

**STATE OF ILLINOIS  
SIU PHYSICIANS & SURGEONS, INC.**

**COMPLIANCE EXAMINATION**

**For the Two Years Ended June 30, 2007**

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

STATE OF ILLINOIS  
 SIU PHYSICIANS & SURGEONS, INC.  
 COMPLIANCE EXAMINATION  
 For the Two Years Ended June 30, 2007

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<p>The Agency's financial statement report for the year ended June 30, 2007, which includes the report of independent auditors, management discussion and analysis, basic financial statements, and the report on internal control over financial reporting and on compliance and other matters based on an audit of basic financial statements performed in accordance with the <i>Government Auditing Standards</i> has been issued separately.</p>	
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AGENCY OFFICIALS

Chief Executive Officer  
Chief Financial Officer  
Executive Director, Financial Affairs

Mr. David J. Tkach  
Mr. Peter R. Cadwell  
Ms. M. Elizabeth Collier

The Agency's offices are located at:

800 North Rutledge  
Springfield, Illinois 62794



**Southern**  
Illinois University  
School of Medicine

**Physicians & Surgeons**

**MANAGEMENT ASSERTION LETTER**

January 22, 2008

Crowe Chizek and Company LLC  
Certified Public Accountants  
3201 West White Oaks Drive, Suite 202  
Springfield, IL 62704

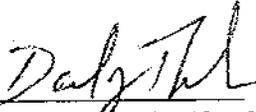
Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations or contracts that could have a material effect on the operations of SIU Physicians & Surgeons, Inc. (SIU P&S). We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the SIU P&S's compliance with the following assertions during the two-year period ended June 30, 2007. Based on this evaluation, we assert that during the years ended June 30, 2007 and June 30, 2006, SIU P&S has materially complied with the assertions below.

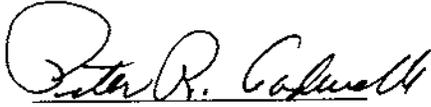
- A. SIU P&S has obligated, expended, received and used funds in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. SIU P&S has obligated, expended, received and used funds in accordance with any limitations, restrictions, conditions or mandatory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

Yours very truly,

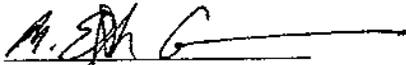
MANAGEMENT ASSERTION LETTER - CONTINUED



Mr. David J. Tkach, Chief Executive Officer  
SIU Physicians & Surgeons, Inc.



Mr. Peter R. Cadwell, Chief Financial Officer/Treasurer  
SIU Physicians & Surgeons, Inc.



Ms. M. Elizabeth Collier, Assistant Provost  
SIU School of Medicine

STATE OF ILLINOIS  
SIU PHYSICIANS & SURGEONS, INC.  
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For the Two Years Ended June 30, 2007

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COMPLIANCE REPORT

SUMMARY

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

ACCOUNTANTS' REPORTS

The Independent Accountants' Report on State Compliance, on Internal Control Over Compliance and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant non-standard language.

SUMMARY OF FINDINGS

<u>Number of</u>	<u>Compliance</u>	<u>Financial</u>	<u>Prior</u>
<u>Findings</u>	<u>Report</u>	<u>Report</u>	<u>Report</u>
Findings	1	1	2
Repeated findings	1	0	1
Prior recommendations implemented or not repeated	1	0	2

Details of State Compliance findings are presented in a separately tabbed report section. Details of *Governmental Auditing Standards* findings are issues related to significant deficiencies and material weaknesses in internal control over financial reporting. Findings related to *Government Auditing Standards* have been issued separately with the Agency's Financial Statement Audit (\*\*).

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Prior</u> <u>Finding Code</u>
FINDINGS (GOVERNMENTAL AUDITING STANDARDS)			
07-1	(**)	Fraud Prevention and Detection Program	N/A
FINDINGS (STATE COMPLIANCE)			
07-2	8	Cash Credit Risk	05-2
PRIOR FINDINGS NOT REPEATED (STATE COMPLIANCE)			
07-3	9	Accounts Receivable Reporting Error	05-1

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Crowe Chizek and Company LLC  
Member Horwath International

INDEPENDENT ACCOUNTANTS' REPORT ON STATE COMPLIANCE  
ON INTERNAL CONTROL OVER COMPLIANCE, AND ON  
SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

Honorable William G. Holland  
Auditor General  
State of Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the SIU Physicians & Surgeons, Inc. ("SIU P&S") compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the two years ended June 30, 2007. The management of the SIU P&S is responsible for compliance with these requirements. Our responsibility is to express an opinion on the SIU P&S's compliance based on our examination.

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

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

In our opinion, the SIU P&S complied, in all material respects, with the aforementioned requirements during the years ended June 30, 2007 and 2006. However, the results of our procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which is described in the accompanying schedule of findings as finding 07-02. There were no immaterial findings related to instances of noncompliance that have been excluded from this report.

### **Internal Control**

The management of the SIU P&S is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the SIU P&S's internal control over compliance with the requirements listed in the first paragraph of this report in order to determine our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of SIU P&S's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of SIU P&S's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to comply with the requirements listed in the first paragraph of this report such that there is more than a remote likelihood that noncompliance with a requirement that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a requirement listed in the first paragraph of this report will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance with the aforementioned requirements would not necessarily disclose all matters in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses, as defined above.

However, the results of our procedures disclosed other matters involving internal control over compliance which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings as finding 07-2.

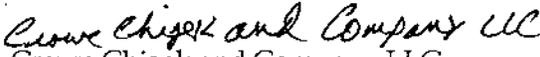
SIU P&S's response to the finding identified in our examination is described in the accompanying schedule of findings. We did not examine SIU P&S's response and, accordingly, we express no opinion on it.

### Supplementary Information for State Compliance Purposes

As Special Assistant Auditors for the Auditor General, we have audited the basic financial statements (presented under separate cover) of SIU P&S as of and for the year ended June 30, 2007, and have issued our report thereon dated January 22, 2008. The accompanying supplementary information, as listed in the table of contents as Supplementary Information for State Compliance Purposes, is presented for purposes of additional analysis and is not a required part of the basic financial statements of SIU P&S. The 2007 Supplementary Information for State Compliance Purposes, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2007, taken as a whole. We have also previously audited, in accordance with auditing standards generally accepted in the United States, SIU P&S's basic financial statements for the year ended June 30, 2006. In our report dated October 6, 2006, we expressed an unqualified opinion on the basic financial statements. In our opinion, the 2006 Supplementary Information for State Compliance Purposes, except for the portion marked "unaudited" is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2006, taken as a whole.

SIU P&S's financial statements for the year ended June 30, 2005, which are not presented with the financial statements (presented under separate cover) were audited by other auditors whose report thereon dated October 5, 2005, expressed unqualified opinions on the basic financial statements. Their report on the 2005 Supplementary Information for Compliance Purposes, except for the portion marked "unaudited", stated that, in their opinion, such information was fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2005, taken as a whole.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Board of Directors and SIU P&S management, and is not intended to be and should not be used by anyone other than these specified parties.

  
Crowe Chizek and Company LLC

Springfield, Illinois  
January 22, 2008

STATE OF ILLINOIS  
SIU PHYSICIANS & SURGEONS, INC.  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2007

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CURRENT YEAR FINDINGS AND RECOMMENDATIONS

**FINDING 07-2      Cash Credit Risk**

SIU P&S consistently maintains a cash account with a balance greater than the Federal Deposit Insurance Corporation (FDIC) insured amount of \$100,000.

At June 30, 2007 and June 30, 2006, the uninsured balances were \$ 1,038,207 and \$ 2,779,314 respectively.

Prudent business practices require that assets not be subject to uninsured risk. Even though cash disbursements exceed \$ 100,000 in a given time period, a variety of money management methods exist to ensure bank balances are fully insured.

SIU P&S personnel indicated they believe measures were taken to reduce risk by strategically transferring less funds between the agency fund and operating fund and by implementing an investment policy. (Finding Code No. 07-2, 05-2, 03-3)

Recommendation:

We recommend that SIU P&S structure its bank accounts whereby the bank balance at an individual bank is either less than \$100,000 or obtain additional collateral for amounts in excess of the FDIC insurance.

SIU P&S Response:

SIU P&S management believes it has taken sufficient steps to address this repeat finding and feels its current cash management steps are sufficient. SIU P&S has taken steps to reduce even further the available cash balance, monitoring cash availability on a shorter time frame and moving excess cash to short term investments. Management will continue to monitor and manage the cash balance on an ongoing basis and will modify procedures as deemed necessary.

STATE OF ILLINOIS  
SIU PHYSICIANS & SURGEONS, INC.  
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PRIOR FINDING NOT REPEATED (STATE COMPLIANCE)

07-3 Accounts Receivable Reporting Error

During the prior examination, SIU P&S did not properly accrue accounts receivable related to an agreement with the Illinois Department of Healthcare and Family Services. (Finding Code No. 05-1)

During the current period, it was noted that SIU P&S properly accrued accounts receivable related to this agreement.

STATE OF ILLINOIS  
SIU PHYSICIANS & SURGEONS, INC.  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2007

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SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

- Fiscal Schedules and Analysis
  - Comparative Schedule of Cash and Cash Equivalents
  - Comparative Schedule of Cash Receipts
  - Schedule of Changes in Furniture and Equipment
  - Analysis of Significant Variations in Revenues and Expenses
  - Analysis of Significant Statement of Net Asset Accounts
  - Analysis of Patient Accounts Receivable
  
- Analysis of Operations
  - Agency Functions and Planning Program
  - Locally Held Funds
  - Receivables
  - Employee Statistics (Unaudited)
  - Service, Efforts and Accomplishments (Unaudited)
  - Summary of Payments to the University

The accountants' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states that it has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the accountants' opinion, except for that portion marked "unaudited", on which they express no opinion, it is fairly stated in all material respects in relation to the financial statements taken as a whole.

STATE OF ILLINOIS  
SIU PHYSICIANS & SURGEONS, INC.  
COMPLIANCE EXAMINATION

COMPARATIVE SCHEDULE OF CASH AND CASH EQUIVALENTS

For the Year Ended June 30

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	<u>2007</u>	<u>2006</u>	<u>2005</u>
Cash			
National City	<u>\$1,565,264</u>	<u>\$2,135,872</u>	<u>\$2,701,540</u>

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STATE OF ILLINOIS  
SIU PHYSICIANS & SURGEONS, INC.  
COMPLIANCE EXAMINATION

COMPARATIVE SCHEDULE OF CASH RECEIPTS  
(ACCRUAL BASIS)

For the Year Ended June 30

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	<u>2007</u>	<u>2006</u>	<u>2005</u>
Net Professional Fees	\$ 76,492,659	\$ 71,452,970	\$ 68,934,176
Interest Income	677,347	355,321	200,601
Other Revenues	654,167	979,884	838,616
	<u>\$ 77,824,173</u>	<u>\$ 72,788,175</u>	<u>\$ 69,973,393</u>

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STATE OF ILLINOIS  
SIU PHYSICIANS & SURGEONS, INC.  
COMPLIANCE EXAMINATION

SCHEDULE OF CHANGES IN FURNITURE AND EQUIPMENT

For the Years Ended June 30, 2007 and 2006

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	<u>Furniture</u>	<u>Equipment</u>	<u>Accumulated Depreciation</u>	<u>Total</u>
Balance June 30, 2005	\$ 13,777	\$ 999,002	\$ 419,553	\$ 593,226
Additions	-	354,161	-	354,161
Deletions	-	-	-	-
Depreciation Expense	-	-	167,412	167,412
Balance June 30, 2006	<u>\$ 13,777</u>	<u>\$ 1,353,163</u>	<u>\$ 586,965</u>	<u>\$ 779,975</u>
Balance June 30, 2006	\$ 13,777	\$ 1,353,163	\$ 586,965	\$ 779,975
Additions	-	410,961	-	410,961
Deletions	-	-	-	-
Depreciation Expense	-	-	213,997	213,997
Balance June 30, 2007	<u>\$ 13,777</u>	<u>\$ 1,764,124</u>	<u>\$ 800,962</u>	<u>\$ 976,939</u>

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STATE OF ILLINOIS  
SIU PHYSICIANS & SURGEONS, INC.  
COMPLIANCE EXAMINATION

ANALYSIS OF SIGNIFICANT VARIATIONS IN REVENUES AND EXPENSES

For the Year Ended June 30

	2007	% Change	2006	% Change	2005
<b>Revenues and Other Additions</b>					
Net Professional Fees	\$ 76,492,659	7%	\$ 71,452,970	4%	\$ 68,934,176
Interest Income	677,347	91% a	355,321	77% a	200,601
Other Revenues	654,167	-33% b	979,884	17%	838,616
<b>Expenditures and other Deductions</b>					
Salaries	27,773,138	14%	24,264,831	6%	22,968,895
Payroll Taxes	1,272,003	11%	1,142,421	10%	1,041,861
General and Administrative	522,192	12%	466,190	10%	425,106
Contributions/Donations	800	-94%	13,963	796%	1,559
Insurance	423,539	-28% c	588,640	3%	572,657
Professional Services	672,044	0%	672,754	-17%	808,437
Medical Transcriptions	785,542	3%	759,632	32% d	574,486
Software License Fee	546,494	2%	536,942	-15%	631,311
Clinical Supplies	1,609,856	37% e	1,173,088	-7%	1,262,801
Equipment	719,320	1014% f	64,596	-1%	64,952
Depreciation	213,997	28%	167,412	42%	118,096
Pharmaceutical	3,333,295	58% g	2,109,333	-18%	2,571,490
University Overhead	33,893,655	11%	30,591,351	24% h	24,664,328
Academic Development	7,972,659	5%	7,595,883	34% i	5,683,819
Interest Expense	-		-	-100%	7,712

Crowe determined variances of 20% and \$125,000 to be significant.

- a. In Fiscal Year 2007, SIU P&S began depositing monies in a money market fund increasing its investment income. In both Fiscal Years 2007 and 2006, P&S began monitoring the transfer of monies from the agency account to the operating account resulting in an increase of interest income.
- b. In Fiscal Year 2006, SIU P&S was paid a one-time settlement of \$224,000 from MedQuist.
- c. In Fiscal Year 2006, SIU P&S was required to pay a one-time malpractice premium of \$167,000.
- d. In Fiscal Year 2006, SIU P&S began utilizing transcription services vs. handwritten notes due to the increase of faculty and the migration to EHR - Electronic Health Records at 2 of the larger ambulatory clinics.
- e. In Fiscal Year 2007, SIU P&S's patient volume increased as well as the clinical supplies costs.
- f. In Fiscal Year 2007, SIU P&S purchased computer equipment associated with the implementation of EHR and an expansion in clinic sites and equipment replacement.
- g. In Fiscal Year 2007, SIU P&S's patient volume increased as well as pharmaceutical costs.
- h. In Fiscal Year 2006, SIU P&S had a \$3,600,000 increase in overhead paid to the University due to an increase in patient volume, as well as, an intergovernmental transfer increase of \$2,300,000.
- i. In Fiscal Year 2006, SIU P&S's policy changed and began retaining monies previously provided to the SIU Foundation for Academic Development.

STATE OF ILLINOIS  
SIU PHYSICIANS & SURGEONS, INC.  
COMPLIANCE EXAMINATION

ANALYSIS OF SIGNIFICANT STATEMENT OF NET ASSET ACCOUNTS

For the Year Ended June 30

	2007	%	2006	%	2005
		Change		Change	
<b>Assets</b>					
Cash	\$ 1,565,264	-27% a	\$ 2,135,872	-21% a	\$ 2,701,540
Investments	845,700	100% b	-	0%	-
Deposits with SIU	12,932,988	-19%	16,013,380	56% c	10,262,961
Accounts Receivable					
Patient (NET)	16,032,655	7%	14,935,242	-5%	15,755,765
Illinois Department of Healthcare and Family Services	3,977,617	-31% d	5,798,502	13%	5,132,243
Other	301,029	-24%	393,943	100% e	-
Capital Assets, Net	976,939	25% f	779,975	31% f	593,226
<b>Liabilities</b>					
Accounts Payable	733,569	47% g	497,335	-22% g	635,479
Due to SIU	2,307,994	-54% h	5,058,324	182% h	1,793,437
Employee Salaries Payable	3,514,952	32% i	2,653,624	-5%	2,806,390
Retirement contributions payable	272,373	84%	148,260	-34%	225,199
Withholding taxes payable	409,476	4%	395,373	18%	333,929
Employer taxes payable	74,012	5%	70,337	17%	59,869
Retirement loan payable	5,384	24%	4,343	51%	2,878
Garnishments payable	-	-100%	525	-42%	900

Crowe determined variances of 20% and \$125,000 to be significant.

- a. In Fiscal Year 2007, SIU P&S began investing monies in short-term investments reducing the cash. In both Fiscal Years 2007 and 2006, SIU P&S transferred monies from the University's agency account to P&S's operating account to cover operating expenses, generally in \$500,000 increments, timing of the transfer will cause the cash balances to fluctuate.
- b. In Fiscal Year 2007, SIU P&S began investing monies in short-term investments.
- c. In fiscal Year 2006, SIU P&S had an increase in clinical receipts at year end.
- d. In Fiscal Year 2007, SIU P&S reduced its estimated DHFS receivable based on prior year actuals.
- e. In Fiscal Year 2006, SIU P&S had an increase in other receivables due to the \$224,000 accrual for the MedQuist settlement in Fiscal Year 2005.
- f. In Fiscal Year 2007 and 2006, SIU P&S made a business decision to purchase more equipment utilizing P&S funds rather than School of Medicine funds including equipment required for the implementation of EHR.
- g. In Fiscal Year 2007, SIU P&S had more outstanding obligations due to timing, these were comprised of various small payments.
- h. In Fiscal Year 2007, SIU P&S revised its Overhead payment schedule to the University paying monthly. In Fiscal Year 2006, SIU P&S did not follow any scheduled payment plan resulting in a large payable to the University at
- i. In Fiscal Year 2007, SIU P&S accrual related to Relative Value Unit payouts to the physicians was \$773,000 due to an increase in faculty.

STATE OF ILLINOIS  
SIU PHYSICIANS & SURGEONS, INC.  
COMPLIANCE EXAMINATION

ANALYSIS OF PATIENT ACCOUNTS RECEIVABLE

June 30

	2007	2006	2005
Gross Patient Accounts Receivable	\$ 43,455,069	\$ 45,157,060	\$ 44,695,942
Less Allowances and Uncollectible	27,422,414	30,221,818	28,940,177
Net Patient Accounts Receivable	<u>\$ 16,032,655</u>	<u>\$ 14,935,242</u>	<u>\$ 15,755,765</u>

Accounts Receivable Aging

	2007		2006		2005	
	0-120	121-150	151-180	181-210	211-over	Total
Commercial	90.16%	0.57%	0.71%	0.65%	7.91%	100.00%
Guarantor	46.60%	6.33%	6.01%	3.93%	37.13%	100.00%
Medicaid	82.52%	4.66%	2.59%	1.87%	8.37%	100.00%
PPO	96.99%	1.08%	0.01%	0.24%	1.68%	100.00%
Medicare	90.69%	1.81%	2.22%	1.74%	3.54%	100.00%
HMO	97.86%	0.62%	0.22%	0.49%	0.81%	100.00%
Blue Shield	95.98%	0.47%	0.23%	0.46%	2.86%	100.00%
Workman's Comp	87.25%	4.43%	2.52%	0.66%	5.14%	100.00%
Commercial	85.47%	2.50%	1.13%	0.72%	10.19%	100.00%
Guarantor	44.54%	7.72%	5.01%	5.28%	37.45%	100.00%
Medicaid	62.25%	12.41%	3.59%	2.97%	18.78%	100.00%
PPO	94.36%	1.73%	0.67%	1.05%	2.19%	100.00%
Medicare	95.82%	1.08%	0.69%	0.82%	1.59%	100.00%
HMO	96.48%	1.26%	0.57%	0.14%	1.55%	100.00%
Blue Shield	92.94%	2.16%	0.47%	0.59%	3.84%	100.00%
Workman's Comp	82.26%	2.22%	0.83%	0.98%	13.71%	100.00%
Commercial	91.95%	2.79%	2.03%	1.19%	2.04%	100.00%
Guarantor	55.01%	7.34%	4.63%	4.10%	28.92%	100.00%
Medicaid	58.28%	14.10%	8.85%	10.65%	8.12%	100.00%
PPO	97.72%	0.87%	0.95%	0.20%	0.26%	100.00%
Medicare	97.50%	1.11%	0.19%	0.68%	0.52%	100.00%
HMO	95.21%	1.08%	0.86%	0.55%	2.30%	100.00%
Blue Shield	87.75%	4.09%	7.57%	0.65%	-0.06%	100.00%
Workman's Comp	86.18%	11.88%	1.08%	0.34%	0.52%	100.00%

Gross Patient Services by Revenue by Payor

	2007	2006	2005
Government Programs:			
Medicare	33%	34%	32%
Medicaid	17%	16%	16%
Commercial Insurance	41%	42%	42%
Self-pay and other	9%	8%	10%
	<u>100%</u>	<u>100%</u>	<u>100%</u>

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**AGENCY FUNCTIONS AND PLANNING PROGRAM**

The administrative office of SIU Physicians & Surgeons, Inc., ("SIU P&S") is located at 800 North Rutledge Street in Springfield, Illinois. The Chief Executive Officer of SIU P&S at June 30, 2007, is Mr. David J. Tkach.

SIU P&S is organized exclusively for charitable, educational, and scientific purposes and to benefit and support the teaching, research, and service missions of Southern Illinois University School of Medicine (the "School of Medicine"). SIU P&S has formal, written long-term and short-term goals designed to achieve the above-mentioned mission. Various development activities have been designed as a means to reach identified goals. The achievement of these goals and the effectiveness of the development activities are reviewed by David Tkach, the Chief Executive Officer, on an ongoing basis. Overall performance is monitored with members of SIU P&S's Board of Directors.

The School of Medicine assigns all support staff to SIU P&S. Therefore, only physicians and a chief executive officer are employees of SIU P&S.

The parties agree that SIU P&S is a University-related organization as defined by the Legislative Audit Commission Guidelines of the Illinois General Assembly. The relationship between the parties is to be conducted according to these guidelines.

It is the intention of the management and the Board of Directors of SIU P&S that its continuing long-term goals are those described in its by-laws.

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**ADDITIONAL REQUIRED INFORMATION**

**Locally Held Funds**

All SIU P&S funds are locally held funds and are not appropriated.

**Receivables**

An analysis of patient accounts receivable are presented on page 16 of this report.

**Employee Statistics (Unaudited)**

SIU P&S obtains all support staff through the contract with the University. During the year ended June 30, 2007 and 2006, there were 219 and 210 members, respectively, working for SIU P&S.

**Service, Efforts and Accomplishments (Unaudited)**

The Board of Directors of SIU P&S seeks to ensure that in conjunction with supporting the missions of the School of Medicine and delivering cost-effective, high-quality patient care, the members of SIU P&S will provide a reasonable and proportionate share of charitable medical care to individuals unable to pay for such care. It is the policy of SIU P&S to screen patients who indicate an inability to meet financial obligations due to financial hardship. Discounts will be based on current Poverty Income Guidelines established by the federal government and other relevant data which is deemed appropriate to the particular account under consideration.

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SUMMARY OF PAYMENTS TO THE UNIVERSITY

For the Year Ended June 30

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During the years ended June 30, 2007 and 2006, Physicians & Surgeons, Inc. was under contract to provide:

	<u>2007</u>	<u>2006</u>
Payments for Dean's Tax	\$ 1,319,676	\$ 1,303,476
Payment to reimburse the University for Overhead Costs	32,573,979	29,287,881
Payments to the School of Medicine for Academic Development	7,972,659	7,593,209
Payments to the SIU Foundation for Academic Development	<u>-</u>	<u>2,674</u>
	<u>\$ 41,866,314</u>	<u>\$ 38,187,240</u>

The basic financial statements reflect the above information under "University Overhead" and "Academic Development".