

**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, 2012
Performed as Special Assistant Auditors for
the Auditor General, State of Illinois**



CliftonLarsonAllen

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Northeastern Illinois University
Financial Audit for the Year Ended June 30, 2012

**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, 2012**

Agency Officials

President	Dr. Sharon Hahs
Vice President for Finance and Administration	Mr. Mark Wilcockson, CPA
Director of Financial Affairs/Controller	Ms. Peggy Ho
Director of Internal Audit	Mr. Ronald Cierny, CPA
Executive Director - Office of University Budgets	Ms. Helen Ang

Agency offices are located at:

5500 North St. Louis Avenue
Chicago, Illinois 60625

January 16, 2013

CliftonLarsonAllen LLP
1301 W. 22nd Street, Suite 1100
Oak Brook, IL 60523

Ladies and Gentlemen:

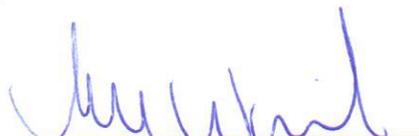
We are responsible for the identification of and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of Northeastern Illinois University (the "University"). We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the University's compliance with the following assertions during the year ended June 30, 2012. Based on this evaluation, we assert that during the year ended June 30, 2012, 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


Sharon K. Hahs
President


Mark Wilcockson
Vice President for Finance
and Administration


Peggy Ho
Controller

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
COMPLIANCE REPORT
For the Year Ended June 30, 2012**

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:</u>	<u>Current Report</u>	<u>Prior Report</u>
Findings	12	9
Repeated Findings	5	3
Prior Recommendations Implemented or Not Repeated	4	5

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>
FINDINGS (GOVERNMENT AUDITING STANDARDS AND FEDERAL COMPLIANCE)			
12-1	15	Failure to Identify and Refund Title IV Aid in a Timely Manner	Significant Deficiency and Noncompliance
FINDINGS AND QUESTIONED COSTS (FEDERAL COMPLIANCE)			
12-2	18	Inadequate Controls over Preparation of an Accurate Schedule of Expenditures of Federal Awards	Significant Deficiency and Noncompliance
12-3	20	Awarding of Student Financial Aid	Significant Deficiency and Noncompliance
12-4	22	Performance of Financial Aid Verification Procedures	Significant Deficiency and Noncompliance

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
COMPLIANCE REPORT
For the Year Ended June 30, 2012**

<u>Item No.</u>	<u>Page(s)</u>	<u>Description</u>	<u>Finding Type</u>
12-5	24	Direct Loan Cash Summary Reconciliation	Significant Deficiency and Noncompliance
12-6	26	Unapproved Location	Significant Deficiency and Noncompliance
12-7	27	Refund of Student Credit Balances	Significant Deficiency and Noncompliance
12-8	29	Exit Counseling	Significant Deficiency and Noncompliance
12-9	30	Enrollment Status Reporting	Significant Deficiency and Noncompliance
12-10	32	Cash Management	Significant Deficiency and Noncompliance
FINDINGS (STATE COMPLIANCE)			
12-11	34	Timesheets Not Required	Significant Deficiency and Noncompliance
12-12	35	Failure to Comply with the Identity Protection Act	Significant Deficiency and Noncompliance
<p>Also, the following finding, which is reported as a current finding relating to <i>Government Auditing Standards</i> and Federal Compliance, also meets the reporting requirement for State Compliance.</p>			
12-1	15	Failure to Identify and Refund Title IV Aid in a Timely Manner	Significant Deficiency and Noncompliance

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
COMPLIANCE REPORT
For the Year Ended June 30, 2012**

PRIOR FINDINGS NOT REPEATED

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
A	36	Generally Accepted Accounting Principles (GAAP) Not Properly Applied to the State Universities Risk Management Association (SURMA) Asset
B	36	Perkins Loan Processing Error
C	36	Inaccurate Fiscal Operations Report and Application to Participate (FISAP) Reporting
D	36	Generally Accepted Accounting Principles (GAAP) Not Properly Applied to Accrued Interest

Exit Conference

The University waived having an exit conference in correspondence dated December 20, 2012, from the University's Vice President for Finance and Administration, Mark Wilcockson.

The responses to the recommendations were provided by Mark Wilcockson, in correspondence dated December 20, 2012.



**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 of the State of Illinois
and
Board of Trustees
Northeastern Illinois University

Compliance

As special assistant auditors for the Auditor General, we have examined Northeastern Illinois University's (the "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 (the "Audit Guide") as adopted by the Auditor General, during the year ended June 30, 2012. The management of the University is responsible for compliance with these requirements. Our responsibility is to express an opinion on the University's compliance based on our examination.

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

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

In our opinion, the University complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the year ended June 30, 2012. However, the results of our procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with criteria established by the Audit Guide issued by the Illinois Office of the Auditor General and are described in the accompanying Schedule of Findings and Questioned Costs as items 12-1, 12-11, and 12-12.

Internal Control

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the University's internal control over compliance with the requirements listed in the first paragraph of this report as a basis for designing 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

A *deficiency* in an entity's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A *material weakness in an entity's internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we considered to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as items 12-1, 12-11, and 12-12. A *significant deficiency in an entity's internal control over compliance* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

The University's responses to the findings identified in our examination are described in the accompanying Schedule of Findings and Questioned Costs. We did not examine the University's responses and, accordingly, we express no opinion on the responses.

Supplementary Information for State Compliance Purposes

As special assistant auditors for the Auditor General, we have audited the financial statements of the business-type activities of the University and its aggregate discretely presented component units as of and for the year ended June 30, 2012, which collectively comprise the University's basic financial statements, and have issued our report thereon dated January 16, 2013. Our report was modified to include a reference to other auditors. Other auditors audited the financial statements of the University's discretely presented component units, as described in our report on the University's financial statements. The accompanying supplementary information in Schedules 1 through 16 and the Analysis of Operations section is presented for purposes of additional analysis and is not a required part of the basic financial statements of the University. Such information is the responsibility of University management and was derived and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information for the year ended June 30, 2012 in Schedules 1 through 11 and 13 through 16 has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information for the year ended June 30, 2012 in Schedules 1 through 11 and 13 through 16 is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2012, 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 years ended June 30, 2011 and 2010. In our reports, dated February 10, 2012 and January 11, 2011, on the basic financial statements, we expressed unqualified opinions on those financial statements. The accompanying supplementary information for the years ended June 30, 2011 and 2010 in Schedules 3 through 7 and Schedule 9 has been subjected to the auditing procedures applied in the audits of the June 30, 2011 and 2010 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information for the years ended June 30, 2011 and 2010 in Schedules 3 through 7 and Schedule 9 is fairly stated in all material respects in relation to the basic financial statements for the years ended June 30, 2011 and 2010, taken as a whole.

The supplementary information included in Schedule 12 and the Analysis of Operations section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
January 16, 2013



**Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

Honorable William G. Holland
Auditor General of the State of Illinois
and
Board of Trustees
Northeastern Illinois University

As special assistant auditors for the Auditor General, we have audited the financial statements of the business-type activities of the Northeastern Illinois University (the "University") and its aggregate discretely presented component units, collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2012 which collectively comprise the University's basic financial statements, and have issued our report thereon dated January 16, 2013. Our report was modified to include a reference to other auditors. 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. Another auditor audited the financial statements of the University's discretely presented component units, as described in our report on the University's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by that auditor.

Internal Control over Financial Reporting

Management of the University is responsible for establishing and maintaining effective 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.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in finding 12-1, in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant

deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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*.

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, University management, the University's Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



CliftonLarsonAllen LLP
January 16, 2013



CliftonLarsonAllen

Independent Auditor's Report on Compliance with Requirements that could have a Direct and Material Effect on Each Major Program, on Internal Control over Compliance, and on the Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133

Honorable William G. Holland
Auditor General of the State of Illinois
and
Board of Trustees
Northeastern Illinois University

Compliance

We have audited Northeastern Illinois University's (the "University") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement*, that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2012. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. 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 12-1, 12-2, 12-3, 12-4, 12-5, 12-6, 12-7, 12-8, 12-9 and 12-10.

Internal Control over Compliance

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 the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over

compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness* in internal control over compliance is a deficiency, or combination of control deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as items 12-1, 12-2, 12-3, 12-4, 12-5, 12-6, 12-7, 12-8, 12-9 and 12-10. *A significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the business-type activities and the aggregate discretely presented component units of the University, as of and for the year ended June 30, 2012, and have issued our report thereon dated January 16, 2013. Our report was modified to include a reference to other auditors. Other auditors audited the financial statements of the University's discretely presented component units, as described in our report on the University's financial statements. Our audit was conducted for the purpose of forming 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 is the responsibility of University management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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 their responses.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
January 16, 2013

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified opinion

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(s) identified that are not considered to be material weaknesses? yes none reported
- Noncompliance material to financial statements noted? Yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(s) identified that are not considered to be material weaknesses? yes none reported

Type of auditor's report issued on compliance for major programs:

Unqualified opinion

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.334	Student Financial Assistance Cluster Gaining Early Awareness and Readiness for Undergraduate Programs
84.287	TRIO Cluster
84.031	Twenty-First Century Community Learning Centers
84.336	Higher Education Institutional Aid Teacher Quality Partnership Grants

Dollar threshold used to distinguish between type A and type B programs: \$419,883

Auditee qualified as low-risk auditee? yes No

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012**

CURRENT FINDING - *GOVERNMENT AUDITING STANDARDS AND FEDERAL COMPLIANCE*

Finding 12-1 - Failure to Identify and Refund Title IV Aid in a Timely Manner

Northeastern Illinois University (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.

- In our testing of unofficial withdrawal determinations over students receiving Title IV aid and who failed to receive a passing grade in any of their classes (473 students), we noted 18 students that received Title IV aid and should have been considered to have unofficially withdrawn from the University, but for which the University had not made this determination.

The Department of Education ("ED") requires (Dear Colleague Letter DCL GEN 04-03 Revised) 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 ED (34 CFR 668.22).

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 to ED.

In response to our testing and inquiries, the University identified \$26,157 in unearned Title IV aid which should have been refunded to ED and for which the University has recourse against the students for payment.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012**

CURRENT FINDING - *GOVERNMENT AUDITING STANDARDS AND FEDERAL COMPLIANCE* (continued)

Finding 12-1 - Failure to Identify and Refund Title IV Aid in a Timely Manner (continued)

Since the liability to ED had not been identified timely, the University's financial statements understated current liabilities for refundable grant revenues by \$26,157 and also understated student receivables, net of an allowance for doubtful accounts, by \$13,079. A proposed adjustment was deemed immaterial and not recorded by the University.

Generally accepted accounting principles require the proper identification, valuation and reporting of assets and liabilities. Additionally, the Fiscal Control and Internal Auditing Act (ILCS 30 10/3001), requires the University to establish and maintain a system, or systems, of internal fiscal and administrative controls, which shall provide assurance that revenues, expenditures, and transfers of assets, resources or funds applicable to operations are properly accounted for to permit the preparation of accounts and reliable financial reports.

- Furthermore, we noted that the University does not have adequate procedures in place to determine if a student began attendance in a payment period. This determination is necessary to correctly calculate the refundable amount of Title IV aid. Specifically, if an institution cannot document that a student began attendance in any class during the payment period, all Title IV grant or loan assistance provided to the student is considered unearned and should be refunded to ED as opposed to the 50% requirement discussed above.

The University's current process requests that University instructors notify the Registrar of students that do not attend at least one day of class. Based on inquiries of University management, this process is not mandatory and instructors may not always respond. Furthermore, unless the instructor specifically responds to the request, the student will be considered as having attended at least one day of class.

The University's reliance on this notification procedure does not effectively ensure that the University can document a student's attendance as required by Federal Regulation.

Federal Regulations state that a student is considered to not have begun attendance in a payment period of enrollment if the institution is unable to document the student's attendance at any class during the period (34 CFR 668.21(c)).

Furthermore, Federal Regulations require that for a student who does not begin attendance in a payment period of enrollment, the University must refund all Title IV funds credited to the student's account (34 CFR 668.21(a)(1)).

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012**

CURRENT FINDING - *GOVERNMENT AUDITING STANDARDS AND FEDERAL COMPLIANCE* (continued)

Finding 12-1 - Failure to Identify and Refund Title IV Aid in a Timely Manner (continued)

- In addition to the testing described above, we tested the calculation of unearned Title IV funds for 40 students who withdrew from the University. We noted that one student's refund was not calculated correctly resulting in a \$211 over-refund to ED. Furthermore, we noted that one student's return of Title IV funds was not refunded within the required 45 day time period.

Federal Regulations require an institution to return the amount of unearned Title IV funds no later than 45 days after the date of determination of a student's withdrawal (34 CFR 668.22 (j)(1)).

OMB Circular A-110 requires nonfederal entities receiving federal awards establish and maintain internal controls designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure that the amount of Title IV aid earned by students is calculated accurately and that unearned portions are returned in a timely manner.

University officials indicated that the conditions noted in this finding related to the timely refunding of Title IV aid were the result of a computer system error.

University officials stated that they believe the procedures in place to identify students who did not begin attendance are consistent with federal regulations regarding institutions that do not require the taking of attendance.

Failure to perform accurate and complete refund calculations and timely remittances of unearned Title IV funds resulted in inaccurate financial reporting and may jeopardize future federal funding. (Finding Code 12-1, 11-1, 10-5).

Recommendation

We recommend 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's Response

The University concurs with this finding and recommendation.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012**

CURRENT FINDINGS - FEDERAL COMPLIANCE

Federal Agency: National Science Foundation
National Aeronautics and Space Administration
U.S. Department of the Interior
U.S. Department of Agriculture

<u>Program Name</u>	<u>CFDA#</u>	<u>Program Expenditures</u>
Research and Development Cluster	Cluster	\$ 266,829

Questioned Costs: None

Finding 12-2 - Inadequate Controls over Preparation of an Accurate Schedule of Expenditures of Federal Awards

Northeastern Illinois University (the “University”) did not prepare an accurate Schedule of Expenditures of Federal Awards (SEFA).

The University provided the auditors its “final” SEFA on September 18, 2012. In our testing of the accuracy of the SEFA, we noted that the University had not identified Federal programs included in the research and development (R&D) cluster.

OMB Circular A-133 Section 300(d) requires the University to prepare a SEFA in accordance with Section 310. Section 310(b)(1) requires that Federal expenditures from programs included in the R&D cluster of programs be shown either by individual award or by federal agency and major subdivision within the Federal agency.

OMB Circular A-110 requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure that an accurate SEFA is prepared.

University officials stated that the inaccuracy was due to a change in personnel responsible for the preparation and oversight of the SEFA.

Failure to prepare an accurate SEFA prevents the University from having an audit properly performed in accordance with OMB Circular A-133, which may result in the suspension of Federal funding. (Finding Code 12-2).

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012**

CURRENT FINDINGS - FEDERAL COMPLIANCE (continued)

Finding 12-2 - Inadequate Controls over Preparation of an Accurate Schedule of Expenditures of Federal Awards (continued)

Recommendation

We recommend the University improve its controls over financial reporting so that it can prepare an accurate SEFA.

University's Response

The University concurs with this finding and recommendation.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012**

CURRENT FINDINGS - FEDERAL COMPLIANCE (continued)

Federal Agency: U.S. Department of Education

<u>Program Name</u>	<u>CFDA#</u>	<u>Program Expenditures</u>
Student Financial Aid Cluster	Cluster	\$ 49,447,539

Questioned Costs: None

Finding 12-3 - Awarding of Student Financial Aid

Northeastern Illinois University (the "University") did not have adequate controls in place over the awarding of student financial aid.

Through our testing of 43 students that received federal student financial aid, we noted the following errors:

- For 1 student tested, an incorrect number of credit hours were used to calculate the budgeted cost of attendance. This error did not result in an over award as the amount offered originally was less than his/her financial need.
- For 1 student tested, we noted that 3 months were used to calculate the summer budgeted cost of attendance instead of the approved 2 months. This error did not result in an over award as the amount offered originally was less than his/her financial need.
- For 1 student tested, the student was eligible for an annual amount of \$6,000 in unsubsidized direct loans, but was initially awarded \$7,000. Of this over award, \$500 was paid to the student during the Fall 2011 semester. The University subsequently detected the over award, and corrected for it by subtracting it from the corrected Spring 2012 award.

According to 34 CFR 675.9, 676.9, 674.9, 682.201, 685.200; 42 CFR sections 57.206 and 57.306(b); 42 USC 5293a(d)(2), a student must have financial need to receive aid, and total awards may not exceed need.

OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations*, 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 an accurate calculation of a student's financial aid award.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012**

CURRENT FINDINGS - FEDERAL COMPLIANCE (continued)

Finding 12-3 - Awarding of Student Financial Aid (continued)

University officials stated that the three instances identified above were random occurrences with three different causes. The first item was the result of a known programming error and an oversight in the workaround. The second item was the result of a student who, at time of certification, was only enrolled for the two month mini summer session and later changed enrollment. Since there was no over award the advisor failed to make the adjustment. In the third instance, the Loan Officer failed to follow appropriate procedures.

Failure to maintain proper internal controls over the awarding of Federal Student Financial Aid could result in an error in the amount of Federal Student Financial Aid that is awarded. (Finding Code 12-3, 11-3, 10-4).

Recommendation

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

University's Response

The University concurs with this finding and recommendation.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012**

CURRENT FINDINGS - FEDERAL COMPLIANCE (continued)

Federal Agency: U.S. Department of Education

<u>Program Name</u>	<u>CFDA#</u>	<u>Program Expenditures</u>
Student Financial Aid Cluster	Cluster	\$49,447,539

Questioned Costs: None

Finding 12-4 - Performance of Financial Aid Verification Procedures

Northeastern Illinois University (the “University”) did not properly perform required verification procedures for students receiving financial aid.

Through our testing of the verification procedures performed on 57 students, we noted errors affecting 8 students as follows:

- 1 student had an amount listed on the federal tax return that was excluded from the expected family contribution (EFC) calculation. Also the wrong budget was used for this student. This resulted in a reduction of the EFC by \$4,611.
- 1 student had taxes paid included in the EFC calculation, which were not applicable. The EFC calculation did not change.
- 1 student had an amount excluded from the EFC calculation that was listed on the federal tax return. This resulted in an increase in EFC of \$42.
- 1 student had an amount excluded from the EFC calculation that was included on the federal tax return. This resulted in an increase of the EFC by \$220.
- 1 student had an EFC calculated from a foreign tax return. The tax return was not converted to U.S. dollars and therefore the EFC was calculated based on the foreign currency. The EFC calculation did not change.
- 1 student had an amount excluded from the EFC calculation that was on the federal tax return. This resulted in an increase in EFC of \$167.
- 2 students had an incorrect family household size used in the EFC calculation. 1 student’s EFC did not change as a result of the correct calculation. The other student had a decrease in EFC of \$869.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012**

CURRENT FINDINGS - FEDERAL COMPLIANCE (continued)

Finding 12-4 - Performance of Financial Aid Verification Procedures (continued)

None of the errors described above resulted in an over award of financial aid.

An institution shall require each applicant whose application is selected to verify items specified in 34 CFR Section 668.56 which is used to determine the applicant's expected family contribution.

In addition, OMB Circular A-110, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations, requires nonfederal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations and program compliance requirements. Effective internal controls should include establishing procedures to ensure required documentation used to verify student information is obtained and evaluated prior to disbursement of Title IV funds. Additionally, corrections should be made as required by federal regulations and documentation of the performance of verification procedures should be maintained in the student's financial aid file.

University officials stated that the errors noted above were random and were due to the volume of transactions processed by the financial aid office.

Failure to properly perform verification procedures in accordance with federal regulations may result in students receiving the incorrect amount of financial aid. (Finding Code 12-4, 11-5).

Recommendation

We recommend that the University review its controls over the verification process to ensure that all students are awarded the correct amount of financial aid.

University's Response

The University concurs with this finding and recommendation.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012**

CURRENT FINDINGS - FEDERAL COMPLIANCE (continued)

Federal Agency: U.S. Department of Education

<u>Program Name</u>	<u>CFDA#</u>	<u>Program Expenditures</u>
Federal Direct Student Loans	84.268	\$ 27,744,633

Questioned Costs: None

Finding 12-5 - Direct Loan Cash Summary Reconciliation

Northeastern Illinois University (the “University”) did not reconcile its cash balance for the Federal Direct Loan Program on a monthly basis.

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 documented reconciliation of the cash balance to University records.

The Department of Education’s “Direct Loan School Guide”, Chapter 6, Reconciliation, requires that the University reconciles 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.

In addition, OMB Circular A-110, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations, requires nonfederal entities receiving federal awards establish and maintain internal controls designed to reasonably ensure compliance with federal laws, regulations and program compliance requirements. Effective internal controls should include procedures to ensure that program records are reconciled to the fiscal records on a monthly basis.

University officials stated that the financial aid office reviews the draw downs and reconciliations from the finance office and compares these with the SAS. Any discrepancies are resolved by the Loan Officer reviewing specific direct loan files. These actions are being performed. The cause of this finding is process documentation and improvements must be made in documenting procedures and reconciliations made between the Financial Aid Office and the finance office.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012**

CURRENT FINDINGS - FEDERAL COMPLIANCE (continued)

Finding 12-5 - Direct Loan Cash Summary Reconciliation (continued)

Failure to properly reconcile program and fiscal records is a violation of Federal regulations and could result in a loss of Federal funding. (Finding Code 12-5, 11-6).

Recommendation

We recommend 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's Response

The University concurs with this finding and recommendation.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012**

CURRENT FINDINGS - FEDERAL COMPLIANCE (continued)

Federal Agency: U.S. Department of Education

<u>Program Name</u>	<u>CFDA#</u>	<u>Program Expenditures</u>
Student Financial Aid Cluster	Cluster	\$49,447,539

Questioned Costs: None

Finding 12-6 - Unapproved Location

Northeastern Illinois University (the “University”) awarded student financial aid to students at an unapproved location.

Through our testing of the United States Department of Education School Participation Management Division, Eligibility and Certification Approval Report, we noted that one location (El Centro) in which a student can complete more than 50% of a degree program and receive student financial aid, was not approved by the Department of Education.

The Code of Federal Regulations (34 CFR 600.20(c)(1)) requires that any institution that wishes to expand the scope of its eligibility and certification and disburse Title IV funds must apply to the Secretary of Education and wait for approval to add a location at which the institution offers 50% or more of an education program.

University officials stated that this is an oversight. The program at El Centro has expanded to the point where it could be possible for someone to complete 50% of their degree at that facility. El Centro has since been added to the Program Participation Agreement.

Failure to properly obtain approval for locations as required by the Department of Education may jeopardize future Federal funding. (Finding Code 12-6).

Recommendation

We recommend that the University review its procedures to ensure that approval for required locations is obtained prior to the disbursement of Title IV funds.

University’s Response

The University concurs with this finding and recommendation. This finding has been addressed and the recommendation implemented.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012**

CURRENT FINDINGS - FEDERAL COMPLIANCE (continued)

Federal Agency: U.S. Department of Education

<u>Program Name</u>	<u>CFDA#</u>	<u>Program Expenditures</u>
Student Financial Aid Cluster	Cluster	\$ 49,447,539

Questioned Costs: None

Finding 12-7 - Refund of Student Credit Balances

Northeastern Illinois University (the "University") did not refund credit balances on student accounts within the required 14-day period.

Though our testing of 43 students for compliance with the regulations that govern refunding of credit balances to students, we noted that 1 student did not have their credit balance refunded within 14 days of the credit occurring.

The Code of Federal Regulations, 34 CFR 668.164(e), states, "Whenever an institution disburses title IV, HEA program funds by crediting a student's account and the total amount of all title IV, HEA program funds credited exceeds the amount of tuition and fees, room and board, and other authorized charges the institution assessed the student, the institution must pay the resulting credit balance directly to the student or parent as soon as possible but -

- (1) No later than 14 days after the balance occurred if the credit balance occurred after the first day of class of a payment period; or
- (2) No later than 14 days after the first day of class of a payment period if the credit balance occurred on or before the first day of class of that payment period."

University officials stated that this occurred because these funds were applied originally, in error, to the student's forthcoming fall term account balance. Bursar Services noted this error in the Banner Application of Payments process and reversed this action, correctly leaving the student with a credit balance in the term for which the funds were originally intended. Upon doing so a refund was promptly processed for this student, but 36 days had elapsed at this time. To prevent any future occurrence Bursar Services has thoroughly reviewed and updated the Application of Payments process.

Failure to properly refund credit balances on student accounts as required by the Department of Education may jeopardize future Federal funding. (Finding Code 12-7).

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012**

CURRENT FINDINGS - FEDERAL COMPLIANCE (continued)

Finding 12-7 - Refund of Student Credit Balances (continued)

Recommendation

We recommend that the University review its procedures to ensure that Title IV funds are applied correctly to student accounts and to ensure that credit balances are refunded within required timeframes.

University's Response

The University concurs with this finding and recommendation.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012**

CURRENT FINDINGS - FEDERAL COMPLIANCE (continued)

Federal Agency: U.S. Department of Education

<u>Program Name</u>	<u>CFDA#</u>	<u>Program Expenditures</u>
Federal Direct Student Loans	84.268	\$ 27,744,633

Questioned Costs: None

Finding 12-8 - Exit Counseling

Northeastern Illinois University (the "University") was not in compliance with the Federal Direct Loan Program exit counseling requirements.

Through our testing of 11 students that required Direct Loan exit counseling, we noted that 1 student did not complete the required exit counseling online, nor did the University notify the student within the required 30 day time frame of when the school first became aware that the student withdrew. The University notified the student by mail; however, the letter was mailed 5 days late.

34 CFR 685.304(b)(3) states that if a student borrower withdraws from school without the school's prior knowledge or fails to complete the exit counseling as required, exit counseling must be provided either through interactive electronic means or by mailing written counseling materials to the student borrower at the student borrower's last known address within 30 days after the school learns that the student borrower has withdrawn from school or failed to complete the exit counseling as required.

University officials stated that this was an oversight by the Financial Aid advisor for this particular student.

Failure to comply with exit counseling requirements may jeopardize future Federal funding. (Finding Code 12-8).

Recommendation

We recommend that the University review its procedures to ensure compliance with Direct Loan exit counseling requirements.

University's Response

The University concurs with this finding and recommendation.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012**

CURRENT FINDINGS - FEDERAL COMPLIANCE (continued)

Federal Agency: U.S. Department of Education

<u>Program Name</u>	<u>CFDA#</u>	<u>Program Expenditures</u>
Federal Direct Student Loans	84.268	\$27,744,633

Questioned Costs: None

Finding 12-9 - Enrollment Status Reporting

Northeastern Illinois University (the “University”) did not submit changes in the enrollment status of borrowers under the Federal Direct Loan (Direct Loan) program within required timeframes.

Through our testing of 31 students that received direct loans, we noted 1 student whose status change under the Direct Loan program was inaccurately reported to the National Student Loan Data System (NSLDS) as full-time rather than as withdrawn status. Upon further review, we noted this item relates to a student whose withdrawal was not processed until after the last status update in Spring 2012.

According to 34 CFR 685.309(b)(1) and (2), a school shall, upon receipt of a student status confirmation report from the Secretary, complete and return that report to the Secretary within 30 days of receipt; and, unless it expects to submit its next status confirmation report to the Secretary within the next 60 days, notify the Secretary within 30 days if it discovers that a Direct Subsidized, Direct Unsubsidized, or Direct PLUS loan has been made to or on behalf of a student who enrolled at that school but has ceased to be enrolled on at least a half-time basis.

According to 34 CFR 668.22(L)(3)(ii), for a student who did not provide notification of his or her withdrawal to the institution, the “date of the institution's determination that the student withdrew” for an institution that is not required to take attendance is the date that the institution becomes aware that the student ceased attendance.

University officials stated that this was an oversight. The student was internally reported as an unofficial withdrawal but the National Student Clearinghouse database was not updated with this information.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012**

CURRENT FINDINGS - FEDERAL COMPLIANCE (continued)

Finding 12-9 - Enrollment Status Reporting (continued)

Failure to properly report enrollment status of borrowers under the Direct Loan program may jeopardize future Federal funding. (Finding Code 12-9).

Recommendation

We recommend that the University review its procedures to ensure compliance with enrollment status reporting regulations under the Direct Loan program.

University's Response

The University concurs with this finding and recommendation.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012**

CURRENT FINDINGS - FEDERAL COMPLIANCE (continued)

Federal Agency: U.S. Department of Education

<u>Program Name</u>	<u>CFDA#</u>	<u>Program Expenditures</u>
TRIO Cluster	Cluster	\$ 1,873,662
Gaining Early Awareness and Readiness for Undergraduate Programs (Gear Up)	84.334	7,404,424
Higher Education - Institutional Aid	84.031	2,038,329

Questioned Costs: None

Finding 12-10 - Cash Management

Northeastern Illinois University (the “University”) made some Federal cash draws in excess of amounts paid out for program purposes.

Based on our testing of 21 federal funding draws for programs on the reimbursement funding method, we noted that the University received federal funds in excess of amounts already paid out for program purposes at the time of the draw request. The excess of the draws over the amounts already paid out for program purposes totaled the following for those programs tested as major programs:

- TRIO Cluster \$398,190
- Gear Up \$1,270,648
- Higher Education – Institutional Aid \$337,854

The excess draw downs were corrected by the University in the month following the draws.

The Code of Federal Regulations (31 CFR 205.12 (b) (5)) states reimbursable funding means that the grantor transfers federal funding to the University, after the University has paid out funds for the program’s purposes.

University officials stated that the condition noted above was due to oversight. The University has procedures in place to assure that funds will not be drawn in advance of actual expenditures; however, the procedures were not followed in the instances noted above.

Failure to comply with cash management regulations may jeopardize future Federal funding. (Finding Code 12-10).

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012**

CURRENT FINDINGS - FEDERAL COMPLIANCE (continued)

Finding 12-10 - Cash Management (continued)

Recommendation

We recommend that the University review its procedures to ensure compliance with cash management regulations.

University's Response

The University concurs with this finding and recommendation.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012**

CURRENT FINDINGS - STATE COMPLIANCE

Finding 12-11 - Timesheets Not Required

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

Based on our detailed testing of 75 employees’ timesheets, we noted that 28 faculty members and 9 graduate assistants were not required to file timesheets.

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, instructors, and graduate assistants. The employees documenting time to the nearest quarter hour are administrative and professional, civil service, miscellaneous hourly, student aide, work study, and resource professionals.

University officials stated that the University currently requires time reports from all hourly employees and administrative staff. The time reporting requirement has not been implemented for faculty or graduate assistants.

By not requiring positive time reporting from all its employees, the University is not in compliance with the Act. (Finding Code 12-11, 11-9, 10-8, 09-9, 08-6, 07-6, 06-5, 05-4).

Recommendation

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

University’s Response

The University concurs with this finding and recommendation and is reviewing policies and faculty union agreements to comply with this requirement.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012**

CURRENT FINDINGS - STATE COMPLIANCE (continued)

Finding 12-12 - Failure to Comply with the Identity Protection Act

Northeastern Illinois University (the "University") failed to implement the provisions of the Identity Protection Act (Act).

The Identity Protection Act (5 ILCS 179) required the University to draft and approve an identity-protection policy by June 1, 2011. Per the Act, the Policy must:

- Identify the Act.
- Require all employees identified as having access to Social Security numbers in the course of performing their duties to be trained to protect the confidentiality of social security numbers.
- Direct that only employees who are required to use or handle information or documents that contain social security numbers have access to such information or documents.
- Require that social security numbers requested from an individual be placed in a manner that makes the social security number easily redacted if required to be released as part of a public records request.
- Require that, when collecting a Social Security number or upon request by the individual, a statement of the purpose or purposes for which the agency is collecting and using the social security number be provided.

During our testing we noted that the University had not issued an identity-protection policy.

University officials stated that while a policy has not yet been approved, a draft of the policy has been created and is in the review process.

Failure to implement provisions of the Act results in noncompliance with the Act, does not promote the security and control of social security numbers, and increases the likelihood of identity theft. (Finding Code 12-12).

Recommendation

We recommend the University develop and approve an identity protection policy as required in the Identity Protection Act.

University's Response

The University concurs with this finding and recommendation.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012**

PRIOR FINDINGS NOT REPEATED

- A *Generally Accepted Accounting Principles (GAAP) Not Properly Applied to the State Universities Risk Management Association (SURMA) Asset*

Status: Not Repeated

It was recommended that the University implement controls to monitor the activities of SURMA and properly account for its participation in SURMA in accordance with GAAP.

In the current year, we noted that the University's accounting for its participation in SURMA was in accordance with GAAP. (Finding Code 11-2).

- B *Perkins Loan Processing Error*

Status: Not Repeated

It was recommended that the University implement controls to ensure that all Perkin's loan information is reported correctly to the NSLDS.

In the current year, we did not note any instances of inaccurate Perkin's loan information reported to the NSLDS from our sample test results. (Finding Code 11-4).

- C *Inaccurate Fiscal Operations Report and Application to Participate (FISAP) Reporting*

Status: Not Repeated

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

In the current year, we did not note any inaccuracies in the University's FISAP report based on our testing. (Finding Code No. 11-7).

- D *Generally Accepted Accounting Principles (GAAP) Not Properly Applied to Accrued Interest*

Status: Not Repeated.

It was recommended that the University improve its procedures to ensure that all accrued interest is recorded in their financial statements.

In the current year, we noted that GAAP was properly applied to accrued interest. (Finding code No. 11-8).

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES
For the Year Ended June 30, 2012**

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

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES
For the Year Ended June 30, 2012**

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 auditors' opinion, it is fairly stated in all material respects in relation to the basic financial statements as a whole from which it has been derived. The accountants' report also states the Analysis of Operations Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, they do not express an opinion or provide any assurance on it.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
FISCAL SCHEDULES AND ANALYSIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2012**

Schedule 1

<u>Federal Grantor/Pass-Through Grantor Program/Grant Title</u>	<u>CFDA Number</u>	<u>Pass-Through Number</u>	<u>Federal Expenditures</u>
MAJOR PROGRAMS			
Department of Education			
Student Financial Assistance Cluster			
Federal Pell Grant Program	84.063		\$ 18,705,585
Academic Competitiveness Grant Program	84.375		696
Federal Work Study Program	84.033		478,582
National Science and Mathematics Access to Retain Talent (SMART) Grants	84.376		13,248
Federal Supplemental Educational Opportunity Grant Program	84.007		271,114
Federal Perkins Loan Program (Note 2)	84.038		-
Federal Direct Student Loan Program (Note 3)	84.268		-
			<u>19,469,225</u>
Total Student Financial Assistance Cluster			
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334		<u>7,404,424</u>
TRIO Cluster			
TRIO - Talent Search Program	84.044		436,396
TRIO Upward Bound Program	84.047		373,271
TRIO Upward Bound Math and Science Competition	84.047		230,771
TRIO - Ronald E. McNair Post Baccalaureate Achievement	84.217		212,837
TRIO - Student Support Services - Regular; Disabilities; Teacher Prep	84.042		620,387
			<u>1,873,662</u>
Total TRIO Cluster			
Higher Education - Institutional Aid - CCRAA	84.031		179,271
Strengthening Institutions - PPOHA	84.031		360,156
Biomedical Environmental Medical Science	84.031		296,775
Strengthening Hispanic Serving Institutions - Retention Transfer Grad	84.031		643,800
Strengthening Institutions - Hispanic Serving Institutions	84.031		558,327
			<u>2,038,329</u>
Passed-Through Illinois State Board of Education			
<i>Twenty-First Century Community Learning Centers</i>			
Project 4421-07 '10	84.287		132,416
Project 4421-10 '10	84.287		19,549
Project 4421	84.287		420,490
			<u>572,455</u>
Passed-Through University of Illinois at Chicago			
Teacher Quality Partnership	84.336	0411	<u>475,078</u>
Total Department of Education			<u>31,833,173</u>
Total Major Programs			<u>31,833,173</u>

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
FISCAL SCHEDULES AND ANALYSIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2012**

Schedule 1

<u>Federal Grantor/Pass-Through Grantor Program/Grant Title</u>	<u>CFDA Number</u>	<u>Pass-Through Number</u>	<u>Federal Expenditures</u>
OTHER PROGRAMS			
Research and Development Cluster			
National Science Foundation			
Mathematical and Physical Sciences			
<i>Robust Numerical Methods in Polynomial Algebra with Approximate Data</i>	47.049		12,080
<i>Biological Sciences</i>	47.074		6,408
Passed-Through University of Wisconsin			
<i>How Does Teachers' Visual Scaffolding Support Students' Mathematics Learning</i>	47.076	192K850	<u>16,191</u>
Total National Science Foundation			<u>34,679</u>
Department of Agriculture			
Targeted Investigation of Earth Resources			
<i>Hispanic Serving Institutions Education Grants</i>	10.223		108,243
Collaboration and Retention in Environmental & Agriculture			
<i>Hispanic Serving Institutions Education Grants</i>	10.223		<u>94,251</u>
Total Department of Agriculture			<u>202,494</u>
National Aeronautics and Space Administration			
<i>Carbonite Magmas: source and Evolution of Earth's Deep Carbonate Reservoir</i>	43.008		<u>7,147</u>
Department of the Interior			
Fish and Wildlife Service			
<i>EPWO Habitat Restoration</i>	15.608		<u>22,509</u>
Total Research and Development Cluster			<u>266,829</u>
Department of Education			
Bilingual Education Training Grants			
<i>National Professional Development Program</i>	84.195		247,825
Rehabilitation Long-Term Training			
<i>Rehabilitation Counseling</i>	84.129		135,400
English Language Acquisition State Grants			
	84.365		121,692
PEP Aspira			
<i>Fund for the Improvement of Education</i>	84.215		120,875
Passed-Through Berwyn South School District 100			
<i>Professional Development in the Arts</i>	84.351	None	68,672
Passed-Through Illinois Board of Higher Education			
<i>No Child Left Behind</i>	84.367	None	286,106

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
FISCAL SCHEDULES AND ANALYSIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2012**

Schedule 1

<u>Federal Grantor/Pass-Through Grantor Program/Grant Title</u>	<u>CFDA Number</u>	<u>Pass-Through Number</u>	<u>Federal Expenditures</u>
OTHER PROGRAMS (continued)			
Department of Education (continued)			
Passed-Through RTI International <i>GEAR UP Study</i>	84.XXX	None	<u>34,013</u>
Total Department of Education			<u>1,014,583</u>
National Science Foundation			
Mathematical and Physical Sciences <i>Math and Science Cohort of Scholars</i>	47.049		124,239
American Recovery and Reinvestment Act <i>ARRA - Enriching the First Year Experience</i>	47.082		28,608
Passed-Through Chicago State University <i>Illinois Louis Stokes Alliance for Minority Participation</i>	47.076	None	<u>26,219</u>
Total National Science Foundation			<u>179,066</u>
Department of Health and Human Services			
National Institutes of Health <i>An Office of Research Development to Foster Research</i>	93.865		12,035
Passed-Through Illinois Department of Human Services <i>Substance Abuse Prevention</i>	93.959	10C6002591	59,392
Passed-Through Northwestern University <i>Select Training and Research Program</i>	93.859	PROJ0001509	<u>91,973</u>
Total Department of Health and Human Services			<u>163,400</u>
Department of Agriculture			
ARS and NEIU Partnership <i>Agricultural Research Basic and Applied Research</i>	10.001		<u>8,266</u>
Total Other Programs			<u>1,632,144</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 33,465,317</u>

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

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
FISCAL SCHEDULES AND ANALYSIS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2012**

NOTE 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*.

NOTE 2 - STUDENT LOAN PROGRAM ADMINISTERED BY THE UNIVERSITY

The University administered the following federal loan program during the year ended June 30, 2012:

Federal Perkins Loan Program CFDA #84.038

Outstanding balance at July 1, 2011	<u>\$ 2,337,282</u>
Additions:	
Interest income	32,109
Other income	<u>4,084</u>
Total additions	<u>36,193</u>
Deductions:	
Loans cancelled or written off	64,405
Collection costs	46,799
Administrative charges	11,255
Increase in allowance for doubtful account	<u>17,335</u>
Total deductions	<u>139,794</u>
Outstanding balance at June 30, 2012	<u>\$ 2,233,681</u>

Loans made by the University to eligible students under the Federal Perkins Loan Program during the year ended June 30, 2012 were \$220,100.

NOTE 3 - GUARANTEED LOANS

During the year ended June 30, 2012, the University awarded \$27,744,633 in new loans under the Federal Direct Student Loan Program (CFDA #84.268).

NOTE 4 - WAIVED MATCHING REQUIREMENT

During the year ended June 30, 2012, 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 Educational Opportunity Grant (FSEOG) funds.

STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
FISCAL SCHEDULES AND ANALYSIS
SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES, LAPSED BALANCES
AND BALANCES REAPPROPRIATED*
Appropriations for Fiscal Year 2012
Fourteen Months Ended August 31, 2012

	Appropriations (Net After Transfers)	Expenditures Through June 30, 2012	Lapse Period Expenditures July 1, to August 31, 2012	Total Expenditures	Balances Lapsed	Balances Reappropriated July 1, 2012
APPROPRIATED FUNDS						
General Revenue Fund 001 (Public Act 96-0956)	\$ 40,228,500					
Personal services		\$ 38,620,253	\$ 3,610	\$ 38,623,863	\$ -	\$ -
Social Security - Medicare contributions	-	532,037	-	532,037	-	-
Employer contributions to group insurance	-	1,072,600	-	1,072,600	-	-
Total General Revenue Fund	<u>40,228,500</u>	<u>40,224,890</u>	<u>3,610</u>	<u>40,228,500</u>	<u>-</u>	<u>-</u>
TOTAL APPROPRIATED FUNDS	<u>\$ 40,228,500</u>	<u>\$ 40,224,890</u>	<u>\$ 3,610</u>	<u>\$ 40,228,500</u>	<u>\$ -</u>	<u>\$ -</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
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES
LAPSED BALANCES AND BALANCES REAPPROPRIATED*
For the Years Ended June 30, 2012, 2011, and 2010

	Fiscal Years		
	2012 PA 97-0069	2011 PA 96-0956	2010 PA 96-0114
General Revenue Fund-001:			
Appropriations (Net after transfers)	\$ 40,228,500	\$ 40,695,200	\$ 39,247,700
Expenditures:			
Personal services	38,623,863	39,097,349	37,673,929
Social Security - Medicare Contributions	532,037	543,401	501,171
Employer Contributions to Group Insurance	<u>1,072,600</u>	<u>1,054,450</u>	<u>1,072,600</u>
Total Expenditures	<u>40,228,500</u>	<u>40,695,200</u>	<u>39,247,700</u>
Lapsed Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Federal Stimulus - ARRA Fund 001			
Appropriations (Net after transfers) - Educational Fund	\$ -	\$ -	\$ 1,050,000
Expenditures:			
Personal services			1,049,962
Appropriations (Net after transfers) - Government Services Fund	-	-	3,104,200
Expenditures:			
Personal services			3,104,200
Total Expenditures	<u>-</u>	<u>-</u>	<u>4,154,162</u>
Lapsed Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38</u>
Capital Development Fund - 141			
Appropriations (Net after transfers)	\$ -	\$ 16,018	\$ 219,783
Expenditures:			
Equipment and Remodeling of Buildings	-	16,018	203,766
Lapsed Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,017</u>
Grand Total, All Funds			
Total Appropriations (Net after transfers)	\$ 40,228,500	\$ 40,711,218	\$ 43,621,683
Total Expenditures	<u>40,228,500</u>	<u>40,711,218</u>	<u>43,605,628</u>
Lapsed Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,055</u>
Balances Reappropriated	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,017</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
COMPARATIVE SCHEDULE OF INCOME FUND REVENUES AND EXPENDITURES*
For the Years Ended June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
FUND BALANCE, BEGINNING OF YEAR	<u>\$ 35,288,396</u>	<u>\$ 18,162,727</u>
Income fund revenues:		
Tuition	60,288,780	58,453,799
Rental income	52,809	47,873
Investment income	140,398	97,149
Miscellaneous	<u>1,699,642</u>	<u>2,330,751</u>
Total income fund revenues	<u>62,181,629</u>	<u>60,929,572</u>
Income fund expenditures:		
Personal services (including change in accrued compensated absences)	30,557,292	26,834,428
Social Security, Medicare, health and life insurance	431,732	343,682
Contractual services	7,906,905	8,402,919
Travel	285,323	254,450
Commodities	1,098,595	1,008,981
Equipment and library books	1,935,240	1,606,032
Telecommunications	557,421	524,554
Operation of automotive	32,147	25,043
Awards, grants and matching funds	473,647	312,038
Permanent improvements	228,584	755,508
Tuition and fee waivers	<u>3,872,852</u>	<u>3,736,268</u>
Total income fund expenditures	<u>47,379,738</u>	<u>43,803,903</u>
FUND BALANCE, END OF YEAR	<u>\$ 50,090,287</u>	<u>\$ 35,288,396</u>

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

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
FISCAL SCHEDULES AND ANALYSIS
SCHEDULE OF CHANGES IN CAPITAL ASSETS*
For the Years Ended June 30, 2012, 2011, and 2010**

	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2012</u>
Land	\$ 3,518,301	\$ -	\$ -	\$ 3,518,301	\$ 12,377,064	\$ -	\$ 15,895,365
Land improvements	10,964,957	-	-	10,964,957	-	-	10,964,957
Building and building improvements	130,800,183	3,399,811	126,938	134,073,056	296,749	-	134,369,805
Equipment and library books	54,780,884	2,700,476	1,535,655	55,945,705	3,705,644	3,167,891	56,483,458
Construction in progress	817,331	4,260,807	2,406,428	2,671,710	5,281,985	-	7,953,695
Total	<u>\$ 200,881,656</u>	<u>\$ 10,361,094</u>	<u>\$ 4,069,021</u>	<u>\$ 207,173,729</u>	<u>\$ 21,661,442</u>	<u>\$ 3,167,891</u>	<u>\$ 225,667,280</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
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENSES
For the Year Ended June 30, 2012**

The Statement of Revenues, Expenses, and Changes in Net Assets is presented on page 20 of the financial audit report. Following are explanations for significant variances between expense accounts exceeding \$100,000 and 10%:

	<u>2012</u>	<u>2011</u>	<u>Increase (Decrease)</u>		<u>Comments</u>
			<u>Amount</u>	<u>Percentage</u>	
Instruction	78,899,658	70,745,029	\$ 8,154,629	12%	Increase mainly due to the following: (a) \$3.7 million increase in employee salaries due to the salary increases for negotiated and non-negotiated employees, (b) \$3.7 million increase in payments on behalf of the University for health insurance and retirement benefits, and c) \$.8 million increase in contractual and equipment expenses due to various remodeling projects.
Research	1,031,275	764,946	266,329	35%	Increase mainly due to the following: (a) \$0.1 million increase in employee salaries and payments on behalf of the University, and (b) \$0.2 million increase in grant expenditures primarily due to the increase in the two research grants from the U.S. Department of Agriculture.
Academic support	10,569,274	9,603,298	965,976	10%	Increase mainly due to the following: (a) \$0.3 million increase in employee salaries, (b) \$0.1 million increase in payments on behalf of the University, c) \$0.4 million increase in contractual expenditures mainly due to the increase in advertising efforts to increase enrollment and retention.
Student service and program	13,077,999	11,608,228	1,469,771	13%	Increase mainly due to the following (a) \$0.3 million increase in employee salaries, (b) \$0.7 million increase in payments on behalf of the University, and c) \$0.3 million increase in student health insurance.
Institutional support	11,957,194	13,440,062	(1,482,868)	-11%	Decrease mainly due to the decrease in accrued vacation and sick leave expenses because of the large number of employees who retired in FY 2012.
Auxiliary enterprises	4,999,239	4,052,508	946,731	23%	Increase mainly due to the purchase of the student CTA U-Pass for the first time in FY 2012.
Other operating expenses	1,462,165	1,763,866	(301,701)	-17%	Decrease mainly due to the following expenditures which incurred in FY 2011: (a) \$0.1 million issuance cost related to the COP's issued in September 2010 for the energy conservation project, (b) \$0.1 million repair and maintenance costs related to the parking facilities, and c) \$0.1 million decrease in other expenses.
Interest on indebtedness	1,673,942	1,499,699	174,243	12%	Increase was due to the interest related to the Certificates of Participation issued in 2010 - full year interest of about 0.4 million during the current fiscal year as against 6 months interest of about 0.2 million in fiscal year 2011.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
FISCAL SCHEDULES AND ANALYSIS
ANALYSIS OF SIGNIFICANT VARIATIONS IN REVENUES
For the Year Ended June 30, 2012**

The Statement of Revenues, Expenses, and Changes in Net Assets is presented on page 20 of the financial audit report. Following are explanations for significant variances between revenue accounts exceeding \$100,000 and 10%:

	<u>2012</u>	<u>2011</u>	Increase (Decrease)		Comments
			<u>Amount</u>	<u>Percentage</u>	
State and local grants	2,272,522	2,706,114	\$ (433,592)	-16%	The decrease was mostly due to the \$0.6 million decrease in 21st Century Community Learning Centers grant.
Nongovernmental grants and contracts	1,057,662	1,495,146	(437,484)	-29%	The decrease was mainly due to the closure of Arthur Foundation grant.
Payments on behalf of the University	39,101,845	33,390,867	5,710,978	17%	The increase was due to an increase in retirement benefit costs and employee health insurance costs financed by the State.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
FISCAL SCHEDULES AND ANALYSIS
ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING
For the Year Ended June 30, 2012**

There were no significant expenditures during the lapse period.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
FISCAL SCHEDULES AND ANALYSIS
ANALYSIS OF SIGNIFICANT ACCOUNT BALANCES
For the Years Ended June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
CASH AND INVESTMENTS		
The University's cash and investments are classified as follows:		
Cash and cash equivalents	\$ 49,252,846	\$ 42,612,199
Restricted cash and cash equivalents	2,944,566	7,635,272
Restricted investments	<u>1,358,686</u>	<u>1,346,959</u>
 TOTAL CASH AND INVESTMENTS	 <u>\$ 53,556,098</u>	 <u>\$ 51,594,430</u>
The University's cash and investments were held in the following accounts:		
Deposits held at U.S. Bank:		
University 2004 Bond Reserve Account	\$ 33,095	\$ 16,648
University 2004 Bond Account	424,213	424,208
University 1997 Bond Reserve Account	9,460	6,329
University 1973 Bond Account	284,733	275,122
Deposits held at Pittsburgh National Bank	21,723	30,928
Deposits held at JPMorgan Chase Bank:		
University Operating Account	2,975,088	2,303,057
University Operating Investment Account	46,972,138	41,613,521
University Clearing Account	(842,175)	(938,778)
University Payroll Account	(227,159)	(223,194)
University Federal Grant	64,074	-
University Student Refund Account	(241,226)	(265,397)
Student Union Revenue Fund	44	29,044
Repair and Replacement Account	357,166	332,166
Equipment Reserve	134,885	134,885
University Emergency Loan Account	(450)	(2,493)
2006 Certificate of Participation Project Account	1,040,913	1,681,793
2010 Certificate of Participation Project Account	638,334	4,704,149
U.S. Treasury Notes	1,114,198	1,102,471
U.S. Bank Jumbo Customers' Deposit	244,488	244,488
Illinois Funds	545,356	118,183
Petty Cash - all accounts	<u>7,200</u>	<u>7,300</u>
 TOTAL CASH AND INVESTMENTS	 <u>\$ 53,556,098</u>	 <u>\$ 51,594,430</u>

As of June 30 2012, all deposit amounts were fully collateralized with federal government securities pledged by the applicable financial institution, were invested in U.S. Government securities, money market funds, or were on deposit with Illinois Funds. The Illinois Funds includes investment in U.S. Government-backed securities which yielded an average annual rate of 0.068% during fiscal year 2012. the University has the right to withdraw its participation from the pool at any point in time. The U.S. Treasury Notes have an average interest rate of 1.841%.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
FISCAL SCHEDULES AND ANALYSIS
ANALYSIS OF SIGNIFICANT ACCOUNT BALANCES
For the Years Ended June 30, 2012 and 2011**

RECEIVABLES

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

	<u>2012</u>	<u>2011</u>
Grants	\$ 3,477,360	\$ 3,089,505
Student loans	1,919,357	2,024,367
Tuition and fees	4,502,694	3,660,151
Other receivables	<u>12,721,387</u>	<u>17,808,831</u>
TOTAL RECEIVABLES	<u>\$ 22,620,798</u>	<u>\$ 26,582,854</u>

Grants receivable consists of amounts due from the federal government and other granting sources at the end of the fiscal year. The increase in total grants receivables was mainly due to the timing of the collection. Other receivables consist primarily of amounts due from State appropriation, parking fines, library fines, and other miscellaneous receivables. The significant decrease in other receivables was due to the more timely reimbursement payments for the payroll expenses from the State Comptroller.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
FISCAL SCHEDULES AND ANALYSIS
ANALYSIS OF SIGNIFICANT ACCOUNT BALANCES
For the Years Ended June 30, 2012 and 2011**

RECEIVABLES, continued

The aging of such receivables, by type, as of June 30, 2012, is as follows:

	<u>Current</u>	<u>1-2 years</u>	<u>2-3 years</u>	<u>Over 3 years</u>	<u>Total</u>
GRANTS	\$ 3,477,360	\$ -	\$ -	\$ -	\$ 3,477,360
STUDENT LOANS					
Perkins loan	\$ 2,224,353	\$ 94,087	\$ 95,307	\$ 251,735	\$ 2,665,482
Emergency loan	16,038	2,393	2,876	25,172	46,479
TOTAL STUDENT LOANS	<u>\$ 2,240,391</u>	<u>\$ 96,480</u>	<u>\$ 98,183</u>	<u>\$ 276,907</u>	2,711,961
Allowance for doubtful accounts					<u>(792,604)</u>
NET STUDENT LOANS					<u>\$ 1,919,357</u>
TUITION AND FEES					
From students	\$ 4,511,316	\$ 1,372,887	\$ 985,000	\$ 1,363,047	\$ 8,232,250
Third party reimbursements	298,071	-	-	-	298,071
TOTAL TUITION AND FEES	<u>\$ 4,809,387</u>	<u>\$ 1,372,887</u>	<u>\$ 985,000</u>	<u>\$ 1,363,047</u>	8,530,321
Allowance for doubtful accounts					<u>(4,027,627)</u>
NET TUITION AND FEES					<u>\$ 4,502,694</u>
OTHER RECEIVABLES					
Parking fines	\$ 68,054	\$ 57,430	\$ 50,433	\$ 120,352	\$ 296,269
Library fines	95,572	105,536	427,420	-	628,528
Other accruals	12,525,960	-	-	-	12,525,960
TOTAL OTHER RECEIVABLES	<u>\$ 12,689,586</u>	<u>\$ 162,966</u>	<u>\$ 477,853</u>	<u>\$ 120,352</u>	13,450,757
Allowance for doubtful accounts					<u>(729,370)</u>
NET OTHER RECEIVABLES					<u>\$ 12,721,387</u>

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
FISCAL SCHEDULES AND ANALYSIS
ANALYSIS OF SIGNIFICANT ACCOUNT BALANCES
For the Years Ended June 30, 2012 and 2011**

LIABILITIES

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

	<u>2012</u>	<u>2011</u>
Accounts payable and accrued liabilities	\$ 8,207,393	\$ 7,532,184
Deferred revenues	3,108,943	2,664,518
Liability for compensated absences	6,320,588	8,308,024
Revenue bonds payable	17,350,000	17,520,000
Certificates of participation, net	18,285,585	18,915,869
Funds held in custody for others	<u>244,579</u>	<u>139,460</u>
TOTAL LIABILITIES	<u>\$ 53,517,088</u>	<u>\$ 55,080,055</u>

Accounts payable and accrued expenses includes vacation and sick leave pay that is scheduled for payment. The increase in accounts payable and accrued liabilities was mainly due to \$0.8 million vacation and sick leave payouts to employees who had retired as of June 30, 2012.

Increase in deferred revenues was mainly due to the receipts on which allocated deferred revenues on tuition and fees was based was about \$5.4 million in FY 2012 compared to \$4.5 million in FY 2011.

Decrease in liability for compensated absences of about \$1.9 million was due mainly to a substantial number of employees who retired in FY 2012.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
FISCAL SCHEDULES AND ANALYSIS
SUMMARY OF INDIRECT COST REIMBURSEMENT FUNDS
For the Year Ended June 30, 2012**

FUND BALANCE, JUNE 30, 2011	\$ 1,394,759
21st CCLC Morton High School	\$ 33,251
21st Century Community Cntrs CBCPS	5,347
Academic Enhancements	87,174
Berwyn Cicero Initiative Ed Excel	14,779
Berwyn Professional Dev In Arts Ed	3,392
Bookstore	16,826
Bridges to the Future	(1,445)
Campus Recreation	41,404
Chicago Literacy Initiative Partners	2,860
Childcare Center	33,008
CPS Early Childhood Bilingual	30,671
English Language Acquisition	18,357
Enliten	9,014
Enriching The First Year Experience	6,791
Fish and Wildlife EPWO Habitat Rest	2,046
Fry Foundation	5,653
GEAR UP Programs	467,220
Health Services	18,472
International Study Project	4,891
Japan Foundation	2,307
JS Morton High School District 201	2,134
Kirk Yard Tract Insect Survey	2,106
Korean English Teacher Wrkshp Sum11	12,667
Learning Together	(8)
Least Restrictive Environment Program	215
Louis Stoke Alliance Minority	3,594
McNair Scholars Program	12,131
NCLB Plans For Academic Success	17,193
Non-Credit Contracts	3,879
Northwestern University START Program	6,813
NU Neighbors to Reduce Cancer Dispa	9,757
Office Of Research Development	350
On Line Course Fees CTL	9,537
Parking Lot Administration	124,394
PEP Villa Park	79
Performing Arts	9,203
Perkins Loan Program	11,255
Physical Education Program Aspira	8,875
Polk Bros Every Art Every Child	3,428

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
FISCAL SCHEDULES AND ANALYSIS
SUMMARY OF INDIRECT COST REIMBURSEMENT FUNDS
For the Year Ended June 30, 2012**

Rehabilitation Long Term Training	10,030	
RTI International GEAR UP Study	2,013	
SEOG Program	12,910	
SSSP Teacher Preparation	13,129	
SSSP With Disabilities	17,408	
Student Activities	45,857	
Student Support Services Program	15,418	
Student Union service	75,525	
Talent Search	32,326	
Technology Initiatives	196,703	
Terra Studio Thinking Amer Art '12	3,324	
UIC Teacher Quality Partnership	35,191	
Upward Bound	44,184	
USDA - CREAR 2011	873	
USDA - TIERRA 2011	16,716	
UW Visual Scaffolding For Math	4,644	
Vending	6,632	
Work Study Programs	19,504	1,592,007
Other Source-IC on Course Fees/Pell Administrative Fee		<u>37,896</u>
Total Available		3,024,662
Less: Expenditures and Transfer		
Academic Services	526,751	
Administrative Services	387,827	
Student services	59,162	
Public Services	408	
Funds Transferred to Income Fund	674,099	<u>1,648,247</u>
FUND BALANCE, JUNE 30, 2012		<u>\$ 1,376,415</u>

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
FISCAL SCHEDULES AND ANALYSIS
SCHEDULE OF INDIRECT COST FUNDS TO BE DEPOSITED INTO
THE UNIVERSITY INCOME FUND AS REQUIRED BY THE 1982
UNIVERSITY GUIDELINES (AMENDED 1997)
For the Year Ended June 30, 2012**

1.	Cash and cash equivalents balance: Cash and cash equivalents	\$ 1,446,609
2.	Allocated reimbursements: Total indirect cost reimbursements allocated for expenditure for the fiscal year completed: \$1,806,707: enter 30% of this amount	542,012
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	180,671
4.	Encumbrances and current liabilities paid in the lapse period: Current liabilities and encumbrances	<u>70,602</u>
5.	Indirect cost carry-forward	<u>793,285</u>
EXCESS CASH TO BE DEPOSITED TO THE UNIVERSITY INCOME FUND		<u><u>\$ 653,324</u></u>

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
FISCAL SCHEDULES AND ANALYSIS
OTHER ENTITIES AND AUXILIARY ENTERPRISES - CALCULATION SHEET FOR CURRENT EXCESS FUNDS (UNAUDITED)
For the Year Ended June 30, 2012**

		Student Fee Programs	Public Service Activities	Student and Staff Services	Service Departments	Other Educational Services	Educational Contracts	Auxiliary Enterprises			Total Auxiliary Enterprises
								Student Union	Parking Lot Administration	Other Auxiliary Enterprises	
1. Current available funds											
Cash	A.	<u>\$ 5,400,753</u>	<u>\$ 243,380</u>	<u>\$ 106,041</u>	<u>\$ 515,468</u>	<u>\$ 121,690</u>	<u>\$ 119,664</u>	<u>\$ 415,678</u>	<u>\$ 1,515,696</u>	<u>\$ 403,459</u>	<u>\$ 2,334,833</u>
2. Working capital allowance											
Highest month's expenditures		\$ 1,007,375	\$ 96,184	\$ 1,469,429	\$ 490,393	\$ 51,809	\$ 185,486	\$ 550,905	\$ 430,600	\$ 711,151	\$ 1,692,656
Encumbrances and current liabilities paid in lapse period		788,351	34,730	73,260	247,702	16,908	58	30,424	57,005	22,047	109,476
Deferred income		329,204	-	85,685	-	-	-	52,690	99,901	-	152,591
Refundable deposits		-	18	-	-	-	-	-	-	347,563	347,563
Working capital allowance	B.	<u>\$ 2,124,930</u>	<u>\$ 130,932</u>	<u>\$ 1,628,374</u>	<u>\$ 738,095</u>	<u>\$ 68,717</u>	<u>\$ 185,544</u>	<u>\$ 634,019</u>	<u>\$ 587,506</u>	<u>\$ 1,080,761</u>	<u>\$ 2,302,286</u>
3. Current excess funds (margin of compliance):											
Deduct B from A	C.	<u>\$ 3,275,823</u>	<u>\$ 112,448</u>	<u>\$ (1,522,333)</u>	<u>\$ (222,627)</u>	<u>\$ 52,973</u>	<u>\$ (65,880)</u>	<u>\$ (218,341)</u>	<u>\$ 928,190</u>	<u>\$ (677,302)</u>	<u>\$ 32,547</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	D.	<u>(550,778)</u>	<u>(1,078,983)</u>			<u>(1,386,692)</u>	<u>(205,103)</u>				<u>(762,965)</u>
Enter the algebraic sum of C and D and remit the amount due, if any, for deposit in the Income Fund		<u>\$ 2,725,045</u>	<u>\$ (966,535)</u>			<u>\$ (1,333,719)</u>	<u>\$ (270,983)</u>				<u>\$ (730,418)</u>
Excess Funds Offset											
Indentured capital reserves											
Allowable capital reserves		\$ 3,246,183	\$ 1,282,632			\$ 1,464,451	\$ 245,929				\$ 3,120,026
Actual capital reserves		<u>2,695,405</u>	<u>203,649</u>			<u>77,759</u>	<u>40,826</u>				<u>2,357,061</u>
Total Excess Funds Offset		<u>\$ 550,778</u>	<u>\$ 1,078,983</u>			<u>\$ 1,386,692</u>	<u>\$ 205,103</u>				<u>\$ 762,965</u>

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
FISCAL SCHEDULES AND ANALYSIS
DESCRIPTION OF ACCOUNTING ENTITIES
For the Year Ended June 30, 2012**

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, conference and assembly space, student card services, 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, and bookstore.

STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
FISCAL SCHEDULES AND ANALYSIS
OTHER ENTITIES AND AUXILIARY ENTERPRISES - BALANCE SHEETS
For the Year Ended June 30, 2012

	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	\$ 5,400,753	\$ 1,446,609	\$ 243,380	\$ 106,041	\$ 515,468	\$ 121,690	\$ 119,664	\$ 415,678	\$ 1,515,696	\$ 403,459	\$ 10,288,438
Accounts receivable - net	324,409	-	-	351,489	1,216	-	-	170,915	284,624	38,630	1,171,283
Prepaid expenses	331,702	814	450	625	-	-	-	263	-	-	333,854
Inventories	-	-	-	-	6,011	-	-	904	-	-	6,915
Total	<u>6,056,864</u>	<u>1,447,423</u>	<u>243,830</u>	<u>458,155</u>	<u>522,695</u>	<u>121,690</u>	<u>119,664</u>	<u>587,760</u>	<u>1,800,320</u>	<u>442,089</u>	<u>11,800,490</u>
Plant Fund Assets											
Cash and investments	2,695,405	-	203,649	(44,967)	2,056,225	77,759	40,827	452,944	797,190	1,106,927	7,385,959
Accounts receivable - net	-	-	-	-	-	-	-	-	-	-	-
Land and land improvements	586,912	-	289,662	154,362	279,798	233,836	3,642	634,433	4,557,154	376,621	7,116,420
Buildings and construction in progress	9,624,824	-	5,373,286	1,176,802	2,594,428	6,459,865	673,401	5,832,041	15,715,935	3,428,263	50,878,845
Equipment	3,325,345	-	43,808	110,647	5,832,066	2,180,449	263,088	624,802	931,117	95,340	13,406,662
Total	<u>16,232,486</u>	<u>-</u>	<u>5,910,405</u>	<u>1,396,844</u>	<u>10,762,517</u>	<u>8,951,909</u>	<u>980,958</u>	<u>7,544,220</u>	<u>22,001,396</u>	<u>5,007,151</u>	<u>78,787,886</u>
Total assets	<u>\$ 22,289,350</u>	<u>\$ 1,447,423</u>	<u>\$ 6,154,235</u>	<u>\$ 1,854,999</u>	<u>\$ 11,285,212</u>	<u>\$ 9,073,599</u>	<u>\$ 1,100,622</u>	<u>\$ 8,131,980</u>	<u>\$ 23,801,716</u>	<u>\$ 5,449,240</u>	<u>\$ 90,588,376</u>
Liabilities											
Current Fund Liabilities											
Accounts payable and accrued liabilities	\$ 788,351	\$ 70,602	\$ 34,730	\$ 73,260	\$ 247,702	\$ 16,908	\$ 58	\$ 67,890	\$ 84,964	\$ 31,285	\$ 1,415,750
Deferred income	329,203	406	-	85,685	-	-	-	52,689	99,901	-	567,884
Refundable deposits	-	-	18	-	-	-	-	-	-	347,563	347,581
Total	<u>1,117,554</u>	<u>71,008</u>	<u>34,748</u>	<u>158,945</u>	<u>247,702</u>	<u>16,908</u>	<u>58</u>	<u>120,579</u>	<u>184,865</u>	<u>378,848</u>	<u>2,331,215</u>
Plant Fund Liabilities											
Accounts payable and accrued liabilities	11,675	-	28,516	-	-	-	-	29,287	98,591	-	168,069
Revenue bonds payable	-	-	-	-	-	-	-	380,000	16,970,000	-	17,350,000
Total	<u>11,675</u>	<u>-</u>	<u>28,516</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>409,287</u>	<u>17,068,591</u>	<u>-</u>	<u>17,518,069</u>
Total liabilities	<u>1,129,229</u>	<u>71,008</u>	<u>63,264</u>	<u>158,945</u>	<u>247,702</u>	<u>16,908</u>	<u>58</u>	<u>529,866</u>	<u>17,253,456</u>	<u>378,848</u>	<u>19,849,284</u>
Fund Balance											
Current	4,939,310	1,376,415	209,082	299,210	274,993	104,782	119,606	467,181	1,615,455	63,241	9,469,275
Reserves - plant	2,683,730	-	175,133	(44,967)	2,056,225	77,759	40,827	423,657	698,599	1,106,927	7,217,890
Investment in plant	13,537,081	-	5,706,756	1,441,811	8,706,292	8,874,150	940,131	6,711,276	4,234,206	3,900,224	54,051,927
Total fund balance	<u>21,160,121</u>	<u>1,376,415</u>	<u>6,090,971</u>	<u>1,696,054</u>	<u>11,037,510</u>	<u>9,056,691</u>	<u>1,100,564</u>	<u>7,602,114</u>	<u>6,548,260</u>	<u>5,070,392</u>	<u>70,739,092</u>
Total liabilities and fund balance	<u>\$ 22,289,350</u>	<u>\$ 1,447,423</u>	<u>\$ 6,154,235</u>	<u>\$ 1,854,999</u>	<u>\$ 11,285,212</u>	<u>\$ 9,073,599</u>	<u>\$ 1,100,622</u>	<u>\$ 8,131,980</u>	<u>\$ 23,801,716</u>	<u>\$ 5,449,240</u>	<u>\$ 90,588,376</u>

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
FISCAL SCHEDULES AND ANALYSIS
OTHER ENTITIES AND AUXILIARY ENTERPRISES - SCHEDULE OF CHANGES
IN FUND BALANCES - CURRENT FUNDS
For the Year Ended June 30, 2012**

<u>Accounting Entities and Auxiliary Enterprises</u>	<u>Balance June 30, 2011</u>	<u>Revenues</u>	<u>Expenditures and Transfers</u>	<u>Balance June 30, 2012</u>
Student Fee Programs	\$ 3,159,533	\$ 9,476,340	\$ 7,696,563	\$ 4,939,310
Indirect Cost	1,394,759	1,629,903	1,648,247	1,376,415
Public Service Activities	123,515	459,535	373,968	209,082
Student and Staff Services	672,494	3,562,736	3,936,020	299,210
Service Departments	237,843	1,544,535	1,507,385	274,993
Other Educational Services	117,865	58,385	71,468	104,782
Educational Contracts	177,848	345,583	403,825	119,606
Student Union	436,086	1,624,733	1,593,638	467,181
Parking Lot Administration	1,338,549	2,488,122	2,211,216	1,615,455
Other Auxiliary Enterprises	<u>666,336</u>	<u>1,129,329</u>	<u>1,732,424</u>	<u>63,241</u>
 Total	 <u>\$ 8,324,828</u>	 <u>\$ 22,319,201</u>	 <u>\$ 21,174,754</u>	 <u>\$ 9,469,275</u>

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
FISCAL SCHEDULES AND ANALYSIS
SCHEDULES OF FEDERAL EXPENDITURES, NONFEDERAL
EXPENSES AND NEW LOANS
For the Year Ended June 30, 2012**

SCHEDULE A - FEDERAL FINANCIAL COMPONENT

Total federal expenditures reported on SEFA Schedule	\$ 33,465,317
Total new loans made not included on SEFA Schedule	27,744,633
Amount of federal loan balances at beginning of the year (not included on the SEFA Schedule and continued compliance required)	<u>2,337,282</u>

TOTAL SCHEDULE A \$ 63,547,232

SCHEDULE B - TOTAL FINANCIAL COMPONENT

Total operating expenses (from financial statements)	\$ 163,265,410
Total nonoperating expenses (from financial statements)	1,673,942
Total new loans made	27,744,633
Amount of federal loan balances at beginning of the year	<u>2,337,282</u>

TOTAL SCHEDULE B \$ 195,021,267

SCHEDULE C

		<u>Percent</u>
Total Schedule A	\$ 63,547,232	32.6%
Total nonfederal expenses	<u>131,474,035</u>	<u>67.4%</u>

TOTAL SCHEDULE B \$ 195,021,267 100.0%

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
UNIVERSITY FUNCTIONS AND PLANNING PROGRAM (UNAUDITED)
For the Year Ended June 30, 2012**

Description of Planning System

Functions

Mission

The University, as a public comprehensive university with locations throughout Chicago, provides an exceptional environment for learning, teaching, and scholarship. The University prepares a diverse community of students for leadership and service in our region and in a dynamic multicultural world.

Vision

The University will be a leader among metropolitan universities, known for its dedication to its urban mission, for the quality of its programs, for the success of its graduates, and for the diversity of its learning environment.

Values

The University is committed to a set of shared values - *integrity, excellence, access to opportunity, diversity, community, and empowerment through learning* - that, taken collectively, guides their actions and interactions, both within and throughout the University and outside the University, as they work together to prepare graduates for the responsible exercise of citizenship. These values serve as the touchstone for planning how the University will best achieve the educational mission entrusted to them.

Planning

The University has identified six strategic goals as the most critical objectives in meeting their Mission and achieving their Vision. These strategic goals, and the action steps accompanying each goal, will be used to establish their work and budget priorities each year and will serve as the framework to determine the success of the University. The six strategic goals are as follows:

- (1) **Student Success:** Ensure student success from recruitment through graduation by creating a culture in which all members of the University community are engaged in attracting, educating, and graduating students who achieve the objectives for baccalaureate and graduate degrees.
- (2) **Academic Excellence and Innovation:** Develop an environment that supports curricular and pedagogical innovation aligned with the mission of the institution, the standards of the disciplines, student needs, and career and civic opportunities in a global society.
- (3) **Urban Leadership:** Work collaboratively with educational, social service, governmental, and business institutions in Chicago and the region to build upon the University's tradition of community involvement.
- (4) **Exemplary Faculty and Staff:** Invest in faculty and staff to make the University a world-class metropolitan university and an employer of choice.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
ANALYSIS OF OPERATIONS
UNIVERSITY FUNCTIONS AND PLANNING PROGRAM (UNAUDITED)
For the Year Ended June 30, 2012**

Description of Planning System (continued)

Planning (continued)

- (5) Enhanced University Operations: Provide a supportive learning, teaching and working environment by improving operating productivity, physical infrastructure, and environmental sustainability.
- (6) Fiscal Strength: Enhance the University's financial position by reducing reliance on State general funds and student tuition, diversifying revenue sources, and strengthening institutional relationships with federal, state, and local governments, and private sponsors.

Also included in the University's strategic plan are the specific action steps, which outline the various activities the University will undertake in the next few years to achieve its strategic goals. The University will analyze the action steps under each strategic goal to determine the areas of responsibility, timeframes, required resources, priority order of the action steps, and yearly tasks that help them accomplish the action steps. The University will develop annual work plans and work teams (across units) as needed to move their plan forward.

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

The University will ask the University Budgetary Council to redefine its role to include an annual review of their strategic planning progress. Annual progress reports will be provided to the University community (e.g., the State of the University address) and the Board of Trustees.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
ANALYSIS OF OPERATIONS
UNIVERSITY ENROLLMENT AND EMPLOYEE INFORMATION (UNAUDITED)
For the Year Ended June 30, 2012**

Enrollment Information

Enrollments of both undergraduate and graduate students for each term (including extension centers and part-time students) for the school years 2011-2012 and 2010-2011, as shown in the Board of Trustees' Enrollment Report were as follows:

	<u>2011-2012</u>	<u>2010-2011</u>
Fall	11,580	11,746
Spring	10,801	11,166
Summer	5,072	5,638

Average Annual Full Time Equivalent (FTE) Enrollment

In fiscal year 2012, the University had an average FTE enrollment of 8,473 students, comprised of 7,173 undergraduates and 1,300 graduate students. This number was calculated in accordance with the Illinois Board of Higher Education guidelines as follows: annual undergraduate semester credit hours (SCH) divided by 30. It is assumed that a full-time undergraduate student enrolls for 15 hours per term, two terms per year. The same logic was used to calculate graduate FTE, except that SCH was divided by 24. It is assumed that a full-time graduate student enrolls for 12 hours per term, two terms per year.

Annual Cost per FTE Student

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

Assuming an undergraduate FTE enrolls for two terms at 15 hours per term, and that a graduate FTE enrolls for two terms at 12 hours per term, the fiscal year 2012 annual costs per FTE, calculated by dividing the total costs of instruction by the corresponding FTE, were as follows: a) undergraduate - \$9,265, and b) graduate - \$13,781.

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 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Costs per Credit Hour	\$ <u>325</u>	\$ <u>307</u>

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
ANALYSIS OF OPERATIONS
UNIVERSITY ENROLLMENT AND EMPLOYEE INFORMATION (UNAUDITED)
For the Year Ended June 30, 2012**

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 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
Student/Faculty Ratio	<u>18:1</u>	<u>18:1</u>

Employee Information

The average number of employees at the University during fiscal years 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
Administration	331	302
Faculty	541	415
Civil Service	522	528
Students	<u>521</u>	<u>277</u>
Total employees	<u><u>1,915</u></u>	<u><u>1,522</u></u>

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
ANALYSIS OF OPERATIONS
SERVICE EFFORTS AND ACCOMPLISHMENTS (UNAUDITED)
For the Year Ended June 30, 2012**

Source	Indicator							Target Value	Next Measurement Date
Student Success									
		2006	2007	2008	2009	2010	2011		
NEIU	First Year to Second Year Retention Rate	66.4%	66.3%	64.5%	67.3%	68.2%	64.1%	70.0%	Fall, 2012
NEIU	First Year to Third Year Retention Rate		48.4%	48.4%	45.9%	52.2%	52.1%	53.0%	Fall, 2012
NEIU	Six-Year Graduation Rate (Fall 2011 preliminary)		18.0%	18.4%	20.4%	20.1%	23.1%	24.0%	Fall, 2012
NEIU	New Freshmen Enrollment		957	1,017	1,071	1,042	950	1,000	Fall, 2012
NEIU	Undergraduates with Declared Majors and Pre-Majors		73.0%	71.8%	69.2%	72.9%	74.7%	76.0%	Fall, 2012
Enhanced University Operations									
		2006	2007	2008	2009	2010	2011		
IBHE	Comparative Instructional Costs as a Percentage of State Average	97.7%	94.3%	95.4%	98.2%	97.6%		100%	FY2011
NEIU	Energy Usage (BTUs of Energy per sq. ft.)		146.5	149.0	159.7	153.8	153.7	148.1	FY2012
NEIU	Institutional Support as Percentage of Total Operating Expenses			7.7%	7.9%	9.2%	8.8%	6.5%	FY2012
Fiscal Strength									
		2008	2009	2010	2011	2012			
NEIU	Tuition as Percentage of State Average	79.0%	81.0%	83.0%	85.0%	85.0%		< 95%	FY2012
NEIU	Endowment Contributions	\$ 287,610	\$ 632,425	\$ 490,374	\$ 109,581	\$ 463,764		\$ 486,952	FY2013
NEIU	Overall Contributions to NEIU	\$ 679,899	\$ 1,000,759	\$ 928,614	\$ 735,450	\$ 1,013,959		\$ 1,064,657	FY2013

**STATE OF ILLINOIS
 NORTHEASTERN ILLINOIS UNIVERSITY
 ANALYSIS OF OPERATIONS
 UNIVERSITY BOOKSTORE INFORMATION (UNAUDITED)
 For the Year Ended June 30, 2012**

The summary of University bookstore information for fiscal year 2012 is as follows:

Contracted/Rents to Students/University operated	Contracted
Contractor	Beck's Bookstore, Inc.
Contract term	07/01/11 - 06/30/21
Amount of gross sales for bookstore	\$3,590,082
Amount (if any) to be paid to bookstore by the University	None
Commissions	\$336,515
Commission terms	8.5% of Net Sales \$0 to \$2,000,000 9.0% of Net Sales up to \$4,000,000 9.5% of Net Sales above \$4,000,000
Given exclusive rights	Yes
Competition/"Other" nearby/On-campus bookstores	Barnes and Noble

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
ANALYSIS OF OPERATIONS - SPECIAL DATA REQUIREMENTS
FOR AUDITS OF UNIVERSITIES
UNIVERSITY REPORTING IN ACCORDANCE WITH UNIVERSITY
GUIDELINES (UNAUDITED)
For the Year Ended June 30, 2012**

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, 2012, where such special data is found.

Compliance Findings

13(a) There were no findings during the current year.

Indirect Cost Reimbursements

13(b) A statement of the sources and applications of indirect cost reimbursements is included on pages 54 and 55 of this report.

13(c) The University's calculation sheet for indirect cost carry-forward is included in this report on page 56. 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 58.

13(f) Entity financial statements are presented on pages 59 and 60 of this report. The entity financial statements should be read in conjunction with the University's audited financial statements for the year ended June 30, 2012.

13(g) The University's calculation sheet for current excess funds is presented in this report on page 57. The excess funds were deposited into the Income Fund within 45 days after the end of the lapse period.

13(h) Support received by Auxiliary Enterprises from State appropriated funds for retirement and group insurance benefits amounted to approximately \$172,129 and \$543,821, respectively, for the year ended June 30, 2012.

13(i) A Statement of Revenues and Expenses for Various Bond Indenture Required Accounts is presented on page 36 of the financial audit report.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
ANALYSIS OF OPERATIONS - SPECIAL DATA REQUIREMENTS
FOR AUDITS OF UNIVERSITIES
UNIVERSITY REPORTING IN ACCORDANCE WITH UNIVERSITY
GUIDELINES (UNAUDITED)
For the Year Ended June 30, 2012**

Auxiliary Enterprises, Activities and Accounting Entities (continued)

- 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 48 of the financial audit report.

University Related Organizations

- 13(l) The University recognizes the Northeastern Illinois University Foundation (the "Foundation") as University related organizations. The University has designated no organization as "Independent Organizations" as defined in Section VII of the *University Guidelines*.
- 13(m) The Foundation does not pay the University for services provided. Compensation is in the form of University support. See page 71 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 pages 40 and 41 of the financial audit report for details related to services and support provided.
- 13(o) At June 30, 2012, there were no unreimbursed subsidies to the Foundation from the University or appropriated funds.
- 13(p) There is no debt financing provided by the Foundation.

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 50 and 51, and in footnote 2 on page 27 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 64 in this report.
- 13(t) The University has purchased land for the construction of a new academic facility during the year ended June 30, 2012.

**STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
ANALYSIS OF OPERATIONS - SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES
SCHEDULE OF TUITION AND FEE WAIVERS (UNAUDITED)
For the Year Ended June 30, 2012**

(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
MANDATORY WAIVERS								
Teacher Special Education	12	\$ 50.7	12	\$ 10.0	7	\$ 68.0	7	\$ 13.4
General Assembly	15	70.3	15	13.9	1	2.1	1	0.4
ROTC	24	95.2	24	18.8	-	-	-	-
DCFS	4	22.1	4	4.4	-	-	-	-
Children of Employees	28	71.1	-	-	-	-	-	-
Senior Citizens	4	10.8	-	-	4	13.0	-	-
Veterans Grants & Scholarships	<u>268</u>	<u>647.8</u>	<u>268</u>	<u>128.1</u>	<u>60</u>	<u>135.1</u>	<u>60</u>	<u>26.6</u>
Subtotal	<u>355</u>	<u>968.0</u>	<u>323</u>	<u>175.2</u>	<u>72</u>	<u>218.2</u>	<u>68</u>	<u>40.4</u>
DISCRETIONARY WAIVERS								
Faculty/Administrators	2	8.2	2	1.6	44	66.8	44	13.3
Civil Service	52	92.2	52	18.3	86	129.6	86	25.7
Academic/Other Talent	455	1,042.7	-	-	222	264.4	-	-
Foreign Exchange Students	54	523.9	54	103.4	22	98.7	22	19.4
Student Need-Financial Aid	-	-	-	-	18	25.6	-	-
Student Need-Special Programs	111	179.1	-	-	-	-	-	-
Cooperating Professionals	-	-	-	-	68	73.4	-	-
Research Assistants	-	-	-	-	46	134.3	46	26.6
Teaching Assistants	-	-	-	-	38	64.9	38	12.9
Other Assistants	-	-	-	-	37	119.0	37	23.6
Interinstitutional/Related Agencies	32	65.7	32	13.0	8	18.0	8	3.6
Contract/Training Grants	-	-	-	-	<u>41</u>	<u>128.5</u>	<u>41</u>	<u>25.3</u>
Subtotal	<u>706</u>	<u>1,911.8</u>	<u>140</u>	<u>136.3</u>	<u>630</u>	<u>1,123.2</u>	<u>322</u>	<u>150.4</u>
TOTAL	<u>1,061</u>	<u>\$ 2,879.8</u>	<u>463</u>	<u>\$ 311.5</u>	<u>702</u>	<u>\$ 1,341.4</u>	<u>390</u>	<u>\$ 190.8</u>

**STATE OF ILLINOIS
 NORTHEASTERN ILLINOIS UNIVERSITY
 ANALYSIS OF OPERATIONS - SPECIAL DATA REQUIREMENTS
 FOR AUDITS OF UNIVERSITIES
 SUMMARY OF FOUNDATION PAYMENTS TO
 THE UNIVERSITY (UNAUDITED)
 For the Year Ended June 30, 2012**

During fiscal year June 30, 2012, 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 \$281,857 of services to the Foundation. As required by the contract, the Foundation repaid the University, using funds considered unrestricted for purposes of the University Guidelines computations. In addition, the Foundation gave the University non-qualifying restricted funds. Presented below is a summary of all funds that the Foundation gave to the University during the audit period.

Funds considered unrestricted for purposes of the University Guidelines computations:	
Restricted only as to campus, college or department and generally available for on-going University operations:	
Given to specific departments	\$ 435,333
Funds considered restricted for purposes of the guidelines computations:	
Given for scholarships, and grants and awards	<u>124,617</u>
Total funds provided to the University by the Foundation	559,950
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>18,077</u>
Total financial and service support	<u>\$ 578,027</u>