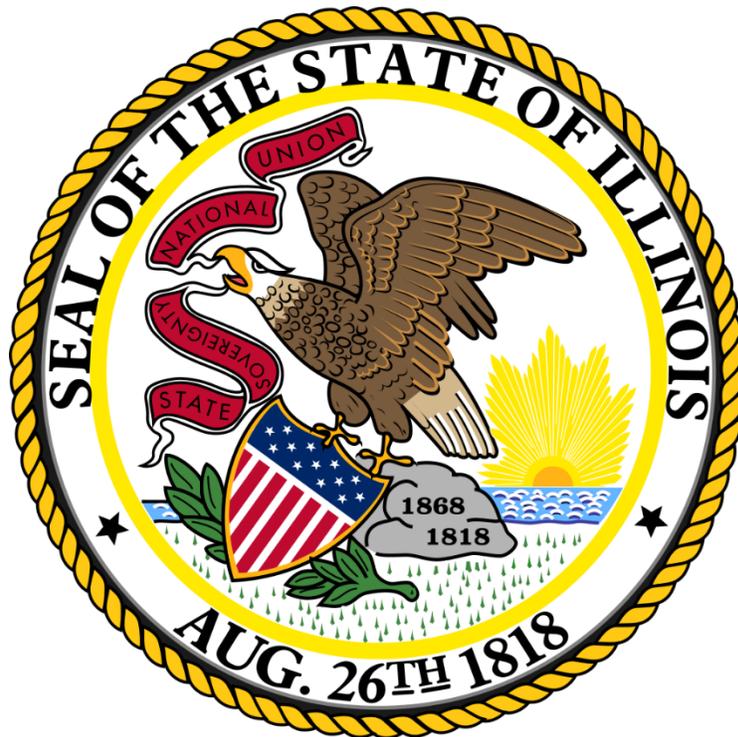


LEGISLATIVE AUDIT COMMISSION



Review of
Northeastern Illinois University
Year Ended June 30, 2020

622 Stratton Office Building
Springfield, Illinois 62706
217/782-7097

**REVIEW: #4519
NORTHEASTERN ILLINOIS UNIVERSITY
YEAR ENDED JUNE 30, 2020**

FINDINGS/RECOMMENDATIONS – 20

**IMPLEMENTED – 10
PARTIALLY IMPLEMENTED – 5
UNDER STUDY - 5**

REPEATED RECOMMENDATIONS – 14

PRIOR AUDIT FINDINGS/RECOMMENDATIONS – 20

This review summarizes the reports on Northeastern Illinois University (NEIU) for the year ended June 30, 2020. The compliance examination and financial audit were filed with the Legislative Audit Commission on May 25, 2021. The auditors performed the audits in accordance with Government Auditing Standards, State Law, the Single Audit Act and applicable federal regulations. The auditors stated that the financial statements were fairly presented.

NEIU as a public comprehensive university with locations throughout Chicago, aims to provide an exceptional environment for learning, teaching and scholarship. NEIU strives to prepare a diverse community of students for leadership and service in the region and in a dynamic multicultural world.

NEIU was and continues to be served by Dr. Gloria Gibson who was appointed president on March 15, 2018 and assumed the role 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 NEIU, 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 NEIU:

	FY19	FY20
Current Assets	\$ 79,661,425	\$ 85,124,493
Noncurrent Assets	186,881,957	181,302,866
Total	\$ 266,543,382	\$ 266,427,359

Current assets are expected to be converted to cash within one year; whereas, noncurrent assets are considered long-term and the full value would not be recognized for at least a year. (Source page 18 of Financial Audit)

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The number of Average Full-time Employees at NEIU during FY19 and FY20 were as follows:

	FY19	FY20
Faculty	403	396
Academic Professionals	170	164
Administration	140	142
Other Professionals	255	259
Support Staff	106	106
TOTAL	1,074	1,067

Other Professionals include business operations, computer support, engineering, community and social services, legal, entertainment and media, production, transportation and healthcare.

Enrollment at NEIU for each term for Academic Year 2018-2019 and Academic Year 2019-2020 were as follows:

	2018-19	2019-20
Fall	8,103	7,423
Spring	7,226	6,763
Summer	3,655	3,776

In FY20 NEIU had a Full-time Equivalent (FTE) enrollment of 5,350 students, comprised of 4,231 undergraduates, and 1,119 graduate students. This compares to a total FTE enrollment of 5,711 students comprised of 4,627 undergraduates, and 1,084 graduate students in FY19. This represents a decrease of 6.75% from Academic Years' 2018-19 to 2019-20.

NEIU's cost per FTE undergraduate and graduate student credit hour was \$151 in FY20 compared to \$136 in FY19, an increase of \$15 per credit hour, or 11%. The cost per FTE undergraduate and graduate student was \$15,247 in FY20 compared to \$13,554 in FY19, an increase of \$1,693, or 12.5%.

The number of Overtime Hours Paid and Compensatory Hours Granted and their values during FY19 and FY20 were as follows:

	FY19	FY20
Overtime Hours Paid	10,925	11,425
Compensatory Hours Granted	389	416
Total Overtime and Compensatory Hours	11,314	11,841
	FY19	FY20
Value of Overtime Hours Paid	\$ 489,081	\$ 511,203
Value of Compensatory Hours Granted	18,157	19,268

Total Value of Overtime and Compensatory Hours	\$ 507,238	\$ 530,471
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Appropriations and Expenditures

The General Assembly appropriated a total of \$35.6 million to NEIU in FY20 compared to over \$33.9 million in FY19, representing an increase of approximately \$1.7 million, or 5%. Total expenditures from appropriations were \$35.6 million in FY20, and \$33.9 million in FY19.

In FY20, the revenues to the Income Fund, comprised of tuition, rental income, investment income and other miscellaneous revenues, totaling \$63.3 million compared to \$62.5 million in FY19.

	2019	2020
Income Fund, beginning of year (Restated)	\$ (5,427,180)	452,153
Prior period adjustment	-	218,541
Income Fund, beginning of year, adjusted	(5,427,180)	670,694
Total revenues	62,486,258	63,311,164
<u>Total expenditures</u>	<u>56,606,925</u>	<u>57,934,694</u>
Income Fund, end of year	\$ 452,153	\$ 6,047,164

The total expenditure of Federal awards in FY20 was approximately \$53 million including \$32.8 million in student financial assistance.

Revenues, Expenses and Changes in Net Position

Operating revenues for NEIU and its component unit, Northeastern Illinois University Foundation (Foundation), or those that generally result from exchange transactions, were approximately \$71 million in FY20, a decrease of \$4.9 million, or 6.4%, compared to FY19.

State appropriations, gifts, and investments are defined as non-operating revenues, and totaled \$107.1 million at June 30, 2020 for NEIU and the Foundation, which was an increase of \$9.5 million, or 9.7%, from FY19. NEIU and Foundation's operating expenses were approximately \$177 million in FY20, which was an increase of \$6.6 million, or 3.9% over FY19.

NEIU and the Foundation's combined net position at the beginning of FY20 was \$141.1 million, which was an increase of \$4 million or 2.9% compared to FY19. At the end of FY20, net position for the University was \$127.2 million due to increased revenues from the state in the form of appropriations, special funding revenue, and MAP and AIM HIGH grant funds. The net position for the Foundation at the end of FY20 was \$16.3 million. The total combined net position for NEIU and the Foundation at the end of FY20 was

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\$143.5 million.

Accounts Receivable

Details of the University's accounts receivable are as follows:

	<u>June 30, 2019</u>	<u>June 30, 2020</u>
Student tuition and fees	\$ 25,131,935	\$ 26,800,492
Federal, State and private grants and contracts	4,924,523	4,780,805
State appropriation	8,888	5,873,314
Others	-1,290,481	1,238,735
Subtotal	<u>31,355,827</u>	<u>38,693,346</u>
Less allowance for doubtful accounts	<u>(15,491,028)</u>	<u>(17,266,127)</u>
Accounts Receivable, net	<u>\$ 15,864,799</u>	<u>\$ 21,427,219</u>

Cash Flows

NEIU's cash or cash equivalents, which are assets that can be converted to cash immediately, were \$60.6 million. The Foundation's cash or cash equivalents were approximately \$2.1 million.

Capital Assets

The beginning balance in FY20 was \$328.4 million compared to the ending balance of \$329 million. The net increase was due primarily to construction in progress and additions in library books.

Funds Provided by and to the Foundation

During the FY ending June 30, 2020, NEIU engaged the Foundation, under contract, to provide fundraising services. As provided in the contract agreement, NEIU advanced \$0 in funds and provided an additional \$762,128 of services to the Foundation. As required by the contract, the Foundation repaid NEIU, using funds considered unrestricted for purposes of the University Guidelines computations. In addition, the Foundation gave NEIU non-qualifying restricted funds.

During the FY ended June 30, 2020, NEIU and the Foundation had the following inter-entity transactions:

Northeastern Illinois University	Northeastern Illinois University Foundation	
	Other operating expenses (Program services)	Other operating revenues (Support and program revenue)
<u>Operating Revenues</u>		
Student tuition and fees, net	\$ 568,473	\$ -
Nongovernmental grants and contracts	214,940	-
<u>Operating Expenses</u>		
Compensation and benefits	-	720,177
Supplies and services	-	4,513
Use of space	-	37,438
	<u>\$ 783,413</u>	<u>\$ 762,128</u>

Accountants' Findings and Recommendations

Condensed below are the 20 findings and recommendations included in the audit report. Of these, 14 are repeated from the previous audit. The following recommendations are classified on the basis of information provided by NEIU, via electronic mail received July 5, 2021.

- The auditors recommend NEIU implement controls to ensure census data events are timely and accurately reported to SURS and CMS.**

Further, they recommend NEIU work with SURS and CMS to develop an annual reconciliation process of its active members' census data from its underlying records to a report from each plan of census data submitted to the plan's actuary. After completing an initial full reconciliation, NEIU may limit the annual reconciliations to focus on the incremental changes to the census data file from the prior actuarial valuation, provided no risks are identified that incomplete or inaccurate reporting of census data may have occurred during prior periods.

Additionally, they recommend NEIU work with SURS and CMS to identify and address any unremitted or erroneously remitted employee and, if applicable, employer contributions related to these events.

FINDING: *(Inadequate Internal Controls over Census Data)*

NEIU did not have adequate internal control over reporting its census data and did not have a reconciliation process to provide assurance census data submitted to its pension and other postemployment benefits (OPEB) plans was complete and accurate.

During testing, auditors noted the following:

- NEIU had not performed an initial complete reconciliation of its census data recorded by SURS and CMS to its internal records to establish a base year of complete and accurate census data.
- After establishing a base year, NEIU had not developed a process to annually obtain from SURS and CMS the incremental changes recorded by SURS and CMS in their census data records and reconcile these changes back to NEIU's internal supporting records.

Auditors performed detail testing and certain data analysis tests and noted the following additional exceptions:

- 1) Two of 80 (3%) employees tested had two events which had never been sent by the University to CMS.
- 2) An analysis of transactions reported by NEIU to SURS during the census data accumulation period throughout FY18, noting four of seven (57%) employees with a return from a leave of absence had the end date of the leave of absence untimely reported to SURS by NEIU. SURS determined the total potential impact to each of these employees' total service credit was it could be off by one-half to 6 years.
- 3) As of the end of the census data accumulation year on June 30, 2018, we identified eight employees where each employee's associated termination or rehire date(s) had been untimely reported to SURS. While these employees were all associated with NEIU at June 30, 2018, some or all of these untimely reports may have occurred at other public universities and community colleges across the state. SURS determined these errors resulted in the employees being misclassified between the active, retired, and inactive member categories within SURS. The total potential impact to each former employee's total service credit was it could be off between 0.0 and 1.75 years.

NEIU officials stated the findings noted above were due to oversight of Office Human Resources staff handling reporting of benefits changes to SURS and CMS.

RESPONSE:

NEIU agrees with the recommendation.

UPDATED RESPONSE:

Under Study. Anticipated Completion Date 6/30/22

2. The auditors recommend NEIU do the following:

- **Perform a periodic review of system access rights to ensure access rights are appropriate based on job duties. In addition, NEIU should ensure timely deactivation of users no longer needing access.**
- **Develop a formal process for changes to network devices (including steps for additions, deletions, upgrades, and patches.)**
- **Strictly enforce the security policy to ensure access rights are granted only after receipt of a completed and properly approved request form.**
- **Ensure anti-virus software is running on all servers and operating systems are upgraded to ensure vendor support in case problems are encountered.**
- **Encrypt all laptops that could contain sensitive information.**
- **Establish concurrent session limits on systems.**

FINDING: *(Weaknesses over Computer Security)*

NEIU had invested in computer hardware and systems and had established several critical, confidential or financially sensitive systems for use in meeting its mission. However, NEIU did not safeguard their computing environment. During testing, auditors noted the following weaknesses:

- User access rights to the applications and network were not periodically reviewed. During the audit period, NEIU did not perform any security audits to review access of employees to systems. Auditors noted 714 users never accessed their account, and 437 users had not accessed their account in over six months.
- Access rights were not removed in a timely manner. During review of system access, a list of separated employees noting 129 separated employees continued to have access in the Active Directory.
- Users were granted access without proper authorization. NEIU security policy requires access to the NEIU computing resources should only be established upon receipt of a complete and properly approved request form. During our review of enterprise application system access, auditors noted one of seven employees (14%) was granted access rights without an approved request form.
- A change management process to configure network devices (i.e. switches,

routers and firewall) did not exist.

- Servers were not updated. Auditors noted of the 19 servers tested, three (16%) servers had unsupported operating systems, three (16%) servers had outdated operating systems, and four (21%) servers did not have antivirus software.
- Encryption software was not installed on laptops.
- Concurrent network sessions were unlimited per user.

This finding was first reported in FY17. In subsequent years, NEIU has been unsuccessful in implementing appropriate procedures to improve its controls over computer security.

NEIU officials stated the above issues were due to staff vacancies and competing priorities.

RESPONSE:

NEIU agrees with the recommendation.

UPDATED RESPONSE:

Partially Implemented. An Information Security Officer (ISO) was hired and project manager have been hired to assist the CIO in a holistic strategy to address security weaknesses. New hardware supporting operations systems and management /monitoring tools are replacing outdated tools that lacked adequate controls. In addition, security will be further enhanced through the layering of security products.

Anticipated Completion Date: 9/30/2021

3. The auditors recommend NEIU establish written policies and procedures in monitoring external service providers. If required, NEIU should:

- **Obtain SOC reports (or perform independent reviews) of internal controls associated with outsourced systems at least annually.**
- **Monitor and document the operation of the complementary user entity controls relevant to the University's operations.**
- **Either obtain and review SOC reports for subservice organizations or perform alternative procedures to satisfy itself that the existence of the subservice organization would not impact its internal control environment.**
- **Document its review of the SOC reports and review all significant issues with subservice organizations to ascertain if a corrective action plan exists and when it will be implemented, any impacts to the University, and any compensating controls.**

- **Review contracts with service providers to ensure applicable requirements over the independent review of internal controls are included.**

FINDING: *(Lack of Adequate Controls over Review of Internal Controls over Service Providers)*

NEIU entered into agreements with various service providers to assist with significant processes such as (1) receipts processing for online credit card payments, (2) disbursement processing of purchasing card, (3) handling of Perkins student loans, (4) tracking of property and equipment, and (5) hosting its Enterprise Application System.

During testing, auditors noted NEIU had no written policies and procedures for monitoring the service providers to allow employees or departments to clearly understand their roles and responsibilities, and identify specific actions to be performed and as a result had not obtained System and Organization Controls (SOC) Reports.

Additionally, auditors noted the contracts between NEIU and the service providers did not contain a requirement for an independent review to be completed.

NEIU is responsible for the design, implementation, and maintenance of internal controls related to information systems and operations to ensure resources and data are adequately protected from unauthorized or accidental disclosure, modifications, or destruction. This responsibility is not limited due to the process being outsourced.

University officials stated the above issues were due to staff vacancies and competing priorities.

Without having obtained and reviewed a SOC Report or another form of independent internal control review, the University does not have assurance the service provider's internal controls are adequate.

RESPONSE:

NEIU agrees with the recommendation.

UPDATED RESPONSE:

Partially Implemented. The ISO has established a security committee that will be responsible for identifying providers and periodic review of System and Organization Control reports and documenting the process. Anticipated Completion Date: 12/31/2021

4. The auditors recommend NEIU ensure compliance with the Code regarding student notification.

FINDING: *(Student Notification of Disbursements of Direct Loans)*

Federal Agency:	Department of Education
CFDA Numbers:	84.268
Program Names and Award Numbers:	Student Financial Assistance Cluster [Federal Direct Student Loans (P268K191350/P268K201350)]
Program Expenditures:	\$17,552,368
Questioned Costs:	None

NEIU did not notify or timely notify the students in writing when the Federal Direct Student Loans funds were credited to students' accounts.

During testing of 36 students with 70 disbursement transactions who received Federal Direct Student Loans fund totaling \$330,542, auditors noted six (17%) students with six disbursement transactions totaling \$25,884 were not notified by NEIU that federal financial assistance was credited to the students' accounts. In addition, auditors noted a student (3%) with a disbursement transaction amounting to \$2,721 was notified by NEIU 40 days after the Federal Direct Student Loans fund was credited to the student's account. The sample was not intended to be, and was not, a statistically valid sample.

NEIU officials stated student notifications are automatically created immediately after disbursements, via email, using a notification program linked to the NEIU system. This notification program utilized by NEIU did not work properly, as intended, on those instances mentioned above.

Failure to timely notify students regarding disbursements of financial aid may result in federal aid loans disbursed to students' accounts that were not agreed to by the students.

RESPONSE:

NEIU agrees with the recommendation.

UPDATED RESPONSE:

Implemented. The University developed a new workflow process effective February 2020. All exceptions were found prior to that date. NEIU continues to monitor and has not found any errors since implementing the new process.

5. The auditors recommend NEIU improve its internal control process to ensure all student disbursement records are reported to the COD system timely in accordance with the federal requirements.

FINDING: *(Reporting of Disbursements to the Common Origination and Disbursement System)*

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Federal Agency: Department of Education
CFDA Numbers: 84.063
Program Names and Award Numbers: Student Financial Assistance Cluster
[Federal Pell Grant Program (P063Q181350 / P063Q191350)]
Program Expenditures: \$13,006,649
Questioned Costs: None

During testing of 27 students with 58 disbursement transactions who received Federal Pell Grant Program funds totaling \$118,996, auditors noted 15 (56%) students with 19 disbursement transactions totaling \$32,641 were reported to the COD system one to 66 days late. In addition, during testing of return of Title IV funds, auditors noted one (5%) of 19 return of Title IV funds tested was reported to the COD system two days late. The return of \$1,549 was for a Federal Pell Grant awarded to a student. The sample was not intended to be, and was not, a statistically valid sample.

NEIU officials stated, during the extraction of information of Pell disbursements, the release indicator was not checked resulting in the late reporting to the COD system.

Failure to submit disbursements records within the required timeframe may result in the rejection of all or part of the reported disbursements by the federal agency, a program review finding, or initiation of an adverse action in accordance with the federal regulation.

RESPONSE:

NEIU agrees with the recommendation.

UPDATED RESPONSE:

Implemented. NEIU developed a method of error reporting to identify discrepancies in the number of students being exported to the Common Origination and Disbursement (COD) system in January 2021.

- 6. The auditors recommend NEIU perform and document a comprehensive risk assessment identifying internal and external risks to the security, confidentiality, and integrity of the student's information. In addition, NEIU should ensure proper safeguards are in place to ensure the security of student information.**

FINDING: *(Information Technology Risk Assessment Not Performed)*

Federal Agency: Department of Education
CFDA Numbers: 84.007; 84.033; 84.038; 84.063; 84,379; 84.268
Program Names and Award Numbers: Student Financial Assistance Cluster:
[(Federal Supplemental Educational Opportunity Grants
(P007A181241/P007A191241)];

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Federal Work-Study Program (P033A181241/P033A191241);
Federal Perkins Loan Program (None);
Federal Pell Grant Program (P063P181350/P063P191350);
Teacher Education Assistance for College and Higher
Education Grants (P379T191350/P379T201350); and
Federal Direct Student Loans (P268K191350/P268K201350)]
Program Expenditures: \$357,216; \$541,570; \$1,267,058; \$13,006,649; \$42,729;
\$17,552,368
Questioned Costs: None

As a requirement under NEIU's Program Participation Agreement with the Department of Education, NEIU must protect student financial aid information. However, during testing, auditors noted they had not conducted a risk assessment identifying internal and external risks to the security, confidentiality, and integrity of the student's information.

Without documentation of a risk assessment, NEIU is at risk of noncompliance with the GLBA. In addition, there is a risk the NEIU systems and information could be vulnerable to attacks or intrusions, and these attacks may not be detected in a timely manner.

RESPONSE:

NEIU agrees with the recommendation.

UPDATED RESPONSE:

Implemented. In early 2021, an ISO was hired who reviewed and reported on risks. The CIO completed a document in February with recommendations pertaining to the corrections of the identified risks through the rebuilding of the IT infrastructure. A report will be compiled annually and shared with the CIO and Vice President. An external forensics team has also performed a review and has found no evidence of any breach of the network.

7. The auditors recommend NEIU improve procedures to collect its Federal Perkins Loans made to students in compliance with the Code of Federal Regulations.

FINDING: *(Noncompliance with the Federal Perkins Loan Cohort Default Rate)*

Federal Agency: Department of Education
CFDA Numbers: 84.038
Program Names and Award Numbers: Student Financial Assistance Cluster
[(Federal Perkins Loan Program (None))]
Program Expenditures: \$1,267,058
Questioned Costs: None

With the Federal Perkins Loan Program winding down in FY18, the participating institutions had the option to assign the Perkins Loans to the U.S. Department of

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Education and distribute the assets of the Perkins Loan Revolving Fund or continue to service the Perkins Loans. NEIU chose to continue servicing their Perkins Loans.

This finding was first reported in FY18. In subsequent years, NEIU has been unsuccessful in implementing appropriate procedures to reduce the Federal Perkins Loan cohort default rate.

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

Failure to maintain a Federal Perkins Loan cohort default rate below 15% resulted in noncompliance with the Code.

RESPONSE:

NEIU agrees with the recommendation.

UPDATED RESPONSE:

Under Study. NEIU is revisiting our service provider services and obtaining quotes from a vendor to assist in outreach to students with outstanding Perkins Loans balances. Anticipated Completion Date: 6/30/22

- 8. The auditors recommend NEIU document and retain documentation of the manual adjustments made to determine COA is in compliance with the Handbook.**

FINDING: *(Cost of Attendance for Student Financial Assistance)*

NEIU annually determines the cost of attendance (COA) based on the types of costs established under the Higher Education Act. NEIU's financial aid system automatically calculates the COA which can be manually adjusted based on financial aid administrator's professional judgment for special circumstances.

During testing of 40 students who received financial aid assistance during Academic Year 2019-2020, auditors noted manual adjustments reducing the COA for 10 students (25%) without proper documentation being maintained in the students' file to support the manual changes made. The sample was not intended to be, and was not, a statistically valid sample.

NEIU officials stated manual changes made on student's COA without proper documentation were due to oversight.

RESPONSE:

NEIU agrees with the recommendation.

UPDATED RESPONSE:

Implemented. The University has provided ongoing training to staff relative to cost of attendance documentation processes within the ERP system.

9. **The auditors recommend NEIU implement uniform procedures across all departments to serve as a guideline in communicating required sub-award information to sub-recipients.**

FINDING: *(Failure to Communicate Required Information to Sub-recipients)*

Federal Agency:	National Science Foundation Department of Health and Human Services Department of Education
CFDA Numbers:	47.076; 84.031; 84.287
Program Names and Award Numbers:	Research and Development Cluster Education and Human Resources [Robert Noyce Teacher Scholarship Program: University and Community College Collaboration for Mathematics and Biology Scholar Teacher Education (1660785)] Higher Education Institutional Aid [EXITO: Exit on Time in STEM (P031C160209)] Twenty-First Century Community Learning Centers [Project 4421-13: Austin (4421-13-19/4421-13-20)]
Program Expenditures:	\$288,207; \$1,210,087; \$452,023
Questioned Costs:	None

During testing of four sub-recipients, with pass-through federal expenditures totaling \$178,444, on three programs of the Research and Development Cluster, Higher Education Institutional Aid, and Twenty-First Century Community Learning Centers, auditors noted NEIU did not communicate the required federal award information to all (100%) sub-recipients to comply with federal statutes, regulations, and terms and conditions of the award. The sample was not intended to be, and was not, a statistically valid sample.

This finding was first reported in FY18. In subsequent years, NEIU has been unsuccessful in implementing appropriate procedures to improve its controls in communicating required sub-award information to sub-recipients.

NEIU officials stated the failure to communicate required information to sub-recipients was due to the lack of uniform procedures followed by various departments in providing sub-awards.

RESPONSE:

NEIU agrees with the recommendation.

UPDATED RESPONSE:

Implemented. In January 2021 NEIU established a working group to transition to the Federal Demonstration Partnership (FDP) form to meet Uniform Guidance requirements.

10. The auditors recommend NEIU improve its procedures on time and effort and time sheet reporting to ensure timely submission of the reports and compliance with NEIU policy and Federal regulations.

FINDING: *(Timesheets and Time and Effort Reports were not Submitted or Timely Submitted)*

Federal Agency: National Science Foundation;
Department of Health and Human Services; and
Department of Education

CFDA Numbers: 47.050; 47.075; 47.076; 93.397
84.042; 84.047; 84.217
84.287
84.031

TRIO Cluster
[TRIO Student Support Services
(P042A151075/P042A151085/P042A151088); TRIO Upward
Bound Pathways (P047A170554); and TRIO McNair Post-
Baccalaureate Achievement (P217A170073)]

Twenty-First Century Community Learning Centers
[Pathways (4421-15-19/4421-15-20); Austin (4421-13-
19/4421-13- 20); and Craft (4421-19-19/4421-19-20)]
Higher Education Institutional Aid
[EXITO: Exit on Time in STEM (P031C160209); and A
Comprehensive System of Support: Increasing Retention into
the Third Year (P031S160171)]

Program Expenditures: \$50,785; \$48,181; \$546,586; \$858,516
\$663,673; \$419,046; \$255,949
\$1,521,789
\$2,285,306

Questioned Costs: None

During the review of payroll documents for 30 employees, auditors noted the following:

- Five (17%) employees did not submit timesheets for the period tested.
- One (3%) employee timesheet was not approved by authorized personnel.

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- Nine (30%) employees submitted their time and effort reports 4 to 179 days after the required due date.
- Four (13%) employees did not submit their time and effort reports for the period tested.

The sample was not intended to be, and was not, a statistically valid sample.

This finding was first reported in FY17. In subsequent years, NEIU has been unsuccessful in implementing appropriate procedures to improve its controls over time and effort and time sheet reporting.

NEIU procedures require documentation supporting time spent each day on official state business to the nearest quarter hour to be submitted for all employees. In addition, NEIU 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.

NEIU officials stated the delay in submission of time and effort reports and timesheets were due to remote operations and oversight.

RESPONSE:

NEIU agrees with the recommendation.

UPDATED RESPONSE:

Implemented. In October 2020, NEIU required all salaried (exempt) employees to submit electronic time sheets. This will allow for better monitoring of employees and supervisors that do not adhere to deadlines.

11. The auditors recommend NEIU improve its grant reporting and monitoring process to ensure adherence with the grant request for proposal and application agreement.

FINDING: *(Noncompliance with Grant Report Requirements)*

Federal Agency:	Department of Education
CFDA Numbers:	84.287
Program Names and Award Numbers:	Twenty-First Century Community Learning Centers [Pathways (4421-15-19/4421-15-20); Austin (4421-13-19/4421-13-20); Craft (4421-19-19/4421-19-20); and Morton (4421-25-19/4421-25-20)]
Program Expenditures:	\$1,521,789
Questioned Costs:	None

During testing of NEIU compliance with the grant requirements, auditors noted the following:

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- 16 of 16 (100%) Quarterly Grant Performance Reports for Award Year 2019 were not prepared and submitted to ISBE; and
- Four of 39 (10%) State Evaluation Benchmarking Report for the Pathways program for Fall 2019 and Spring 2020 were submitted one to two days late.

The Grant Request for Proposal and Application Agreement of the University with ISBE requires submission of a periodic performance report 30 days after the end of each quarter. In addition, ISBE required the State Evaluation Benchmarking Report for Fall 2019 and Spring 2020 to be submitted on May 18, 2020 and July 13, 2020, respectively.

NEIU officials stated required reports were not submitted or timely submitted due to oversight and technical errors encountered in filing.

RESPONSE:

NEIU agrees with the recommendation.

UPDATED RESPONSE:

Implemented. All delinquent reports were submitted and Principal Investigators are to document when reports are required to ensure timely submission.

- 12. The auditors recommend NEIU strengthen its controls over P-Card processing to prevent abuse, detect unauthorized transactions timely, and properly record transactions. Further, auditors recommend NEIU provide annual training to employees with assigned P-Cards and its designated approvers to ensure compliance with the NEIU P-Card Manual.**

FINDING: *(Weaknesses over Purchasing Credit Card Transactions)*

NEIU adopted P-Card to improve efficiency in purchasing travel and low dollar value goods by directly giving departments buying power, thus eliminating many requisitions, purchase orders and direct payment vouchers. NEIU utilizes a web-based program developed by the P-Card issuer (Vendor) to conveniently review transaction detail, allocate transactions to one or more funds or accounts, query information on the purchasing activity of each P-Card, and ability to access monthly statements. As of June 30, 2020, NEIU had 64 active P-Cards in use with an accumulated credit limit of \$400,002.

During testing, auditors noted the following:

- A) NEIU allows P-Card holders to upload receipts in the vendor's web-based system and designates an approver to electronically approve P-Card transaction. Auditors noted there is no documented process that a review was performed by the NEIU's Controller's Office to independently check the

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transactions are proper, supported with receipts, and journal entries are appropriate based on the type of expenses incurred. During testing of 40 P-Card transactions totaling \$47,609 auditors noted:

- 20 (50%) transactions totaling \$22,233 were not reviewed by the P-Card approvers before the University paid the Vendor.
 - Three (8%) transactions totaling \$4,606 were identified to be prohibited P-Card purchases under the Manual. These purchases were payments for an amusement place, a charter bus, and a contractual service. There were no prior approvals submitted, in writing, to the P-Card Administrator prior to these purchases.
 - Two (5%) transactions totaling \$840 for subscription and auto parts and repairs, included charges for sales taxes totaling \$37.
 - One (3%) transaction amounting to \$1,087 for employee travel totaling \$2,124, was missing a required level of approval on the Travel Authorization and Request Encumbrance (TARE) form. The Manual states cardholder is responsible for complying with the University's travel regulations and for any expenses to any trips charged to the P-Card. TARE totaling between \$2,000 - \$4,999 requires Level II approval.
 - Four (10%) transactions totaling \$2,814 were charged to incorrect expenditure categories.
- B) Certain provisions of the Manual to control the use of P-Card were not being implemented and observed by NEIU:
- During review of 12 monthly P-Card statements, auditors noted NEIU set-up its system to automatically pay the P-Card statement balances five calendar days after the end of the statements' billing cycle.

The Manual states P-Card statements are to be paid 20 days after the end of the billing cycle.
 - P-Card transactions not reviewed and approved by the designated approvers after the end of the 45th day billing cycle were not cancelled in compliance with the requirements of the Manual.
- C) During review of 23 employees with assigned P-Cards, auditors noted 13 (57%) employees did not have signed purchasing card agreements on file.
- D) During testing of 12 P-Card packets containing P-Card receipts submitted to the NEIU Controller's Office, auditors noted four (33%) P-Card packets submitted by

cardholders 11 to 49 days after they were due, and five (42%) packets were not submitted by the cardholders to the NEIU Controller's Office. These packets were for P-Card transactions prior to the conversion to the web-based P-Card receipts' maintenance processing.

NEIU officials stated the exceptions were due to inconsistently following existing Manuals.

RESPONSE:

NEIU agrees with the recommendation.

UPDATED RESPONSE:

Implemented. NEIU revised its P-Card manual and procedures in the FY20, and will continue to monitor and audit P-Card usage.

- 13. The auditors recommend NEIU improve its procedures to ensure equipment records are accurately maintained and assets are accounted for properly and also recommend NEIU establish relevant policies in the management of equipment to ensure consistent procedures are observed by employees.**

FINDING: *(Inadequate Controls over University Property and Equipment)*

- A) During physical observation of 20 equipment items, auditors noted one (5%) item (a musical instrument) amounting to \$5,020 could not be located. The equipment item was subsequently reported as stolen to the NEIU Police.
- B) During tracing of 20 equipment items to the property records, auditors noted two (10%) active equipment items consisting of a storage cabinet and a crane totaling \$5,233 were categorized as inactive items in the property records.
- C) During testing of 38 vouchers totaling \$1,031,129, auditors noted 12 (32%) vouchers totaling \$156,482 for purchases of various equipment items such furniture, televisions, wireless presentation device, digital media switcher device, laboratory equipment, printers, teleprompter, laptops, digital cameras, and library materials were not timely recorded in the University's property records. These items were recorded 102 to 174 days after the vouchers were paid.
- D) During review of the NEIU's annual inventory count certification, auditors noted NEIU did not accurately report the results of its annual inventory count to CMS. NEIU performed its annual inventory count between July 2019 to October 2019. During this timeframe, NEIU identified 992 unlocated items totaling \$626,938 consisting of 770 non-computer items totaling \$348,904, and 222 computers and laptops totaling \$278,034. NEIU prepared and submitted deletion requests for these unlocated items prior to the submission of its annual inventory certification to CMS, allowing NEIU to report discrepancy of only 42 items totaling \$13,920 between its records and its annual inventory count.

E) NEIU does not have approved written policies and procedures on certain critical functions and processes related to equipment management such as:

- Proper conduct of the physical count process including the objective of the count, timing and types of counts, instructions for counting and recording, and researching and adjusting discrepancies, as well as procedures and trainings to new employees to perform the count.
- Adequate accounting and monitoring of electronic devices individually costing below \$1,000. In FY19, NEIU increased the threshold of items to be tagged and recorded in the property control system from \$500 to \$1,000. As such, equipment items costing less than \$1,000, including electronic devices, were deleted from the property control system. During testing, auditors noted NEIU did not record or trace 25 tablets individually costing \$783 purchased during the year. Without tracking these items, NEIU will not be able to monitor the use, transfer, administration, and destruction of these items.
- Delineating the categories of equipment that are subject to theft with value less than the nominal value to ensure equipment is marked with a unique identification number. Without a policy addressing the accountability and control of high theft equipment items, there is an increased risk of NEIU property loss without timely detection.

This finding was first reported in FY18. In subsequent years, NEIU has been unsuccessful in implementing appropriate procedures to improve its controls over NEIU property and equipment.

NEIU officials stated exceptions noted above were due to absence of an updated NEIU Policies and Procedures Manual that clearly defines the roles, responsibilities, and required actions of each department/employee, lack of coordination among departments, and employee inconsistently following existing NEIU Policy and Procedures.

Inadequate controls over University property may result in inaccurate financial reporting and loss of University property not being timely detected. In addition, failure to provide a full accounting of all unlocated items during the University's annual inventory count represents noncompliance with the CMS Property Control Rules and may result in stolen equipment items not properly identified and investigated in order to apply appropriate actions.

RESPONSE:

NEIU agrees with the recommendation.

UPDATED RESPONSE:

In Process. Ongoing training is occurring with department inventory managers, along with obtaining quotes for automation/scanning technology to help improve the accuracy of inventory processes. Anticipated Completion Date: 12/31/2021

14. The auditors recommend NEIU ensure storage media of electronic devices be erased, wiped, sanitized, or destroyed in a manner that prevents retrieval of sensitive data and software before they are sold, donated, or transferred. Auditors also recommend NEIU formalize its policy regarding data wiping on electronic storage devices.

FINDING: *(Weaknesses Regarding Clearing of Data from Electronic Devices)*

During testing of 25 deleted equipment totaling \$135,796, including 15 electronic devices totaling \$30,048 consisting of laptops, tablets, and central processing units (CPU), auditors noted:

- A tablet and a CPU (13%) totaling \$3,978 were not wiped or cleared before the items were transferred to CMS for surplus.
- NEIU did not perform a complete assessment of stolen and 11 missing electronic devices (80%) totaling \$23,893 to determine whether these devices contained confidential and personal information and whether notification was required as outlined in the Personal Information Protection Act.
- NEIU did not formalize a policy to address the requirements of the Data Security on State Computers Act to mandate all hard drives of surplus data processing equipment be erased, wiped, sanitized, or destroyed in a manner that prevents retrieval of sensitive data and software before being sold, donated, or transferred.

This finding was first reported in FY18. In subsequent years, NEIU has been unsuccessful in implementing appropriate procedures to improve its controls over clearing of data from electronic devices.

NEIU officials stated the conditions noted were due to property procedures not being followed and the requirements of the laws not being implemented.

RESPONSE:

NEIU agrees with the recommendation.

UPDATED RESPONSE:

Implemented. Procedures have been implemented between UTS and Property Control to ensure all devices are properly cleaned before shipped to CMS. In addition,

communications for notification of lost, missing or stolen devices have been coordinated with department managers, Property Control, UTS and NEIU Police.

15. The auditors recommend NEIU ensure proper implementation of NEIU Policy in obtaining and maintaining students' immunization information in compliance with the Act. Auditors also recommend NEIU submit required reports to IDPH timely.

FINDING: *(Noncompliance with the College Student Immunization Act)*

During testing of 25 students enrolled in the academic year 2019-2020, auditors noted the following:

- Six (24%) students did not provide proof of immunizations against preventable communicable diseases to NEIU. These students were accepted for enrollment the following semester without placing the students' account on hold until verification of proof of students' immunizations.
- Five (20%) students did not have complete required immunizations against preventable communicable diseases. These students were accepted for enrollment the following semester without placing the students' account on hold until a complete required immunization was verified.

In addition, auditors noted NEIU did not timely submit a report with IDPH as required by the Act. The report was submitted 10 days late.

The Act imposes specific duties and responsibilities on higher education students and institutions with on-campus housing within the State of Illinois, including the following:

- The Act (110 ILCS 20/2) requires NEIU's students enrolled at least half-time in on campus classroom instruction born after December 31, 1956 (covered students) present proof the student has received immunizations against preventable communicable diseases, unless the student documents a specific statutory exemption. According to NEIU officials, a student enrolled in six or more credit hours of classes is considered, at least, a half-time student.
- The Act (110 ILCS 20/4) requires NEIU preclude covered students who fail to present appropriate documentation from registering in a subsequent term or semester until the student complies with the law.
- The Act (110 ILCS 20/6) requires NEIU prepare and file a report with the IDPH by the eighth week of the Fall semester on a form prepared by IDPH stating the number of persons attending the institution who have presented: proof of immunization; certification of medical exemption; statement of religious objections; and no proof of immunization.

- The NEIU Immunization and Screening Policy (Policy) requires students to submit proof of immunization/screening against preventable communicable diseases as required by IDPH. Student accounts will be placed on hold until it is verified that the student is following the Policy.

NEIU officials stated an immunization policy was implemented to address the requirements of the Act. The exceptions noted were due to challenges encountered during the initial year of implementation of the policy and difficulty encountered during the pandemic. In addition, the required report was submitted late due to competing priorities.

RESPONSE:

NEIU agrees with the recommendation.

UPDATED RESPONSE:

In Process. A working group has been established to develop and implement various methods in obtaining records. NEIU is focusing on obtaining records from all students and particular, new students through the admissions process. Anticipated Completion Date: 6/30/2024

- 16. The auditors recommend NEIU develop a formal disaster contingency plan to be tested at least annually. The plan should be continuously updated to reflect environmental changes and improvements identified from the tests.**

FINDING: *(Lack of Disaster Contingency Plan)*

NEIU had invested in computer hardware and systems and had established several critical, confidential or financially sensitive systems for use in meeting its mission. However, NEIU had not developed and tested a disaster recovery plan to recover internally maintained systems.

This finding was first reported in FY13. In subsequent years, NEIU has been unsuccessful in implementing appropriate procedures to develop and test a contingency plan for its critical applications.

NEIU officials stated the failure to implement the technical components needed to finalize and eventually test the NEIU's disaster recovery plan, which was initially established in FY19, was mainly because of the delay brought about by the COVID pandemic in procuring a vendor and complication of onsite review and testing.

Without an adequately developed and tested disaster contingency plan, NEIU cannot ensure its critical systems could be recovered in the event of disaster. Failure to adequately update and test the disaster contingency plan leaves NEIU exposed to the possibility of major disruptions of services.

RESPONSE:

NEIU agrees with the recommendation.

UPDATED RESPONSE:

In Process. A committee has been formed and ongoing infrastructure improvements and procedures are being developed to assist with the development of the Plan. The plan will take into consideration the rebuild of NEIU's internal network which is occurring in 2021. Anticipated Completion Date: 12/31/2021

17. The auditors recommend NEIU do the following:

- **At least annually, assess each program accepting credit card payments and match the payment method to the appropriate SAQ.**
- **Complete the appropriate SAQ(s) for its environment and maintain documentation supporting its validation efforts.**
- **Maintain contact with service providers to ensure sufficient knowledge and awareness of PCI compliance status, issues, and guidance.**

FINDING: *(Noncompliance with Payment Card Industry Security Standards)*

NEIU accepted credit card payments for tuition, student fees, ticket sales, and parking fees. In FY20, NEIU handled approximately 24,000 transactions estimated at approximately \$24 million.

During testing, auditors noted NEIU 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.
- Maintained agreements with service providers or obtained and reviewed documentation supporting the providers PCI compliance.

This finding was first reported in FY15. In subsequent years, NEIU has been unsuccessful in implementing appropriate procedures to ensure compliance with the PCI DDS.

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.

NEIU officials stated the issues noted above were mainly due to the delay brought about by the COVID pandemic in procuring a vendor to perform the requirements of the PCI DDS and complication of onsite review and testing.

NEIU has the responsibility to ensure computer systems and cardholder data are protected from accidental or unauthorized disclosure. The lack of validation of proper controls increases the risk of unauthorized disclosure of cardholder data.

RESPONSE:

NEIU agrees with the recommendation.

UPDATED RESPONSE:

Under Study. Anticipate engaging an external consultant to perform an assessment of weaknesses with NEIU's PCI compliance and provide estimates for solutions if needed. The assessment will include ensuring the proper Self-Assessment Questionnaires (SAQ) are completed. Anticipated Completion Date: 10/31/2021

18. NEIU has the responsibility to ensure that confidential and personal information is adequately protected. Specifically, the auditors recommend NEIU do the following:

- **Perform a comprehensive risk assessment to identify and classify data to ensure adequate protection of confidential or personal information most susceptible to attack.**
- **Evaluate identified risk and implement appropriate controls to reduce risk.**
- **Establish a cybersecurity awareness program that includes required annual cybersecurity awareness training which covers identifying security threats, overview of information security policies and procedures, and security incident response process.**

FINDING: *(Weaknesses in Cybersecurity Programs and Practices)*

As a public university which provides an environment for learning, teaching and scholarship, NEIU maintains computer systems that contain large volumes of confidential or personal information such names, addresses, and Social Security numbers of students and employees.

NEIU management indicated during the fiscal year select staff were reassigned to the University Technology Services (UTS) Department to help with the workload, however, the search for the chief information officer to lead and direct the UTS became a challenge

due to the COVID pandemic. University management also indicated information security management is a shared responsibility among different UTS Divisions.

The lack of adequate cybersecurity programs and practices could result in unidentified risk and vulnerabilities and ultimately lead to NEIU's volumes of confidential and personal information being susceptible to cyber-attacks and unauthorized disclosure.

RESPONSE:

NEIU agrees with the recommendation.

UPDATED RESPONSE:

Partially Implemented. The ISO has developed a comprehensive, ongoing security awareness and training program which started in June 2021. It will be rolled out to the entire campus as the academic year starts in the fall of 2021. In addition, an Information Security Committee has also been established. Anticipated Completion Date: 10/31/2021

19. The auditors recommend NEIU establish policies and procedures in the preparation and maintenance of Form I-9 to ensure compliance with the Code.

FINDING: *(Weaknesses over Maintenance of Employment Eligibility Verification Forms)*

During testing of 25 employees, auditors noted the following:

- Three (12%) employees did not have the completed Form I-9 in their personnel files. As such, auditors could not determine whether NEIU examined the identity and employment authorizations of these employees.
- Two (8%) employees completed their Form I-9 one to four days after their first day of employment.
- Two (8%) employees signed and completed their Form I-9 11 to 13 days prior to the acceptance of NEIU's job offer.

NEIU officials stated the missing Form I-9s were misplaced. The Form I-9s that were completed untimely were due to oversight of employees and their supervisors.

RESPONSE:

NEIU agrees with the recommendation.

UPDATED RESPONSE:

Implemented. NEIU implemented I-9 self-audit procedures and processes to ensure the form is completed to meet compliance requirements.

20. The auditors recommend NEIU fully comply with the requirements of the Act by maintaining a minimum of one course in the related Initiative major that the University is offering.

FINDING: *(Noncompliance with the Illinois Articulation Initiative Act)*

The Initiative, through its itransfer.org website, exists to ease the transfer of students among the state's associate and baccalaureate degree granting institutions. The Initiative consists of both a General Education Core Curriculum package, where completion of the entire package at one institution is fully accepted by 111 institutions across the state, and an Initiative major, which are common courses at the lower-division level that can be used to ensure students are prepared for upper-division work at 79 institutions across the state.

During testing, auditors noted NEIU did not have a minimum of one course included within the related Initiative major for its art, biology, early childhood education, physics, political science, psychology, English, history, and sociology degree programs.

NEIU officials stated the exceptions were due to varying interpretations of the requirements of the Act.

RESPONSE:

NEIU agrees with the recommendation.

UPDATED RESPONSE:

In Process. Academic areas have started identifying courses and plan to have at least one course in every area by Fall 2021. These will then be reviewed internally before being submitted for the initiative. Anticipated Completion Date: 12/31/2021

Emergency Purchases

A chief procurement officer making such emergency purchases is required to file affidavits or 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 Code also allows for quick purchases. 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 FY20 NEIU filed no emergency purchase statements/affidavits.

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 its officers and employees for whom official headquarters have been designated at any location other than that at which official duties require them to spend the largest part of their working time.

As of July 1, 2020, NEIU had 0 employees assigned to locations others than official headquarters.