

**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, 2022
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, 2022**

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The System's financial statements as of and for the year ended June 30, 2022, 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, 2022**

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**University of Illinois
Health Services Facilities System
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**Report Required under *Government Auditing Standards*
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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 material weaknesses. Further, the auditors identified one noncompliance matter.

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Findings				
HSFS 2022-001	5	2021/2020	Inadequate Internal Controls over Census Data	Material Weakness and Noncompliance
HSFS 2022-002	9	New	Inadequate Controls over Electronic Health Record System	Material Weakness
Prior Findings Not Repeated				
A.	11		Blue Cross Managed Care Settlement Liability Reserves	
B.	11		Patient Accounts Receivable Allowances	
C.	11		Inadequate Controls over University Procurement Card Transactions	

Exit Conference

The University waived an exit conference in a correspondence from Brent Rasmus, Controller and Assistant Vice President for Business and Finance, on January 20, 2023. The responses to the recommendations were provided by Ginger Velazquez, Executive Director in the Office of Business Services, in a correspondence dated January 26, 2023.

RSM US LLP

**Independent Auditor's 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***

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, 2022, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated February 3, 2023. That report includes an emphasis of matter relating to the restatement of opening net position.

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.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings as items HSFS 2022-001 and HSFS 2022-002 that we consider to be material weaknesses.

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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings as item HSFS 2022-001.

System's Responses to the Findings

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

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
February 3, 2023

**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, 2022**

Current Findings – *Government Auditing Standards*

Finding HSFS 2022-001 Inadequate Internal Controls over Census Data

The University of Illinois Health Services Facilities System (the System) 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.

Census data is demographic data (date of birth, gender, years of service, etc.) of the active, inactive, or retired members of a pension or OPEB plan. The accumulation of inactive or retired members' census data occurs before the current accumulation period of census data used in the plan's actuarial valuation (which eventually flows into each employer's financial statements), meaning the plan is solely responsible for establishing internal controls over these records and transmitting the data to the plan's actuary. In contrast, responsibility for active members' census data during the current accumulation period is split among the plan and each member's current employer(s). Initially, employers must accurately transmit census data elements of their employees to the plan. Then, the plan must record and retain these records for active employees and then transmit this census data to the plan's actuary.

We noted the University's employees are members of the State Universities Retirement System (SURS) for their pensions and the State Employees Group Insurance Program sponsored by the State of Illinois, Department of Central Management Services (CMS) for their OPEB. In addition, we noted these plans have characteristics of different types of pension and OPEB plans, including single employer plans and cost-sharing multiple-employer plans. Additionally, CMS' actuary uses census data for employees of the State's public universities provided by SURS, along with census data for the other participating members provided by the State's four other pensions plans, to prepare their projection of the liabilities of CMS' plan. Finally, SURS' actuary and CMS' actuary used census data transmitted by the University during Fiscal Year 2020 to project pension and OPEB-related balances and activity at the plans during Fiscal Year 2021, which is incorporated into the University's Fiscal Year 2022 financial statements.

During testing, we noted the following:

- The University had not performed an initial complete reconciliation of its census data recorded by SURS to its internal records to establish a base year of complete and accurate census data.
- After establishing a base 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 $\frac{1}{4}$ of a year to $2 \frac{1}{4}$ 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 $\frac{3}{4}$ of a year to $1 \frac{3}{4}$ year.

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Current Findings – *Government Auditing Standards*

Finding HSFS 2022-001 Inadequate Internal Controls over Census Data (continued)

We provided SURS' actuary and CMS' actuary with the exceptions we identified during our testing, along with the results of census data testing at the State Employees Retirement System of Illinois, and determined the net effect of these errors, along with the errors of other plan participants, was immaterial to SURS' and CMS' pension and OPEB-related balances and activity at the plans during Fiscal Year 2021.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds applicable to operations are properly recorded and accounted for to permit the preparation of reliable financial reports and to maintain accountability over the State's resources.

Additionally, eligibility criteria for participation in SURS under the Illinois Pension Code (Code) (40 ILCS 5/15-134(a)) states any person who is an employee of the University becomes a participant in SURS. Under the Code (40 ILCS 5/15-107), an employee is any member of the educational, administrative, secretarial, clerical, mechanical, labor, or other staff of an employer whose employment in a position in which services are expected to be rendered on a continuous basis for at least four months or an academic term, whichever is less:

- 1) not a student employed on a less than full-time temporary basis;
- 2) not receiving a retirement or disability annuity from SURS;
- 3) not on military leave;
- 4) not eligible to participate in the Federal Civil Service Retirement System,
- 5) not currently on a leave of absence without pay more than 60 days after the termination of SURS' disability benefits;
- 6) not paid from funds received under the Federal Comprehensive Employment and Training Act as a public service employment program participant hired on or after July 1, 1979;
- 7) not a patient in a hospital or home;
- 8) not an employee compensated solely on a fee basis where such income would net earnings from self-employment;
- 9) not providing military courses pursuant to a federally-funded contract where the University has filed a written notice with SURS electing to exclude these persons from the definition of an employee;
- 10) currently on lay-off status of not more than 120 days after the lay-off date;
- 11) not on an absence without pay of more than 30 days; and,
- 12) a nonresident alien on a visa defined under subparagraphs (F), (J), (M), or (Q) of Section 1101(a)(15) of Title 8 of the United States Code who (1) has met the Internal Revenue Service's substantial presence test and (2) became an employee on and after July 1, 1991.

In addition, the Code (40 ILCS 5/15-157) requires the University to, at a minimum, withhold contributions of each employee's total compensation of 8% (9.5% for firefighters or police officers) for their participation in SURS, unless further contributions by the employee would either exceed the maximum retirement annuity in the Code (40 ILCS 5/15-136(c)) or the Tier 2 earnings limitation within the Code (40 ILCS 5/15-111(b)), and remit these amounts to SURS. Further, the Code (40 ILCS 5/15-155(b)) requires the University remit employer contributions to SURS reflecting the accruing normal costs of an employee paid from federal or trust funds.

Finally, for CMS' OPEB plan, we noted participation in OPEB is derivative of an employee's eligibility to participate in SURS, as members of SURS participate in OPEB as annuitants under the State Employees Group Insurance Act of 1971 (Act) (5 ILCS 375/3(b)).

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Schedule of Findings
For the Year Ended June 30, 2022**

Current Findings – *Government Auditing Standards*

Finding HSFS 2022-001 Inadequate Internal Controls over Census Data (continued)

University officials indicated the base year reconciliation process was not established by SURS until Fiscal Year 2021, which was completed by the University in July 2022. Transactions impacting this census data accumulation period were not reported in a timely manner because of coding issues used in certain automated processes, significant workload at the unit level, and the impact of processing leave associated with the COVID-19 pandemic.

Failure to ensure complete and accurate census data was reported to SURS reduces the overall reliability of pension and OPEB-related balances and activity reported in the University's financial statements, the financial statements of other employers within both plans, and the State of Illinois' Annual Comprehensive Financial Report. Further, failure to report all eligible employees to SURS may result in employees not receiving the pension and OPEB benefits they are entitled to receive under the Code and the Act. (Finding Code No. HSFS 2022-001, HSFS 2021-003, HSFS 2020-001)

Recommendation

We recommend 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 recommend 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' actuary and CMS' actuary.

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

System Response

Accepted. Note the exceptions referenced in this finding are not specific to the System; they represent exceptions for the entire University of Illinois System.

With 69,000 employees, the University has numerous electronic and manual controls in place to ensure that employees who are eligible for SURS and OPEB are identified correctly. The University also has numerous controls over census data for the University's 30,000 employees eligible for SURS and OPEB benefits.

However, the University acknowledges its controls over census data did not always ensure timely reporting of employee events to SURS. Controls for determining pension and OPEB eligibility did not always operate as intended. In addition, the unprecedented nature of the COVID-19 pandemic significantly impacted the timeliness and volume of leave processing.

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Current Findings – *Government Auditing Standards*

Finding HSFS 2022-001 Inadequate Internal Controls over Census Data (continued)

The University will continue to enhance controls to improve the timeliness of reporting certain employee events impacting pension and OPEB census data, and will strengthen processes for determining pension and OPEB eligibility. The University has worked with SURS to complete its initial 2021 census data reconciliation and is eager to work with SURS to develop the annual reconciliation process for incremental census data changes.

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Schedule of Findings
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Current Findings – *Government Auditing Standards*

Finding HSFS 2022-002 Inadequate Controls over Electronic Health Record System

The University of Illinois (University) had not implemented adequate internal controls over their Electronic Health Record System (EHR).

The University maintains an EHR that contains patient medical records and data. Additionally, it supports billing and transaction workflows which feed into financial statements.

During our testing of the EHR, we noted:

- Systems Analysts were able to develop, test, and deploy changes to the production environment. Although a Change Advisory Board reviewed changes, there was not a reconciliation of the changes deployed into the production environment versus the approved changes.

Additionally, we noted one of seven (14%) emergency change requests was the result of a system analyst placing an unauthorized change into the production environment. The change did not result in any modification to the EHR data.
- Twenty-one of 25 (84%) EHR users' access were not timely terminated upon separation from the University. EHR user access were terminated three to 36 days after separation.
- A comprehensive review of EHR user access was not performed.

The Security and Privacy Controls for Information Systems and Organizations (Special Publication 800-53, Fifth Revision) published by National Institute of Standards and Technology (NIST), Configuration Change Control Section, promotes controls for ensuring mechanisms exist to prohibit unauthorized changes to systems within the organization. Additionally, the Access Control Section, promotes controls for ensuring access to system resources are appropriately authorized.

The University's Account Access Controls-Terminations and Disable Policy, Account Access Controls section, states separated employee's computer system access is to be revoked at the end of the employee's last day.

The University's Hospital Information Services management stated they felt their controls over EHR software changes were adequate, and that the one exception noted was an isolated incident

Failure to maintain adequate controls over changes to the EHR resulted in an unauthorized change. Further, failure to terminate separated employees' access could result in unauthorized access to the EHR and data. (Finding Code No. HSFS 2022-002)

Recommendation

We recommend the University implement controls to restrict systems analysts' access to the production environment. In addition, we recommend the University terminate separated users' access on the last day of employment and conduct annual reviews of users' access.

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Current Findings – *Government Auditing Standards*

**Finding HSFS 2022-002 Inadequate Controls over Electronic Health Record System
(continued)**

System Response

Accepted. It should be noted the system analyst that initiated the emergency change request obtained documentation of the needed approval after the change was implemented. Additionally, the University Hospital has already implemented a reconciliation procedure to ensure changes to the EHR production environment match changes approved through the established change management process.

The roles and responsibilities of EHR users rarely change, thus reducing the risk of access being misaligned with a user's access needs. However, the University will develop an annual access review process for EHR system users.

Regarding the timely termination of employee EHR system access upon separation from the University, the UI Hospital team removed system access within 24 hours after being informed by the University's notification processes. The University will review employee separation policies and processes to determine options for improvements in the timing of notifications to Hospital Information Services related to EHR users who no longer need access.

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Schedule of Findings – Prior Findings Not Repeated
For the Year Ended June 30, 2022**

Prior Findings Not Repeated – *Government Auditing Standards*

A. Blue Cross Managed Care Settlement Liability Reserves

During the previous audit, the University of Illinois Health Services Facilities System's (the System) analysis of required June 30, 2021, Blue Cross managed care settlement liability reserves contained errors resulting in a material overstatement of estimated third party settlement reserves and a material understatement of unrestricted net position at both June 30, 2021 and 2020.

During the current audit, our testing over Blue Cross managed care settlement liability reserves did not identify errors relating to the System. (Finding Code HSFS 2021-001)

B. Patient Accounts Receivable Allowances

During the previous audit, the System's analysis of required June 30, 2021, patient accounts receivable allowances contained multiple misstatements.

During the current audit, our testing over patient accounts receivable allowances did not identify errors relating to the System. (Finding Code HSFS 2021-002)

C. Inadequate Controls over University Procurement Card Transactions

During the previous audit, the System did not comply with University policies and internal controls over procurement card transactions.

During the current audit, our sample testing did not identify significant issues relating to procurement card transactions. (Finding Code HSFS 2021-004, HSFS 2020-003, HSFS 2019-002, HSFS 2018-003, HSFS 2017-004, HSFS 2016-002, HSFS 2015-002, HSFS 2014-002, HSFS 2013-002, HSFS 12-02, HSFS 11-03, HSFS 10-02, HSFS 09-02, HSFS 08-03)