

LEGISLATIVE AUDIT COMMISSION



Review of
Northeastern Illinois University
Year Ended June 30, 2016

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REVIEW: 4475
NORTHEASTERN ILLINOIS UNIVERSITY
YEAR ENDED JUNE 30, 2016

FINDINGS/RECOMMENDATIONS - 17

ACCEPTED - 12
IMPLEMENTED - 4
PARTIALLY ACCEPTED - 1

REPEATED RECOMMENDATIONS - 10

PRIOR AUDIT FINDINGS/RECOMMENDATIONS - 14

This review summarizes the reports on Northeastern Illinois University for the year ended June 30, 2016. The financial audit was filed with the Legislative Audit Commission on February 2, 2017, and the compliance examination was filed on March 29, 2017. The auditors performed the audits in accordance with State law, the Single Audit Act and applicable federal regulations. The auditors stated that the financial statements were fairly presented.

Northeastern Illinois University's mission, with locations throughout Chicago, is to provide an exceptional environment for learning, teaching and scholarship and prepare a diverse community of students for leadership and service in the region and in a dynamic multicultural world.

Dr. Sharon K. Hahs was President of the University from February 2007 through September 2016. Dr. Richard J. Helldobler became Interim President on October 1, 2016. Dr. Helldobler was previously Provost and Vice President for Academic Affairs at the University.

General Information

The following is a summary of net assets of the University:

	At June 30	
	FY16	FY15
Current assets	\$ 43,956,000	\$ 71,379,000
Noncurrent assets:		
Restricted cash/cash equivalents	578,000	567,000
Receivables, net	2,371,000	2,439,000
Capital assets, net	167,404,000	163,182,000
Other assets	891,000	491,000
Total noncurrent assets	171,244,000	166,679,000
Total	\$ 215,200,000	\$ 238,058,000

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The average number of employees at the University during FY16 and FY15 was as follows:

	FY16	FY15
Administration	337	322
Faculty	608	549
Civil Service	602	613
Students	455	378
TOTAL	2,002	1,862

Enrollments of both undergraduate and graduate students for each term (including extension centers and part-time students) for FY16 and FY15 were as follows:

	2015-16	2014-15
Fall	9,891	10,275
Spring	9,090	9,243
Summer	4,396	4,576

Using the above enrollment data, in FY16 the University had an average full-time equivalent enrollment of 6,913 students, comprised of 5,807 undergraduates, and 1,106 graduate students. This compares to a total full-time equivalent enrollment of 7,119 in FY15 and 7,477 in FY14.

The University's cost per full-time equivalent undergraduate student was \$11,177 in FY16 compared to \$11,504 in FY15. The cost per full-time equivalent graduate student was \$14,599 in FY16 compared to \$15,288 in FY15.

Expenditures From Appropriations and The Income Fund

Appendix A presents a summary of appropriations and expenditures for the period under review. The General Assembly appropriated a total of \$10,695,100 to Northeastern Illinois University in FY16 compared to \$36.9 million in FY15. Total expenditures from appropriations were \$10,695,076 in FY16, and \$36,898,800 in FY15. In FY16, revenues to the Income Fund totaled \$60.6 million, and \$43 million remained in the Fund from FY15. Due to the decrease in appropriations, expenditures from the Income Fund in FY16 totaled \$85.9 million, leaving a year-end fund balance of \$17.9 million. 2014 was the first year since 2006 that the University expenditures from the Income Fund exceeded Income Fund revenues.

Revenues, Expenses, and Changes in Net Position

The table appearing in Appendix B presents a statement of revenues, expenses and changes in net position for the years ended June 30, 2016 and 2015. Revenues were

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\$167,153,000 as of June 30, 2016 compared to \$189,474,000 in FY15. The following chart indicates the source of revenue and percent of the total during FY16 and FY15:

Revenues	FY16	FY15
On Behalf Payments	36.3%	29.3%
Tuition & Fees	29.2%	24.7%
Grants & Contracts	25.2%	23.4%
State Appropriations	6.4%	19.5%
Auxiliary Enterprises	1.8%	1.8%
Other Revenues	1.1%	1.3%

Operating expenses during FY16 totaled \$187,916,000 compared to \$187,386,000 in FY15, with net position decreasing from \$160.7 million in FY15 to \$140.2 million in FY16. Expenses during FY16 and FY15 as a percent of the total were as follows:

Expenses	FY16	FY15
Instruction	46.5%	45.7%
Public Service	9.8%	8.6%
Institutional Support	9.7%	10.1%
Plant Maintenance & Operation	8.7%	9.9%
Student Services & Programs	8.8%	8.9%
Academic Support	5.4%	5.8%
Auxiliary, Depreciation, Other	11.1%	11.0%

Receivables

Appendix C summarizes the University's receivables for FY16 and FY15. The University's receivables (net of allowance for doubtful accounts, \$12.5 million in FY16 and \$10 million in FY15) totaled \$14,936,178 in FY16. Total receivables (net) were \$20.7 million one year earlier. Receivables decreased \$5.8 million, or 28% in FY16, compared to FY15. Other receivables consist primarily of amounts due from State appropriation, parking fines, library fines and miscellaneous receivables. The significant decrease in other receivables was due to the decrease in appropriation receivables.

Property and Equipment

Appendix D summarizes the changes in property and equipment. The ending balance in FY16 was \$290,477,760 compared to \$279,014,369 in FY15. Much of the increase was due to building and building improvements, as well as construction in progress.

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Funds Provided by and to the Foundation

Appendix E provides a summary of funds provided by and to the Foundation. During FY16, the University provided \$108,544 in services to the Foundation. As required by the contract, the Foundation repaid the University and gave the University funds of \$1,345,348 in FY16. This compares to \$745,460, which the Foundation provided to the University in FY15.

Tuition and Fee Waivers

During FY16, Northeastern Illinois University granted \$4,997,600 in tuition and fee waivers, which compares to \$4,893,000 granted in FY15. In FY16, Northeastern Illinois University granted \$1.4 million in waivers mandated by statute, and \$3.5 million in waivers which are discretionary. The largest categories of FY16 waivers were for academic scholarships, veterans and foreign exchange students. Appendix F provides a summary of the tuition waivers granted in FY16 and FY15.

Accountants' Findings and Recommendations

Condensed below are the 17 recommendations, 10 repeated, presented in the audit reports. The following recommendations are classified on the basis of information printed in the original reports and updated responses received via email on August 17, 2017. The responses were provided by Michael Pierick, Vice President for Finance and Administration/Treasurer, Northeastern Illinois University.

Accepted or Implemented

- 1. Implement procedures to ensure bond related costs are properly identified and recorded in the accounting records in order to facilitate accurate financial reporting.**

Finding: The University has not established adequate internal controls over recording of bond issuance costs.

During FY16, the University issued Certificates of Participation (COP) Series 2015 in the amount of \$9,510,000 as a result of refunding all the outstanding COP Series 2006. During testing, auditors noted the University incorrectly recorded a bond discount of \$201,582, composed of underwriters' discounts of \$152,332 and a bond insurance premium of \$49,250. The bond discount is presented as a reduction in COP Series 2015 in the University's originally submitted financial statements. The University also has recorded an amortization of the bond discount of \$20,158 during FY16.

Further, in FY15 when the University issued Revenue Bond Series 2014, the auditors noted that the University also incorrectly recorded a bond discount of \$300,020 for Revenue Bond

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Series 2014, composed of underwriters' discounts of \$266,570 and a bond insurance premium of \$33,450. The bond discount is presented as a reduction in Revenue Bond Series 2014 in the University's prior year financial statements. The University recorded an amortization of bond discount for Revenue Bond Series 2014 of \$7,501 and \$15,001 in FY15 and FY16, respectively.

The auditors proposed audit adjustments to correct the matters described above. University management reviewed and accepted the proposed adjustments; however, the University recorded the entire unamortized amount of \$458,942 to expense during the current fiscal year since the adjustment to beginning net position and prepaid expenses was determined to be immaterial in relation to the financial statements.

University management stated that current understaffing and subsequent re-arranging of staff duties caused the University to mistakenly misclassify the bond issuance costs.

Response: Accepted. The University believes the oversight to be an isolated incident and will continue to implement procedures that are in place for adequate review of complete and accurate financial data.

2. Establish and implement procedures to improve controls over monitoring of deposits and investments to ensure compliance with University investment policy.

Finding: The University did not have adequate controls over deposits and investments to comply with its investment policy.

The University utilizes several different banks for its various activities. As of June 30, 2016, the University had a total deposit of \$31,741,514 in one of its banks. The total bank deposits in excess of the \$250,000 Federal Deposit Insurance Corporation (FDIC) coverage amounted to \$31,491,514. During review of the University's compliance with its investment policy, it was noted that the bank provided pledge collateral of U.S. Treasury Notes with a total market value of \$33,548,733 as of June 30, 2016 (106% of the total bank deposits in excess of FDIC coverage).

Further, auditors also noted the University did not perform a review of the adequacy of collateral coverage on a regular basis during the fiscal year.

University management stated the condition noted was the result of an inconsistency between the University's investment policy of 110% collateralization for certain deposits (those above federally insured amount) and the actual compliance level required by the University's bank of 100%. Management stated that review of the adequacy of collateral coverage was not performed due to oversight.

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Accepted or Implemented – continued

Response: Accepted. The University is now in the process of reviewing and updating its investment policy and the collateral agreement with the bank to improve procedures in monitoring its deposits and investments and ensure compliance with policy.

Update Response: Partially Implemented. Completed update of Investment Policy.

3. **Accumulate relevant, sufficient and reliable data for analysis and adjust methodology for calculating the allowance for doubtful accounts, as necessary. Also, perform a retrospective review of the estimate developed in the preceding year to determine if the estimate was reasonable based upon actual results in the subsequent period. Further, implement procedures to ensure construction in progress (CIP) projects are properly and regularly monitored to facilitate accurate financial reporting.**

Finding: The University did not establish an adequate process to evaluate the estimated allowance for doubtful accounts receivable and did not have adequate controls in place to monitor the completion of its construction projects.

In the performance of auditing procedures, auditors noted the following:

- The University estimated the allowance for doubtful accounts of the student accounts receivable to be \$10,826,833 (60%) of the gross student accounts receivable balance of \$18,055,339 at June 30, 2016. The allowance for doubtful accounts was calculated by applying estimated percentages of allowance for doubtful accounts to the outstanding receivables based on aging categories. The University has not recently evaluated its process to determine the reasonableness of the estimated percentages and could not provide auditors with any substantive basis for the percentages used that were available for review. As such, auditors could not test the information used by management to develop the estimates.

University management stated that at one time the University established a 'baseline' allowance for different aging categories of student accounts, and has continued to use this baseline with slight variation. The condition noted occurred because the University has not recently completed an updated analysis to determine whether this baseline remains an accurate and reasonable representation of receipts to be collected.

- The University's capital assets as of June 30, 2016 included construction in progress (CIP) account totaling \$8,584,892. During testing, there were 10 CIP projects as of June 30, 2016; however, the University could not provide the percentage of completion for three CIP projects totaling \$1,766,623. Although the University provided a listing of CIP projects with accumulated costs incurred as of June 30, 2016, the University could not provide the percentage of completion for said projects.

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University management stated the inadequate tracking of construction in progress was the result of a vacancy in the position of Director of Planning and Construction who is responsible for keeping a Project Execution Plan which tracked project status.

Response: Accepted. The University will put in place procedures for a regular review and adjustments, if necessary, of its methodology for establishing percentages of allowance for doubtful accounts and will also look into improving its process with the facilities management office to monitor status of CIP projects.

Updated Response: Partially Implemented. New methodology has been completed for determining allowance for doubtful accounts based on relevant, sufficient and reliable data.

4. Improve procedures over the awarding of student financial aid to ensure awards are made accurately and approval of manual budget adjustments are adequately documented. (Repeated-2010)

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

Auditors tested a sample of 40 students receiving student financial aid. The sample was not intended to be, and was not, a statistically valid sample. Auditors noted the following:

- One student was paid \$877 in excess of the award amount for Federal Work-Study (FWS) program. The unmet need of this student allows only for an adjustment in award of \$138 and over award threshold of \$300. Thus, the University should have reimbursed the Department of Education for the excess expense and drawdown of \$439.

In addition, an adjustment to increase budget for this student was not properly recorded and the document supporting this adjustment was not scanned into the University's Financial Aid system until noted by the auditors.

- For seven students, the approval of the Financial Aid Director or Associate Director to adjust the cost of attendance to allow special conditions as stated in the University policies and procedures were not documented. In addition, the required Budget Adjustment Worksheet and documents supporting manual budget adjustments for these seven students were not scanned into the University's Financial Aid system. Auditors also noted it is the practice of the University to allow verbal approval in making manual budget adjustments.

University officials stated the two modules for Financial Aid and Human Resources do not interface accordingly to reflect student earnings to avert the over award of FWS expenditures. Earnings are tracked manually by the Student Employment Office. In regard to adjustments, Financial Aid Advisors at certain times did not follow University procedures and were not able to update or scan documentation into the University's Financial Aid system due to time constraints in accommodating student additional loan requests.

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Accepted or Implemented – continued

Response: Accepted. The University has already completed an initial review of steps needed.

5. Strengthen controls over processing of returns of Title IV funds to ensure these are made timely in compliance with federal regulations. (Repeated-2010)

Finding: The University did not timely return the unearned portion of the Title IV aid provided to all students who withdrew from the University resulting in noncompliance with federal regulations.

During review of 40 students awarded with Title IV grants who withdrew from classes during the Academic Year 2015-2016, auditors noted the University failed to return funds totaling \$2,300 for two students within 45 days from the withdrawal date (three to five days late). The sample was not intended to be, and was not, a statistically valid sample.

University officials stated this exception was due to an oversight in the calculation of the number of calendar days which included a scheduled break that began the day before the date of determination and extended through University closure.

Response: Accepted. The University has already completed an initial review of steps needed.

6. Strengthen procedures to ensure accurate preparation and reporting of information on the Fiscal Operations Report and Application to Participate (FISAP). (Repeated-2015)

Finding: The University inaccurately reported the community service requirement for the Federal Work Study program on the Fiscal Operations Report and Application to Participate (FISAP).

In testing of the Academic Year 2015-2016 FISAP, auditors noted the University incorrectly reported the community service requirement for Work Study students. The information reported on FISAP did not include one award made for \$1,227. The University subsequently corrected this error in the revised FISAP. In addition, auditors noted the University did not establish adequate controls to gather the information.

Response: Accepted. The University has already completed an initial review of steps needed.

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- 7. Review current procedures to ensure accurate enrollment status information is reported to the National Student Loan Data System (NSLDS) in a timely manner. (Repeated-2015)**

Finding: The University did not correct and resubmit enrollment status information to the National Student Loan Data System (NSLDS) in a timely manner.

During testing, auditors noted the FY16 NSLDS rosters returned yielded error reports which were not all corrected or resubmitted within the required 10 days. The University did not have a process in place to determine if error records were corrected and returned by the NSC within the required timeline.

Updated Response: Implemented. Completed new steps to assure compliance with NSLDS reporting.

- 8. Designate sufficient personnel and review internal policies and procedures regarding the timely completion of signed statements on abused and neglected child reporting and ensure signed statements are on file. (Repeated-2013)**

Finding: The University did not have adequate policies in place to obtain and retain signed statements to acknowledge that employees understand the reporting requirements under the Abused and Neglected Child Reporting Act.

During testing of 25 employees of the University, auditors noted three new employees did not have a signed form or proof of a completed training.

University officials stated the University utilizes its new employee orientation sessions to review the requirements of the Act. In FY16, many orientation sessions were cancelled for new hires due to inadequate staffing levels to hold the sessions. In addition, the position in the Office of Human Resources which was responsible for follow-up on compliance with the Act was eliminated.

Response: Accepted. While designating additional personnel is not likely without sufficient funding from the State, the University will review processes to assure the Act is followed in cases where orientations are cancelled.

- 9. Continue to review and monitor internal policies and procedures regarding the timely completion of background checks and complete all required background checks in accordance with the Statute. Furthermore, obtain background checks for all active employees who had not received one previously. (Repeated-2013)**

Finding: The University did not have adequate controls in place for required background checks to be conducted prior to employment for those employees listed in security sensitive positions.

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Accepted or Implemented – continued

Auditors selected 25 employees in security sensitive positions for testing and noted background checks were not completed for seven (28%) employees. In addition, background checks were not completed prior to employment for five (20%) employees (five to 60 days late).

University officials stated a new Background Check Policy was implemented effective January 2015. Once the new policy was implemented, the University did not go back and require checks on employees who previously were required to get checks under the old policy.

Response: Accepted. The University has already completed initial steps needed to complete required background checks.

10. Amend policies and revise procedures to ensure all employees submit timesheets documenting the time spent each day on official State business to the nearest quarter hour. In addition, adhere to procedures of approving employees' timesheets. (Repeated-2005)

Finding: The University did not require all employees to submit timesheets as required by the State Officials and Employees Ethics Act and timesheets were not timely completed and approved.

During review of timesheets for 25 employees during the fiscal year, auditors noted the following:

- Eight (32%) employees did not submit timesheets for the pay periods tested. Five of the eight employees were instructors who used "exception" timekeeping whereby the employee is assumed to be working unless noted otherwise. Two of the eight were graduate assistants who received stipend from the University and one of the eight was a teaching professional who is required to submit timesheets but did not.
- Timesheets submitted by six employees for pay periods tested were not timely completed and approved by supervisor or unit head.

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 full-time instructors, part-time instructors, adjunct faculty, and graduate assistants. The employees documenting time to the nearest quarter hour are administrative and professional, tenure/tenure-track faculty, civil service, miscellaneous hourly, student aide, work study, and resource professionals.

University procedures require each employee's timesheet be approved by his or her supervisor and/or unit head prior to payroll processing by the Office of Human Resources.

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University officials stated the University does not require timesheets for adjuncts and instructors since they are provided either one or two semester contracts solely to teach classes and are paid per class for their teaching. Graduate assistants support faculty with instructional or academic research responsibilities. In turn, graduate assistants are provided stipends to defer the cost of their education and are not being paid directly for service provided, thus are not required to submit timesheets. University officials also stated the instances of the one missing timesheet from a teaching professional and six late timesheets from employees were due to oversight of employees and their supervisors to follow University procedures.

Response: Partially accepted. The University does not agree that Grad Assistants should complete timesheets, as they are not employees. The work that Grad Assistants provide is part of their education. The University uses the payroll system simply as a mechanism to issue stipends. The University will determine if an alternative payment mechanism could be used.

The University agrees to review the status of Instructors and the determination that timesheets are required for this group.

The University agrees with the recommendation to assure that timesheets are submitted in a timely manner for employees required to complete timesheets.

11. Adhere to procedures to ensure property and equipment records are accurately maintained and updated with proper approval. (Repeated-2014)

Finding: The University did not have adequate controls over its property and equipment.

In their physical identification of 20 items in the property records, auditors noted the following:

- Five (25%) equipment items with a total value of \$9,268 were not found. These items consisted of an amplifier, a projector, a laptop, a camera monitor magnifier, and a laboratory instrument. The University did not file a missing asset investigation notice for these items.
- Seventy-three laboratory instruments totaling \$39,968 were sent by the University to a third party recycling unit in 2011 without the approval of Central Management Services (CMS). The 73 laboratory instruments are no longer with the University but are still included in the property records pending approval of deletion from CMS.

During tracing of 20 items physically identified to the property records as of June 30, 2016, auditors noted the following:

- Four equipment items with a total value of \$5,065 were not included in the property listing of the University.
- A CPU with a value of \$3,690 was identified as obsolete.

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Accepted or Implemented – continued

University officials stated the conditions noted were a result of human error, property control procedures not consistently being followed, and the ease of mobility of property.

Response: Accepted. The University will be developing necessary controls.

12. Ensure compliance with the requirements of the Fiscal Control and Internal Auditing Act (FCIAA) in planning and performing internal control.

Finding: The University did not fully comply with the Fiscal Control and Internal Auditing Act (FCIAA).

During testing, auditors noted the University performed only two internal audit reviews during FY16 as outlined in the University's FY16 and FY17 Internal Audit Plan. The internal auditor conducted the annual FCIAA reviews and the annual GAAP audit required by the Financial Reporting Standards Board Act. However, there were no audits performed relating to the major systems of internal accounting and administrative control as required.

University officials stated the University's internal auditor retired on December 31, 2015 and did not perform any audits of major systems of internal accounting and administrative control from July 1, 2015 to his retirement date. The University hired a new internal auditor on March 1, 2016, and for the last four months of the fiscal year his focus was on State required audits that are not included in the audits of major system of internal accounting and administrative control.

Response: Accepted. The University will be developing necessary processes to assure audits are completed.

13. Strengthen controls over submission of required reports by ensuring reports are filed in a timely manner. Also, designate and train sufficient staff and backup staff to assume responsibilities in case of turnover.

Finding: The University did not timely file statutorily required reports.

During testing, the following exceptions were noted:

- The University did not timely submit its Agency Workforce Report for FY15 with the Office of the Governor. The FY15 Agency Workforce Report was subsequently submitted to the Office of the Governor on June 22, 2016, 173 days late. During the prior examination, one of the employees tested was not properly included in the correct salary bracket in the University's FY14 Agency Workforce Report. The University failed to submit the corrected 2014 Report within 30 days after release of the audit by the Auditor General as required by the Illinois State Auditing Act.
- The University did not timely submit the Travel Headquarters Report (TA-2 Report)

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for the period July 1, 2015 through December 31, 2015 with the Legislative Audit Commission (LAC). The TA-2 Report was submitted to the LAC on March 7, 2016, 52 days late.

- There were two vehicle accidents involving State vehicles reported for FY16. Both (100%) vehicle accident reports were not submitted timely to Central Management Services (CMS) (one and 180 days late).

University officials stated processes are in place to manage the timely submission of reports and schedules. The Agency Workforce Report and accident reports were submitted late due to staff oversight. The Travel Headquarters Report was submitted late due to staff turnover.

Updated Response: Implemented. Controls completed to assure the Agency Workforce Report and Travel Headquarters Report are submitted as required.

14. Review internal policies and procedures regarding the timely response to requests received under the Freedom of Information Act and ensure the Freedom of Information Officer annually completes the electronic training curriculum developed and administered by the Public Access Counselor.

Finding: The University did not fully comply with the Freedom of Information Act.

During a sample testing of five requests for records under the Freedom of Information Act received by the University during FY16, the University did not respond to one request within five business days after the request date (nine business days late).

In addition, auditors also noted the University's Freedom of Information Officer did not complete the annual training for FY16.

University officials stated the conditions noted were due to a procedural breakdown and oversight in managing the training calendar.

Updated Response: Implemented. Completed necessary FOIA training and updated procedures to assure annual compliance.

15. Establish policies and procedures to ensure the members of the Board of Trustees complete the electronic training curriculum developed and administered by the Public Access Counselor within the timeline set by the Open Meetings Act and file the certificate of completion with the University. Also, designated officers should complete the training on compliance with the Act annually.

Finding: The University did not fully comply with the requirements of the Open Meetings Act on Public Access Counselor's training.

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Accepted or Implemented – concluded

In testing of the University's compliance with statutory mandates related to the Public Access Counselor's training during FY16, auditors noted the following:

- The University did not submit a list of designated employees, officers, or members to the Attorney General's Public Access Counselor. The University subsequently submitted the list in January 2017 after being noted during the audit.
- Nine members of the Board of Trustee have not completed the electronic training curriculum developed and administered by the Public Access Counselor.
- The two designated officers of the University did not complete the FY16 annual training on compliance with the Open Meetings Act. One designated officer subsequently completed the annual training in August 2016 after being made aware of the requirement during the audit.

University officials stated the conditions noted above were due to administrative oversight.

Updated Response: Procedures have been established to assure Trustees complete training annually.

16. Continue to review and update the disaster recovery plan at least annually or when significant changes occur. Also, perform and document tests of the plan at least once a year. In addition, the plan should be continuously updated to reflect environmental changes and improvements identified from tests. (Repeated-2013)

Finding: The University did not adequately update its disaster recovery plan and formal recovery testing.

Based on review of University procedures and inquiry of University personnel, auditors noted computer system backups were being performed by University personnel and stored at a site separate from the computing facility. However, the University does not have an updated disaster recovery plan. The current plan has been in draft form since 2010. A disaster recovery team was formed which tested the recovery capabilities on one server and some databases during the fiscal year. However, this testing was not comprehensive and the results were not documented.

University officials stated a lack of staff capacity continues to impede progress on completion of the disaster contingency project.

Response: Accepted. The University agrees, however the ability to fully address the recommendation is contingent on appropriate funding from the State.

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- 17. Complete a formal assessment of the program regarding the acceptance of credit card payments, the methods in which payments could be made, match those methods to the appropriate Self-Assessment Questionnaire (SAQ), and contact service providers to obtain relevant information and appropriate guidance. In addition, complete a SAQ addressing all elements of environment utilized to store, process, and transmit cardholder data. (Repeated-2015)**

Finding: The University had not completed all the requirements to demonstrate full compliance with the Payment Card Industry Data Security Standards (PCI DSS).

The University accepted credit card payments for tuition and fees through its website, student union, box office, parking office, outside parking meters, and U-pass. During FY16, the University processed approximately 30,000 credit card transactions totaling approximately \$23.2 million.

In review of the University's compliance with PCI DSS, auditors noted the University had not:

- Formally assessed its program regarding the acceptance of credit card payments, the method in which payments could be made, matched those methods to the appropriate Self-Assessment Questionnaire (SAQ), and contacted service providers to obtain relevant information and appropriate guidance.
- Completed a SAQ addressing all elements of its environment utilized to store, process, and transmit cardholder data.

PCI DSS was developed to detail security requirements for entities that store, process or transmit cardholder data. Cardholder data is any personally identifiable data associated with a cardholder.

University officials stated the University has not conducted any SAQ Assessments this year due to lack of resources within current staff, as well as lack of funding for external assistance due to ongoing University and State budget issues.

Response: Accepted. The University agrees, however the ability to fully address the recommendation is contingent on appropriate funding from the State.

Emergency Purchases

The Illinois Procurement Code (30 ILCS 500/) states, "It is declared to be the policy of the State that the principles of competitive bidding and economical procurement practices shall be applicable to all purchases and contracts...." The law also recognizes that there will be emergency situations when it will be impossible to conduct bidding. It provides a general exemption when there exists a threat to public health or public safety, or when immediate expenditure is necessary for repairs to State property in order to protect against further loss of or damage to State Property, to prevent or minimize serious disruption in critical State services that affect health, safety, or collection of substantial State revenues, or to ensure

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the integrity of State records; provided, however that the term of the emergency purchase shall not exceed 90 days. A contract may be extended beyond 90 days if the chief procurement officer determines additional time is necessary and that the contract scope and duration are limited to the emergency. Prior to the execution of the extension, the chief procurement officer must hold a public hearing and provide written justification for all emergency contracts. Members of the public may present testimony.

Notice of all emergency procurement shall be provided to the Procurement Policy Board and published in the online electronic Bulletin no later than 3 business days after the contract is awarded. Notice of intent to extend an emergency contract shall be provided to the Procurement Policy Board and published in the online electronic Bulletin at least 14 days before the public hearing.

A chief procurement officer making such emergency purchases is required to file an affidavit with the Procurement Policy Board and the Auditor General. The affidavit is to set forth the circumstance requiring the emergency purchase. The Legislative Audit Commission receives quarterly reports of all emergency purchases from the Office of the Auditor General. The Legislative Audit Commission is directed to review the purchases and to comment on abuses of the exemption.

During FY16, Northeastern Illinois University filed no emergency purchases with the Office of the Auditor General.

Headquarters Designations

The State Finance Act requires all State agencies to make semiannual headquarters reports to the Legislative Audit Commission. Each State agency is required to file reports of all of its officers and employees for whom official headquarters have been designated at any location other than that at which their official duties require them to spend the largest part of their working time.

Northeastern Illinois University indicated as of July 2016, there were no employees assigned to locations other than that at which their official duties require them to spend the largest part of their working time.

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YEARS ENDED JUNE 30, 2016

APPENDIX A

Summary of Appropriations and Expenditures

	<u>FY16</u>	<u>FY15</u>
APPROPRIATIONS	\$ 10,695,100	\$ 36,898,800
<u>EXPENDITURES</u>		
Personal services	-	35,850,300
Employer Contributions to Group Insurance	-	1,048,500
Ordinary and Contingent Expenses	10,695,076	-
Total Expenditures from Appropriations	\$ 10,695,076	\$ 36,898,800

Income Fund Revenues and Expenditures

<u>Income Fund Balance, Beginning of Year</u>	\$ 43,182,475.00	\$ 55,820,026
Income Fund Revenues:		
Tuition	58,819,093	57,947,089
Rental income	110,782	67,095
Investment income	19,188	17,518
Miscellaneous	1,666,403	765,880
Total Income Fund Revenues	\$ 60,615,466	\$ 58,797,582
<u>Expenditures</u>		
Personal services (including change in accrued compensated absences)	57,050,055	34,709,690
Social Security, Medicare, health/life insurance	2,130,544	1,022,971
Contractual services	9,831,609	10,740,149
Travel	214,099	305,062
Commodities	718,098	1,079,126
Equipment and library books	725,071	1,681,998
Telecommunications	605,063	680,767
Operations of automotive	26,425	37,879
Awards, grants, and matching funds	1,308,142	1,569,172
Permanent improvements	6,406,547	13,926,655
Tuition and fee waivers	4,058,513	3,668,886
Other expenses	2,853,210	2,012,778
Total Income Fund Expenditures	\$ 85,927,376	\$ 71,435,133
<u>Fund Balance, End of Year</u>	\$ 17,870,565	\$ 43,182,475

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NORTHEASTERN ILLINOIS UNIVERSITY
YEAR ENDED JUNE 30, 2016

APPENDIX B

Statement of Revenues,
Expenses and Changes in Net Position

<u>Operating Revenues</u>	FY16	FY15
Net tuition and fees	\$ 48,852,000	\$ 46,741,000
Grants and contracts	22,594,000	19,704,000
Auxiliary enterprises	2,937,000	3,335,000
Other sources	4,148,000	4,722,000
Total Operating Revenues	78,531,000	74,502,000
<u>Operating Expenses</u>		
Instruction	87,352,000	85,647,000
Public service	18,435,000	16,038,000
Academic support	10,066,000	10,851,000
Student services & programs	16,538,000	16,664,000
Institutional support	18,236,000	18,907,000
Operation & maintenance of plant	16,344,000	18,628,000
Depreciation expense	5,560,000	4,819,000
Auxiliary	5,055,000	5,402,000
Other	10,330,000	10,430,000
Total Operating Expenses	187,916,000	187,386,000
Operating Loss	(109,385,000)	(112,884,000)
<u>Non-Operating Revenues (Expenses)</u>		
State appropriations	10,695,000	36,899,000
Payments on behalf of the University	60,747,000	55,535,000
Federal Grants - Pell and SEOG	16,060,000	17,244,000
State Grants - MAP	3,420,000	7,399,000
Other non-operating revenues	19,000	27,000
Other non-operating expenses	(2,319,000)	(2,132,000)
Total non-operating revenues	88,622,000	114,972,000
Net Income (Loss)	(20,763,000)	2,088,000
Gain/(loss) on disposal of capital assets	2,000	(20,000)
Capital additions provided by the State of Illinois	255,000	2,676,000
Changes in Net Position	(20,506,000)	4,744,000
Net Position, Beginning of Year	160,694,000	155,057,000
Cumulative effect of change in accounting principle	-	893,000
Net Position, Beginning of Year, as restated	160,694,000	155,950,000
Net Position, End of Year	\$ 140,188,000	\$ 160,694,000

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NORTHEASTERN ILLINOIS UNIVERSITY
YEARS ENDED JUNE 30, 2016

APPENDIX C

Accounts Receivable

<u>Receivables</u>	<u>FY16</u>	<u>FY15</u>
Grants	\$ 5,790,886	\$ 4,769,971
Student loans	1,174,490	1,431,306
Tuition and fees	7,228,506	6,834,615
Other receivables	<u>742,296</u>	<u>7,684,974</u>
TOTAL RECEIVABLES, NET	<u>\$ 14,936,178</u>	<u>\$ 20,720,866</u>

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NORTHEASTERN ILLINOIS UNIVERSITY
YEARS ENDED JUNE 30, 2015

APPENDIX D

Summary of Property and Equipment

	<u>FY15</u>	<u>Additions</u>	<u>Deductions</u>	<u>FY16</u>
Beginning Balance				
Land	\$ 22,009,319	\$ 1,254,640	\$ -	23,263,959
Land Improvements	12,145,086	-	-	12,145,086
Building and building improvements	181,067,066	6,241,725	-	187,308,791
Equipment	34,901,453	1,815,499	(2,841,441)	33,875,511
Library books	25,050,495	446,183	(1,284)	25,495,394
Construction in progress	3,840,950	5,703,498	(1,155,429)	8,389,019
Total	<u>\$ 279,014,369</u>	<u>\$ 15,461,545</u>	<u>\$ (3,998,154)</u>	<u>\$ 290,477,760</u>

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NORTHEASTERN ILLINOIS UNIVERSITY
YEAR ENDED JUNE 30, 2016

APPENDIX E

Summary of Funds Provided by and to the Foundation

	<u>FY16</u>	<u>FY15</u>
Funds provided by the University	<u>\$ 108,544</u>	<u>\$ 118,916</u>
Funds provided to the University		
Considered unrestricted for guidelines purposes	454,681	436,688
Considered restricted for guidelines purposes	<u>890,667</u>	<u>277,990</u>
Total funds provided to the University	1,345,348	714,678
Fundraising and special events expenses	<u>-</u>	<u>30,782</u>
Total financial and service support	<u>\$ 1,345,348</u>	<u>\$ 745,460</u>

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YEAR ENDED JUNE 30, 2016

APPENDIX F

Tuition and Fee Waivers

	FY16	FY15
<u>Mandatory Waivers</u>		
Teacher Special Education	\$ 152,700	\$ 136,600
ROTC	69,500	60,200
DCFS	35,100	21,000
Children of employees	117,000	122,300
Senior Citizens	13,200	9,800
Veterans Grants & Scholarships	1,052,300	1,181,200
Total Mandatory Waivers	\$ 1,439,800	\$ 1,531,100
<u>Discretionary Waivers</u>		
Faculty/administration	10,000	36,300
Civil service staff	404,700	325,700
Academic/Other talent	1,403,300	1,419,200
Foreign Exchange Students	703,400	546,500
Student Need - Financial	19,700	23,700
Student Need - Special Programs	157,700	153,000
Cooperating Professionals	46,900	47,800
Research Assistants	81,200	61,600
Teaching Assistants	178,400	153,200
Other Assistants	244,400	261,400
Interinstitutional/Related Agencies	135,800	170,900
Contract/Training Grants	172,300	162,600
Total Discretionary Waivers	\$ 3,557,800	\$ 3,361,900
GRAND TOTAL	\$ 4,997,600	\$ 4,893,000
