

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, 2024
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, 2024**

TABLE OF CONTENTS

	Page(s)
University Officials	1
<i>Government Auditing Standards</i> Report	
Summary	2
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 <i>Government Auditing Standards</i>	3
Schedule of Findings	
Current Findings	5
Prior Findings Not Repeated	8

Other Reports Issued Under a Separate Cover

The System's financial statements as of and for the year ended June 30, 2024 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, 2024**

THE BOARD OF TRUSTEES

EX OFFICIO MEMBER
The Governor of Illinois

Honorable J.B. Pritzker Springfield

MEMBERS

J. Caryoln Blackwell Champaign
Ramón Cepeda Darien
Donald J. Edwards Chicago
Joseph D. Gutman Highland Park
Patricia Brown Holmes Chicago
Wilbur C. Milhouse III Chicago
Sarah Phalen Springfield
Jesse H. Ruiz Chicago
Tami Craig Schilling Okawville

STUDENT TRUSTEES

Sanchita Teeka University of Illinois – Urbana – Champaign
Mohammed Haq University of Illinois – Chicago
Kyle Ingram University of Illinois – Springfield

BOARD OFFICERS

Donald J. Edwards Chair
Lester H. McKeever, Jr. Treasurer
Paul N. Ellinger Vice President, Chief Financial Officer, and Comptroller
Scott E. Rice University Counsel
Jeffrey A. Stein Secretary

ADMINISTRATIVE OFFICERS

University System

Timothy L. Killeen President
Paul N. Ellinger Vice President, Chief Financial Officer, and Comptroller

University of Illinois – Chicago

Marie Lynn Miranda Chancellor and Vice President
Robert A. Barish, MD Vice Chancellor for Health Affairs
Mark I. Rosenblatt, MD Interim Chief Executive Officer, University of Illinois Hospital & Clinics
Laurence S. Appel Chief Financial Officer, University of Illinois Hospital & Clinics

**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, 2024**

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 a material weakness and a significant deficiency.

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Findings				
HSFS 2024-001	5	2023/2022	Weaknesses in Controls over Access Termination	Material Weakness
HSFS 2024-002	6	New	Weakness in Controls Over Allocated Activities	Significant Deficiency

Prior Findings Not Repeated

None

Exit Conference

The University waived an exit conference in a correspondence from Brent Rasmus, Controller and Assistant Vice President for Business and Finance, on December 16, 2024. The responses to the recommendations were provided by Jennifer Erickson, Senior Associate Director for Business and Finance, in a correspondence dated December 19, 2024.



**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***

RSM US LLP

Independent Auditor's Report

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, 2024, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and we have issued our report thereon dated January 14, 2025.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying Schedule of Findings as item HSFS 2024-001 to be a material weakness.

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. We consider the deficiency described in the accompanying Schedule of Findings as item HSFS 2024-002 to be a significant deficiency.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

System's Responses to the Findings

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

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
January 14, 2025

**University of Illinois
Health Services Facilities System
(A Segment of the University of Illinois)**

**Schedule of Findings
For the Year Ended June 30, 2024**

Current Findings – Government Auditing Standards

Finding HSFS 2024-001 Weaknesses in Controls over Access Termination

The University of Illinois (University) had not implemented adequate access termination controls over their Electronic Health Record System (EHR) and Enterprise Resource Planning System (ERP).

The University maintains an EHR that contains patient medical records and data. The EHR supports billing and transaction workflows which feed into the financial statements. Additionally, the University maintains an ERP that contains student, faculty, financial, and personal data. The University relies on the ERP for financial reporting.

During our testing of separated users' access to the ERP and EHR, we noted the University's departments were not timely notifying Human Resources, which in turn did not timely notify the Information Technology security team. As a result, users' access to the ERP and EHR was not timely disabled. Specifically, our testing noted 2 of 40 (5%) ERP users' and 25 of 60 (42%) EHR users' access had not been timely removed after separation. Access was disabled 24 to 73 days for ERP and 9 to 191 days for EHR after the user had separated from the University.

This finding was first reported in fiscal year 2022. In subsequent years, the University has been unsuccessful in implementing procedures to fully remediate the issues identified.

The *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology (NIST), Access Control Section, promotes controls for ensuring access to system resources are appropriate.

Also, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation.

Further the University Medical Center Department's Administrative Directive requires the Department's Security Coordinators to revoke a separated employee's EHR access within 7 business days after termination. Additionally, the University of Illinois Enterprise System Access Removal Policy requires ERP access removal within 20 business days from the employee's termination.

University management indicated the complexity and decentralized nature of EHR and ERP access delayed the notifications of employee separation.

Failure to terminate separated employees' access could result in unauthorized access to the EHR, ERP, and data. (Finding Code No. HSFS 2024-001, HSFS 2023-001, HSFS 2022-002)

Recommendation

We recommend the University terminate separated users' access within 7 business days and 20 business days of the last day of employment for EHR and ERP, respectively.

**University of Illinois
Health Services Facilities System
(A Segment of the University of Illinois)**

**Schedule of Findings
For the Year Ended June 30, 2024**

Finding HSFS 2024-001 Weaknesses in Controls over Access Termination (Continued)

System Response

Accepted. Hospital Information Services and Administrative Information Technology Services have implemented automated processes using data within enterprise systems to proactively monitor and remove access to the ERP and EHR systems. Even with these automated processes, the access removal process still relies on timely unit and human resources processes. The University does a quarterly review of ERP system logins for users who have separated from the University and the two noted exceptions for the ERP system had no logins after their separation date. Additionally, to reflect the reliance on these unit and human resources processes, Hospital Information Services has adjusted their access removal policy to remove access after notification within 48 hours. The University will continue to work towards improving notification processes for timelier removal of access to systems for employees who have separated from the University.

**University of Illinois
Health Services Facilities System
(A Segment of the University of Illinois)**

**Schedule of Findings
For the Year Ended June 30, 2024**

Finding HSFS 2024-002 Weakness in Controls Over Allocated Activities

The System did not have adequate controls to ensure that schedules supporting amounts reported as allocated costs and offsetting revenue activities within the System's financial statements were accurate.

The University provides to the System a schedule of payments made on the System's behalf by the University for salaries, wages and benefits. Specifically, the College of Medicine ("COM") pays salaries to physicians, who then allocate their time among clinical duties, teaching, and hospital administrative responsibilities. The portion of their time designated as hospital administrative work is subsequently allocated to the System's accounts, including for the Medicare Cost Report. The original schedule provided to the System included clerical error that resulted in expenses associated with the physician component of clinical and teaching efforts for the Ophthalmology and Hematology/Oncology specialties being incorrectly included in time reporting categories that the System uses to determine allocated costs related to physician administrative services. Upon correction of these clerical errors, the revised schedule reflected \$11,128,000 less salaries, wages and benefits paid on behalf of the System.

Concepts Statement No. 1 of the Governmental Accounting Standards Board, *Objectives of Financial Reporting* (GASBCS 1, paragraph 64), states, "Financial reporting should be reliable; that is, the information presented should be verifiable and free from bias and should faithfully represent what it purports to represent. To be reliable, financial reporting needs to be comprehensive." Review of supporting schedules is a basic control to ensure the accuracy and reliability of financial reports.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) required the System to establish and maintain a system, or systems, or internal fiscal and administrative controls. The System's system of internal controls should include procedures to ensure amounts are appropriately reported within the System's financial statements.

System management stated the reporting misclassification was caused by the implementation of new definitions within the University's Activity Reporting System. Due to clerical errors by the University's College of Medicine when completing the time records, these new definitions were incorrectly applied resulting in time, and therefore dollars, being assigned to System's administrative categories, rather than the physician professional component or University responsibility classifications.

Inadequate controls over the accuracy of allocated costs and offsetting revenue activities could lead to a misstatement in the System's financial statement amounts. (Finding Code No. HSFS 2024-002)

Recommendation

We recommend the System implement controls to ensure that schedules supporting amounts reported as allocated costs and offsetting revenue activities within the System's financial statements are accurate.

System Response

Accepted. Although the amounts in question have a \$0 net impact on the System's FY2024 financial statements, the University understands the importance of ensuring amounts reported as allocated activities within the System's financial statements are accurate. The appropriate corrective action will be implemented to address this audit recommendation, including enhanced training for users of the University's Activity Reporting System and enhanced review of the data being provided to the System.

**University of Illinois
Health Services Facilities System
(A Segment of the University of Illinois)**

**Schedule of Findings
For the Year Ended June 30, 2024**

Prior Findings Not Repeated

None