



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

UNIVERSITY OF ILLINOIS

**Financial Audit
 For the Year Ended June 30, 2019**

Release Date: January 16, 2020

FINDINGS THIS AUDIT: 2	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	0	0	2009		19-1	
Category 2:	0	2	2	2008		19-2	
Category 3:	<u>0</u>	<u>0</u>	<u>0</u>				
TOTAL	0	2	2				
FINDINGS LAST AUDIT: 4							

INTRODUCTION

The University’s financial audit report consists of three sets of financial statements as follows – the financial statements of the University, the revenue bond financial statements of the Auxiliary Facilities System and the Health Services Facilities System.

This digest covers the University of Illinois’s Financial Audit as of and for the year ended June 30, 2019. The University’s Compliance Examination (including Single Audit) will be issued in a separate report at a later date.

SYNOPSIS

- (19-1) The University has not established adequate internal controls over accurately identifying and recording deferred expense transactions and reporting prepaid expenses at fiscal year-end for financial reporting purposes.

Category 1: Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with State laws and regulations (material noncompliance).
Category 2: Findings that are **significant deficiencies** in internal control and **noncompliance** with State laws and regulations.
Category 3: Findings that have **no internal control issues but are in noncompliance** with State laws and regulations.

{Financial information is summarized on next page.}

UNIVERSITY OF ILLINOIS
FINANCIAL AUDIT
For the Year Ended June 30, 2019

FINANCIAL OPERATIONS (In Thousands)	2019	2018*
Operating Revenues		
Tuition and fees, net.....	\$ 1,193,419	\$ 1,193,322
Federal grants, contracts and appropriations.....	707,334	673,580
State and private gifts, grants and contracts.....	211,264	207,983
Hospital and medical activities.....	1,037,721	1,041,026
Auxiliary enterprises, net.....	434,532	416,319
Educational activities.....	337,160	338,287
Other.....	13,209	13,437
Total Operating Revenues.....	<u>3,934,639</u>	<u>3,883,954</u>
Operating Expenses		
Instruction.....	1,449,939	1,682,740
Research.....	815,345	858,576
Public service.....	427,006	482,127
Academic support.....	546,057	619,524
Hospital and medical activities.....	951,286	1,044,824
Auxiliary enterprises.....	382,124	406,300
Operation and maintenance of plant.....	334,632	332,016
Institutional support.....	296,934	310,667
Depreciation.....	244,185	255,005
Scholarships and fellowships.....	57,257	70,122
Other.....	226,016	249,964
Total Operating Expenses.....	<u>5,730,781</u>	<u>6,311,865</u>
Operating Loss.....	(1,796,142)	(2,427,911)
NONOPERATING REVENUES (EXPENSES)		
State appropriations.....	580,983	868,361
Capital appropriations, gifts and grants.....	15,474	18,097
Private gifts and endowments.....	189,731	197,877
On behalf/Special funding for fringe benefits.....	1,045,484	1,710,488
Other, net.....	341,994	271,421
INCREASE IN NET POSITION.....	<u>377,524</u>	<u>638,333</u>
Net Position, beginning of year.....	3,413,265	2,774,932
Net Position, end of year.....	<u>\$ 3,790,789</u>	<u>\$ 3,413,265</u>

*Certain reclassifications have been made to the 2018 amounts to conform to the 2019 presentation

SUMMARY - STATEMENT OF NET POSITION (In Thousands)	2019	2018*
Current Assets.....	\$ 1,743,207	\$ 1,776,177
Noncurrent Assets and Deferred outflows.....	6,560,724	6,100,556
Total Assets and Deferred outflows.....	<u>8,303,931</u>	<u>7,876,733</u>
Current Liabilities.....	1,113,569	1,036,931
Noncurrent Liabilities and Deferred inflows.....	3,399,573	3,426,537
Total Liabilities.....	<u>4,513,142</u>	<u>4,463,468</u>
Total Net Position.....	<u>\$ 3,790,789</u>	<u>\$ 3,413,265</u>

*Certain reclassifications have been made to the 2018 amounts to conform to the 2019 presentation.....

PRESIDENT

During Audit Period and Current: Timothy L. Killeen

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

**INADEQUATE PROCEDURES OVER EXPENSE
DEFERRALS AND OTHER CUT-OFF RELATED
ISSUES**

**Need to improve controls over
recording and reporting transactions**

The University has not established adequate internal controls over accurately identifying and recording deferred expense transactions and reporting prepaid expenses at fiscal year-end for financial reporting purposes.

In relation to our test work over expense transactions, we reviewed 225 cash disbursement transactions (totaling \$30,122,686), 60 P-Card expense transactions (totaling \$368,921), and 60 T-Card expense transactions (totaling \$234,802) recorded during the fiscal year. In relation to our test work over revenue transactions, we reviewed 60 cash receipt transactions recorded during the fiscal year (totaling \$52,459,178). We also reviewed 18 cash disbursements occurring subsequent to year-end (totaling \$67,263,877). Additionally, we separately reviewed 14 internal journal voucher transactions recorded during the fiscal year (totaling \$1,054,912).

During our review of these transactions, some of the items that were not recorded in the proper accounting period are as follows:

**Expenses were recorded in the
wrong year**

- Three general and service expense cash disbursements (totaling \$208,425) that were recorded as expenses for fiscal year ended June 30, 2019, should have been fully accrued as of June 30, 2018.
- One travel expense cash disbursement (totaling \$6,821) that was recorded as expense for fiscal year ended June 30, 2019, should have been fully accrued as of June 30, 2017.
- One telecommunication expense (totaling \$33,625) that was recorded as expense for the fiscal year ended June 30, 2019, should have been partially deferred as of June 30, 2019 at an amount of \$30,614, and then recognized as expenses for the fiscal year ending June 30, 2020.
- One cash receipt (totaling \$5,685) that was recorded as operating revenue for the fiscal year ended June 30, 2019, should have been fully accrued as of June 30, 2018.
- Three general expenses charged on P-cards (totaling \$11,836) that were recorded as expenses for the fiscal year ended June 30, 2019, should have been fully accrued as of June 30, 2018. (Finding 1, Pages 5-6)
This finding has been repeated since 2009.

We recommended the University continue to review its process to assess the existence of current period revenues and expenses and consider changes necessary to ensure they are accurately identified and recorded for presentation in the University's financial statements.

University agrees with the auditors

University officials agreed with the finding.

OTHER FINDING

The remaining finding pertains to inadequate controls over university procurement card transactions and is reportedly being given attention by the University. We will review the University's progress towards implementation of our recommendations in our next engagement.

AUDITOR'S OPINION

Our auditors stated the financial statements of the University, the Auxiliary Facilities System and the Health Services Facilities System as of June 30, 2019, and for the year then ended, are fairly stated in all material respects.

This financial audit was conducted by CliftonLarsonAllen LLP.

SIGNED ORIGINAL ON FILE

JANE CLARK
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

FJM:TLK