



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

UNIVERSITY OF ILLINOIS

**FINANCIAL AUDIT
For the Year Ended: June 30, 2012**

Release Date: January 10, 2013

Summary of Findings:

Total this audit:	2
Total last audit:	3
Repeated from last audit:	2

INTRODUCTION

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

This report contains only findings pertaining to the Financial Statement Audit.

The State Compliance Examination and Federal Single Audit Reports will be issued at a later date.

SYNOPSIS

- The University has not established adequate internal controls over accurately identifying and recording period end accounts payable and accounts receivable transactions for financial reporting purposes.

{Expenditures and Activity Measures are summarized on the reverse page.}

UNIVERSITY OF ILLINOIS
FINANCIAL AUDIT
For The Year Ended June 30, 2012

FINANCIAL OPERATIONS	2012	2011*
Operating Revenues		
Tuition and fees, net.....	\$ 987,796,000	\$ 905,693,000
Federal grants, contracts and appropriations.....	736,693,000	698,311,000
State and private gifts, grants and contracts.....	219,190,000	230,764,000
Hospital and medical activities.....	837,520,000	770,822,000
Auxiliary enterprises, net.....	363,319,000	374,644,000
Educational activities.....	258,298,000	267,609,000
Other.....	15,028,000	16,710,000
Total Operating Revenues.....	<u>\$ 3,417,844,000</u>	<u>\$ 3,264,553,000</u>
Operating Expenses		
Instruction.....	\$ 1,114,474,000	\$ 1,006,190,000
Research.....	710,656,000	680,651,000
Public service.....	413,988,000	387,461,000
Academic support.....	377,982,000	349,095,000
Hospital and medical activities.....	709,650,000	633,795,000
Auxiliary enterprises.....	307,597,000	316,442,000
Operation and maintenance of plant.....	270,947,000	287,825,000
Institutional support.....	232,023,000	209,752,000
Depreciation.....	213,070,000	209,745,000
Scholarships and fellowships.....	241,008,000	238,722,000
Other.....	153,572,000	145,693,000
Total Operating Expenses.....	<u>\$ 4,744,967,000</u>	<u>\$ 4,465,371,000</u>
Operating Income (Loss).....	\$ (1,327,123,000)	\$ (1,200,818,000)
NONOPERATING REVENUES (EXPENSES)		
State appropriations.....	\$ 664,683,000	\$ 671,794,000
Capital appropriations, gifts and grants.....	87,293,000	31,019,000
Private gifts and endowments.....	142,023,000	134,422,000
On behalf payments for fringe benefits.....	818,084,000	683,201,000
Other, net.....	74,743,000	84,296,000
INCREASE IN NET ASSETS.....	<u>\$ 459,703,000</u>	<u>\$ 403,914,000</u>
Net assets, beginning of year.....	\$ 3,189,460,000	\$ 2,785,546,000
Cumulative effect of change in accounting principle..	\$ 2,046,000	\$ -
Net assets, beginning of year, as adjusted.....	<u>\$ 3,191,506,000</u>	<u>\$ 2,785,546,000</u>
Net assets, end of year.....	<u>\$ 3,651,209,000</u>	<u>\$ 3,189,460,000</u>

SUMMARY - BALANCE SHEET	2012	2011*
Current Assets.....	\$ 1,728,294,000	\$ 1,740,390,000
Noncurrent Assets and Deferred outflows.....	4,768,354,000	4,202,242,000
Total Assets.....	\$ 6,496,648,000	\$ 5,942,632,000
Current Liabilities.....	997,419,000	811,272,000
Noncurrent Liabilities.....	1,848,020,000	1,941,900,000
Total Liabilities.....	\$ 2,845,439,000	\$ 2,753,172,000
Total Net Assets.....	<u>\$ 3,651,209,000</u>	<u>\$ 3,189,460,000</u>

* Certain reclassifications have been made to the 2011 amounts to conform to the current year presentation.

PRESIDENT
During Audit Period: Michael Hogan
Current: Robert Easter

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**INADEQUATE YEAR END RECEIVABLE AND
PAYABLE ACCRUALS PROCESS**

**Improvements needed to identify
and record period end
transactions**

The University has not established adequate internal controls over accurately identifying and recording period end accounts payable and accounts receivable transactions for financial reporting purposes.

During the current year audit we reviewed 34 revenue transactions recorded during the fiscal year totaling \$6,460,641. In relation to our testwork on expense transactions, we reviewed 251 expense transactions recorded during the fiscal year totaling \$57,718,985 and 27 cash disbursements subsequent to year end totaling \$30,284,259. Additionally, we separately reviewed 214 journal transactions recorded during the fiscal year totaling approximately \$1.8 billion and 64 capital asset additions recorded during the fiscal year totaling \$168,542,428. Some of the transactions that were not recorded in the proper accounting period follow:

**Over-accrual of \$604,086 noted by
auditors**

**Upon further review by University,
an over-accrual of \$4,713,029 was
noted**

- One capital asset addition transaction totaling \$701,209 was improperly over-accrued by \$604,086 as of June 30, 2012 because of an inaccurate percentage of completion estimate. Upon further review, the University identified a total of 41 capital additions that were over-accrued by \$4,713,029 from the inaccurate percentage of completion estimate.
- Three supplies and services expense transactions totaling \$12,222 which pertained to fiscal year 2011 but were recognized as expense in 2012.
- Six travel expense transactions totaling \$63,203 which pertained to fiscal year 2011 but were recognized as expense in fiscal year 2012.
- Two contractual service expense transactions totaling \$59,267 which pertained to fiscal year 2013 but were recognized as expense in fiscal year 2012.
- One educational activity revenue transaction for a summer youth music camp totaling \$28,001 which pertained to fiscal year 2012 but was recognized as revenue in fiscal year 2013. (Finding 1, Pages 5-6)
This finding was first reported in 2009.

We recommended that the University review its current process to assess the completeness of its expense and revenue accruals at year end and consider changes necessary to ensure

all period end accounts payable and accounts receivable are accurately identified and recorded.

University agrees with auditors

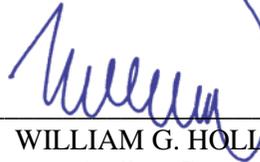
University officials accepted the recommendation and stated that they will work to develop and implement corrective actions to further improve the year-end process. (For the previous University response, see Digest Footnote #1.)

OTHER FINDING

The remaining finding is reportedly being given attention by the University. We will review the University's progress towards the implementation of our recommendations in our next engagement.

AUDITORS' OPINION

Our auditors state the June 30, 2012 financial statements are fairly presented in all material respects.



WILLIAM G. HOLLAND
Auditor General

WGH:TLK:rt

SPECIAL ASSISTANT AUDITORS

KPMG were our special assistant auditors.

DIGEST FOOTNOTES

#1 –Inadequate Year End Accruals Process – Previous University Response

Accepted. The University will review existing procedures in these areas and take corrective action to address the recommendation in this finding.