



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, 2016**

**Release Date: February 16, 2017**

FINDINGS THIS AUDIT: 3	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
<b>Category 1:</b>	<b>0</b>	<b>0</b>	<b>0</b>	2009		16-1	
Category 2:	1	2	3	2008		16-2	
Category 3:	<u>0</u>	<u>0</u>	<u>0</u>				
<b>TOTAL</b>	<b>1</b>	<b>2</b>	<b>3</b>				
<b>FINDINGS LAST AUDIT: 3</b>							

**INTRODUCTION**

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

This report contains only findings pertaining to the Financial Statement Audit.

The State Compliance Examination and Federal Single Audit Reports will be issued at a later date.

**SYNOPSIS**

- (16-1) The University has not established adequate internal controls over accurately identifying and recording deferred expense transactions and reporting prepaid expenses at fiscal year-end for financial reporting purposes.
- (16-3) The University has inadequate controls in place to monitor and maintain the accounts payable master vendor file.

**Category 1:** Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with State laws and regulations (material noncompliance).  
**Category 2:** Findings that are **significant deficiencies** in internal control and **noncompliance** with State laws and regulations.  
**Category 3:** Findings that have **no internal control issues but are in noncompliance** with State laws and regulations.

{Financial information is summarized on next page.}

**UNIVERSITY OF ILLINOIS  
FINANCIAL AUDIT  
For the Year Ended June 30, 2016**

<b>FINANCIAL OPERATIONS (In Thousands)</b>	<b>2016</b>	<b>2015*</b>
<b>Operating Revenues</b>		
Tuition and fees, net.....	\$ 1,145,945	\$ 1,095,905
Federal grants, contracts and appropriations.....	668,982	641,533
State and private gifts, grants and contracts.....	178,495	227,860
Hospital and medical activities.....	909,690	882,495
Auxiliary enterprises, net.....	406,620	407,530
Educational activities.....	302,581	293,743
Other.....	11,891	15,044
Total Operating Revenues.....	<u>3,624,204</u>	<u>3,564,110</u>
<b>Operating Expenses</b>		
Instruction.....	1,380,175	1,300,281
Research.....	740,788	744,043
Public service.....	476,457	477,614
Academic support.....	517,258	507,303
Hospital and medical activities.....	895,572	829,116
Auxiliary enterprises.....	353,159	371,639
Operation and maintenance of plant.....	299,657	324,010
Institutional support.....	297,075	282,877
Depreciation.....	254,879	248,889
Scholarships and fellowships.....	278,994	278,001
Other.....	208,480	196,754
Total Operating Expenses.....	<u>5,702,494</u>	<u>5,560,527</u>
Operating Loss.....	(2,078,290)	(1,996,417)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State appropriations.....	170,397	609,140
Capital appropriations, gifts and grants.....	12,185	11,724
Private gifts and endowments.....	158,917	177,196
On behalf payments for fringe benefits.....	1,336,491	1,172,354
Other, net.....	<u>124,334</u>	<u>141,033</u>
<b>INCREASE/(DECREASE) IN NET POSITION.....</b>	<b>(275,966)</b>	<b>115,030</b>
Net Position, beginning of year.....	4,561,961	4,412,731
Cumulative effect of change in accounting principle.....	35,886	34,200
Net Position, beginning of year, as adjusted.....	<u>4,597,847</u>	<u>4,446,931</u>
Net Position, end of year.....	<u>\$ 4,321,881</u>	<u>\$ 4,561,961</u>

\* Certain reclassifications have been made to the 2015 amounts to conform to the 2016 presentation

<b>SUMMARY - STATEMENT OF NET POSITION (In Thousands)</b>	<b>2016</b>	<b>2015</b>
Current Assets.....	\$ 1,484,449	\$ 1,669,215
Noncurrent Assets and Deferred outflows.....	5,682,014	5,855,121
Total Assets and Deferred outflows.....	<u>7,166,463</u>	<u>7,524,336</u>
Current Liabilities.....	910,376	927,581
Noncurrent Liabilities.....	1,934,206	2,034,794
Total Liabilities.....	<u>2,844,582</u>	<u>2,962,375</u>
Total Net Position.....	<u>\$ 4,321,881</u>	<u>\$ 4,561,961</u>

**PRESIDENT**

During Audit Period and Current: Timothy L. Killeen

**FINDINGS, CONCLUSIONS, AND  
RECOMMENDATIONS**

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

**Need to improve controls over  
recording and reporting transactions**

The University has not established adequate internal controls over accurately identifying and recording deferred expense transactions and reporting prepaid expenses at fiscal year-end for financial reporting purposes.

In relation to our test work over expense transactions, we reviewed 225 cash disbursement transactions (totaling \$66,416,080), 60 P-Card expense transactions (totaling \$264,882), and 60 T-Card expense transactions (totaling \$331,836) recorded during the fiscal year. We also reviewed 13 cash disbursements occurring subsequent to year-end (totaling \$35,244,921). Additionally, we separately reviewed 12 internal journal voucher transactions recorded during the fiscal year (totaling \$13,266,046 debits and \$423,600 credits). In relation to our test work over revenue transactions, we reviewed 60 cash receipt transactions recorded during the fiscal year (totaling \$47,087,045).

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

- One general expense cash disbursement (totaling \$4,157) that was recorded as an expense for fiscal year ended June 30, 2016, should have been fully accrued as of June 30, 2015 at an amount of \$4,157.
- One general expense cash disbursement (totaling \$27,563) that was recorded as an expense for the fiscal year ended June 30, 2016, should have been partially deferred as of June 30, 2016 at an amount of \$17,662, and then recognized as expense for the fiscal year ending June 30, 2017.
- Three cash receipts (totaling \$67,225) that were recorded as operating revenue for the fiscal year ended June 30, 2016, should have been partially accrued as of June 30, 2015 at an amount of \$61,070. (Finding 1, Pages 5-6) **This finding has been repeated since 2009.**

**\$17,662 in expenses recognized in  
FY16 should have been deferred and  
recognized in FY17**

**\$61,070 in operating revenue should  
have been accrued in FY15**

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 agrees with the auditors**

University officials agreed with the finding. *(For the previous University response, see Digest Footnote #1.)*

**CONTROLS OVER MONITORING THE ACCOUNTS PAYABLE MASTER VENDOR FILE NEED IMPROVEMENT**

**Need to implement controls over monitoring**

The University has inadequate controls over in place to monitor and maintain the accounts payable master vendor file.

**3,115 vendors without an employer identification number**

During our review of the University's accounts payable master vendor file (with 144,071 total vendors), we noted there were 779 duplicate records representing 360 vendors. The vendors had the same name but were given different vendor identification numbers in the accounts payable system. In addition, we noted 3,115 vendors without an employer identification number (EIN) listed and 105,938 vendors with no activity within the 3 previous fiscal years.

**105,938 vendors with no activity within the 3 previous fiscal years**

University policies state vendors should have an EIN on file when creating the vendor to ensure the vendor is not fraudulent and vendors with no recent activity should be inactivated to ensure no inappropriate payments are made to outdated vendors. (Finding 3, page 9)

We recommended the University review and implement stronger internal controls in order to monitor and maintain the accounts payable master vendor file.

**University agrees with the auditors**

University officials agreed with the finding.

**OTHER FINDING**

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

**AUDITOR'S OPINION**

Our auditors stated the financial statements of the University, the Auxiliary Facilities System and the Health Services Facilities System as of June 30, 2016, and for the year then ended, are fairly stated in all material respects.

**SIGNED ORIGINAL ON FILE**

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FRANK J. MAUTINO  
Auditor General

FJM:TLK

## **SPECIAL ASSISTANT AUDITORS**

Our Special Assistant Auditors for this audit were CliftonLarsonAllen.

## **DIGEST FOOTNOTES**

### **#1 – Inadequate Procedures over Expense Deferrals and Other Cut-off Related Issues – Previous University Response**

Accepted. The University will continue to implement corrective actions to address the recommendation in this finding.