



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

UNIVERSITY OF ILLINOIS

Single Audit and State Compliance Examination
 For the Year Ended June 30, 2019

Release Date: March 17, 2020

FINDINGS THIS AUDIT: 12	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	0	0	2018		19-11, 19-12	
Category 2:	1	11	12	2017		19-3, 19-7, 19-10	
Category 3:	0	0	0	2016		19-9	
TOTAL	1	11	12	2015		19-5	
				2009		19-1, 19-4	
				2008		19-2	
FINDINGS LAST AUDIT: 18				2005		19-8	

INTRODUCTION

This digest covers our federal Single Audit and State Compliance Examination of the University of Illinois for the year ended June 30, 2019. A separate Financial Audit as of and for the year ended June 30, 2019 was previously released on January 16, 2020. In total, this report contains 12 findings, two of which were reported in the Financial Audit.

SYNOPSIS

- (19-3) The University did not use at least 7% of its Federal Work Study funds for students employed in community service activities.
- (19-6) The University did not have proper review and apply indirect cost rates for the Research and Development Cluster and Cooperative Extension Services Cluster program awards.
- (19-9) The University did not establish adequate internal controls over travel card transactions.

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.

UNIVERSITY OF ILLINOIS
SINGLE AUDIT AND COMPLIANCE EXAMINATION
For the Year Ended June 30, 2019

FINANCIAL OPERATIONS (In Thousands) (Unaudited)	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 payments 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>

SUPPLEMENTAL INFORMATION (Unaudited)	2019	2018
Employment Statistics - Full Time Equivalent		
Chicago.....	14,480	14,064
Springfield.....	945	926
Urbana-Champaign.....	14,872	14,696
Total.....	<u>30,297</u>	<u>29,686</u>
Enrollment Statistics - Fall		
Undergraduate -		
Chicago.....	20,783	19,448
Springfield.....	2,814	2,932
Urbana-Champaign.....	33,915	33,955
Subtotal.....	<u>57,512</u>	<u>56,335</u>
Graduate -		
Chicago.....	10,900	11,091
Springfield.....	1,761	2,024
Urbana-Champaign.....	15,787	14,261
Subtotal.....	<u>28,448</u>	<u>27,376</u>
Total	<u>85,960</u>	<u>83,711</u>

PRESIDENT

During Audit Period and Current: Timothy L. Killeen

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

FAILURE TO MEET COMMUNITY SERVICE REQUIREMENT

The University did not use at least 7% of its Federal Work Study (FWS) funds for students employed in community service activities.

**University of Illinois at Chicago
should have used \$197,694 of its
Federal Work Study funds toward
Community Service**

At the University of Illinois at Chicago, we noted the federal share of FWS funds used for community service totaled \$96,505, from a statistically valid sample. The total amount of federal funds spent on FWS funds totaled \$2,824,193. The University is reporting at 3.4% of community service used for FWS funds out of the minimum 7% requirement. The University should have used at least 7%, or \$197,694, of its FWS funds toward community service or obtained a waiver from the US Department of Education.

**University of Illinois at Springfield
should have used \$17,262 of its
Federal Work Study funds toward
Community Service**

At the University of Illinois at Springfield, we noted the federal share of FWS funds used for community service totaled \$15,227, from a statistically valid sample. The total amount of federal funds spent on FWS funds totaled \$246,595. The University is reporting at 6.2% of community service used for FWS funds out of the minimum 7% requirement. The University should have used at least 7%, or \$17,262, of its FWS funds toward community service or obtained a waiver from the US Department of Education. (Finding 3, pages 22-23) **This finding has been repeated since 2017.**

We recommended the University review current processes for calculating and tracking the students employed in community service activities for its FWS funds to meet the minimum 7% requirement.

University agrees with the auditors

University officials accepted our recommendation.

INADEQUATE REVIEW AND APPLICATION OF INDIRECT COST RATE

The University did not have proper review and apply indirect cost rates for the Research and Development Cluster and Cooperative Extension Services Cluster program awards.

During our testing we noted 1 out of 40 (3%) indirect cost transactions related to 1 award, from a statistically valid sample, charged to the Research and Development Cluster was not adequately executed or reviewed using the correct rate stated in the award agreement. Specifically, the University used a rate of 25.4% instead of the agreed upon rate of 31.9% which resulted in an under application of the allowed amount of indirect costs totaling \$287.

Indirect cost rates used did not always match the award agreement

During our testing we noted 3 out of 24 (13%) indirect cost transactions related to 1 award, from a statistically valid sample, charged to the Cooperative Extension Services Cluster were not adequately executed or reviewed using the correct rate stated in the award agreement. Specifically, the University used a rate of 25.4% instead of the agreed upon rate of 31.9% which resulted in an under application of the allowed amount of indirect costs totaling \$177. (Finding 6, Pages 29-30)

We recommended the University review its procedures relative to entering and reviewing indirect costs rates before entering them into its information systems to ensure the appropriate rates are used to calculate indirect costs charged to its federal programs.

University agrees with the auditors

University officials accepted our recommendation.

INADEQUATE CONTROLS OVER UNIVERSITY TRAVEL CARD TRANSACTIONS

The University of Illinois (University) did not establish adequate internal controls over travel card (T-card) transactions.

The University operated a travel card program allowing individuals traveling for University business to pay for qualified travel expenses and business meals, which were then directly reimbursed by the University on a monthly basis. The University's policies require employees assigned a travel card to complete training on University travel card policies, and sign an agreement stipulating they will use the card in accordance with the University policy.

The University's policies also require transactions incurred on a travel card to be approved in the University's travel card system by the individual cardholder and an assigned reviewer. However, during our test work over 102 travel card transactions (totaling \$323,414), including 42 transactions noted for unusual activity, we noted the following:

Travel card policies were not always followed by University employees

- One purchase (totaling \$6,959) exceeded the cardholder's single transaction limit amount. This purchase was split between two different T-card transactions. The required *T-Card Exception Request Form* was not properly approved by the Department Head prior to using the T-Card as required by the University travel card policies;
- Fifteen transactions (totaling \$112,573) were paid in multiple installments, exceeding the cardholder's single transaction limit of \$4,999. The required *T-Card Exception Request Forms* were not filed prior to using the T-Cards for these purchases; and

- One transaction (totaling \$8,971) was made prior to completion of the required *T-Card Authorization Form*.

The University has approximately 3,756 active travel cards, and the travel card expenditures paid for the year ended June 30, 2019 totaled \$42,458,488. (Finding 9, Pages 34-35) **This finding has been repeated since 2016.**

We recommended the University review its current process for reviewing and approving travel card transactions and consider any changes necessary to ensure charges are made in accordance with University policies and procedures.

University agrees with the auditors

University officials accepted the recommendation.

OTHER FINDINGS

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

AUDITOR'S OPINIONS

The financial audit was previously released. Our auditors stated the financial statements of the University of Illinois as of and for the year ended June 30, 2019 are fairly stated in all material respects.

The auditors also conducted a Single Audit of the University as required by the Uniform Guidance. Our auditors stated the University complied, in all material respects, with the types of compliance requirements that could have a direct and material effect on the University's major federal programs for the year ended June 30, 2019.

ACCOUNTANT'S OPINION

The accountants conducted a compliance examination of the University for the year ended June 30, 2019, as required by the Illinois State Auditing Act. The accountants stated the University complied, in all material respects, with the requirements described in the report.

The Single Audit and State Compliance Examination 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

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