



STATE OF ILLINOIS
**OFFICE OF THE
 AUDITOR GENERAL**

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

UNIVERSITY OF ILLINOIS

**Financial Audit
 For the Year Ended June 30, 2014**

Release Date: January 15, 2015

FINDINGS THIS AUDIT: 3	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	0	0	2009		14-1	
Category 2:	1	2	3	2008		14-2	
Category 3:	<u>0</u>	<u>0</u>	<u>0</u>				
TOTAL	1	2	3				
FINDINGS LAST AUDIT: 2							

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

(14-1) 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.

- 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 the reverse page.}

UNIVERSITY OF ILLINOIS
FINANCIAL AUDIT
For the Year Ended June 30, 2014

FINANCIAL OPERATIONS (In Thousands)	2014	2013*
Operating Revenues		
Tuition and fees, net.....	\$ 1,040,399	\$ 989,502
Federal grants, contracts and appropriations.....	669,282	709,055
State and private gifts, grants and contracts.....	227,830	243,413
Hospital and medical activities.....	852,875	861,526
Auxiliary enterprises, net.....	378,992	369,953
Educational activities.....	294,353	273,394
Other.....	15,841	15,788
Total Operating Revenues.....	<u>3,479,572</u>	<u>3,462,631</u>
Operating Expenses		
Instruction.....	1,259,862	1,249,732
Research.....	724,924	746,625
Public service.....	471,414	459,093
Academic support.....	451,948	421,200
Hospital and medical activities.....	771,520	761,237
Auxiliary enterprises.....	341,780	333,648
Operation and maintenance of plant.....	315,393	282,287
Institutional support.....	255,874	250,156
Depreciation.....	249,250	231,556
Scholarships and fellowships.....	270,036	260,658
Other.....	175,634	173,382
Total Operating Expenses.....	<u>5,287,635</u>	<u>5,169,574</u>
Operating Loss.....	(1,808,063)	(1,706,943)
NONOPERATING REVENUES (EXPENSES)		
State appropriations.....	623,372	621,731
Capital appropriations, gifts and grants.....	24,815	154,584
Private gifts and endowments.....	175,223	143,121
On behalf payments for fringe benefits.....	1,074,913	1,083,666
Other, net.....	216,849	167,644
INCREASE IN NET POSITION.....	307,109	463,803
Net Position, beginning of year.....	4,105,622	3,651,209
Cumulative effect of change in accounting principle.....	-	(9,390)
Net Position, beginning of year, as adjusted.....	<u>4,105,622</u>	<u>3,641,819</u>
Net Position, end of year.....	<u>\$ 4,412,731</u>	<u>\$ 4,105,622</u>
SUMMARY - STATEMENT OF NET POSITION (In Thousands)		
Current Assets.....	\$ 1,588,466	\$ 1,762,276
Noncurrent Assets and Deferred outflows.....	<u>5,855,058</u>	<u>5,090,436</u>
Total Assets and Deferred outflows.....	7,443,524	6,852,712
Current Liabilities.....	892,985	857,309
Noncurrent Liabilities.....	<u>2,137,808</u>	<u>1,889,781</u>
Total Liabilities.....	3,030,793	2,747,090
Total Net Position.....	<u>\$ 4,412,731</u>	<u>\$ 4,105,622</u>

* Certain reclassifications have been made to the 2013 amounts to conform to the 2014 presentation.....

PRESIDENT

During Audit Period and Current: Robert A. Easter

**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 testwork over expense transactions, we reviewed 188 cash disbursement transactions (totaling \$92,035,032 debits and \$9,485,555 credits), 40 P-Card expense transactions (totaling \$74,597), and 40 T-Card expense transactions (totaling \$61,817) recorded during the fiscal year. We also reviewed 89 cash disbursements occurring subsequent to year-end (totaling \$97,515,256). Additionally, we separately reviewed 74 journal voucher expense transactions recorded during the fiscal year (totaling \$45,259,569 debits and \$32,317,240 credits).

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

**\$376,097 in expenses recognized in
FY14 should have been deferred and
recognized in FY15**

- Three supplies and services expenses cash disbursements (totaling \$741,253) that were recorded as expenses for fiscal year ended June 30, 2014, should have been partially deferred as of June 30, 2014 at an amount of \$376,097 and recognized as an expense for the fiscal year ending June 30, 2015.
- Two supplies and services expenses cash disbursements (totaling \$1,375) that were recorded as expenses for the fiscal year ended June 30, 2014, should have been deferred as of June 30, 2014 and recognized as an expense for the fiscal year ending June 30, 2015.
- One supplies and services expenses cash disbursement (totaling \$1,026) that was recorded as expense for the fiscal year ended June 30, 2014, should have been deferred as of June 30, 2014 at an amount of \$1,026, and then recognized as an expense for the fiscal year ending June 30, 2015. (Finding 1, Pages 5-7) **This finding has been repeated since 2009.**

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

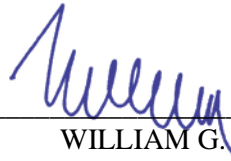
University agrees with auditors

University officials agreed with our finding and stated that they have implemented significant process enhancements. *(For the previous University response, see Digest Footnote #1.)*

OTHER FINDINGS

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

AUDITOR'S OPINION



WILLIAM G. HOLLAND
Auditor General

WGH:TLK

SPECIAL ASSISTANT AUDITORS

KPMG were our Special Assistant Auditors.

DIGEST FOOTNOTES

#1 – Inadequate Year-End Expense Accruals, and Revenue and Expense Deferrals Process – Previous University Response

Accepted. The University has already implemented significant process enhancements in this area. Through analysis of the exceptions identified in this audit, the University will work to develop and implement corrective actions to further improve the year-end processed in this area.