



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, 2022**

Release Date: February 16, 2023

FINDINGS THIS AUDIT: 4	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	1	3	4	2021	22-2		
Category 2:	0	0	0	2020	22-1		
Category 3:	0	0	0	2009	22-3		
TOTAL	1	3	4				
FINDINGS LAST AUDIT: 7							

INTRODUCTION

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

This digest covers the University of Illinois’s Financial Audit as of and for the year ended June 30, 2022. The University’s Compliance Examination and Single Audit will be issued in separate reports at a later date.

SYNOPSIS

- **(22-1)** The University did not have adequate internal control over reporting its census data and did not have a reconciliation process to provide assurance census data submitted to its pension and other postemployment benefits plans was complete and accurate.
- **(22-3)** The University has not established adequate controls over accurately identifying and recording revenue and expense accrual transactions for financial reporting purposes.

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
FINANCIAL AUDIT
For the Year Ended June 30, 2022

FINANCIAL OPERATIONS (In Thousands)	2022	2021
Operating Revenues		
Tuition and fees, net.....	\$ 1,340,843	\$ 1,232,010
Federal grants, contracts and appropriations.....	839,651	784,542
State, private and other government agency grants and contracts.....	268,292	234,677
Hospital medical service plans, and other medical activities, net.....	1,318,512	1,136,570
Auxiliary enterprises, net.....	435,883	291,571
Educational and other activities.....	593,679	362,824
Other.....	10,649	10,692
Total Operating Revenues.....	<u>4,807,509</u>	<u>4,052,886</u>
Operating Expenses		
Instruction.....	1,683,276	1,866,922
Research.....	1,010,241	1,003,939
Public service.....	631,864	539,448
Academic support.....	649,195	752,545
Student services.....	249,251	258,943
Hospital and medical activities.....	1,215,541	1,271,267
Auxiliary enterprises.....	389,384	356,263
Operation and maintenance of plant.....	325,505	309,095
Institutional support.....	322,032	338,869
Depreciation and amortization.....	299,197	270,124
Scholarships and fellowships.....	156,563	128,851
Other.....	8,411	6,717
Total Operating Expenses.....	<u>6,940,460</u>	<u>7,102,983</u>
Operating Loss.....	(2,132,951)	(3,050,097)
NONOPERATING REVENUES (EXPENSES)		
State appropriations.....	638,024	602,291
Capital appropriations, gifts and grants.....	53,127	27,590
Private gifts and endowments.....	218,427	241,229
On behalf/Special funding for fringe benefits.....	1,355,702	1,930,806
Other, net.....	420,473	734,974
INCREASE IN NET POSITION.....	<u>552,802</u>	<u>486,793</u>
Net Position, beginning of year.....	4,737,823	4,028,010
Restatement	1,739	223,020
Net Position, beginning of year, as restated.....	4,739,562	4,251,030
Net Position, end of year.....	<u>\$ 5,292,364</u>	<u>\$ 4,737,823</u>

SUMMARY - STATEMENT OF NET POSITION (In Thousands)	2022	2021
Current Assets.....	\$ 2,610,304	\$ 2,030,818
Noncurrent Assets and Deferred outflows.....	7,193,405	7,179,669
Total Assets and Deferred outflows.....	<u>9,803,709</u>	<u>9,210,487</u>
Current Liabilities.....	1,111,277	1,230,653
Noncurrent Liabilities and Deferred inflows.....	3,400,068	3,242,011
Total Liabilities.....	<u>4,511,345</u>	<u>4,472,664</u>
Total Net Position.....	<u>\$ 5,292,364</u>	<u>\$ 4,737,823</u>

PRESIDENT

During Audit Period and Current: Timothy L. Killeen

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**INADEQUATE INTERNAL CONTROLS OVER
CENSUS DATA**

**Internal controls over census data
need improvement**

The University of Illinois (University) did not have adequate internal control over reporting its census data and did not have a reconciliation process to provide assurance census data submitted to its pension and other postemployment benefits (OPEB) plans was complete and accurate.

We noted the following during our testing:

**An initial complete reconciliation
had not been performed**

- The University had not performed an initial complete reconciliation of its census data recorded by State Universities Retirement System (SURS) to its internal records to establish a base year of complete and accurate census data. In addition, after establishing a based year, the University had not developed a process to annually obtain from SURS the incremental changes recorded by SURS in their census data records and reconcile these changes back to the University's internal supporting records.
- During our cut-off testing of data transmitted by the University to SURS, we noted 126 instances of an active employee becoming inactive, 3 instances of an inactive employee becoming retired, 3 instances of an inactive employee becoming active, 2 instances of an active employee becoming retired, and 2 instances of a change in service credit were reported to SURS after the close of the fiscal year in which the event occurred. SURS determined the potential impact of each change in service credit was off between ¼ of a year to 2¼ year. There were also 10 instances previously reported that impacted the June 30, 2020 census data.
- We noted 5 employees were not reported as eligible to participate in SURS by the University until Fiscal Year 2021. SURS determined the total potential impact of this error was each employee's service credit was off between ¾ of a year to 1¾ year. (Finding 1, Pages 5-8)

**5 individuals were not reported as
eligible to participate in SURS**

We recommended the University continue to work with SURS to complete the base year reconciliation of Fiscal Year 2021 active members' census data from its underlying records to a report of census data submitted to SURS' actuary and CMS' actuary. After completing an initial full reconciliation, the University may limit the annual reconciliations to focus on the incremental changes to the census data file from the prior actuarial valuation, provided no risks are identified that incomplete or inaccurate reporting of census data may have

occurred during prior periods. Any errors identified during this process should be promptly corrected by either the University or SURS, with the impact of these errors communicated to both SURS' actuary and CMS' actuary.

Further, we recommended the University ensure all events occurring within a census data accumulation year are timely reported to SURS so these events can be incorporated into the census data provided to SURS' and CMS' actuary.

Finally, we recommended the University ensure all eligible employees are reported to SURS, along with any required employee and employer contributions.

University agreed with the auditors

University officials agreed with the finding.

INADEQUATE CONTROLS OVER REVENUE AND EXPENSE ACCRUALS

The University of Illinois (University) has not established adequate control over accurately identifying and recording revenue and expense accrual transactions for financial reporting purposes.

The following errors were noted during our testing:

- During our test work over 61 educational activity revenue transactions totaling \$156,880,550, we noted three transactions (5%), totaling \$7,502,740, were recorded as revenues for Fiscal Year 2022, but should have been partially accrued as of Fiscal Year 2021 at an amount of \$3,205,340. The estimated projected impact of these errors is an understatement of opening net position and an overstatement revenue of \$12.2 million. Management elected not to record the adjusting entry for these errors.
- During our test work over 41 medical service plan revenue transactions totaling \$3,102,304, we noted six transactions (15%), totaling \$366,978, were recorded as revenues for Fiscal Year 2022, but should have been partially accrued as of Fiscal Year 2021 at an amount of \$230,907. Upon discovery of these cutoff errors, the University re-analyzed the medical service plan accruals and concluded that \$2,011,034 of revenue recorded in Fiscal Year 2022 should have been recorded in Fiscal Year 2021. Also, \$2,807,017 of revenue recorded in Fiscal Year 2023 should have been recorded in Fiscal Year 2022. Management elected not to record the adjusting entry for these errors.
- During our test work over 14 other nonoperating revenue transactions totaling \$43,391,523, we noted one transaction (7%), totaling \$24,924,672, was recorded as revenue for Fiscal Year 2022, should have been partially accrued as of Fiscal Year 2021 at an amount of \$9,446,451. The amount

Projected error was an overstatement of revenue of \$12.2 million in Fiscal Year 2022

Fiscal Year 2022 revenue was overstated by \$9.4 million

noted above is the expected total error for this account. Management elected not to record the adjusting entry for this error.

Projected error was an overstatement of expense of \$5.7 million in Fiscal Year 2022

- During our test work over 13 auxiliary expense transactions (not under indenture) totaling \$33,896,880, we noted one transaction (8%), totaling \$5,292,432, that was recorded as expense for Fiscal Year 2022, should have been partially accrued as of Fiscal Year 2021 at an amount of \$2,108,981. The estimated projected impact of this error is an overstatement of opening net position and expense of \$5.7 million. Management elected not to record the adjusting entry for this error.

- During our test work over 33 institutional support expense transactions totaling \$4,254,176, we noted one transaction (3%), totaling \$50,000, that was recorded as expense for Fiscal Year 2022, should have been partially recorded as a prepaid expense at an amount of \$44,932. The estimated projected impact of this error is an understatement of prepaid expenses and an overstatement of expense of \$2.8 million. Management elected not to record the adjusting entry for this error.

Projected error was an understatement of revenue of \$4.6 million in Fiscal Year 2022

- During our test work over 13 deferred grant accrual transactions totaling \$51,658,785, we noted one transaction (8%), totaling \$1,829,840, that was recorded as unearned revenue for Fiscal Year 2022, should have been partially recognized as revenue as of Fiscal Year 2022 at an amount of \$1,438,520. The estimated projected impact of this error is an overstatement of unearned revenue and an understatement of revenue of \$4.6 million. Management elected to record the adjusting entry for the estimated amount of the error.

Projected error was an overstatement of revenue and receivables of \$10.2 million

- During our test work over 24 grant receivable transactions totaling \$23,024,782, we noted one transaction (4%), totaling \$1,250,000, was recorded as a receivable and revenue for Fiscal Year 2022, should have been recorded as of Fiscal Year 2023 in its entirety. The estimated projected impact of this error is an overstatement of grant revenue and receivables of \$10.2 million. Management elected to record the adjusting entry for the estimated amount of the error. (Finding 3, Pages 11-13)

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

University agreed with the auditors

University officials agreed with the recommendation.

OTHER FINDINGS

The remaining findings pertained to inadequate controls over fiduciary fund accruals and weaknesses in controls over Electronic Health Record System and are 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, 2022, and for the year then ended, are fairly stated in all material respects.

This financial audit was conducted by RSM US 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

FJM:TLK