

**UNIVERSITY OF ILLINOIS**  
A Component Unit of the State of Illinois

**State Compliance Examination**

**Year Ended June 30, 2025**

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

**UNIVERSITY OF ILLINOIS**  
A Component Unit of the State of Illinois  
**State Compliance Examination**

**Year Ended June 30, 2025**

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**UNIVERSITY OF ILLINOIS**  
A Component Unit of the State of Illinois  
**State Compliance Examination**

**Year Ended June 30, 2025**

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Julie A. Zemaitis ..... Executive Director of University Audits



Office of the Vice President, Chief Financial Officer and Comptroller

April 15, 2026

RSM US LLP
1450 American Lane, Suite 1400
Schaumburg, IL 60173

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the University of Illinois (University). 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 University's compliance with the following specified requirements during the one-year period ended June 30, 2025. Based on this evaluation, we assert that during the year ended June 30, 2025, the University has materially complied with the specified requirements listed below.

- A. The University has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
B. The University has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.
C. Other than what has been previously disclosed and reported in the Schedule of Findings, the University has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
D. State revenues and receipts collected by the University 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 the University on behalf of the State or held in trust by the University have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Yours truly,

SIGNED ORIGINAL ON FILE

Timothy L. Killeen
President

SIGNED ORIGINAL ON FILE

Paul Ellinger
d Comptroller

SIGNED ORIGINAL ON FILE

Scott Rice
General Counsel

**UNIVERSITY OF ILLINOIS**  
A Component Unit of the State of Illinois  
**State Compliance Examination**

**Year Ended June 30, 2025**

**State Compliance Report**

**Summary**

The State compliance testing performed during this examination was conducted 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*.

**Accountant’s Report**

The Independent Accountant’s Report on State Compliance and on Internal Control Over Compliance does not contain scope limitations or disclaimers, but does contain a modified opinion on compliance and identifies a material weakness over internal control over compliance.

**Summary of Findings**

<u>Number of</u>	<u>Current Report</u>	<u>Prior Report</u>
Findings	10	10
Repeated Findings	7	9
Prior Recommendations Implemented or Not Repeated	3	13

**SCHEDULE OF FINDINGS**

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
<b>Current Findings</b>				
2025-001	8	2024/2022	Weaknesses in Controls over Access Termination and Reviews	Material Weakness and Material Noncompliance
2025-002	10	New	Inadequate Controls over Construction in Progress	Significant Deficiency and Noncompliance
2025-003	12	2024/2022	Cash Management – Timeliness of Subrecipient Payments	Significant Deficiency and Noncompliance
2025-004	14	2024/2024	Internal Controls over Procurement	Significant Deficiency and Noncompliance
2025-005	16	New	Inadequate Internal Controls over Census Data	Significant Deficiency and Noncompliance
2025-006	19	2024/2005	Failure to Follow Time Reporting Requirements	Significant Deficiency and Noncompliance

**UNIVERSITY OF ILLINOIS**  
A Component Unit of the State of Illinois  
**State Compliance Examination**

**Year Ended June 30, 2025**

**State Compliance Report**

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
2025-007	21	2024/2021	Untimely Vehicle Accident Reporting	Significant Deficiency and Noncompliance
2025-008	23	2024/2023	Noncompliance with University Faculty Research and Consulting Act	Significant Deficiency and Noncompliance
2025-009	25	2024/2022	Inadequate Controls over Remote Access	Significant Deficiency and Noncompliance
2025-010	26	New	Noncompliance with the County Cooperative Extension Law	Significant Deficiency and Noncompliance

**Prior Findings Not Repeated**

A	27	2024/2020	Errors in Reporting for NSLDS
B	27	2024/2023	Inadequate Controls over Property and Equipment
C	27	2024/2008	Inadequate Controls over University Procurement Card Transactions

**EXIT CONFERENCE**

The University waived an exit conference in a correspondence from Brent Rasmus, Controller and Assistant Vice President for Business and Finance, on December 11, 2025 for Findings 2025-001 and 2025-002. The University waived an exit conference in a correspondence from Cheryl Howerton, Director for Audit and Compliance, on February 17, 2026 for Findings 2025-003 and 2025-004. The University waived an exit conference in a correspondence from Jennifer Erickson, Senior Associate Director for Business and Finance, on April 8, 2026 for the remaining findings. The responses to the recommendations were provided by Jennifer Erickson, Senior Associate Director for Business and Finance, in a correspondence dated December 15, 2025 for Findings 2025-001 and 2025-002. The responses to the recommendations were provided by Jennifer Erickson, Senior Associate Director for Business and Finance, on February 17, 2026 for Findings 2025-003 and 2025-004. The responses to the recommendations were provided by Jennifer Erickson, Senior Associate Director for Business and Finance, in a correspondence dated April 8, 2026 for the remaining findings.

**Independent Accountant’s Report on State Compliance  
and on Internal Control Over Compliance**

Honorable Frank J. Mautino  
Auditor General  
State of Illinois

and

Board of Trustees  
University of Illinois

**Report on State Compliance**

As Special Assistant Auditors for the Auditor General, we have examined the University of Illinois’ (University) compliance with the specified 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 year ended June 30, 2025. Management of the University is responsible for the University’s compliance with the specified requirements. Our responsibility is to express an opinion on the University’s compliance with the specified requirements based on our examination.

The specified requirements are:

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



Our examination was conducted in accordance with attestation standards established by the AICPA; 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*. Those standards, the Act, and the *Audit Guide* require that we plan and perform the examination to obtain reasonable assurance about whether the University complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the University complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our modified opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the University's compliance with the specified requirements.

Our examination disclosed material noncompliance with the following specified requirement applicable to the University during the year ended June 30, 2025. As described in the accompanying schedule of findings as item 2025-001, the University had not complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

In our opinion, except for the material noncompliance with the specified requirement described in the preceding paragraph, the University complied, in all material respects, with the aforementioned requirements during the year ended June 30, 2025. However, the results of our procedures disclosed other instances of noncompliance with the specified requirements, which are required to be reported in accordance with criteria established by the *Audit Guide* and which are described in the accompanying schedule of findings as items 2025-002 through 2025-010.

*Government Auditing Standards* requires the auditor to perform limited procedures on the University's responses to the noncompliance findings identified in our examination described in the accompanying schedule of findings. The University's responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the responses.

The purpose of this report is solely to describe the scope of our testing over compliance and the results of that testing in accordance with the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

### **Report on Internal Control Over Compliance**

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the specified requirements (internal control). In planning and performing our examination, we considered the University's internal control as a basis for designing examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the University's compliance with the specified requirements and to test and report on the University's internal control in accordance with the *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

*A deficiency in internal control* 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 and correct, noncompliance with the specified requirements on a timely basis. *A material weakness in internal control* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control described in the accompanying schedule of findings as item 2025-001 to be a material weakness.

*A significant deficiency in internal control* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control described in the accompanying schedule of findings as items 2025-002 through 2025-010 to be significant deficiencies.

As required by the *Audit Guide*, immaterial findings excluded from this report have been reported in a separate letter.

*Government Auditing Standards* requires the auditor to perform limited procedures on the University's responses to the internal control findings identified in our examination described in the accompanying schedule of findings. The University's responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the responses.

The purpose of this report is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

**SIGNED ORIGINAL ON FILE**

Schaumburg, Illinois  
April 15, 2026

## University of Illinois

A Component Unit of the State of Illinois

### State Compliance Examination

#### Schedule of Findings

For the Year Ended June 30, 2025

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#### **Finding 2025-001 Weaknesses in Controls over Access Termination and Reviews**

The University of Illinois System (University) did not ensure adequate controls for system access reviews and terminations over their Electronic Health Record System (EHR) and Enterprise Resource Planning System (ERP).

The University maintains an EHR that contains patient medical records and data. The EHR supports billing and transaction workflows which feed into the financial statements. Additionally, the University maintains an ERP that contains student, faculty, financial, and personal data. The University relies on the ERP for financial reporting.

During our testing of separated users' access to the ERP and EHR, we noted the University's departments were not timely notifying Human Resources (HR), which in turn did not timely notify the Information Technology security team (IT) in order to remove access. Specifically we noted:

- For the ERP system, HR did not notify IT timely for 1 of 60 terminations (2%), and this user's access was removed 28 days late.
- For the EHR system, HR did not notify IT timely for 12 of 60 terminations (20%), and for 8 of those terminations (13%) access was removed between 2 and 106 days late.

In addition, for the EHR system, we noted the user access review was not performed at an appropriate level of precision. The review only validated whether employees who did not access the system within the past year were still employed by the University. The review did not include a review of all users with access to determine if their access was needed for their assigned job role.

The access termination portion of the finding was first reported in fiscal year 2022. In subsequent years, the University has been unsuccessful in implementing procedures to fully remediate the issues identified.

The *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology (NIST), Access Control Section, promotes controls for ensuring access to system resources are appropriate.

Also, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation.

Further the University of Illinois Enterprise System Access Removal Policy (for both ERP and EHR) requires IT to be notified to disable user access within 15 business days of termination, and to remove access for ERP within this time frame. For EHR, the University Medical Center Account Access Controls – Terminations and Disable requires the Information Services Department to remove access within 2 business days of being notified of the employee's separation.

University management indicated the complexity and decentralized nature of EHR and ERP access delayed the notifications of employee separation. In the absence of notification, HR system data and account disable policies are used as compensating controls. In addition, University management stated due to limited resources and roles and responsibilities rarely changing, the user review performed did not include a review of all user access rights.

**University of Illinois**  
A Component Unit of the State of Illinois

**State Compliance Examination  
Schedule of Findings (Continued)  
For the Year Ended June 30, 2025**

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**Finding 2025-001 Weaknesses in Controls over Access Termination and Reviews (Continued)**

Failure to properly review user access or terminate separated employees' access could result in improper or unauthorized access to the EHR, ERP, and the underlying data. (Finding Code No. 2025-001, 2024-001, 2023-002, 2022-004)

**Recommendation:**

We recommend the University implement additional controls to ensure HR is notifying IT timely for all terminations. We also recommend that the EHR user access review includes a comprehensive review of all users with access.

**University Response:**

Accepted. Automated processes using enterprise systems data to proactively monitor and remove access to the EHR and ERP have been implemented, which have provided significant improvement for removing enterprise system access timelier. System-wide communications have been distributed to multiple levels within the university to emphasize and remind University departments that timely removal of access is a critical control that needs to be consistently performed. The University will continue to evaluate this distributed control and work towards improving notification for timely removal of access for employees who have separated from the University. Additionally, the Hospital will adjust their annual access review for the EHR to include a validation of user access roles.

**State Compliance Examination  
Schedule of Findings (Continued)  
For the Year Ended June 30, 2025**

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**Finding 2025-002      Inadequate Controls over Construction in Progress**

The University of Illinois (University) did not properly transfer construction in progress into depreciable assets when projects were substantially complete.

During our audit, we identified two projects classified as construction in progress that were substantially completed prior to the University's fiscal year-end. The University identified an additional fourteen construction in progress projects that were also substantially complete prior to the University's fiscal year-end. As a result, the University improperly classified fixed assets of \$23,606,000 as non-depreciable capital assets that should have been classified as depreciable capital assets. The University recorded an adjustment to correct this error, which was properly reflected in the financial statements.

In addition, certain amounts disclosed in the capital assets footnote were misstated as these projects were substantially completed in prior fiscal years. For the fiscal year ending June 30, 2025, the beginning balances for construction in progress and buildings were overstated and understated by \$18,186,000, respectively, and transfers between construction in progress and buildings were overstated by \$18,186,000. Lastly, the accumulated depreciation for buildings was understated by \$1,305,000, and depreciation expense for fiscal year 2025 was understated by \$826,000. The University elected to pass on these adjustments.

Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, paragraph 21 states "Capital assets should be depreciated over their estimated useful lives" and GASB Codification Section 1410.115 states "Capital assets that are not being depreciated...should be reported separately if the government has a significant amount of these assets."

In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation.

University management stated that the Chicago campus construction unit relied primarily on manually entered data in their project tracking application, along with status updates from project managers, to complete the year-end substantial completion questionnaire. However, timely and complete data entry of critical information such as substantial completion dates was inconsistent across some project managers due to human error, which delayed transferring the assets to depreciable status.

Failure to transfer construction in progress projects that are substantially complete to depreciable fixed assets represents an error in the classification of fixed assets and results in incorrect depreciation of related assets. (Finding Code No. 2025-002)

**Recommendation:**

We recommend the University implement controls to ensure that project managers communicate status updates of projects timely so that assets can be classified and depreciated appropriately.

**University of Illinois**  
A Component Unit of the State of Illinois

**State Compliance Examination  
Schedule of Findings (Continued)  
For the Year Ended June 30, 2025**

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**Finding 2025-002      Inadequate Controls over Construction in Progress (Continued)**

**University Response:**

Accepted. Corrective action includes strengthening both data quality and oversight of the fiscal year-end review. The University will review project reports monthly to identify and follow-up on missing information.

Additionally, customized reporting and dedicated staff will be utilized to proactively update project financial data in the project management software. A fiscal year-end quality control review will also be performed to identify and resolve any discrepancies with project managers, ensuring that all substantially complete projects are properly transferred to depreciable status.

**University of Illinois**

A Component Unit of the State of Illinois

**State Compliance Examination  
Schedule of Findings (Continued)  
For the Year Ended June 30, 2025**

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**Federal Agencies:** US Department of Defense (DoD); US Department of Energy (DOE); US Health and Human Services (HHS)

**Program Names:** Research & Development Cluster: Basic, Applied and Advanced Research in Science and Engineering; Research and Technology Development; Fossil Energy Research and Development; and HIV-Related Training and Technical Assistance

**ALN #s:** 12.630; 12.910; 81.089; and 93.145

**Award Numbers (Federal Award Year):** ARMY W911NF-17-2-0196 (2024-2025); DARPA HR0011-23-2-0004 (2024-2025); DOE DE-FE0031581 (2024-2025); and HRSA 5 U1OHA32109-07 (2024-2025)

**Questioned Costs:** None

**2025-003 Finding: Cash Management – Timeliness of Subrecipient Payments**

The University of Illinois Urbana-Champaign and the University of Illinois Chicago did not make certain subrecipient payments timely and the controls in place did not identify the late payments.

**Condition:**

Out of seventeen subrecipient payments tested which were made by the University of Illinois Urbana-Champaign under the Research & Development Cluster, three payments (18%) were not made within 30 days after receipt of the billing from the subrecipient. The payments ranged from 37-79 days after receipt of the billing from the subrecipients. The sample was not intended to be, and was not, a statistically valid sample.

Out of eight subrecipient payments tested which were made by the University of Illinois Chicago under the HIV-Related Training and Technical Assistance Program, two payments (25%) were not made within 30 days after receipt of the billing from the subrecipient. The payments were made 34 and 40 days after the receipt of billing from the subrecipient. The sample was not intended to be, and was not, a statistically valid sample.

**Criteria:**

Under Uniform Guidance (2 CFR 200.305(b)(3)), when the reimbursement method is used, the Federal awarding agency or pass-through entity must make payment within 30 calendar days after receipt of the billing, unless the Federal awarding agency or pass-through entity reasonably believes the request to be improper.

Uniform Grant Guidance (2 CFR 200.303) requires nonfederal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure subrecipient payments are made timely.

**University of Illinois**  
A Component Unit of the State of Illinois

**State Compliance Examination  
Schedule of Findings (Continued)  
For the Year Ended June 30, 2025**

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**2025-003      Finding: Cash Management – Timeliness of Subrecipient Payments (Continued)**

**Cause:**

University of Illinois Urbana-Champaign officials stated the multi-layered review and approval process along with workload caused the exceptions noted.

University of Illinois Chicago officials stated the subrecipient payments were late due to competing priorities.

**Effect:**

Without proper program cash management processes and procedures, late subrecipient payments could result in the loss of future funding. (Finding Code No. 2025-003, 2024-002, 2023-006, 2022-008)

**Recommendation:**

We recommend the University of Illinois Urbana-Champaign and the University of Illinois Chicago review current processes, policies and procedures to minimize the time elapsing between the receipt of billings from the subrecipient and the transfer of federal funds to the subrecipient.

**University Response:**

Accepted. The University will take steps to address the recommendation in this finding.

**University of Illinois**  
A Component Unit of the State of Illinois

**State Compliance Examination  
Schedule of Findings (Continued)  
For the Year Ended June 30, 2025**

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**Federal Agencies:** US Department of Agriculture (USDA)

**Program Name:** SNAP Cluster: State Administrative Matching Grants for the Supplemental Nutrition Assistance Program

**ALN #s:** 10.561

**Award Number (Federal Award Year):** IDHS SNAP FCSDQ03623 (2024-2025)

**Questioned Costs:** None

**2025-004 Finding: Internal Controls over Procurement**

The University of Illinois Urbana-Champaign did not have sufficient rationale documented for the noncompetitive procurement method selected within their iBuy procurement system at the time of approval of the purchase to allow a reviewer to determine the appropriateness of the procurement method.

**Condition:**

The University of Illinois Urbana-Champaign's internal controls over small purchases include review and approval of a purchase requisition form that documents the procurement method selected. Prior to June 15, 2025, when a noncompetitive procurement method is selected, a radio button within the iBuy system allowed for selection of one of several circumstances where noncompetitive procurement is permitted by 2 CFR 200.320, including that the procurement can only be fulfilled by a single source. When this selection is made, additional information supporting this rationale should have been available to the reviewer to determine that this noncompetitive procurement method was appropriate. Out of four small purchase procurement transactions tested prior to June 15, 2025, for one transaction (25%), there was not sufficient evidence to support that documentation of the noncompetitive procurement method selected was provided at the time of review and approval. Based on additional information provided to us during our testing, there were no indications that the noncompetitive method selected was inappropriate. This transaction was selected from the period prior to the iBuy enhancement.

Subsequent to June 15, 2025, the purchase requisition form in the iBuy system was enhanced to require users to complete mandatory fields within the purchase requisition form when a noncompetitive procurement method is selected and provided detailed written justification.

The sample was not intended to be, and was not, a statistically valid sample.

**Criteria:**

Uniform Grant Guidance (2 CFR 200.303) requires nonfederal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure procurement procedures are properly followed and support is properly maintained as required by 2 CFR 200.318.

**University of Illinois**  
A Component Unit of the State of Illinois

**State Compliance Examination  
Schedule of Findings (Continued)  
For the Year Ended June 30, 2025**

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**2025-004 Finding: Internal Controls over Procurement (Continued)**

**Cause:**

University officials stated a single e-procurement system is used to collect and capture procurement-related information. University officials further stated the electronic system required selection of the relevant procurement method in the form of a radio button but did not require additional information in the central procurement file. Rather, this information was maintained by the requesting unit.

**Effect:**

If the procurement purchase requisition forms do not include sufficient supporting documentation of the rationale for the noncompetitive method of procurement selected, the University could approve payments of federal funds to vendors that do not meet federal regulations. (Finding Code 2025-004, 2024-004)

**Recommendation:**

We recommend the University of Illinois Urbana-Champaign review current processes within the iBuy system for noncompetitive procurement transactions to ensure sufficient documentation is included to support the rationale for the noncompetitive method of procurement selected.

**University Response:**

Accepted. While the University accepts the finding, we note that corrective action was implemented on June 15, 2025. No exceptions related to the iBuy central procurement file were found after implementation.

## University of Illinois

A Component Unit of the State of Illinois

### State Compliance Examination Schedule of Findings (Continued) For the Year Ended June 30, 2025

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#### **Finding 2025-005      Inadequate Internal Controls over Census Data**

The University of Illinois (University) did not have adequate internal control over reporting its census data to provide assurance that the census data submitted to the State Universities Retirement System (System) and State Employees' Group Insurance Program (Plan) was complete and accurate.

Census data is demographic data (date of birth, gender, years of service, etc.) of the active, inactive, or retired members of a pension or other postemployment benefit (OPEB) plan. The accumulation of inactive or retired members' census data occurs before the current accumulation period of census data used in the plan's actuarial valuations (which eventually flows into each employer's financial statements), meaning the plan is solely responsible for establishing internal controls over these records and transmitting this data to the plan's actuary. In contrast, responsibility for active members' census data during the current accumulation period is split among the plan and each member's current employer(s). Initially, employers must accurately transmit census data elements of their employees to the plan. Then, the plan must record and retain these records for active employees and then transmit this census data to the plan's actuary.

We noted the University's employees are members of both the pension plan administered by the System and the Plan sponsored by the State of Illinois, Department of Central Management Services (CMS) for their OPEB. In addition, we noted these plans have characteristics of different types of pension and OPEB plans, including single employer plans and cost-sharing multiple-employer plans. Additionally, CMS' actuary uses census data for employees of the State's public universities provided by the System, along with census data for other participating members provided by the State's four other pension systems, to prepare their projection of the liabilities of the Plan. Finally, the System's actuary and CMS' actuary used census data transmitted by the University during fiscal year 2023 to project pension and OPEB-related balances and activity at the plans during fiscal year 2024, which is incorporated into the University's fiscal year 2025 financial statements.

During the performance of the census examination, the auditors noted the following:

- During cut-off testing of data transmitted by the University to the System, the auditors identified the following events were reported to the System after the close of the fiscal year in which the event occurred, resulting in improper exclusion or inaccurate member status (active or inactive) as of fiscal year-end.
  - o Twenty-three new employee hires
  - o Four employees going on a leave of absence
  - o Fourteen employees returning from a leave of absence
  - o Two hundred seventy-seven employee terminations
- During completeness testing of University faculty data, the auditors identified one instructor was not reported as eligible to participate in the System and the Plan by the University.

The result of the errors above led to contributions due to the plan being understated and inaccurate census data being utilized by the System and the State in the performance of the annual pension and OPEB actuarial valuation processes. The independent actuaries utilized by the System and the State of Illinois for the pension and OPEB plans deemed the errors immaterial to the plan level valuations as a whole.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University to establish and maintain a system, or systems, of internal fiscal and administrative control to provide assurance funds applicable to operations are properly recorded and accounted for to permit the preparation of reliable financial and statistical reports.

## University of Illinois

A Component Unit of the State of Illinois

### State Compliance Examination Schedule of Findings (Continued) For the Year Ended June 30, 2025

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#### **Finding 2025-005      Inadequate Internal Controls over Census Data (Continued)**

Additionally, eligibility criteria for participation in the System under the Illinois Pension Code (Code) (40 ILCS 5/15-134(a)) states any person who is an employee of the University becomes a participant in the System. Under the Code (40 ILCS 5/15-107), an employee is any member of the educational, administrative, secretarial, clerical, mechanical, labor, or other staff of an employer whose employment in a position in which services are expected to be rendered on a continuous basis for at least four months or an academic term, whichever is less, and is:

1. Not a student employed on a less than full-time temporary basis;
2. Not receiving a retirement or disability annuity from the System;
3. Not on military leave;
4. Not eligible to participate in the Federal Civil Service Retirement System;
5. Not currently on a leave of absence without pay more than 60 days after the termination of the System's disability benefits;
6. Not paid from funds received under the Federal Comprehensive Employment and Training Act as a public service employment program participant hire on or after July 1, 1979;
7. Not a patient in a hospital or home;
8. Not an employee compensated solely on a fee basis where such income would net earnings from self-employment;
9. Not providing military courses pursuant to a federally funded contract where the University has filed a written notice with the System electing to exclude these persons from the definition of employee;
10. Currently on lay-off status of not more than 120 days after the lay-off date;
11. Not on an absence without pay of more than 30 days; and
12. A nonresident alien on a visa defined under subparagraphs (F), (J), (M), or (Q) of Section 1101(a)(15) of Title 8 of the United States Code who (1) has met the Internal Revenue Service's substantial presence test and (2) became an employee on and after July 1, 1991.

In addition, the Code (40 ILCS 5/15-157) requires the University to, at a minimum, withhold contributions of each employee's total compensation of 8% (9.5% for firefighters or police officers) for their participation in the System, unless further contributions by the employee would either exceed the maximum retirement annuity in the Code (40 ILCS 5/15-136(c)) or the Tier 2 earnings limitation within the Code (40 ILCS 5/15-111(b)), and remit these amounts to the System. Further, the Code (40 ILCS 5/15-155(b)) requires the University to remit employer contributions to the System reflecting the accruing normal costs of an employee paid from federal or trust funds.

Finally, we noted participation in the OPEB is derivative of an employee's eligibility to participate in the System, as members of the System participate in OPEB as annuitants under the State Employees Group Insurance Act of 1971 (Act) (5 ILCS 375/3(b)).

University officials indicated transactions impacting this census data accumulation period were not reported in a timely manner because many, but not all, of the census data processes are automated. The processes that must be reported manually are sometimes delayed due to significant workload at the unit level and labor-intensive manual reporting procedures.

**University of Illinois**  
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**State Compliance Examination**  
**Schedule of Findings (Continued)**  
**For the Year Ended June 30, 2025**

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**Finding 2025-005      Inadequate Internal Controls over Census Data (Continued)**

Failure to ensure that complete and accurate census data, as well as employee and employer contributions are reported to the System and the State reduces the overall reliability of the pension and OPEB-related balances and activity reported in the University's financial statements, the financial statements of other employers within both plans, and the State of Illinois' Annual Comprehensive Financial Report. Further, failure to report all eligible employees to the System and Plan may result in employees not receiving the pension and OPEB benefits they are entitled to receive under the Code and the Act. (Finding Code No. 2025-005)

**Recommendation:**

We recommend the University strengthen controls to ensure all events occurring within the census data accumulation year are reported timely to the System so these events can be incorporated into the census data utilized in the annual actuarial valuation process.

Further, we recommend the University strengthen controls to ensure all eligible employees are reported to the System and State, along with any required employee and employer contributions.

**University Response:**

Accepted. The University has numerous controls which ensure census data provided to SURS is accurate and timely for the University's 34,000 employees eligible for SURS and OPEB benefits. However, the University acknowledges its controls over census data did not always operate as intended. The University will continue to enhance controls to improve the timeliness of reporting employee events impacting pension and OPEB census data.

## University of Illinois

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### State Compliance Examination Schedule of Findings (Continued) For the Year Ended June 30, 2025

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#### **Finding 2025-006      Failure to Follow Time Reporting Requirements**

The University of Illinois (University) does not require all employees to submit time reports as required by the State Officials and Employees Ethics Act (Act) and does not have adequate procedures to ensure accurate employee time reporting.

During testing of payroll, we selected 60 employees across all three campuses and noted the following:

- Sixteen (27%) employees (eight from the Urbana-Champaign campus, seven from the Chicago campus and one from the Springfield campus) did not file time reports as required by the Act. University management stated faculty, postdoctoral employees, instructors, and lecturers continue to track their time using a “negative” timekeeping system whereby the employee is assumed to be working, unless noted otherwise.

The State Officials and Employees Ethics Act (Act) (5 ILCS 430/1-5) defines “State agency” to include “public institutions of higher learning...” and defines “State employee” to be “any employee of a State agency.” The Act (5 ILCS 430/5-5a) required the Illinois Board of Higher Education (IBHE) with respect to State employees of public universities, to adopt and implement personnel policies. The Act (5 ILCS 430/5-5(c)) also states, “The policies shall require State employees to periodically submit their time sheets documenting the time spent each day on official State business to the nearest quarter hour; contractual State employees may satisfy the time sheets requirement by complying with the terms of their contract, which shall provide for a means of compliance with this requirement.” The IBHE adopted personnel policies for public universities on February 3, 2004 in accordance with the Act. The University has not incorporated these policies into the University’s policies.

The University Reporting Policy for the State Officials and Employees Ethics Act (SOEEA) requires all Academic Professional and Civil Service employees to document all hours worked while conducting official University business. Academic Professional and exempt Civil Service (not eligible for overtime) employees are to use the University’s Online Positive Time Reporting (PTR) tool for this reporting.

University officials stated that they have not incorporated policies regarding time reporting for all employees as they are having continued dialogue with academic leadership on this matter. In the meantime, the System has implemented several mechanisms to comply with the requirement for the majority of their employees, including a reporting system, training, and weekly reminder emails.

The finding was first noted during the examination of the year ended June 30, 2005. In the subsequent years, the University has been unsuccessful in implementing a corrective action plan.

Failure to follow and ensure all employees comply with time reporting requirements of the Act results in noncompliance with the Act. (Finding Code No. 2025-006, 2024-007, 2023-013, 2022-012, 2021-015, 2020-013, 2019-008, 2018-014, 2017-016, 2016-016, 2015-021, 2014-023, 2013-016, 12-19, 11-33, 10-37, 09-40, 08-11, 07-11, 06-06, 05-06)

**University of Illinois**  
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**State Compliance Examination  
Schedule of Findings (Continued)  
For the Year Ended June 30, 2025**

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**Finding 2025-006      Failure to Follow Time Reporting Requirements (Continued)**

**Recommendation:**

We recommend the University implement procedures to ensure all employees submit time sheets as required by the Act.

**University Response:**

Accepted. The University is pursuing a statutory remedy to address the audit finding related to faculty non-completion of the SOEEA PTR through faculty timekeeping language included in House Bill 575, which has advanced out of committee and remains active, and is working with the bill sponsor to monitor its progress and ensure continued inclusion during the Spring 2026 legislative session.

## University of Illinois

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### State Compliance Examination Schedule of Findings (Continued) For the Year Ended June 30, 2025

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#### **Finding 2025-007      Untimely Vehicle Accident Reporting**

The University of Illinois (University) did not report certain automobile accidents involving University vehicles to the Department of Central Management Services in a timely manner.

During the testing of the operation of University vehicles, we noted the University reported 148 accidents involving University employees to the Department of Central Management Services (CMS) during fiscal year 2025. The Urbana-Champaign campus reported 112 accidents, the Chicago campus reported 32 accidents and the Springfield campus reported 4 accidents.

- Of the 112 accidents reported by the Urbana-Champaign campus, 5 (4%) were not reported timely to CMS and ranged from 1 to 52 days late.
- Of the 32 accidents reported by the Chicago campus, 9 (28%) were not reported timely to CMS and ranged from 1 to 74 days late.

In addition, we noted the following:

- Of the 112 accidents reported by the Urbana-Champaign campus, 5 (4%) were not reported timely to the Urbana-Champaign campus' motor pool and ranged from 8 to 19 days late.
- Of the 32 accidents reported by the Chicago campus, 15 (47%) were not reported timely to the Chicago campus' motor pool and ranged from 4 to 58 days late.
- Upon further review of the University's listing of accidents, we noted the Chicago campus submitted 1 accident claim to CMS that was not included in the University's listing.

The Illinois Administrative Code (Code) (44 Ill. Admin. Code 5040.520) requires a driver of any vehicle that is involved in an accident of any type while the driver is acting within the scope or course of the driver's employment to report such accident to the appropriate law enforcement agency, the CMS Risk Management Auto Liability Unit, and if a State agency owns the vehicle, to that agency, by completing the (CMS) Claim Intake Form. For all accidents, the Claim Intake Form is to be completed as soon as possible and submitted to the driver's vehicle coordinator. In no case is the Claim intake Form to be completed later than three days following an accident. In all cases, the completed Claim Intake Form must be received by CMS no later than seven calendar days following the accident or the driver and agency risk forfeiture of coverage under the State's auto liability plan.

According to the University's Business and Financial Policies and Procedures (Section 15.3 Motor Vehicle Accidents), an accident is defined as damage to state-owned property and/or damage to another party's property or their person and must be reported by the employee to the concerned campus motor pool (Urbana-Champaign) or Transportation Office (Chicago), and the employee's immediate supervisor within 24 hours. An employee must consult with the university motor pool office to complete a (CMS) Claim Intake Form, or out-of-state equivalent, within three calendar days of the incident.

This finding was first noted during the examination of the year ended June 30, 2021. In the subsequent years, the University has been unsuccessful in implementing a corrective action plan.

**State Compliance Examination  
Schedule of Findings (Continued)  
For the Year Ended June 30, 2025**

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**Finding 2025-007      Untimely Vehicle Accident Reporting (Continued)**

University officials stated exceptions were due to differing reasons, including failure of the employees to understand and/or follow policy or misunderstanding requirements, and multiple transition periods of claim handlers resulting in delay of some reports.

Failure to report automobile accidents to CMS in a timely manner may cause the University to be denied coverage and result in additional liabilities for the University and represents noncompliance with the Code. In addition, failure to report all accidents by employees to the University in a timely manner results in noncompliance with University policies. (Finding Code No. 2025-007, 2024-008, 2023-015, 2022-014, 2021-018)

**Recommendation:**

We recommend the University implement procedures to ensure accidents are reported in a timely manner. We also recommend the University ensure policies and procedures are clearly understood and followed by all personnel responsible for oversight of University vehicles within each department.

**University Response:**

Accepted. While significant progress has been made toward greater compliance, additional training efforts remain necessary. University Motor Pools continue to reinforce accident reporting policies and procedures to ensure timely reporting across departments and employees. At the same time, the Risk Management/University Motor Pool Working Group continues efforts to improve the reporting process and enhance communication of applicable policies.

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**State Compliance Examination  
Schedule of Findings (Continued)  
For the Year Ended June 30, 2025**

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**Finding 2025-008      Noncompliance with University Faculty Research and Consulting Act**

The University of Illinois (University) did not comply with the provisions of the University Faculty Research and Consulting Act (Act).

A disclosure application, *START myDisclosures* is used by all faculty employees to annually complete a disclosure and request for approval to perform outside research or consulting services. Throughout the year, additional disclosures and requests for prior approval are necessary whenever a change in such activities is proposed or when required by granting agencies.

In reviewing a sample of sixty employees for a total of seventy-nine disclosure applications, we noted the following:

- The disclosure did not require the faculty member to list the start date of the research or consulting service. As a result, we were unable to determine if written approval of the President, or his designee, was obtained prior to the start of such services for twenty-nine (37%) disclosures.
- For the disclosures where the start date was disclosed by the employee, the approval was after the start date of the activity for two (3%) disclosures.
- The disclosure was not approved by the President or his designee for four (5%) disclosures.

Under the Act (110 ILCS 100/1), full time faculty members of the University must obtain prior written approval from the President of the University, or his designee, before agreeing to perform gainful research or consulting work.

Additionally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University to establish and maintain a system, or systems, of internal controls to provide assurance obligations and costs are in compliance with applicable law. The University's system of internal controls should ensure that forms that are used to comply with State regulations contain all the information needed to verify compliance.

The finding was first noted during the examination of the year ended June 30, 2023. In the subsequent years, the University has been unsuccessful in implementing a corrective action plan.

University officials stated it considers the approval date as the start date, as outside activities may relate to faculty research projects that are ongoing and/or have a number of milestones that could be considered the start date. Additionally, University officials stated many faculty members have longstanding relationships and activities with external entities and keep activities from prior years on their report even if they do not plan to spend time on the activity in the current academic year.

Failure to properly document the start date and getting approval by the President, or his designee, prior to the start of outside research or consulting services results in noncompliance with the Act. (Finding Code No. 2025-008, 2024-009, 2023-016)

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**State Compliance Examination  
Schedule of Findings (Continued)  
For the Year Ended June 30, 2025**

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**Finding 2025-008      Noncompliance with University Faculty Research and Consulting Act  
(Continued)**

**Recommendation:**

We recommend the University update its disclosure form to include all information necessary to document compliance with the requirements of the University Faculty Research and Consulting Act. We also recommend the University ensure policies and procedures are followed to confirm that all disclosures are properly approved timely.

**University Response:**

Accepted. Historically, the University has considered the approval date as the start date for approved activities since many are long-term. The University will consider pursuing legislative clarification, and/or adding the activity start date field for corrective action.

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**State Compliance Examination  
Schedule of Findings (Continued)  
For the Year Ended June 30, 2025**

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**Finding 2025-009      Inadequate Controls over Remote Access**

The University of Illinois (University) did not have adequate internal controls over authorizing remote access.

In order to conduct its business activities, the University allows users to access its environment, applications, and data remotely. During our testing over remote access authorizations, we noted the University of Illinois Medical Center (UIMC) department at the University did not have proper controls in place for controlling/documenting users who receive remote virtual private network (VPN) access. For 5 of 60 (8%) users at UIMC, evidence of the user's remote access request and authorization was not documented.

The *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by National Institute of Standards and Technology (NIST), Access Control and System and Communication Protection sections, requires entities to implement adequate controls over access to their environment, applications and data.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University to establish and maintain a system, or systems, of internal fiscal controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation.

The finding was first noted during the examination of the year ended June 30, 2022. In the subsequent years, the University has been unsuccessful in implementing a corrective action plan.

University management stated the issue identified was due to not all departments following the process developed by the University.

Failure to control remote access for users could result in unauthorized access to the University's systems and data. (Finding Code No. 2025-009, 2024-010, 2023-022, 2022-018)

**Recommendation:**

We recommend the University maintain documentation authorizing remote users' access.

**University Response:**

Accepted. Remote access is not a special privilege at the University of Illinois (UI) Hospital nor the rest of the University, but provisioned as part of their identity. Critical resources are protected with additional industry standard controls including multi-factor authentication. To improve documentation, the UI Hospital has implemented monitoring processes to help ensure authorization is documented for remote access requests.

**State Compliance Examination  
Schedule of Findings (Continued)  
For the Year Ended June 30, 2025**

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**Finding 2025-010      Noncompliance with the County Cooperative Extension Law**

The University of Illinois (University) did not comply with the requirements of the County Cooperative Extension Law (505 ILCS 45/7).

The University, with cooperation, assistance, and input from the county governing board, is responsible for establishing county and multi-county extension boards for the counties in Illinois to facilitate effective cooperation between the extension councils and county governing board. The University was required to appoint extension boards for 27 multi-county/single county units.

During our testing of 7 multi-county and 1 single county units, for a total of 8 units, we noted the following:

- Three multi-county units and one single county unit (50%) did not have a county extension board appointed.
- Two multi-county units (25%) did not have two men and two women appointed to the county extension board.
- One multi-county unit (13%) did not have a member from each county appointed to the board.

Under the County Cooperative Extension Law (505 ILCS 45/7), a county extension board shall consist of two men and two women who are members of the county extension councils. In addition, each multi-county extension board shall be comprised of two men and two women appointed by the director of cooperative extension from the constituent county extension councils, but not less than one person from each county and three members appointed by the presiding officer of the board, with the advice and consent of the county board, who may be members of the county governing board.

University officials indicated the University's Cooperative Extension Service has county or multi-county extension councils that work with county or multi-county extension boards to support governance, which were assumed to meet the requirements for the county and multi-county extension board representation.

Not establishing a county extension board with two men and two women or having a multi-county extension board that does not consist of a member from each county results in noncompliance with the County Cooperative Extension Law. (Finding Code No. 2025-010)

**Recommendation:**

We recommend the University continue to work with county governing boards to create boards for all county units and confirm that boards are filled with the required members.

**University Response:**

Accepted. The University will create and implement a plan to comply with this statute. Note this statute also requires input and assistance in the creation of the Cooperative Extension board from the presiding officer of the applicable county governing boards.

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**State Compliance Examination  
Schedule of Findings (Continued)  
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**Prior Findings Not Repeated**

**A. Errors in Reporting for NSLDS**

During the prior audit, the University of Illinois Chicago did not properly report an enrollment change for a student who received federal student aid to the National Student Loan Data System (NSLDS) and the internal controls in place did not identify the error.

During the current audit, our testing did not identify a similar error. (Finding Code No. 2024-003, 2023-007, 2022-006, 2021-010, 2020-006)

**B. Inadequate Controls over Property and Equipment**

During the prior examination, the University of Illinois (University) did not comply with requirements applicable to its property and equipment.

During the current examination, we noted the University made improvements in its controls over property and equipment based on sample testing performed. While there were improvements, we did note a continued instance of noncompliance further described in the University's *Independent Accountant's Report of Immaterial Findings*. (Finding Code No. 2024-005, 2023-011)

**C. Inadequate Controls over University Procurement Card Transactions**

During the prior examination, the University did not comply with University policies and internal controls over procurement card transactions.

During the current examination, we noted the University made improvements in its controls over procurement card transactions based on sample testing performed. While there were improvements, we did note a continued instance of noncompliance further described in the University's *Independent Accountant's Report of Immaterial Findings*. (Finding Code No. 2024-006, 2023-012, 2022-011, 2021-007, 2020-003, 2019-002, 2018-003, 2017-004, 2016-002, 2015-002, 2014-002, 2013-002, 12-02, 11-03, 10-02, 09-02, 08-03)