

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, 1995**

SYNOPSIS

- The University Hospital did not reconcile reimbursements received from third-party payors to logs of services provided to patients.
- The University Hospital did not bill and collect amounts due from City of Chicago in a timely manner.
- The University did not perform formal assessments of potential liabilities for clean-ups of contaminated sites.
- The University did not follow procedures to ensure all subrecipients of federal funds were audited.

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

INTRODUCTION

Our 1995 audit of the University of Illinois is presented in four documents which may be divided into two parts - a financial part and a compliance part. The financial part has one report that includes the various financial statements of the University. The compliance part has three reports that include the compliance findings disclosed by our audit tests. The State Compliance Audit presents nineteen findings. The Federal Compliance Audit presents thirty-two findings. The Supplementary Financial Information Report presents one finding. The reports contain a total of fifty-two findings of which we believe the findings presented below are more significant and are worthy of highlighting in this 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 either to revenue logs which detail total charges and accounts receivable or to the expected and actual reimbursements by patients. The failure to review third-party payments could result in lost revenues. (Finding 18, page 30 in State Report, first presented in the 1986 audit report)

We recommended the University require Hospital personnel 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 did not bill and collect amounts due from the City of Chicago in a timely manner. 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 made about three months after the billings. Of \$5.5 million in Clinic services provided during fiscal 1995, the Hospital had a \$2.8 million account receivable from the City at June 30, 1995. (Finding 19, page 32 in State Report, first presented in the 1994 audit report)

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

University officials concurred. They stated the Clinic is now expediting billings to the City and is working with the City to insure that payments are made promptly.

NEED FOR ENVIRONMENTAL CONTINGENCY REVIEW

The University did not perform a formal assessment of its environmental contingency reserve. The University's operations are subject to comprehensive environmental regulations by federal and State authorities. The University is potentially liable for the cost of clean-up of various contaminated sites. During fiscal 1995, the University incurred approximately \$121,000 in environmental remediation related costs. As of June 30, 1995, the University is aware of seven contaminated sites at which it may be liable for some portion of the clean-up costs, and its total related liability may be substantial.

We recommended the University perform a formal periodic assessment of its reserve for environmental contingencies. This assessment should include a listing of all potential clean-up sites and estimates of the amounts of the clean-up liabilities. (Finding 2, page 10 in State Report)

University officials concurred and stated that, beginning in fiscal year 1996, they will perform an annual assessment to determine and value a contingent liability for environmental matters.

PROBLEMS IN MONITORING SUBRECIPIENTS

The University did not follow procedures to ensure all subrecipients of federal funds were audited as required. During our testing of procedures for monitoring subrecipients, we noted audit reports were sometimes not received. Of 82 subrecipients required to submit audit reports, 17 were not received. The failure to properly monitor subrecipients could allow subrecipient noncompliance with federal laws to go undetected. (Finding 4 on page 39 and Finding 32 on page 77 in Federal Report, first presented in the 1993 audit)

We recommended the University properly comply with its existing 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 that 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 financial group report contains four sets of financial statements: 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, 1995 financial statements are fairly presented.

ADDITION OF A THIRD CAMPUS

During the audit period, the University operated two campuses - Urbana and Chicago. Effective July 1, 1995, Sangamon State University became the third campus at Springfield and was renamed the University of Illinois at Springfield. Future audits of the University of Illinois will report on the operations of all three campuses.

WILLIAM G. HOLLAND, Auditor General

WGH:KMM:pp

SUMMARY OF AUDIT FINDINGS

<u>Number of</u>	<u>This Audit</u>	<u>Prior Audit</u>
Audit findings	52	37
Repeated audit findings	20	14
Prior recommendations implemented or not repeated	17	40

SPECIAL ASSISTANT AUDITORS

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

UNIVERSITY OF ILLINOIS
FINANCIAL AND COMPLIANCE AUDITS
For The Year Ended June 30, 1995

FINANCIAL OPERATIONS (CURRENT FUNDS)	FY 1995	FY 1994
REVENUES		
State Appropriations	\$ 573,057,000	\$ 549,300,000
Student Tuition and Fees	242,477,000	222,234,000
Federal Grants	275,211,000	271,233,000
Grants and Contracts	139,090,000	131,500,000
Other Sources	206,642,000	192,660,000
Enterprise Sales	169,855,000	165,604,000
Hospital Sales	<u>290,290,000</u>	<u>247,441,000</u>
Total	<u>\$1,896,622,000</u>	<u>\$1,779,972,000</u>
EXPENDITURES		
Instruction	\$ 437,879,000	\$ 397,760,000
Research	290,535,000	288,020,000
Public Service	178,800,000	169,124,000
Academic Support	140,081,000	131,672,000
Operation of Plant	119,112,000	119,505,000
Other Services	284,213,000	244,769,000
Enterprise Expenses	141,799,000	137,771,000
Hospital Expenses	<u>255,822,000</u>	<u>223,449,000</u>
Total	<u>\$1,848,241,000</u>	<u>\$1,712,070,000</u>
SUPPLEMENTARY INFORMATION	FY 1995	FY 1994
Cash and Investments	\$ 437,833,000	\$ 424,295,000
Campus Plant Facilities	2,630,927,000	2,485,394,000
Accrued Compensated Absences	149,016,000	134,363,000
Revenue Bonds Payable	238,776,000	239,848,000
Employees		
Urbana	13,187	12,344
Chicago	<u>11,151</u>	<u>11,574</u>
Total Employees	<u>24,338</u>	<u>23,918</u>
Students		
Urbana	38,545	39,284
Chicago	<u>25,040</u>	<u>20,903</u>
Total Students	<u>63,585</u>	<u>60,187</u>
Costs Per Student (Undergraduate)		
Urbana	\$5,237	\$5,041
Chicago	\$4,662	\$4,468
Classroom Utilization (Daytime Maximum)		
Urbana	57.2%	58.2%
Chicago	49.7%	49.0%
UNIVERSITY PRESIDENTS		

During Audit Period: Dr. Stanley O. Ikenberry
Currently: Dr. James J. Stukel