

University of Illinois
Health Services Facilities System
(A Segment of the University of Illinois)

Report Required under *Government Auditing Standards*
For the Year Ended June 30, 2025

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

**University of Illinois
Health Services Facilities System
(A Segment of the University of Illinois)**

**Report Required under *Government Auditing Standards*
For the Year Ended June 30, 2025**

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Other Reports Issued Under a Separate Cover

The System's financial statements as of and for the year ended June 30, 2025 have been issued under a separate cover.

**University of Illinois
Health Services Facilities System
(A Segment of the University of Illinois)**

**Report Required under Government Auditing Standards
For the Year Ended June 30, 2025**

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**University of Illinois
Health Services Facilities System
(A Segment of the University of Illinois)**

**Report Required under *Government Auditing Standards*
For the Year Ended June 30, 2025**

Summary

The audit of the financial statements of the University of Illinois Health Services Facilities System (System) was performed by RSM US LLP in accordance with *Government Auditing Standards*. This report is an integral part of that audit.

Based on their audit, the auditors expressed an unmodified opinion on the System's basic financial statements, issued under a separate cover.

Summary of Findings

The auditors identified two matters involving the System's internal control over financial reporting that they considered to be a material weakness and a significant deficiency.

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Findings				
HSFS 2025-001	5	2024/2022	Weaknesses in Controls over Access Termination and Reviews	Material Weakness
HSFS 2025-002	7	New	Inadequate Controls Over Construction in Progress	Significant Deficiency
Prior Findings Not Repeated				
A	9		Weakness in Controls Over Allocated Activities	

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. The responses to the recommendations were provided by Jennifer Erickson, Senior Associate Director for Business and Finance, in a correspondence dated December 15, 2025.

**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

RSM US LLP

Independent Auditor's Report

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Trustees
University of Illinois

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the business-type activities of the University of Illinois Health Services Facilities System (System), a segment of the University of Illinois, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated December 22, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System'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 described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control that we consider to be material weaknesses 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, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings as item HSFS 2025-001 to be a material weakness.

A *significant deficiency* 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 described in the accompanying Schedule of Findings as item HSFS 2025-002 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The System's Responses to the Findings

Government Auditing Standards requires the auditor to perform limited procedures on the System's responses to the findings identified in our audit and described in the accompanying Schedule of Findings. The System's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Schaumburg, Illinois
December 22, 2025

**University of Illinois
Health Services Facilities System
(A Segment of the University of Illinois)**

**Report Required Under Government Auditing Standards
Schedule of Findings
For the Year Ended June 30, 2025**

Finding HSFS 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.

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

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.

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. HSFS 2025-001, HSFS 2024-001, HSFS 2023-001, HSFS 2022-002)

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.

System 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.

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Schedule of Findings
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Finding HSFS 2025-002 Inadequate Controls over Construction in Progress

The Health Services Facilities System (System) 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 System's fiscal year-end. The System identified an additional seven construction in progress projects that were also substantially complete prior to the System's fiscal year-end. As a result, the System improperly classified fixed assets of \$16,176,000 as non-depreciable capital assets that should have been classified as depreciable capital assets. The System 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 \$12,886,000, respectively, and transfers between construction in progress and buildings were overstated by \$12,886,000. Lastly, the accumulated depreciation for buildings was understated by \$961,000, and depreciation expense for fiscal year 2025 was understated by \$570,000. The System 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 1400.115 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.

System 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. HSFS 2025-002)

Recommendation:

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

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**Report Required Under *Government Auditing Standards*
Schedule of Findings
For the Year Ended June 30, 2025**

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

System Response:

Accepted. The System relies on several University-level processes and internal controls, including those affecting capitalized projects as described in this finding, which are managed by the UIC campus construction unit (CCU). The System understands that corrective action for the CCU includes strengthening both data quality and oversight of the fiscal year-end review.

The CCU 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. The CCU will also conduct a fiscal year-end quality control review to identify and resolve any discrepancies with project managers, ensuring that all substantially complete projects are properly transferred to depreciable status.

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Schedule of Findings
For the Year Ended June 30, 2025**

Prior Findings Not Repeated

A. Weakness in Controls Over Allocated Activities

During the prior audit, the University of Illinois did not have adequate controls to ensure that schedules supporting amounts reported as allocated costs and offsetting revenue activities within the System's financial statements were accurate.

During the current audit, our testing over allocated activities did not identify any errors. (Finding Code No. HSFS 2024-002)