

REPORT DIGEST

**UNIVERSITY OF ILLINOIS
FINANCIAL AND COMPLIANCE AUDITS
(In accordance with the Single Audit Act of 1984
and OMB Circular A-133)
For The Year Ended June 30, 1994**

{Expenditures and Activity Measures are summarized on the reverse page.}

INTRODUCTION

Our 1994 audit of the University of Illinois is presented in seven report documents which may be divided into two groups - a financial group and a compliance group. The financial group has four reports that include the various financial statements of the University. The financial group for the year ending June 30, 1994 was released earlier. The compliance group has three reports that include the compliance findings disclosed by our audit tests. The State Compliance Audit presents twenty-two findings. The Federal Compliance Audit presents fourteen findings. The Supplementary Financial Information Report presents one finding. The reports contain a total of thirty-seven findings of which we believe six are more significant and are worthy of highlighting within this Report Digest.

FINDINGS CONCLUSIONS AND RECOMMENDATIONS

FAILURE TO REVIEW THIRD-PARTY PAYMENTS

The Hospital does not reconcile reimbursements received from third-party payors to logs of services provided to patients. Medicare and Blue Cross submit summaries of the reimbursements made for patients covered under their programs. The Hospital relies on the payment summaries and does not reconcile the summaries to revenue logs which detail total charges and accounts receivable, and expected and actual reimbursements by patients. The failure to review third-party payments could result in lost revenues. (Finding 20, page 31 in State Report)

We recommended the University require the Hospital to reconcile third-party payment summaries to the patient revenue logs.

University officials concurred and stated the Hospital continues to make progress in developing systems and procedures to ensure the maximization of third-party revenues.

DELAYS IN COLLECTING ACCOUNTS RECEIVABLE

The Hospital encounters delays of about six months in obtaining payments on accounts receivable. The Hospital operates the Mile Square clinic on behalf of the City of Chicago. The Hospital's billings to the City are prepared about three months after the services are provided. Payments by the City are also about three months after the billings. Of \$4.8 million in Clinic services provided during fiscal 1994, the Hospital had a \$2.5 million accounts receivable from the City at June 30, 1994. (Finding 18, page 29 in State Report)

We recommended the University require the Clinic to bill the City on a timely basis, and that the Clinic maintain contact with the City to ensure more prompt payments.

University officials concurred and stated the Clinic is now billing the City within 30 days of service, and is now more aggressively following up on unpaid bills.

NON-STUDENT LIVING IN UNIVERSITY HOUSING

Our audit testing of Chicago housing contracts revealed that the University evicted an individual from University housing for not being enrolled as a student. The Housing Department of the Chicago campus did not verify that individuals entering into housing contracts with the University were registered as students. When evicted, the non-student had a balance due of \$10,791 for housing charges. The individual has not made any payments and the University is continuing its collection efforts. (Finding 11, page 21 in State Report)

We recommended the University develop a written policy requiring that the Housing Department determine that individuals signing housing contracts are actually enrolled as students.

University officials concurred and stated they have implemented procedures to ensure only duly enrolled students are permitted to live in residence halls.

LATE FILINGS OF FEDERAL REPORTS

Our testing of federal grants revealed the University often does not file reports on various projects funded by federal grants. The University received over \$300 million in cash federal awards during the year ended June 30, 1994. The grant agreements require the University to submit project reports to the federal granting agency. During the year, the University did not file 36 of 61 various reports by their due dates. The failure to submit the reports on a timely basis may result in the reduction or suspension of federal grant programs. (Finding 7, page 41 in Federal Report)

We recommended the University require the Grants Office to emphasize its monitoring procedures to ensure the timely submission of all required federal reports.

University officials concurred and stated that all delinquent reports have now been submitted to the federal agencies. The Grants Office will now inform federal agencies of reports that are anticipated to be submitted late.

PROBLEMS IN MONITORING SUBRECIPIENTS

The University did not follow procedures to ensure all subrecipients of federal funds were audited. During our testing of procedures for monitoring subrecipients, we noted audit reports were sometimes not received or were received late. Of 75 subrecipients required to submit audit reports, 23 were not received and 5 were submitted late. The failure to properly monitor subrecipients could result in material instances of subrecipient noncompliance with federal laws to go undetected. (Findings 4 on page 38 and 13 on page 50 in Federal Report)

We recommended the University comply with its policies and procedures for monitoring subrecipients.

University officials concurred and stated they have been diligently working with the

subrecipients to obtain their audit reports, with additional emphasis being placed on ensuring audit reports are received in a timely fashion.

OTHER FINDINGS

The remaining findings are less significant and have been given appropriate attention by the University. We will review the University's progress towards the implementation of our recommendations in our next audit.

Dr. Craig S. Bazzani, Vice President for Business and Finance, and Comptroller of the University, provided the University's responses.

AUDITORS' OPINION

The four University reports containing financial statements are: the University's basic financial statements in the Report of the Comptroller; the revenue bond financial statements in the Auxiliary Facilities System, the Willard Airport Facility, and the Construction Engineering Research Laboratory. Our auditors stated the University's June 30, 1994 financial statements contained in the four reports are fairly presented.

WILLIAM G. HOLLAND, Auditor General

WGH:KMM:jr

SUMMARY OF AUDIT FINDINGS

<u>Number of</u>	<u>This Audit</u>	<u>Prior Audit</u>
Audit findings	37	54
Repeated audit findings	14	15
Prior recommendations implemented or not repeated	40	25

SPECIAL ASSISTANT AUDITORS

Arthur Andersen LLP were our special assistant auditors assigned to the audit.

UNIVERSITY OF ILLINOIS
FINANCIAL AND COMPLIANCE AUDIT
For The Year Ended June 30, 1994

FINANCIAL OPERATIONS (CURRENT FUNDS)	FY 1994	FY 1993
REVENUES		
State Appropriations	\$ 549,300,000	\$ 529,314,000
Student Tuition and Fees	222,234,000	214,082,000
Federal Grants	271,233,000	257,384,000
Grants and Contracts	131,500,000	138,283,000
Other Sources	192,660,000	176,250,000
Enterprise Sales	165,604,000	158,229,000
Hospital Sales	<u>247,441,000</u>	<u>238,786,000</u>
Total	<u>\$1,779,972,000</u>	<u>\$1,712,328,000</u>
EXPENDITURES		
Instruction	\$ 397,760,000	\$ 382,146,000
Research	288,020,000	285,403,000
Public Service	169,124,000	158,989,000
Academic Support	131,672,000	123,902,000
Operation of Plant	119,505,000	106,996,000
Other Services	244,769,000	243,533,000
Enterprise Expenses	137,771,000	131,246,000
Hospital Expenses	<u>223,449,000</u>	<u>216,754,000</u>
Total	<u>\$1,712,070,000</u>	<u>\$1,648,969,000</u>
SUPPLEMENTARY INFORMATION	FY 1994	FY 1993
Cash and Investments	\$ 424,295,000	\$ 403,458,000
Campus Plant Facilities	2,485,394,000	2,330,187,000
Accrued Compensated Absences	134,363,000	128,300,000
Revenue Bonds Payable	239,848,000	240,290,000
Employees		
Urbana	12,344	12,434
Chicago	<u>11,574</u>	<u>11,128</u>
Total Employees	<u>23,918</u>	<u>23,562</u>
Students		
Urbana	39,284	38,836
Chicago	<u>20,903</u>	<u>20,994</u>
Total Students	<u>60,187</u>	<u>59,830</u>
Costs Per Student (Undergraduate)		
Urbana	\$5,041	\$4,775
Chicago	\$4,468	\$4,276
Classroom Utilization (Daytime Maximum)		
Urbana	59.3%	58.2%
Chicago	49.0%	48.4%
AGENCY DIRECTOR(S)		

During Audit Period: Dr. Stanley O. Ikenberry
Currently: Dr. Stanley O. Ikenberry