SUPPLEMENTARY INFORMATION (UNAUDITED)</b>               | <b>2011</b>           | <b>2010</b>           |
| <b>Employment Statistics</b>                               |                       |                       |
| Administration .....                                       | 302                   | 267                   |
| Faculty.....   | 415                   | 466                   |
| Civil Service.....   | 528                   | 473                   |
| Students.....  | <u>277</u>            | <u>256</u>            |
| <b>Total Employees.....</b>                                | <u>1,522</u>          | <u>1,462</u>          |
| <b>Selected Activity Measures</b>                          |                       |                       |
| Average Annual Full-time equivalent students.....          | 8,661                 | 8,500                 |
| Full-time equivalent cost per student - Undergraduate..... | \$8,397               | \$8,460               |
| Full-time equivalent cost per student - Graduate.....      | \$11,627              | \$11,762              |
| <b>PRESIDENT</b>   |                       |                       |
| During Audit Period and Currently: Dr. Sharon K. Hahs      |                       |                       |

**FINDINGS, CONCLUSIONS, AND  
RECOMMENDATIONS**

**FAILURE TO IDENTIFY AND REFUND TITLE IV AID  
IN A TIMELY MANNER**

**Controls over Title IV Aid need  
improvement**

The University did not properly identify all students who withdrew from the University. The University also did not determine or return the unearned portion of Title IV aid provided to all students who withdrew from the University resulting in inaccuracies in the amounts reported in their financial statements and noncompliance with Federal Regulations.

**Some student files tested lacked  
documentation**

In our testing of unofficial withdrawal determination, we tested a sample of 40 students receiving Title IV aid and who failed to receive a passing grade in any of their classes. We noted that seven students lacked documentation that they completed the period and, therefore, should have been considered to have unofficially withdrawn from the University.

**University performed procedures  
on all remaining students**

In response to the results of this testing, University personnel performed unofficial withdrawal determination procedures on the remaining students receiving Title IV aid and who failed to receive a passing grade in any of their classes. These procedures resulted in the identification of 248 students that received Title IV aid and should have been considered to have unofficially withdrawn from the University.

**The University is required to  
have procedures in place to  
determine when a student  
unofficially withdraws**

The Federal Government requires that an institution must have a procedure for determining whether a Title IV aid recipient who began attendance during a period completed the period or should be treated as a withdrawal. If a student who began attendance and has not officially withdrawn fails to earn a passing grade in at least one course offered over an entire period, the institution must assume, for Title IV purposes, that the student has unofficially withdrawn, unless the institution can document that the student completed the period.

Furthermore, Federal Regulations require that when a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date and refund the unearned portion to the Federal Government.

The withdrawal date for a student who ceases attendance without providing notice at an institution that is not required to take attendance is the mid-point of the payment period (34 CFR 668.22(c)). Consequently, 50% of Title IV grant or loan assistance provided to the student is considered unearned and should be refunded.

In the case of a student who did not begin attendance during the period of enrollment, or if the institution is unable to document the student's attendance at any class during the period, all Title IV grant or loan assistance provided to the student is considered unearned and should be refunded (34 CFR 668.21(a)).

**144 out of the 248 students identified by the University lacked documentation of attendance in any class**

Based on our testing of the University's calculation of the refundable Title IV grant and loan assistance for the 248 students identified above, we noted that the University lacked documentation of attendance in any class for 144 of these students.

**\$529,154 of unearned Title IV aid should have refunded to the Federal Government**

Ultimately, in response to our testing and inquiries, the University identified \$529,154 in unearned Title IV aid which should have been refunded to the Federal Government and for which the University has recourse against the students for payment.

Since the liability to the Federal Government had not been identified timely, the University's financial statements understated current liabilities for refundable grant revenues by \$529,154 and also understated student receivables, net of an allowance for doubtful accounts, by \$264,577. A proposed adjustment was not recorded by the University. (Finding 1, Pages 14-16)

We recommended that the University implement procedures to ensure that refunds are processed timely and accurately in order to facilitate accurate financial reporting and to be in compliance with federal regulations.

**University agrees with the auditors**

University officials agreed with the finding.

#### **NEED TO IMPROVE CONTROLS OVER AWARDING OF STUDENT FINANCIAL AID**

The University did not have adequate controls in place over the awarding of student financial aid.

During our testing of 83 students, we noted errors with nine of the students as follows:

**Errors in awarding of student financial aid**

- For four students tested, an incorrect number of credit hours were used to calculate these students' budgeted cost of attendance.
- For one student tested, we noted three months were used to calculate the summer budgeted cost of attendance instead of the approved two months.

- For four students tested, we noted that an incorrect tuition rate was used to calculate the students' cost of attendance. (Finding 3, Pages 19-20)

We recommended that the University improve its procedures over the awarding of student financial aid to ensure that students are awarded accurately.

**University agrees with the auditors**

University officials agreed with the finding.

### **DIRECT LOAN CASH SUMMARY RECONCILIATION**

The University did not reconcile its cash balance for the Federal Direct Loan Program on a monthly basis.

**Federal Direct Loan Program not reconciled monthly**

We requested monthly reconciliations of the University's Direct Loan records to the ending cash balance on the School Account Statements (SAS) provided by the Common Origination and Disbursement (COD) System. Although the University was able to provide evidence that it had separately analyzed components of the SAS, the University could not provide us with a reconciliation of the cash balance.

The Department of Education's "Direct Loan School Guide", Chapter 6, *Reconciliation*, requires that the University reconcile the ending cash balance on the SAS with its internal records on a monthly basis, ensuring that any discrepancies are resolved, and documents any reason for a positive or negative balance. (Finding 6, Pages 25-26)

We recommended that the University review its procedures to ensure that the ending cash balance per the Direct Loan Cash Summary is being reconciled on a monthly basis.

**University agrees with the auditors**

University officials agreed with the finding.

### **INACCURATE FISCAL OPERATIONS REPORT AND APPLICATION TO PARTICIPATE (FISAP) REPORTING**

The University reported inaccurate information on its Fiscal Operations Report and Application to Participate (FISAP) filed September 30, 2011. An amended FISAP was filed on January 3, 2012.

**Inaccurate amounts reported on the FISAP**

During our testing of the FISAP we noted the following inaccuracies:

- Total undergraduate tuition and fees for the award year ended June 30, 2011 was reported as \$54,541,033 but should have been reported as \$56,126,761.

- Total graduate tuition and fees for the award year ended June 30, 2011 was reported as \$11,709,873 but should have been reported as \$10,448,405.
- Total Federal Pell grant expenditures for the 2010-2011 award year was reported as \$23,951,933 but should have been reported as \$19,274,053. (Finding 7, Pages 27-28)

**University agrees with the auditors**

We recommended that the University review its procedures to ensure that the FISAP is being prepared accurately.

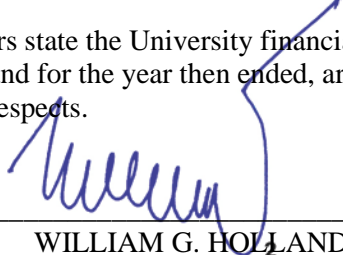
University officials agreed with the finding.

**OTHER FINDINGS**

The remaining findings are reportedly being given attention by the University. We will review the University's progress toward implementation of our recommendations in our next audit.

**AUDITORS' OPINION**

Our auditors state the University financial statements as of June 30, 2011 and for the year then ended, are fairly presented in all material respects.



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WILLIAM G. HOLLAND  
Auditor General

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**SPECIAL ASSISTANT AUDITORS**

CliftonLarsonAllen were our special assistant auditors.