



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, 2015**

**Release Date: January 21, 2016**

FINDINGS THIS AUDIT: 3	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
<b>Category 1:</b>	<b>0</b>	<b>0</b>	<b>0</b>	2009		15-1	
Category 2:	1	2	3	2008		15-2	
Category 3:	<u>0</u>	<u>0</u>	<u>0</u>				
<b>TOTAL</b>	<b>1</b>	<b>2</b>	<b>3</b>				
<b>FINDINGS LAST AUDIT: 3</b>							

**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**

- (15-1) The University failed to establish adequate internal controls over accurately identifying and recording deferred expense transactions and reporting prepaid expenses at fiscal year-end for financial reporting purposes.
- (15-3) The University lacked adequate internal controls over monitoring external audits, attestation engagements and other studies.

**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, 2015**

<b>FINANCIAL OPERATIONS (In Thousands)</b>	<b>2015</b>	<b>2014</b>
<b>Operating Revenues</b>		
Tuition and fees, net.....	\$ 1,095,905	\$ 1,040,399
Federal grants, contracts and appropriations.....	641,533	669,282
State and private gifts, grants and contracts.....	227,860	227,830
Hospital and medical activities.....	842,156	852,875
Auxiliary enterprises, net.....	407,530	378,992
Educational activities.....	334,082	294,353
Other.....	15,044	15,841
Total Operating Revenues.....	<u>3,564,110</u>	<u>3,479,572</u>
<b>Operating Expenses</b>		
Instruction.....	1,300,281	1,259,862
Research.....	744,043	724,924
Public service.....	512,953	471,414
Academic support.....	507,303	451,948
Hospital and medical activities.....	793,777	771,520
Auxiliary enterprises.....	371,639	341,780
Operation and maintenance of plant.....	324,010	315,393
Institutional support.....	282,877	255,874
Depreciation.....	248,889	249,250
Scholarships and fellowships.....	278,001	270,036
Other.....	196,754	175,634
Total Operating Expenses.....	<u>5,560,527</u>	<u>5,287,635</u>
Operating Loss.....	(1,996,417)	(1,808,063)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State appropriations.....	609,140	623,372
Capital appropriations, gifts and grants.....	11,724	24,815
Private gifts and endowments.....	177,196	175,223
On behalf payments for fringe benefits.....	1,172,354	1,074,913
Other, net.....	141,033	216,849
<b>INCREASE IN NET POSITION.....</b>	<b>115,030</b>	<b>307,109</b>
Net Position, beginning of year.....	4,412,731	4,105,622
Cumulative effect of change in accounting principle.....	34,200	-
Net Position, beginning of year, as adjusted.....	<u>4,446,931</u>	<u>4,105,622</u>
Net Position, end of year.....	<u>\$ 4,561,961</u>	<u>\$ 4,412,731</u>
<b>SUMMARY - STATEMENT OF NET POSITION (In Thousands)</b>		
Current Assets.....	\$ 1,669,215	\$ 1,588,466
Noncurrent Assets and Deferred outflows.....	5,855,121	5,855,058
Total Assets and Deferred outflows.....	7,524,336	7,443,524
Current Liabilities.....	927,581	892,985
Noncurrent Liabilities.....	2,034,794	2,137,808
Total Liabilities.....	<u>2,962,375</u>	<u>3,030,793</u>
Total Net Position.....	<u>\$ 4,561,961</u>	<u>\$ 4,412,731</u>

**PRESIDENT**

During Audit Period and Current: Robert A. Easter thru 5-17-15; Timothy L. Killeen 5-18-15 to present

**FINDINGS, CONCLUSIONS, AND  
RECOMMENDATIONS**

**CONTROLS OVER IDENTIFYING AND RECORDING  
TRANSACTIONS NEED IMPROVEMENT**

**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 testwork over expense transactions, we reviewed 197 cash disbursement transactions (totaling \$42,171,231), 67 P-Card expense transactions (totaling \$247,947), and 60 T-Card expense transactions (totaling \$239,444) recorded during the fiscal year. We also reviewed 11 cash disbursements occurring subsequent to year-end (totaling \$24,827,569). Additionally, we separately reviewed 12 internal journal voucher transactions recorded during the fiscal year (totaling \$13,894,968 debits and \$16,297,995 credits). In relation to our test work over revenue transactions, we reviewed 60 cash receipt transactions recorded during the fiscal year (totaling \$216,289,228).

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

- One general expense cash disbursement (totaling \$5,682) that was recorded as expense for fiscal year ended June 30, 2015, should have been partially accrued as of June 30, 2014 at an amount of \$1,218.
- One general expense cash disbursement (totaling \$68,175) that was recorded as expense for the fiscal year ended June 30, 2015, should have been partially deferred as of June 30, 2015 at an amount of \$34,088, and then recognized as expense for the fiscal year ending June 30, 2016.
- One cash receipt (totaling \$272,051) that was recorded as operating revenue for the fiscal year ended June 30, 2015, should have been partially deferred as of June 30, 2015 at an amount of \$181,864, and then recognized as operating revenue for the fiscal year ending June 30, 2016. (Finding 1, Pages 5-7) **This finding has been repeated since 2009.**

**\$34,088 in expenses recognized in  
FY15 should have been deferred and  
recognized in FY16**

**\$181,864 in operating revenue  
recognized in FY15 should have been  
deferred and recognized in FY16**

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

**University agrees with the auditors**

University officials agreed with the finding and stated they will continue to implement corrective actions to address the recommendation in the finding. *(For the previous University response, see Digest Footnote #1.)*

**CONTROLS OVER MONITORING OF EXTERNAL AUDITS, ATTESTATION ENGAGEMENTS AND OTHER STUDIES NEED IMPROVEMENT**

**Need to implement controls over monitoring**

The University has not established adequate internal controls over monitoring external audits, attestation engagements and other studies.

**Centralized monitoring needed to identify risks and deficiencies**

The University's system of internal controls over monitoring external audits, attestation engagements and other studies are inadequate as there are no policies or procedures requiring central monitoring to ensure all identified risks and deficiencies are adequately assessed and addressed at a University wide level.

Monitoring all external audits, attestation engagements, and other studies at a central, University wide level is important to the overall system of internal controls to ensure the University is adequately addressing all potential risks and implementing proper corrective action plans to address risks. Centralized procedures to monitor external audits should be performed by the University. (Finding 3, pages 11-12)

We recommended the University review and strengthen their internal controls in order to ensure the University remains in compliance with all applicable laws and regulations.

**University agrees with the auditors**

University officials agreed with the finding and stated they will take the necessary corrective action to address the recommendation in the finding.

**OTHER FINDING**

The remaining finding 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, 2015, and for the year then ended, are fairly stated in all material respects.

**SIGNED ORIGINAL ON FILE**

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FRANK J. MAUTINO  
Auditor General

FJM:TLK

## **SPECIAL ASSISTANT AUDITORS**

Our Special Assistant Auditors for this audit were CliftonLarsonAllen.

## **DIGEST FOOTNOTES**

### **#1 – Inadequate Year-End Expense Accruals, and Revenue and Expense Deferrals Process – Previous University Response**

Accepted. The University has already implemented significant process enhancements in this area. Through analysis of the exceptions identified in this audit, the University will work to develop and implement corrective actions to further improve the related year-end processes.