



UNIVERSITY
OF ILLINOIS
SYSTEM

Office of University Audits

Annual Report

For the Year Ended June 30, 2025

Report to the University of Illinois Board of Trustees

September 2025

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SECTION 1

MESSAGE FROM THE EXECUTIVE DIRECTOR

President Killeen and
The University of Illinois Board of Trustees

I am pleased to present to you the Office of University Audits Annual Report for the Year Ended June 30, 2025. I have the privilege of leading a dedicated team of professionals committed to delivering independent, objective assurance and advisory services that support the University of Illinois System's (System) mission. This report highlights our accomplishments, performance measures, and benchmarks over the past year.

Throughout the year, our team remained steadfast in upholding the highest standards of professionalism and integrity. All audit services were conducted in conformance with the *International Professional Practices Framework* of the Institute of Internal Auditors (IIA). We completed a comprehensive risk assessment and developed a risk-based audit plan aligned with the System's strategic objectives. Through our work, we evaluated the effectiveness and efficiency of the System's operations, identified opportunities for improvement, and followed up to validate management's implementation efforts.

Selected highlights include:

- Delivery of over 23,000 hours of service.
- Completion of 61 assurance, investigation, and advisory projects resulting in 243 recommendations.
- Validation of 175 management-implemented improvements.
- Continued refinement of our upgraded audit management system.
- Implementation of the IIA's updated *Global Internal Audit Standards*, effective January 9, 2025.

As we look ahead, our Office remains committed to supporting management at all levels in enhancing:

- Achievement of objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Stakeholder trust and credibility.
- Ability to serve the public interest.

I extend my sincere appreciation to the President and the Audit, Budget, Finance, and Facilities Committee of the Board of Trustees for your continued support. I also thank System management and employees for their cooperation during our audits. Finally, I commend the professionals of the Office of University Audits for their dedication and unwavering commitment to excellence.

Sincerely,

Julie A. Zemaitis
Executive Director of University Audits

SECTION 2

USE OF AUDIT RESOURCES DURING FISCAL YEAR 2025

The Office's strategic intent is to operate in a manner that adds value within the U of I System, focuses on the differing stakeholders' expectations and priorities, and adapts to changes in technology, legislation, and organizational strategic priorities. The following are summaries of how our Office utilized audit resources during fiscal year 2025.

FISCAL YEAR 2025 AUDIT PLAN COMPLETION STATUS

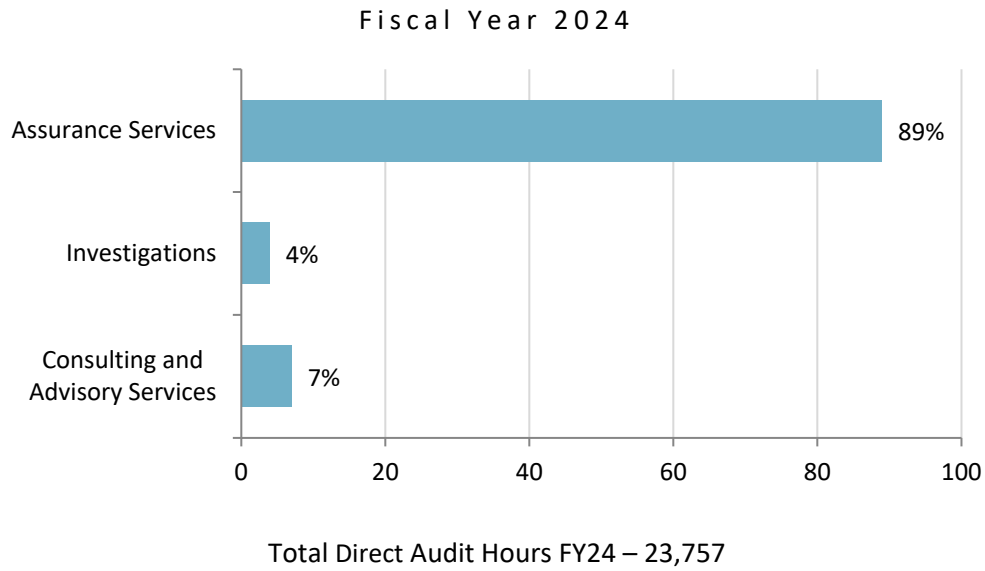
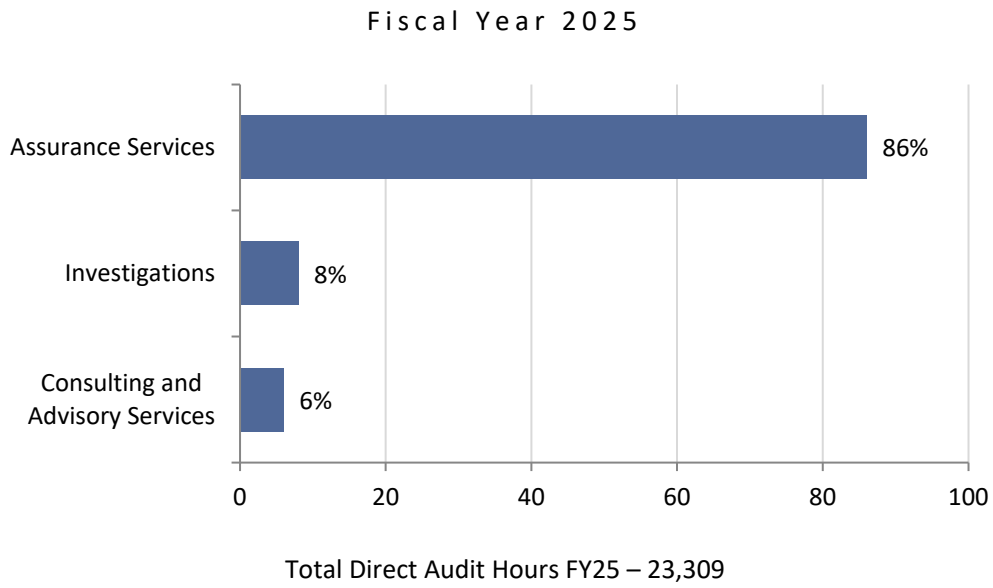
Number of Projects

	Projects Completed FY24 Plan	Projects Completed FY25 Plan	Fieldwork Completed – Report Drafted and Pending	In-Progress	Deferred to FY26/27 Plan	Withdrawn – Risk Lowered
Planned Audits	13	36	5	21	9	3
Projects Added	5	7	0	6	0	0
Total	18	43	5	27	9	3

Hours

	Planned	Actual	Remaining Hours	Remaining Percent
Planned Audits	19,270	18,639	631	3%
Follow-up	1,425	1,351	74	5%
Emerging Issues / Investigations	2,519	3,319	(800)	0%
Total	23,214	23,309	(95)	0%

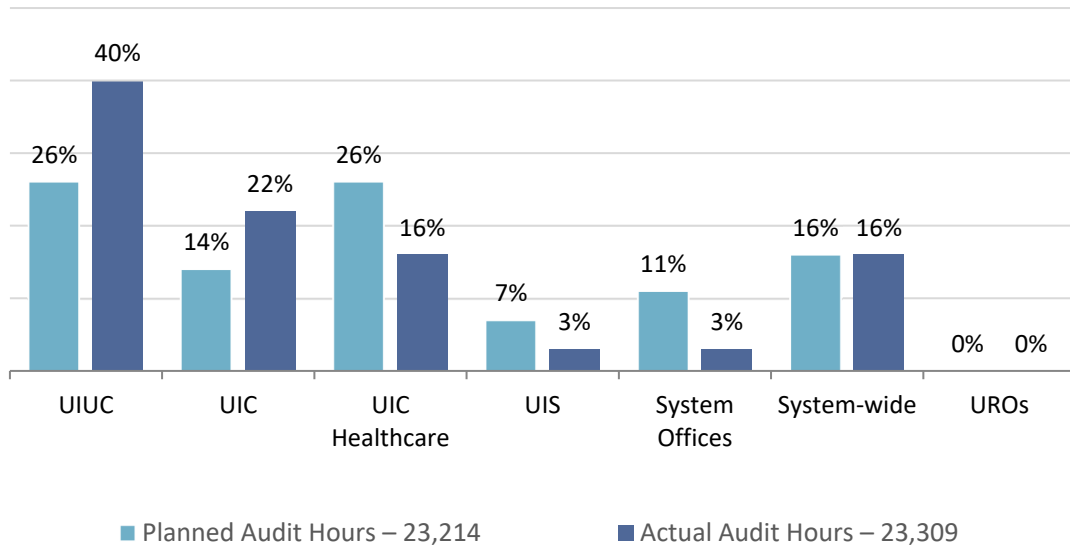
DIRECT AUDIT HOURS BY TYPE OF PROJECT



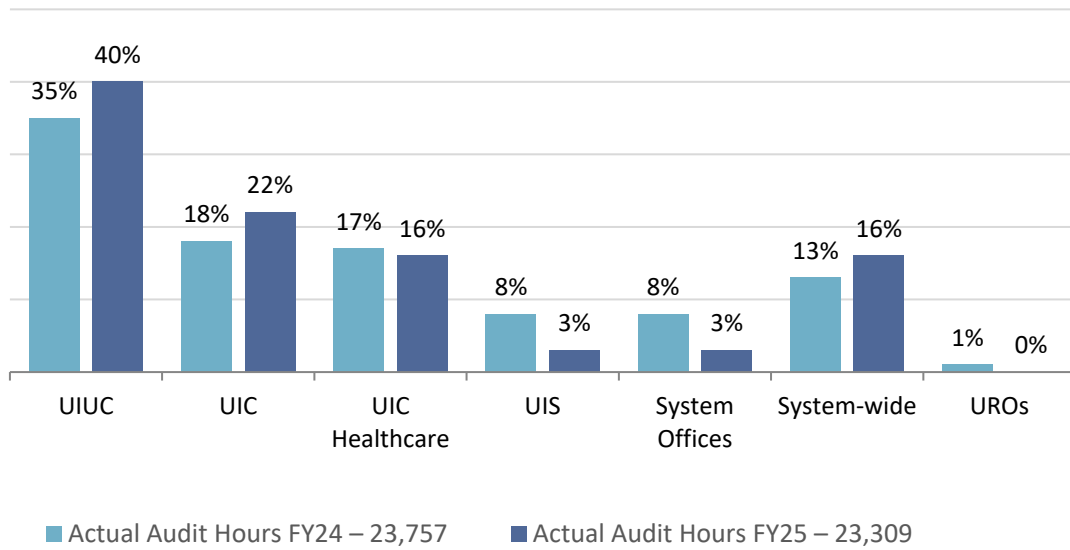
Appendix B provides a summary of completed projects, along with a definition of service types.

DIRECT AUDIT HOURS BY UNIVERSITY / AREA

Fiscal Year 2025



Fiscal Years 2024 and 2025



FISCAL YEARS 2024 AND 2025 PERSONNEL EXPENDITURES

	FY24	FY25
Budget	\$2,339,769	\$2,565,340
Actual	2,284,089	2,325,740
(Over)/Under Budget	\$55,680	\$239,600

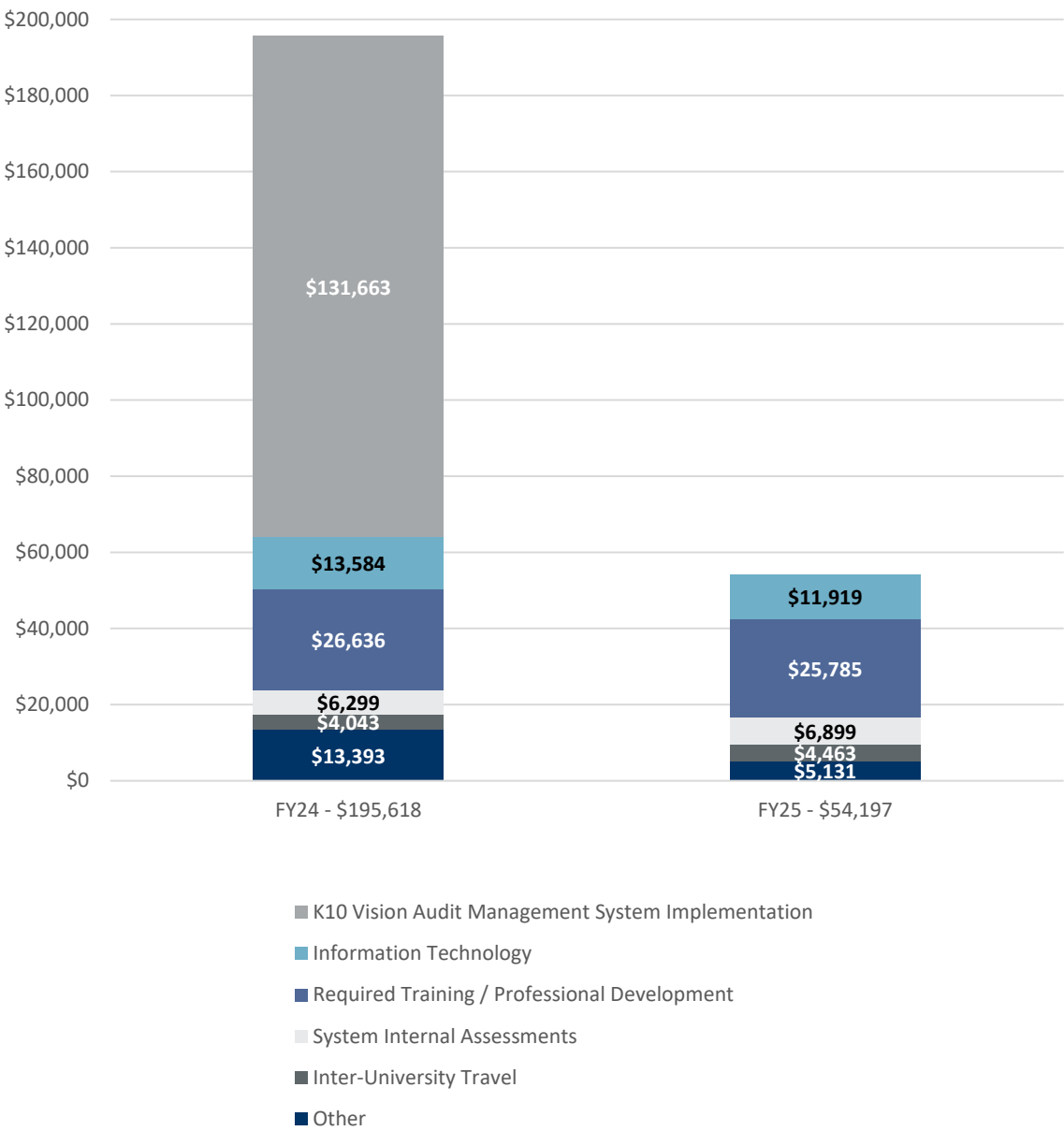
In Fiscal Year 2023, funding was provided for succession planning and promotions, to be fully utilized over a multiple year period; some funding remains for future promotions. In addition, the Office experienced periods of open positions during Fiscal Years 2024 and 2025.

FISCAL YEARS 2024 AND 2025 NON-PERSONNEL EXPENDITURES

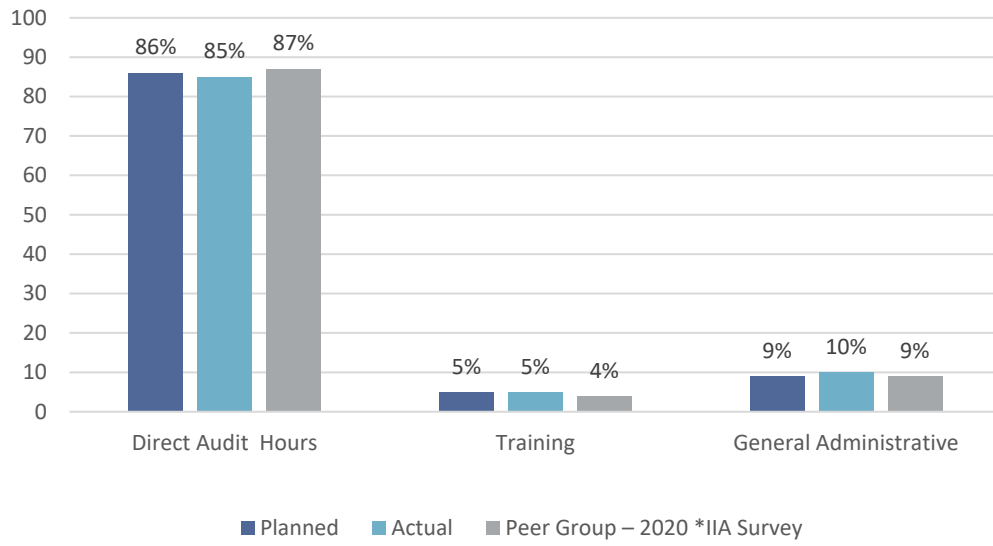
	FY24	FY25
Budget	\$ 40,900	\$ 72,600
Actual	195,618	54,197
(Over)/Under Budget	\$ (154,718)	\$ 18,403

During Fiscal Year 2024, the Office replaced its audit management system, some office furniture and equipment; and reimbursed travel expenses for the 2024 External Quality Assessment Team. These expenditures were funded with carryover reserves earmarked for these purposes. The Fiscal Year 2024 cost to acquire the new audit management system included three years of prepaid annual maintenance. The Fiscal Year 2025 funding was increased to include the annual maintenance and licensing, and additional funding for professional development. Unspent Fiscal Year 2025 budget represents reimbursement of one year of the annual maintenance our Office had paid for in Fiscal Year 2024.

FISCAL YEARS 2024 AND 2025 USE OF NON-PERSONNEL EXPENDITURES (ACTUAL)



FISCAL YEAR 2025 ALLOCATION OF AUDIT STAFF UTILIZATION



**Institute of Internal Auditors 2020 Benchmarking Report*

SECTION 3

AUDIT RECOMMENDATION IMPLEMENTATION STATUS

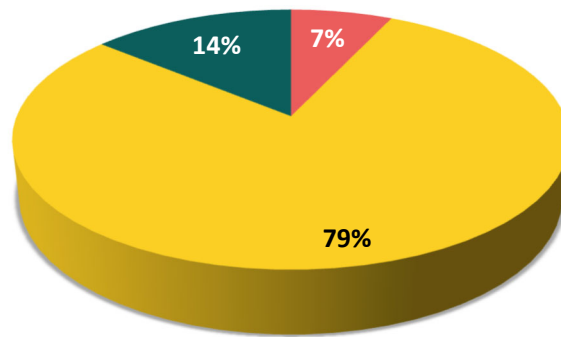
After the expected implementation dates provided by management have passed, all audit recommendations are revisited to determine the status of management's action. It is through this process that the Office ensures that recommendations have been effectively implemented or that senior management has accepted the risk of not taking action.

The results of the audit recommendation follow-up activity for fiscal years 2023 through 2025 are presented in the following chart:

IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS

	FY2023	FY2024	FY2025
Beginning Balance	273	211	166
Internal Audit Recommendations Issued	143	135	243
Implemented by Management	-165	-134	-175
Partially Implemented by Management / Remaining Risks Accepted by Management	-23	-18	-9
Not Implemented / Risks Accepted by Management	-17	-27	-4
Withdrawn by Internal Audit	0	-1	-1
ENDING BALANCE	211	166	220

RISK AND PRIORITY RATING
ALL OPEN AUDIT RECOMMENDATIONS – 6/30/25



■ High ■ Moderate ■ Low

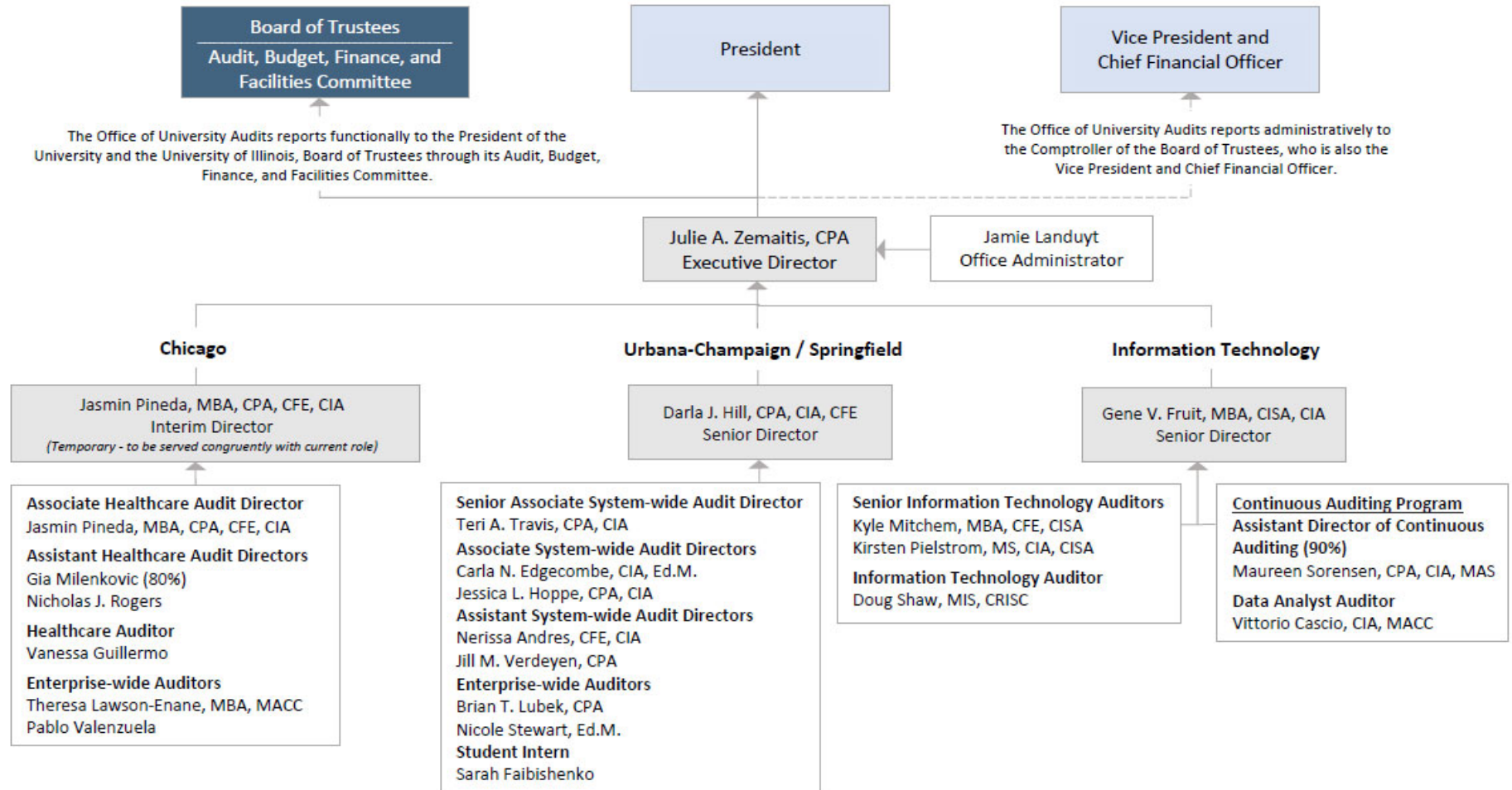
AGING OF OUTSTANDING RECOMMENDATIONS BY MANAGEMENT'S ORIGINAL EXPECTED
IMPLEMENTATION DATE

Fiscal Year	Number of Recommendations
2027	12
2026	175
2025	26
2024	7
TOTAL RECOMMENDATIONS	220

APPENDIX A

ORGANIZATION CHART AS OF JUNE 30, 2025

Office of University Audits



Certifications and Advanced Degrees Held by Members of the Office of University Audits Professional Staff

Professional Certifications

10 CIA (Certified Internal Auditor)
8 CPA (Certified Public Accountant)
3 CISA (Certified Information Systems Auditor)
4 CFE (Certified Fraud Examiner)
1 CRISC (Certified Risk and Information System Control)

Advanced Degrees

4 MBA (Master of Business Administration)
2 Ed.M. (Master of Education; Master of Educational Organization and Leadership)
1 MS (Master of Science, Computer Science)
2 MACC (Master of Accountancy)
1 MAS (Master of Accounting Science)
1 MIS (Master of Management Information Systems)

APPENDIX B

SUMMARY OF COMPLETED PROJECTS

The following summarizes the projects completed during fiscal year 2025. All audits were performed in conformance with the *International Standards for the Professional Practice of Internal Auditing* as promulgated by The Institute of Internal Auditors (IIA) and adopted by the State of Illinois Internal Audit Advisory Board.

ASSURANCE SERVICES

Internal control audits determine whether the unit is conducting its financial and business processes under an adequate system of internal control, as required by U of I System policy and guidelines, and good business practice. These audits contribute to fulfilling our agreement with the Legislative Audit Commission to perform reviews of judgmentally selected units to test the adequacy of the U of I System's general systems of internal control.

Internal control audits were performed in the following areas:

Chicago

- Clinical Research Revenue Cycle
- College of Applied Health Sciences, Department of Disability & Human Development
- College of Medicine, Department of Medicine, Division of Pulmonary, Critical Care, Sleep, and Allergy
- Family and Community Medicine Clinics, University Village and Pilsen Family Health Center
- Office of Equity and Diversity
- Primary Care Plus Clinic
- Planning, Sustainability and Project Management Plant Fund Accounting and Accumulations

Urbana-Champaign

- Beckman Institute for Advanced Studies and Technology, Biomedical Imaging Center, Self-Supporting Fund
- College of Applied Health Sciences, Department of Speech and Hearing, Clinical Revenue
- College of Education, Education Justice Project
- Conference Center
- Prairie Research Institute
- School of Information Sciences

Springfield

- UIS Campus Services, Printing/Duplicating Fund Operation

Compliance audits determine the adequacy of the design of systems to ensure compliance with U of I System policies and procedures and external requirements. Audit recommendations typically address the need for improvements in procedures and controls intended to ensure compliance with applicable regulations.

Compliance audits included reviews of:

Chicago

- Controlled Substances in Animal Research and Laboratory-based Research, Office of Animal Care and Institutional Biosafety, Office of the Vice Chancellor for Research

System Offices

- Office of University Audits, Internal Self-Assessment

Information technology audits address the internal control environment of automated information processing systems and how people use those systems. IT audits typically evaluate system input, output, and processing controls; backup and recovery plans; system security; and computer facilities.

Information technology audits included reviews of:

Chicago

- School of Public Health
- Technology Solutions

Urbana-Champaign

- Center for Innovation in Teaching and Learning

System Offices

- Administrative Information Technology Services

Operational audits examine the use of unit resources to evaluate whether those resources are being used in efficient and effective ways to fulfill missions and objectives. An operational audit can include elements of a compliance, financial, and information technology audit.

Operational audits included reviews of:

Chicago

- Campus Auxiliary Services, Financial
- Excellence and Experience Office, Patient and Guest Experience Office
- Student Grievance Process
- University of Illinois Hospital, Materials Management Inventory
- Vice Chancellor for Finance, Office of Access and Equity, OAE Involvement in the Hiring Process

Urbana-Champaign

- Carle Illinois College of Medicine, Mental Health Program and Registrar
- College of Applied Health Sciences, Chez Veterans Center, Mental Health Program
- College of Applied Health Sciences, Disability Resources and Educational Services, Mental Health Program
- College of Veterinary Medicine, Mental Health Program
- Division of Public Safety, Response, Evaluation, And Crisis Help

Springfield

- UIS Human Resources

System Offices

- Discovery Partners Institute, Governance

Continuous auditing is a method of analyzing data with the objective of assessing risk and related internal controls on a more frequent basis. It involves using various data analysis techniques to identify anomalies, patterns or trends, and other indicators, such as non-compliance with U of I System policies, which may reveal control weaknesses. It can be used to assess the risk of a particular business cycle or to perform detailed transaction analysis against cut-offs and thresholds. The analysis is typically U of I System-wide, with more detailed reviews of transactions occurring as needed based on the results. It is also used as an element of the annual risk assessment for audit plan development.

Continuous auditing included selected reviews in the areas of:

System-wide

- Analysis of Search Waivers
- Employee and Job Data
- Employee Leave Balances
- Employee Travel Expense Payments
- Fund Deficit Identification and Reporting
- Incompatible Profile Combinations
- Matched Vendor and Employee Addresses, Social Security Numbers, and Direct Deposit Bank Accounts
- Overtime Pay
- P-Card Transactions
- Payroll Adjustments
- Sabbatical Payments
- Tuition Waivers
- Trending Analysis of Purchasing Activity
- Trending Analysis of Vendor Volume
- Vendor Field Analysis

INVESTIGATIVE AUDITS

Investigative audits focus on alleged civil or criminal violations of state or federal laws or violations of U of I System policies and procedures that may result in prosecution or disciplinary action.

Four investigative audits were completed.

CONSULTING AND ADVISORY SERVICES

Consulting and Advisory services are management related service activities. The scope and procedures involved in consulting engagements are either directed by management or agreed upon with management. Reporting for consulting engagements is generally made directly to management requesting the service. Advisory services are less formal in nature and may include providing counsel, advice, facilitation, and training.

Chicago

- Innovation Center Contracting Review

Urbana-Champaign

- School of Social Work

System Offices

- Capital Program System Replacement Project

Additionally, we performed various other consulting, advisory, and training services for U of I System Offices and each university throughout the year. Audit personnel contributed support and advisory services throughout the System by participating in the following:

Audit Leadership

- Audit, Compliance, and ERM Coordination Group
- Digital Risk Council
- Data Strategy Task Force-Data Governance and Management
- President's Executive Leadership Program
- President's Management Council
- U of I Diversity Council Committee
- U of I System Executive Risk Management Council
- U of I System-wide Compliance Advisory Committee
- UI Enterprise Systems Governance Committee (ESGC)
- UI ESGC Finance Subcommittee
- UIC Compliance Committee
- UIH Leadership Committee
- UIUC Business/IT Collaboration Group
- UIUC Campus Administrative Manual Committee
- UIUC Committee to Develop Student Organization Gift Fund and Expenditures Policy
- UIUC New Deans Meetings
- UIUC Support for the Internal Controls: Prohibited Role Exception Request Process

Audit and Support Staff

- 2025 SPARC Retreat / Training
- Business Administrator Path
- Consulting for the Sustainability Research Innovation Congress
- FCIAA Annual Internal Control Evaluation and Reporting System Training
- Information Technology Leadership Council – Infrastructure Committee
- Joint Commission/Centers for Medicare/Medicaid Services Compliance Committee
- System Offices Project Management Information System Group
- System-wide Business and Finance Symposium
- System-wide Committee on the Impacts of PIPL and Other Privacy Laws
- System-wide Committee to Produce a Functional List of Approved for Use Software Vendors
- UIC Academic Fiscal Officers and Business Manager Group
- UIC Human Resources Advisory Council & Practice Group
- UIS Business Managers Group
- UIUC Business Managers Group
- UIUC IT Caffeine Break (weekly university IT topic discussion group)
- UIUC Security and Privacy Liaisons
- University Audits UIUC-Led Book Discussion Groups – Business and HR Professionals on Faud and Other Professional Development Topics
- Working Group to Develop Additional Guidance on Appropriate Mechanisms for Various Compensation Methods and the Assignment of Income Guidelines

Members of audit leadership meet regularly with the following key stakeholders:

Monthly:

- President
- Vice President, Chief Financial Officer and Comptroller
- Executive Vice President and Vice President for Academic Affairs

Quarterly:

- Audit, Budget, Finance, and Facilities Committee Chair (Quarterly at a minimum; generally, every other month)
- Treasurer of the Board of Trustees (Quarterly at a minimum; generally, every other month)
- Vice President for Economic Development and Innovation
- University Counsel
- System Offices Chief Information Officer (CIO)
- UIC Chancellor and Vice President
- UIC CIO
- UIC Chief Information Security Officer
- UIC Vice Chancellor for Finance
- U of I Hospital CIO
- UIS Chancellor and Vice President (currently Semi-Annually)
- UIUC Chancellor and Vice President
- UIUC Vice Chancellor for Administration and Operations
- UIUC Assistant Vice Chancellor for Administration and Operations
- UIUC Executive Vice Provost for Academic Affairs and Interim Associate Chancellor and Vice Provost for Budget and Resource Planning Designate
- UIUC Associate Provost for Faculty Employee Relations
- UIUC Executive Associate Provost for Budget and Resource Planning
- UIUC Vice Chancellor for Research and Innovation
- UIUC Senior Executive Associate Vice Chancellor for Research and Innovation
- UIUC Associate Vice Chancellor for Research and Innovation
- UIUC Assistant Vice Chancellor for Research and Innovation for Compliance
- UIUC Vice Chancellor for Student Affairs
- UIUC Vice Chancellor for Institutional Advancement
- UIUC Associate Vice Chancellor for Advancement Administration
- UIUC CIO
- UIUC Deputy CIO, Chief Information Security Officer
- UIUC Assistant CIO for IT Planning and Outreach
- UIUC Associate Director of Privacy

PURPOSE

The internal audit function aims to strengthen the University of Illinois System's and its related organizations' (U of I System) ability to create, protect, and sustain value. It provides the Board of Trustees through its Audit, Budget, Finance and Facilities Committee (ABFFC) and management with independent, risk-based, and objective assurance, advice, insight and foresight.

The internal audit function enhances the U of I System's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

The U of I System's internal audit function is most effective when:

- Internal auditing is performed by competent professionals in conformance with The Institute of Internal Auditors' (IIA) Global Internal Audit Standards™, which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the Board of Trustees through its ABFFC.
- Internal auditors are free from undue influence and committed to making objective assessments.

MANDATE

The Fiscal Control and Internal Auditing Act (30 ILCS 10/Articles 1, 2, and 3) (FCIAA) is the state legislation which provides mandates for internal audit activities of state agencies. It is the policy of the State of Illinois that the chief executive officer of every State agency is responsible for effectively and efficiently managing the agency and establishing and maintaining an effective system of internal control. The U of I System, defined as a designated agency within and for the purposes of this Act, is required to maintain a full-time program of internal auditing. The President, as the chief executive officer of the U of I System, is responsible for the development and implementation of the program of internal auditing. The President has delegated the chief audit executive (positioned within the Office of University Audits), jointly with the Board of Trustees through its ABFFC, to establish guidelines which give direction to the overall internal audit function of the U of I System. This Charter constitutes these guidelines, and as developed and amended, will be transmitted to the President for concurrence and to the ABFFC for approval.

In accordance with FCIAA Article 2, the State of Illinois Internal Audit Advisory Board has adopted the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements, as the standard of performance to which all State internal auditors must adhere. The chief audit executive will report annually to the ABFFC and senior management regarding the internal audit function's conformance with the Standards, which will be assessed through a quality assurance and improvement program.

AUTHORITY

The internal audit function's authority is created by its direct functional reporting to the President of the U of I System and the Board of Trustees through its ABFFC. Such authority allows for unrestricted access to the Board of Trustees and/or the ABFFC.

The President and the Board of Trustees through its ABFFC authorize the internal audit function to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.
- Obtain assistance and/or other specialized services from within or outside the U of I System to complete internal audit services, as deemed necessary.

INDEPENDENCE, ORGANIZATIONAL POSITION, AND REPORTING RELATIONSHIPS

The chief audit executive is positioned at a level in the organization that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the internal audit function. The chief audit executive reports functionally to the President and the Board of Trustees through its ABFFC, and administratively to the Comptroller of the Board of Trustees, who is also the Vice President and Chief Financial Officer. This positioning provides the organizational authority and status to bring matters directly to senior management and escalate matters to the ABFFC, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.

The chief audit executive will confirm to the ABFFC, at least annually, the organizational independence of the internal audit function. If the governance structure does not support organizational independence, the chief audit executive will document the characteristics of the governance structure limiting independence and any safeguard employed to achieve the principle of independence. The chief audit executive will disclose to the ABFFC any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfill its mandate.

CHANGES TO THE MANDATE AND CHARTER

Circumstances may justify a follow-up discussion between the chief audit executive, the ABFFC, and senior management on the internal audit mandate or other aspects of the internal audit charter. Such circumstances may include but are not limited to:

- A significant change in the Global Internal Audit Standards.
- A significant reorganization within the organization.
- Significant changes in the chief audit executive, composition of the ABFFC, and/or senior management.
- Significant changes to the U of I System's strategies, objectives, risk profile, or the environment in which the U of I System operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.

ABFFC OVERSIGHT

The responsibilities of the ABFFC are outlined in the University of Illinois Audit, Budget, Finance and Facilities Committee Audit Function Charter.

CHIEF AUDIT EXECUTIVE ROLES AND RESPONSIBILITIES

ETHICS AND PROFESSIONALISM

The chief audit executive will ensure that internal auditors:

- Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the U of I System and be able to recognize conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organization.
- Report organizational behavior that is inconsistent with the U of I System's ethical expectations, as described in applicable policies and procedures.

OBJECTIVITY

The chief audit executive will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the chief audit executive determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing operational duties for the U of I System.
- Initiating or approving transactions external to the internal audit function.
- Directing the activities of any U of I System employee that is not employed by the internal audit function, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to the chief audit executive at least annually. The chief audit executive will consider whether impairments should be reported to others and will do so as deemed necessary, including the ABFFC or management.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

MANAGING THE INTERNAL AUDIT FUNCTION

The chief audit executive has the responsibility to:

- Annually develop a flexible two-year risk-based internal audit plan that considers the input of the ABFFC and management. Discuss the plan with senior management and submit the plan to the ABFFC for feedback and concurrence. In accordance with FCIAA, submit the audit plan to the President in order for the President to approve by June 30 of each year.
- Report to the Board of Trustees and ABFFC by September 30 of each year the scope and results of audits and the adequacy of management's corrective actions.
- Communicate the impact of resource limitations on the internal audit plan to the ABFFC and senior management.
- Review and adjust the audit plan, as necessary, in response to changes in the U of I System's risks, operations, programs, systems, and controls.
- Communicate with the ABFFC and senior management if there are significant interim changes to the internal audit plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards.
- Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the ABFFC and senior management on a quarterly basis for each engagement as appropriate.
- Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications to meet the requirements of the Global Internal Audit Standards and fulfill the internal audit mandate.
- Identify and consider trends and emerging issues that could impact the U of I System and communicate to the ABFFC and senior management as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to methodologies designed to guide the internal audit function.
- Ensure adherence to the U of I System's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the Global Internal Audit Standards. Any such conflicts will be resolved or documented and communicated to the ABFFC and senior management.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the chief audit executive cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the ABFFC.

COMMUNICATION WITH THE ABFFC AND SENIOR MANAGEMENT

- The chief audit executive will report periodically to the ABFFC and senior management regarding:
- The internal audit function's mandate.
- The internal audit plan and performance relative to its plan.
- Internal audit budget.
- Significant revisions to the internal audit plan and budget.
- Potential impairments to independence, including relevant disclosures as applicable.
- Results from the quality assurance and improvement program, which include the internal audit function's conformance with the Global Internal Audit Standards and action plans to address the internal audit function's deficiencies and opportunities for improvement.

- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the ABFFC that could interfere with the achievement of the U of I System's strategic objectives.
- Results of assurance and advisory services.
- Resource requirements.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

The chief audit executive will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program will include external and internal assessments of the internal audit function's conformance with the Global Internal Audit Standards, as well as performance measures to assess the internal audit function's progress toward the achievement of its objectives and promotion of continuous improvement. The program also will assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address the internal audit function's deficiencies and opportunities for improvement.

Annually, the chief audit executive will communicate with the ABFFC and senior management about the internal audit function's quality assurance and improvement program, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. Periodic internal and external assessments will be conducted under the guidelines provided by the State Internal Audit Advisory Board. External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the U of I System. Qualifications must include at least one assessor holding an active Certified Internal Auditor® credential. Public sector competencies and knowledge as well as knowledge of the Global Internal Audit Standards should be considered when selecting external assessors.

SCOPE AND TYPES OF INTERNAL AUDIT SERVICES

The scope of internal audit services covers the entire breadth of the organization, including all the activities, assets, and personnel of the U of I System which includes its related organizations, and organizations required to submit financial statements to the U of I System. The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the Board of Trustees and management on the adequacy and effectiveness of governance, risk management, and control processes for the U of I System.

The nature and scope of advisory services may be agreed with the party requesting the service, provided the internal audit function does not assume management responsibility. Advisory services may also include those less formal in nature such as providing advice, facilitation, and training. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

Internal audit engagements may include evaluating whether:

- Risks relating to the achievement of the U of I System's strategic objectives are appropriately identified and managed.
- The actions of the U of I System's officers, directors, management, employees, and contractors or other relevant parties comply with the U of I System's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations and programs are consistent with established goals and objectives.
- Operations and programs are being carried out effectively, efficiently, ethically, and equitably.

- Established processes and systems enable compliance with policies, procedures, laws, and regulations that could significantly impact the U of I System.
- The integrity of information and the means used to identify, measure, analyze, classify, and report such information is reliable.
- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

Internal audit engagements also include conducting or assisting in the investigation of significant suspected fraudulent activities within or against the U of I System and notifying management and the ABFFC of the results, as well as law enforcement as appropriate. In collaboration with the University Ethics Officer, the internal audit function conducts reviews and/or investigations of financial fraud-related allegations received by the University Ethics Office.

APPENDIX D

OFFICE OF UNIVERSITY AUDITS STRATEGIC PLAN SUMMARY

MISSION

The mission of the Office of University Audits (Office) is to provide independent and objective audit, consulting, and advisory services to protect and strengthen the U of I System and its related organizations.

VISION

Be an innovative driver of positive change.

GUIDING VALUES

We perform all that we do with:

- Objectivity
- Independence
- Integrity
- Excellence
- Innovation
- Professionalism

STRATEGIC PRINCIPLES

1. Our Office will continue to cultivate relationships and understanding through communication with the Board of Trustees and senior leadership of the U of I System.
2. Serve as counsel to the Board of Trustees, the Audit Budget Finance and Facilities Committee, management, and other constituents.
3. Enhance audit effectiveness and efficiency.
4. Provide a professional, well-trained, and motivated team in the delivery of internal audit services.
5. Perform audit activities by utilizing a dynamic, comprehensive audit process and plan based on assessed risk, in compliance with Institute of Internal Auditing Standards.

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