

LEGISLATIVE AUDIT COMMISSION



Review of
Northeastern Illinois University
Year Ended June 30, 2018

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REVIEW: 4494
NORTHEASTERN ILLINOIS UNIVERSITY
YEAR ENDED JUNE 30, 2018

FINDINGS/RECOMMENDATIONS - 21

ACCEPTED AND PARTIALLY IMPLEMENTED - 4
IMPLEMENTED - 15
UNDER STUDY - 2

REPEATED RECOMMENDATIONS - 12

PRIOR AUDIT FINDINGS/RECOMMENDATIONS - 18

This review summarizes the reports on Northeastern Illinois University for the year ended June 30, 2018. The financial audit was filed with the Legislative Audit Commission on January 29, 2019, and the compliance examination was filed on March 14, 2019. 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.

The University was served by two interim presidents during the first 11 months of the one year audit period. Dr. Richard J. Helldobler became Interim President on October 1, 2016 and served through March 31, 2018. Then Dr. Wamucii Njogu served as Interim President until Dr. Gloria Gibson became president on June 1, 2018. Dr. Gibson is a native of East St. Louis, and holds a master's degree and a bachelor's degree from Southern Illinois University at Edwardsville and a Ph.D. from Indiana University. Prior to coming to Northeastern, Dr. Gibson served as Provost and Senior Vice President for Academic Affairs at Morgan State University in Baltimore.

General Information

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

	FY18	FY17
Current Assets	\$ 75,741,000	\$ 36,072,000
Noncurrent Assets:		
Restricted Cash/Cash Equivalents	2,033,000	2,035,000
Student Loans Receivables, Net	405,000	907,000
Capital Assets, Net	189,819,000	197,271,000
Other Assets	896,000	890,000
Total	\$ 268,894,000	\$ 237,175,000

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The number of Full-time Equivalent (FTE) employees at the University during FY18 and FY17 was as follows:

	FY18	FY17
Faculty	401	430
Professionals	170	209
Administration	160	157
Other Professionals	243	251
Support Staff	108	143
TOTAL	1,082	1,190

Enrollments of both undergraduate and graduate students for each term (including extension centers and part-time students) for FY18 and FY17 were as follows:

	2017-18	2016-17
Fall	8,984	9,538
Spring	8,051	8,696
Summer	3,925	4,175

In FY18 the University had a Full-time Equivalent (FTE) enrollment of 6,296 students, comprised of 5,157 undergraduates, and 1,139 graduate students. This compares to a total FTE enrollment of 6,568 in FY17.

The University's cost per FTE undergraduate student was \$12,336 in FY18 compared to \$11,351 in FY17, an increase of \$958, or 8.7%. The cost per FTE graduate student was \$14,053 in FY18 compared to \$14,692 in FY17.

The total expenditure of Federal awards was almost \$61.6 million including \$39 million in student financial assistance.

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 \$33.2 million to Northeastern Illinois University (University) in FY18 compared to over \$36.8 million in FY17, representing a decrease of almost \$3.7 million, or approximately 10%. Total expenditures from appropriations were \$33.2 million in FY18, and \$36.8 million in FY17.

During FY18, the University was authorized by Public Act 100-0021 to pay for all costs incurred prior to July 1, 2018, using either its FY17 or FY18 appropriations for non-payroll expenditures.

- The University did not use any FY18 appropriation to pay FY17 non-payroll expenses.
- The University paid 463 unpaid vouchers totaling over \$17.4 million from FY17 costs using FY17 appropriations.

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Other key highlights were as follows:

- The University did not incur Prompt Payment Interest in FY18. The University's vendors were paid from funds and accounts that were ineligible for Prompt Payment Interest (30 ILCS 540).
- The University and its vendors did not participate in alternative financing involving the Illinois Finance Authority during FY18.
- None of the university's vendors participated in the Vendor Payment Program (VPP) or the Vendor Support Initiative Program (VSI) during FY18.

During FY17, the University operated without enacted appropriations until Public Act 100-0021 was approved on July 6, 2017. During the Impasse, the University incurred reimbursable payroll and non-payroll obligations within the General Revenue Fund and the Education Assistance Fund; however, the University was unable to process any reimbursements for these expenditures incurred by the University's Income Fund until the passage of the aforementioned Public Act. Public Act 99-0524 authorized the University to pay FY16 costs using its FY17 appropriations for non-payroll expenditures.

- The University paid 8 vouchers totaling \$19,478,463 from FY16 costs using FY17 appropriations.

In FY18, revenues to the Income Fund totaled \$66.9 million compared to \$61.5 million in FY17. The increase of \$5.4 million, or 8.8%, was due largely to an increase in tuition of \$4.8 million in FY18. The University adopted the provisions of GASB Statement No. 75 at the end of FY17, which imposed a \$40.8 million dollar liability on the University that was absorbed by the University's Income Fund. The table below illustrates the effect of this liability.

	2018	2017
Income Fund, beginning of year	\$ 10,895,257	\$ 17,870,565
Effect of change in accounting principle	(40,804,501)	-
Prior period adjustment	-	1,098,700
Income Fund, beginning of year, adjusted	<u>(29,909,244)</u>	<u>18,969,265</u>
Total revenues	66,891,802	61,502,605
Total expenditures	<u>42,409,738</u>	<u>69,576,613</u>
Income Fund, end of year	\$ (5,427,180)	\$ 10,895,257

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, 2018 and 2017. Operating revenues, or those that generally result from exchange transactions, were over \$80.8 million in FY18, which was an increase of \$2 million, or 2.6%, compared to FY17. State appropriations, gifts, and investments are defined as non-operating revenues, and totaled \$145.5 million at June 30, 2018, which was an increase of \$37.8 million, or 35.2%, from FY17. This was due primarily to a \$31 million increase in State appropriations and a \$13.7 million increase in State MAP

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grants. The University's operating expenses were \$194.4 million in FY18, which was a decrease of \$2.3 million, or 1.1% over FY17.

The University's net position at the beginning of FY18 was \$90.6 million, as restated, due to the \$40.8 million liability incurred as a result of the adoption of GASB Statement No. 75 for Postemployment Benefits Other Than Pensions (OPEB). At the end of FY18, net position was \$122.7 million due to increased revenues from the State in the form of appropriations and MAP grant funds.

The total OPEB liability, as reported at June 30, 2018, was measured as of June 30, 2017, with an actuarial valuation of June 30, 2016. At June 30, 2018, the University recorded a liability of \$40,084,143 for its proportionate share of the State's total OPEB liability. The University's portion of the OPEB liability was based on the University's proportion of employer contributions relative to all employer contributions made to the plan during FY17. As of the current year measurement date of June 30, 2017, the University's proportion was 0.097%, which was an increase of 0.0009% from its proportion measured as of the prior year measurement date of June 30, 2016.

Total revenues were \$226.4 as of June 30, 2018 compared to \$186.5 million in FY17. The difference in revenues between FY17 and FY18 was a result of the Budget Impasse. The following chart indicates the source of revenue and percent of the total revenue during FY18 and FY17:

Revenues	FY18	FY17
On Behalf Payments	28%	38%
Tuition & Fees	23%	27%
Grants & Contracts	25%	22%
State Appropriations	22%	10%
Other Revenues	2%	3%

Operating expenses during FY18 totaled \$194.4 million compared to \$196.7 million in FY17. Expenses during FY18 and FY17 as a percent of the total were as follows:

Expenses	FY18	FY17
Instruction	49%	47%
Public Service	9%	9%
Institutional Support	10%	10%
Scholarships and Fellowships	5%	3%
Plant Maintenance & Operation	8%	9%
Student Services & Programs	7%	8%
Academic Support	5%	6%
Auxiliary, Depreciation, Other	3%	4%
Depreciation	4%	4%

Receivables

Appendix C summarizes the University's receivables for FY18 and FY17. Receivables totaled \$18.9 million in FY18 while in FY17, total receivables were \$13.4 million, an increase of 41%. The \$5.5 million increase in receivables was due to an 8% increase in rate per credit hour charged to students, and an increase of \$1.2 million in unreimbursed invoices related to Federal, State, and private grants and contracts. According to the audit report, gross receivables totaled \$32.8 million with an allowance for doubtful accounts of \$13.9 million.

Capital Assets

Appendix D summarizes the changes in property and equipment. The ending balance in FY18 was \$328,037,928 compared to \$320,604,377 in FY17. The increase was due primarily to additions in building and building improvements and the acquisition of land.

Funds Provided by and to the Foundation

Appendix E provides a summary of funds provided by and to the Foundation. During FY18, the University provided \$356,921 in services to the Foundation. As required by the contract, the Foundation repaid the University and gave the University funds of \$1,215,945 in FY18. The Foundation provided \$1,149,357 to the University in FY17.

Tuition and Fee Waivers

During FY18, Northeastern Illinois University granted \$5,449,000 in tuition and fee waivers to graduate and undergraduate students compared to \$4,972,400 granted in FY17. This is an increase of \$476,600, or 9.6%. In FY18, Northeastern Illinois University granted over \$1.4 million in waivers mandated by statute, and almost \$4 million in discretionary waivers. The largest categories of FY18 waivers were for academic scholarships, veterans, and foreign exchange students. Appendix F provides a summary of the tuition waivers granted in FY18 and FY17.

Accountants' Findings and Recommendations

Condensed below are the 21 recommendations, 12 repeated, presented in the audit reports. The following recommendations are classified on the basis of updated information provided by the University via email on August 26, 2019.

Under Study

4. Improve procedures to collect Federal Perkins Loans made to students in compliance with the Code of Federal Regulations.

Finding: Northeastern Illinois University's (University) Federal Perkins Loan cohort rate is in excess of the threshold for administrative capability stipulated by the U.S. Department of Education.

The Federal Perkins Loan cohort default rate as of June 30, 2018 was 25%. Effective internal controls should include procedures to ensure the University maintains a Federal Perkins Loan cohort default rate of less than 15%.

University officials stated the above issue was due to the elimination of the position that handles the collection and follow-up process to students/former students of the University with Federal Perkins Loan Program when they enter the repayment status.

Response: Accepted. After contacting the University's Federal Perkins Loan servicer, the auto placement of Perkins borrowers for collection was apparently suspended during FY18, resulting in borrowers not receiving collection notices on a timely basis.

Updated Response: Under Study. This federal program is being phased out and is no longer adding new students, so it will be difficult to reduce the default rate or eliminate this finding.

10. Ensure new employees acknowledge their understanding of the reporting requirements under the Abused and Neglected Child Reporting Act prior to commencement of their employment. (Repeated-2013)

Finding: The University did not timely obtain signed statements from employees to acknowledge their understanding of the reporting requirements under the Abused and Neglected Child Reporting Act.

During testing of 25 new employees of the University, auditors noted four (16%) employees did not sign a statement acknowledging their understanding of the requirements of the Act prior to commencement of their employment. The employees signed the statements 4 to 286 days after commencement of employment.

University officials stated the University's implemented a new employee orientation process for employees to sign a statement acknowledging their understanding of the reporting requirements under the Act to address this finding. However, the new employee orientation process was not implemented until March 2018.

Updated Response: Under Study. It is difficult to always meet this requirement. The law requires signature prior to commencement of employment. NEIU has changed orientation processes in March 2019, anticipating this will help address the issue.

Accepted or Implemented

- 1. Provide adequate oversight of student receivables and tuition billings to ensure student accounts are properly classified in the financial statements and students are billed with accurate student tuition fee rates.**

Finding: Northeastern Illinois University (University) did not establish and implement adequate internal control procedures over student receivables and tuition billings. Auditors noted the following:

- The University improperly classified student accounts with credit balances against students' receivables. In testing of the receivable aging schedule of 47 students, auditors noted two student accounts had credit balances totaling \$1,780. The credit balances pertained to student overpayments from prior years which were supposedly refunded to students. As of June 30, 2018, there were 837 students with credit balances totaling \$311,155. The University subsequently reclassified the credit balances to accounts payable.
- The University did not ensure correct tuition rates were billed to students. In testing of tuition fee billings of 25 students, auditors noted three students erroneously billed lower tuition rates than the approved student tuition rates by the University's Board of Trustees. These students were noted to be included under the fall 2011, summer 2013 and second bachelor's cohorts. As of June 30, 2018, there were 86 students incorrectly billed a total of \$16,397.

University officials stated the student accounts with credit balances were improperly classified due to a timing issue in running the job generating refund checks to students. University officials also stated the incorrect student tuition fee rates billed to students were due to human error when the student tuition rates were updated in the system during the current academic year.

Response: Accepted. Going forward, the University will increase the frequency in running necessary procedures to address student credit balances and implement a secondary review when applying new tuition rates in the system.

Updated Response: Implemented.

- 2. Improve current procedures to ensure reporting of student information to National Student Loan Data System (NSLDS) in a timely manner. (Repeated-2015)**

Accepted or Implemented - continued

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 University did not resubmit the NSLDS roster file containing reporting edits to make the necessary corrections to the student information within 10 days after the receipt of the file. One of 12 files containing reporting edits was resubmitted to NSLDS 13 days late.

University officials stated the University was unable to resolve all the reporting edits within the 10-day requirement due to multiple personal identifiers for the one record (e.g. name, SSN, date of birth, etc.).

Updated Response: Implemented.

3. Strengthen procedures to ensure accurate calculation and timely return of Title IV funds. (Repeated-2017)

Finding: The University inaccurately calculated and did not timely return the Title IV funds for students who withdrew from the University.

During testing of 40 students awarded with Title IV grants who withdrew from classes during the Academic Year 2017-2018, auditors noted the following:

- The University did not return Title IV funds for two students totaling \$2,393 within 45 days from the date of the University's determination of the students' withdrawal. The Title IV funds were returned 118 and 164 days late.
- The University erroneously calculated the return of Title IV funds for one student. The erroneous calculation resulted in deficient return of Title IV funds amounting to \$933. The University subsequently returned the shortage to the U.S. Department of Education.

University officials stated, as they did in the prior year, the exceptions were due to administrative oversight. The University failed to unlock the simulation mode in the system to calculate the institutional required return which resulted in inaccurate and untimely return of the Title IV funds.

Response: Accepted. Due to the volume of withdrawals – official and unofficial – and the manual process required to process R2T4 calculations, staffing issues prevented timely returns.

Updated Response: Implemented

5. Review current processes and establish procedures to timely detect system inaccuracies.

Finding: The University did not have adequate procedures to ensure the satisfactory academic progress (SAP) and costs of attendance (COA) records are accurately updated and reflected in the financial aid system. The SAP and COA are some of the information used to determine students' eligibility to receive financial aid. These are automatically calculated by the financial aid system.

During testing of 40 students awarded Title IV grants for the Academic Year 2017-2018, auditors noted the following:

- One student did not have satisfactory academic progress (SAP) information for the current term.
- The University's costs of attendance (COA) information in the financial aid system for two students did not support the estimated amount of financial needs of the students.

University officials stated the University's financial aid system was not designed to automatically pull and forward the most recent SAP information of students if the student did not have financial aid in the preceding term. In addition, the financial aid system failed to automatically update the budgeted cost of attendance to reflect the actual cost of attendance.

Updated Response: Implemented.

6. Improve current procedures to ensure federal reports are complete and accurate.

Finding: The University did not accurately report the matching cost information on its Annual Performance Report (APR) under the Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP).

During a review of all three APRs for GEAR UP, auditors noted one APR reported the total actual matching cost as \$5,457,453 instead of \$5,436,226. The University erroneously overstated a program participants' matching cost by \$21,227.

University officials stated the program participants' matching cost for one of the three concurrent GEAR UP grants was erroneously included during the summarization and reporting for another GEAR UP grant run by the University.

Response: All internal controls were followed but the error occurred in inputting it on the final spreadsheet. NEIU will make this correction in the April 2019 APR report.

Updated Response: Implemented.

Accepted or Implemented – continued

7. Improve procedures on time and effort reporting to ensure timely submission of the reports and compliance with University policy and federal regulations. (Repeated-2017)

Finding: The University did not ensure time and effort reports were timely submitted by employees.

During the review of payroll documents for six employees who received salaries under the Research and Development Cluster, auditors noted two employees submitted their time and effort reports 33 to 35 days after the required due date.

University officials stated the delay in the submission of time and effort reports was due to a timing issue as employees were unavailable during the reporting deadline time frame.

Response: Accepted. Late time and effort reports were due to oversight by the Principal Investigator.

Updated Response: Implemented.

8. Establish a systematic process of identifying and distinguishing a subrecipient and a contractor/service provider. In addition, review procedures for communicating information to subrecipients and implement procedures necessary to ensure information is included in the subrecipient award documents at the time of funding.

Finding: The University did not communicate required program information to a subrecipient of the Research and Development Cluster program.

During testing of two subrecipients of the Research and Development Cluster program, auditors noted one subrecipient with federal expenditures totaling \$18,000 did not have a subaward agreement on file to communicate subaward information in order for the subrecipient to comply with federal statutes, regulations, and terms and conditions of the award. In addition, the University did not perform monitoring procedures during the year to obtain reasonable assurance that the subrecipient used federal awards for authorized purposes. The sample was not intended to be, and was not, a statistically valid sample.

University officials stated there was no subaward agreement because the University did not initially classify the entity as a subrecipient. However, further review of the relationship and transactions supports the classification that the entity is a subrecipient.

Response: Accepted. Procedure for review of subawards versus contracts was not stringent enough.

Updated Response: Implemented.

9. Report accurate information and provide adequate review oversight to ensure accurate reporting to outside entities. (Repeated-2015)

Finding: The University did not report accurate information when completing its Fiscal Operations Report and Application to Participate (FISAP).

In testing of the FISAP for the Academic Year 2017-2018, auditors noted the University did not report the following information accurately:

	<u>Reported on FISAP</u>	<u>University Records</u>	<u>Variance</u>
<u>Federal Perkins Loan Program</u>			
Administrative cost allowance (Part III, Line 34.1)	\$645,423	\$754,020	(\$108,597)
Collection costs (Part III, Line 34.2)	1,159,511	1,202,519	(43,008)
Administrative cost allowance and collection costs (control) (Part III, Line 34.3)	1,804,934	1,956,539	(151,605)
<u>Federal Work-Study Program</u>			
Federal share of Job Location and Development Program expenditures (Part V, Line 16)	10,369	56,001	(45,632)

University officials stated this issue was due to employee turnover. The personnel who summarized and completed the FISAP were new to the responsibility and FISAP reporting requirements.

Updated Response: Implemented.

11. 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. (Repeated-2016)

Accepted or Implemented – continued

Finding: The University did not comply with the requirements of the Open Meetings Act. During testing of the University's compliance with the Open Meetings Act, auditors noted the only member of the Board of Trustees (BOT) appointed in FY18 did not timely complete the electronic training curriculum developed and administered by the Public Access Counselor in compliance with the Act. The member completed the training 48 days after it was due.

University officials stated the new BOT member did not complete the training timely due to turnover in personnel responsible to arrange this type of training for the new BOT members.

Response: Accepted. The University has already updated its training calendar.

Updated Response: Implemented.

12. 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 on timely completion and approval of 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 the review of timesheets for 25 employees during the fiscal year, auditors noted the following:

- Three employees did not submit timesheets for pay periods tested. Two of the three employees were instructors who used "exemption" timekeeping whereby the employee is assumed to be working unless noted otherwise. One employee was a graduate assistant who received a stipend from the University and was not required to submit timesheets.
- Timesheets submitted by six employees for pay periods tested were not timely completed and approved by the supervisor or unit head. The timesheets were approved 4 to 180 days late.
- Timesheets submitted by two employees did not contain signatures under the Approver section; therefore, auditors could not determine whether the timesheets were properly approved.

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

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faculty, civil service, miscellaneous hourly, student aide, work study, and resource professionals.

The Act requires the Illinois Board of Higher Education (IBHE), with respect to State employees of public universities, to adopt and implement personnel policies that 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.

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 services provided; thus, they are not considered employees and not required to submit timesheets. University officials also stated the late timesheets submission and approval were due to oversight of employees and their supervisors to follow University procedures.

Updated Response: Implemented.

13. Ensure completion of audits of major systems of internal accounting and administrative control at least once every two years as required by the Fiscal Control and Internal Auditing Act. Also, promptly arrange an external assessment of internal audit activity to comply with the Institute of Internal Auditors' Standards. (Repeated-2016)

Finding: The University did not comply with the Fiscal Control and Internal Auditing Act and International Standards for the Professional Practice of Internal Auditing.

During testing of the University's internal auditing activities, auditors noted the University's Internal Audit department did not undergo a peer review since the last external quality assurance completed in Fiscal Year 2012.

In addition, auditors noted the two-year internal audit plan for Fiscal Year 2018-2019 was not adopted until November 16, 2017. The plan should have been approved before the beginning of the fiscal year. Lastly, the planned audit coverage for FY18 included audit of property control and information technology that were not completed. These audits were subsequently moved to the FY19 plan.

University officials stated a peer review was not conducted on the University's Internal Audit Department due to the turnover in the Director of Internal Audit position. The Director of Internal Audit is the only staff member of the department and the position was vacant from March 31, 2017 through September 10, 2017. The audit plan was not developed and approved by the end of the previous fiscal year, due to the position being vacant. The

Accepted or Implemented – continued

progress in completing all audits on the plan was modified due to the Director needing additional time to learn the organization and its systems, while concurrently developing and implementing more efficient processes for other compliance requirements that are repetitive in nature. In addition, the actual progress of the system's implementation was better suited to be moved in FY19 Plan year.

Response: Accepted. Has initiated the peer review and audit plan.

Updated Response: Implemented.

14. Ensure all surplus electronic storage media is erased, wiped, sanitized, or destroyed in a manner that prevents retrieval of sensitive data and software before they are sold, donated, or transferred.

Finding: The University did not ensure computer equipment was timely cleared of data and software before they were transferred to surplus.

During testing of 25 deleted and surplus equipment items including 10 electronic devices consisting of laptops, desktops, a server, and a tablet, auditors noted two desktops and the tablet were not wiped or cleared of data before the items were transferred to the Department of Central Management for surplus. In addition, the University did not perform a complete assessment of the three devices to determine whether they contained confidential information and whether notification was required as outlined in the Personal Information Protection Act.

University officials stated the conditions noted were a result of property control procedures not consistently being followed due to staffing shortages.

Updated Response: Partially Implemented. The University does have a process in place, but additional updates and communication of the process still needs to occur. Implementation Date: December 31, 2020.

15. Implement procedures to ensure information concerning the investment of public funds is timely and accurately presented on the University website.

Finding: The University did not timely post and accurately report its investment information on the University website in accordance with the Accountability for the Investment of Public Funds Act.

During testing, auditors noted 10 of 12 monthly investment reports tested were posted two to 33 days late.

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In addition, during a detailed review of three monthly investment reports, auditors noted one monthly report wherein the average daily investment balances for three of the nine bank accounts were not accurately summarized and reported.

University officials stated staff turnover and a vacancy in the University's Controller Department resulted in some reporting requirements not being met.

Updated Response: Implemented.

16. Implement procedures to ensure all contractual agreements include required contractual certifications and clauses. (Repeated-2017)

Finding: The University did not ensure all required contractual certifications were incorporated into the University's contractual agreements. During testing of 25 contracts, auditors noted the following:

- Three contracts tested, totaling \$108,840, did not include an international anti-boycott certification clause.
- Three contracts tested, totaling \$108,840, did not include an Environmental Protection Act clause.
- Four contracts tested, totaling \$158,290, did not include a subcontractor utilization clause. No subcontractors were used in these contracts, however it was not clear in the contracts if subcontractors could be utilized.
- Five (20%) contracts tested, totaling \$206,020, did not include child labor and forced labor act clauses.
- One (4%) contract tested, totaling \$47,730, did not include a domestic products certification clause.

University officials stated the incomplete or missing clauses, vendor refusal to sign contracts which contain certifications that are not material to the purchase, is an occasional challenge presented by vendor legal departments.

Response: Accepted. The incomplete or missing clauses, vendor refusal to sign contracts which contain certifications that are not material to the purchase, is an occasional challenge presented by vendors' legal departments.

Updated Response: Implemented.

Accepted or Implemented - continued

17. Adhere to procedures to ensure property and equipment records are accurately maintained and assets are accounted for properly.

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

During the physical identification of 20 items from the property records, auditors noted the following:

- Two equipment items consisting of a laptop and a camera totaling \$2,616 could not be located. The University filed a missing asset investigation report for these items.
- Two equipment items consisting of a speaker and a media player totaling \$3,074 did not have tag numbers.
- Two equipment items consisting of a precision nimbus balance and a podium totaling \$3,498 were found in a location different from the location indicated in the property records.

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

- One laptop amounting to \$1,302 did not have a tag number.
- Eight equipment items totaling \$26,552 were found in a location different from the location indicated in the property records. These equipment items consisted of desktops, band saw machine, fog machine, projector, and a printer.
- Two equipment items totaling \$2,194 were declared missing and removed from the property records but were found during the auditor's observation. These equipment items consisted of a laptop and a central processing unit.

In addition, during testing of 25 vouchers totaling \$388,200, auditors noted the following:

- Various equipment items purchased such as laboratory equipment, chairs, heating and cooling incubator, laptops and tablets, and check signer machine totaling \$75,194 from six vouchers (24%) were not timely recorded in the property record. These items were recorded 38 to 162 days after the vouchers were paid.
- A pneumatic positioning unit (4%) purchased amounting to \$1,534 was not tagged and was not included in the property records.

During a tour of the University's facilities, inquiry with employees, and review of University's records, auditors noted the following:

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- Four telephone units totaling \$676 did not have an accurate description of its location in the property records.
- Six equipment items totaling \$16,612 consisting of ethernet switches and interactive display/monitor were listed on the University property records, but could not be located.

Further, during a review of property records, auditors noted 45 active and inactive wireless devices were not included in the property record and were not marked with a unique identification number.

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

Updated Response: Partially Implemented. Significant improvement has occurred with partial updates to the training manual and implementing escalation procedures; however additional update and changes will continue to occur. Implementation Date: January 31, 2019.

18. Enforce monitoring procedures to ensure employee performance evaluations are completed in a timely manner.

Finding: The University did not perform employee performance evaluations timely. During testing of 27 employee performance evaluations during the fiscal year, auditors noted the following:

- Three performance evaluations of employees, other than faculty members, were performed 4 to 10 days after they were due.
- Six performance evaluations of employees other than faculty members were submitted to the Office of Human Resources 3 to 10 days after they were due.
- Three performance evaluations of faculty members were performed 1 to 42 days after they were due.
- One probationary employee did not have a performance evaluation timely completed at the end of the second and the fifth month's probationary periods. The employee's second month evaluation was completed 106 days late and the fifth month evaluation was completed 14 days late.

University officials stated performance evaluations were not timely completed due to employee turnover and administrative challenges in scheduling and completing employee performance evaluations.

Updated Response: Partially Implemented. The University has implemented some changes in policy, but is still evaluating the effectiveness of the changes. Implementation Date: December 2020.

Accepted or Implemented - continued

- 19. Develop and maintain a formal disaster contingency plan that is tested on a regular basis. Continuously update the plan to reflect environmental changes and improvements identified from the tests. (Repeated-2013)**

Finding: The University did not ensure an adequately developed and tested contingency plan existed to ensure the timely recovery of critical computer systems.

The University did not have a disaster recovery plan and had not conducted disaster recovery testing of its applications and data to ensure the University could recover all necessary systems in the event of a disaster.

University officials stated, as they did in prior year, implementing a disaster contingency plan and regular testing has not been feasible due to staffing and computer resource constraints.

Response: Accepted. Addressing the plan as part of the IT Modernization project.

Updated Response: Implemented.

- 20. Annually assess each program accepting credit card payments and match the payment method to the appropriate Self Assessment Questionnaire (SAQ); complete the appropriate SAQ(s) for its environment and maintain documentation supporting its validation efforts; in addition to, maintain contact with service providers to ensure sufficient knowledge and awareness of Payment Card Industry (PCI) compliance status, issues, and guidance. (Repeated-2015)**

Finding: The University did not ensure compliance with the Payment Card Industry Security Standards (PCI DSS).

The University accepted credit card payments for tuition, student fees, ticket sales, and parking fees. In FY18, the University handled approximately 44,000 transactions estimated at approximately \$40 million. During testing, auditors noted the University had not:

- Formally assessed each program accepting credit cards, the methods in which payments could be made, matched these payments to the appropriate Self Assessment Questionnaire (SAQ), and contacted service providers and obtained relevant information and guidance as deemed appropriate.
- Completed a SAQ addressing all elements of its environment utilized to store, process, and transmit cardholder data.

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- Maintained agreements with service providers or obtained and reviewed documentation supporting the providers PCI compliance.

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 above issues were due to lack of adequate resources due to budget constraints.

Response: Accepted. Has partially addressed the issue.

Updated Response: Implemented.

21. **Perform a comprehensive risk assessment to identify all confidential or personal information in electronic or written form to ensure they are properly protected from unauthorized disclosure; establish and implement a comprehensive security awareness and training program to include the proper handling of social security numbers; require University employees to sign an annual statement of understanding of the University policies; ensure patch management software is installed on all workstations; establish procedures so that all laptops that may contain sensitive information have encryption software; establish concurrent session limits on systems; and ensure access rights are periodically reviewed by supervisors and if necessary, appropriately adjusted based upon staff job responsibilities. (Repeated-2017)**

Finding: The University had computer security weaknesses. During testing, auditors noted the following:

- The University did not perform a comprehensive risk assessment of its computing resources to identify all confidential and personal information in electronic or hardcopy form to ensure such information is protected from unauthorized disclosure.
- A security awareness and training program did not exist.
- University employees were not required to sign an annual statement of understanding of the University policies.
- Patch management software was not installed on some workstations. Auditors selected 11 workstations to determine if vendor released patches and anti-virus updates were implemented on these workstations. It was noted that five workstations (45%) did not have patch management software installed.
- Encryption software was not installed on laptops. All eight laptops tested did not have encryption software installed.

Accepted or Implemented - concluded

- Concurrent network sessions were not limited per user to its administrative systems.
- User access rights were not periodically reviewed by supervisors to ensure access to applications was appropriate based upon job responsibilities.

University officials stated the above issues were due to lack of adequate resources due to budget constraints.

Updated Response: Partially Implemented. Additional, formalized training programs still need to be implemented. Implementation Date: December 2019.

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 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 5 calendar 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 calendar days before the public hearing.

A chief procurement officer making such emergency purchases is required to file statements with the Procurement Policy Board and the Auditor General setting forth the amount expended (or an estimate of the total cost), the name of the contractor involved, and the conditions and circumstances 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.

The University filed no emergency purchases in FY18.

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 2018, 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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NORTHEASTERN ILLINOIS UNIVERSITY
YEAR ENDED JUNE 30, 2018

APPENDIX A

Summary of Appropriations and Expenditures

	<u>FY18</u>	<u>FY17</u>
APPROPRIATIONS	\$ 33,209,000	\$ 36,898,800
<u>EXPENDITURES</u>		
Personal Services	32,265,300	-
Group insurance	943,700	-
Ordinary & contingent expenses	-	36,898,800
Total Expenditures from Appropriations	\$ 33,209,000	\$ 36,898,800

Income Fund Revenues and Expenditures

FUND BALANCE, BEGINNING OF YEAR		
Fund balance, beginning of year, as previously reported	10,895,257	17,870,565
Cumulative effect of changes in accounting principle	(40,804,501)	-
Prior period adjustment	-	1,098,700
Fund Balance, Beginning of Year, as Restated	\$ (29,909,244)	\$ 18,969,265
<u>Income Fund Revenues:</u>		
Tuition	64,168,468	59,300,515
Rental income	153,165	178,628
Investment income	470,641	129,843
Miscellaneous	2,099,528	1,893,619
Total Income Fund Revenues	\$ 66,891,802	\$ 61,502,605
<u>Income Fund Expenditures:</u>		
Personal services (including change in accrued compensated absences)	16,535,919	46,817,018 *
Social Security, Medicare, health and life insurance	4,593,794	1,594,859
Contractual services	8,092,284	11,753,112
Travel	163,393	174,119
Commodities	717,932	631,899
Equipment & library books	935,144	551,978
Telecommunications	447,676	462,066
Operations of automotive	40,330	36,347
Awards, grants, & matching funds	1,430,414	1,354,789
Permanent improvements	190,001	16,246
Tuition & fee waivers	4,283,611	4,115,451
Loss on cancelled capital project	1,596,538	-
Other expenses	3,382,702	2,068,729
Total Income Fund Expenditures	\$ 42,409,738	\$ 69,576,613
<u>FUND BALANCE, END OF YEAR</u>	\$ (5,427,180)	\$ 10,895,257

*Amount from prior year report was revised to include personal services not accurately classified to the proper account in prior year.

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YEAR ENDED JUNE 30, 2018

APPENDIX B

Statement of Revenues,
Expenses and Changes in Net Position

<u>Operating Revenues</u>	FY18	FY17
Student tuition and fees, net	\$ 51,427,127	\$ 49,430,541
Federal grants and contracts	20,802,088	19,538,483
State and local grants	2,568,703	1,608,400
Nongovernmental grants and contracts	1,123,850	919,199
Auxiliary enterprises	2,784,179	2,954,003
Other operating revenues	2,136,585	4,372,542
Total operating revenues	80,842,532	78,823,168
<u>Operating Expenses</u>		
Instruction	94,692,935	92,540,544
Research	2,231,263	2,136,674
Public service	18,025,320	17,838,794
Academic support	9,644,253	10,914,041
Student services and programs	14,284,535	16,739,240
Institutional support	19,101,490	19,973,247
Operation and maintenance of plant	15,812,905	17,092,183
Scholarships and fellowships	7,016,472	6,754,998
Auxiliary enterprises	5,371,124	5,250,333
Depreciation	7,888,645	7,018,475
Other operating expenses	336,908	471,365
Total operating expenses	194,405,850	196,729,894
Operating income (loss)	(113,563,318)	(117,906,726)
<u>Non-Operating Revenues (Expenses)</u>		
State appropriations	50,545,800	19,562,103
Payments on behalf of the University	63,931,592	71,523,784
Federal grants - Pell and SEOG	15,731,793	15,421,315
State grants - MAP	17,021,541	3,249,086
Investment income	471,840	130,012
Interest on indebtedness	(2,107,522)	(2,166,228)
Net non-operating revenues	145,595,044	107,720,072
Income (loss) before other revenues, expenses, gains, and losses	32,031,726	(10,186,654)
Gain/(loss) on disposal/cancellation of capital assets	(1,595,573)	16,420
Capital additions provided by the State of Illinois	787,404	221,353
Other capital additions	856,898	785,490
Changes in Net Position	32,080,455	(9,163,391)
Net Position, Beginning of Year	131,477,968	140,188,173
Cumulative effect of change in accounting principle	(40,804,501)	-
Prior period adjustments	-	453,186
Net Position, Beginning of Year, as restated	90,673,467	140,641,359
Net Position, End of Year	\$ 122,753,922	\$ 131,477,968

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APPENDIX C

Accounts Receivable

<u>Receivables</u>	<u>FY18</u>	<u>FY17</u>
Student tuition & fees	\$ 10,505,407	\$ 6,776,586
Federal, State, & private grants and contracts	6,735,807	4,843,872
Other receivables, net	<u>839,853</u>	<u>817,673</u>
Accounts Receivable, net	18,081,067	12,438,131
Student loans receivable	<u>851,652</u>	<u>1,006,520</u>
TOTAL RECEIVABLES, NET	<u>\$ 18,932,719</u>	<u>\$ 13,444,651</u>

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

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YEARS ENDED JUNE 30, 2018

APPENDIX D

Capital Assets

	<u>Balance</u> <u>End of FY17</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deductions</u>	<u>Balance</u> <u>End of FY18</u>
Beginning Balance					
Land	\$ 23,228,275	\$ 3,214,657	\$ -	\$ -	26,442,932
Land improvements	12,145,086	-	-	-	12,145,086
Building and building improvements	220,637,852	4,631,950	1,110,517	-	226,380,319
Equipment	34,061,761	1,337,998	-	1,192,714	34,207,045
Library books	26,049,783	548,689	-	2,357	26,596,115
Construction in progress	4,481,620	516,429	(1,110,517)	1,621,101	2,266,431
Total	<u>\$ 320,604,377</u>	<u>\$ 10,249,723</u>	<u>\$ -</u>	<u>\$ 2,816,172</u>	<u>\$ 328,037,928</u>

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APPENDIX E

Summary of Funds Provided by and to the Foundation

	<u>FY18</u>	<u>FY17</u>
Funds provided by the University	<u>\$ 356,921</u>	<u>\$ 176,883</u>
Funds provided to the University		
Considered unrestricted for Guidelines' purposes	520,806	537,673
Considered restricted for Guidelines' purposes	<u>695,139</u>	<u>611,684</u>
Total funds provided to the University	<u>\$ 1,215,945</u>	<u>\$ 1,149,357</u>

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APPENDIX F

Tuition and Fee Waivers

	<u>FY18</u>	<u>FY17</u>
<u>Mandatory Waivers</u>		
Teacher Special Education	\$ 162,300	\$ 147,700
ROTC	80,600	42,400
DCFS	55,600	34,000
Children of Employees	118,400	123,200
Senior Citizens	28,800	25,000
Veterans Grants & Scholarships	1,011,700	1,015,200
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Total Mandatory Waivers	\$ 1,457,400	\$ 1,387,500
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<u>Discretionary Waivers</u>		
Faculty/Administration	112,700	5,300
Civil Service	378,200	454,400
Academic/Other Talent	1,291,200	1,392,000
Foreign Exchange Students	1,015,500	746,400
Student Need - Financial Aid	160,900	61,600
Cooperating Professionals	30,100	56,200
Research Assistants	73,200	64,100
Teaching Assistants	253,600	188,400
Other Assistants	326,300	282,400
Interinstitutional/Related Agencies	224,100	191,100
Contract/Training Grants	125,800	143,000
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Total Discretionary Waivers	\$ 3,991,600	\$ 3,584,900
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GRAND TOTAL	\$ 5,449,000	\$ 4,972,400
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