UNIVERSITY OF ILLINOIS SYSTEM

Altogether Extraordinary™

Office of University Audits

Annual Report

For the Year Ended June 30, 2024

Report to the University of Illinois Board of Trustees
September 2024

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, 2024. I have the privilege of leading a dedicated team of professionals who strive to provide independent, objective assurance and advisory services to the U of I System (System). This report describes our accomplishments, key performance measures, and benchmarks.

Over the past year, our audit team has remained steadfast in its commitment to upholding the highest standards of professionalism and integrity. All audit services were conducted in conformance with The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing (IIA Standards)*. We have conducted a comprehensive risk assessment and developed a risk-based audit plan that aligns with the System's strategic objectives. Through our audit services, we have evaluated the effectiveness and efficiency of the System's operations, identified areas for improvement, made recommendations and validated the status of management's implementation. Selected highlights include:

- Delivery of over 23,000 hours of service.
- Issuance of 55 audit, investigation, and consulting projects resulting in 135 recommendations for improvement.
- Validation of the implementation of 134 improvements made by management.
- Implementation of an upgraded audit management system to replace our prior system.
- Receipt of the highest level of assurance rating from an external quality assurance review (QAR) of our conformance with the *IIA Standards* and Code of Ethics. *IIA Standards* require a QAR every five years, conducted by a qualified, independent assessment team from outside the System.

As we enter the new fiscal year, our Office remains committed to assisting all levels of management to enhance successful achievement of objectives; governance, risk management and control processes; decision-making and oversight; reputation and credibility with stakeholders; and ability to serve the public interest.

I would like to express my gratitude to the President and the Audit, Budget, Finance and Facilities Committee of the Board of Trustees for your continued support. I extend my appreciation to management and all employees of the System for their cooperation during our audits. I also commend the dedicated professionals within the Office of University Audits for their hard work and commitment to excellence.

Sincerely,

Julie A. Zemaitis

Executive Director of University Audits

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 2024.
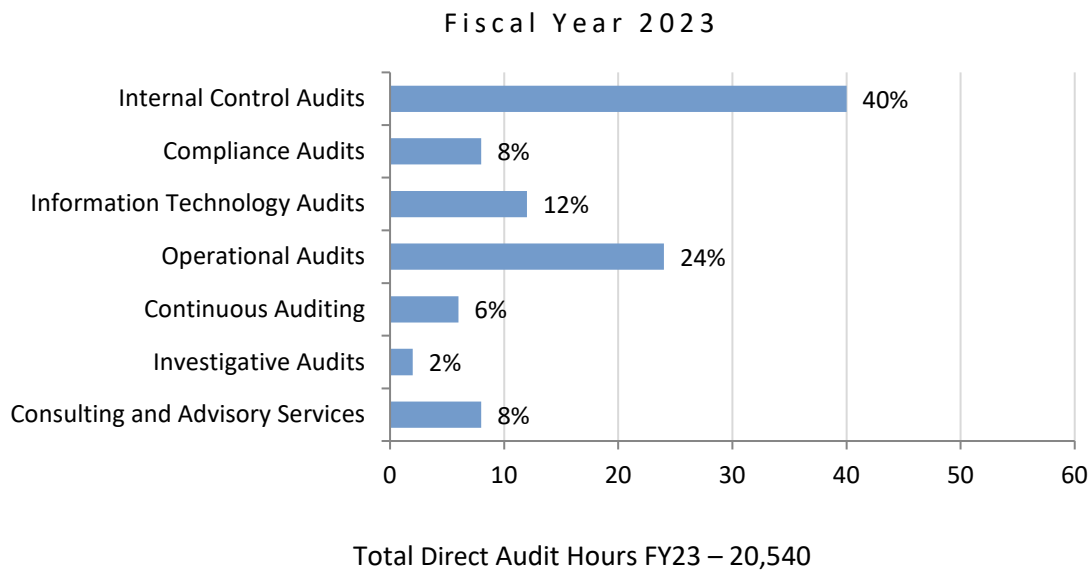
FISCAL YEAR 2024 AUDIT PLAN COMPLETION STATUS

Number of Projects

	Projects Completed FY23 Plan	Projects Completed FY24 Plan	Fieldwork Completed – Report Drafted and Pending	In-Progress	Deferred to FY25/26 Plan	Withdrawn – Risk Lowered
Planned Audits	9	38	9	16	6	3
Projects Added	0	8	4	4	0	0
Total	**9**	**46**	**13**	**20**	**6**	**3**

Hours

	Planned	Actual	Remaining Hours	Remaining Percent
Planned Audits	18,485	18,312	173	1%
Emerging Issues / Investigations	1,850	4,046	(2,196)	0%
Follow-up	1,260	1,399	(139)	0%
Total	**21,595**	**23,757**	**(2,162)**	**0%**

Fiscal Year 2024

Internal Control Audits — 35%
Compliance Audits — 5%
Information Technology Audits — 12%
Operational Audits — 20%
Continuous Auditing — 13%
Investigative Audits — 4%
Consulting and Advisory Services — 7%
Financial Audits — 4%

Total Direct Audit Hours FY24 – 23,757

Fiscal Year 2023

Internal Control Audits — 40%
Compliance Audits — 8%
Information Technology Audits — 12%
Operational Audits — 24%
Continuous Auditing — 6%
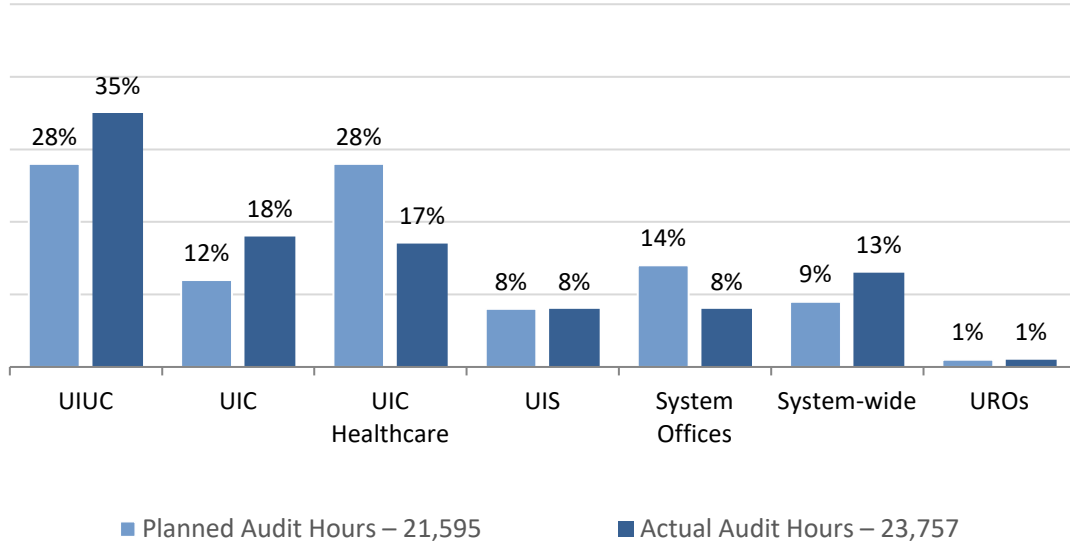Investigative Audits — 2%
Consulting and Advisory Services — 8%

Total Direct Audit Hours FY23 – 20,540

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

Fiscal Year 2024

Planned Audit Hours – 21,595   Actual Audit Hours – 23,757

Fiscal Years 2023 and 2024

Actual Audit Hours FY23 – 20,540   Actual Audit Hours FY24 – 23,757

FISCAL YEARS 2023 AND 2024 PERSONNEL EXPENDITURES

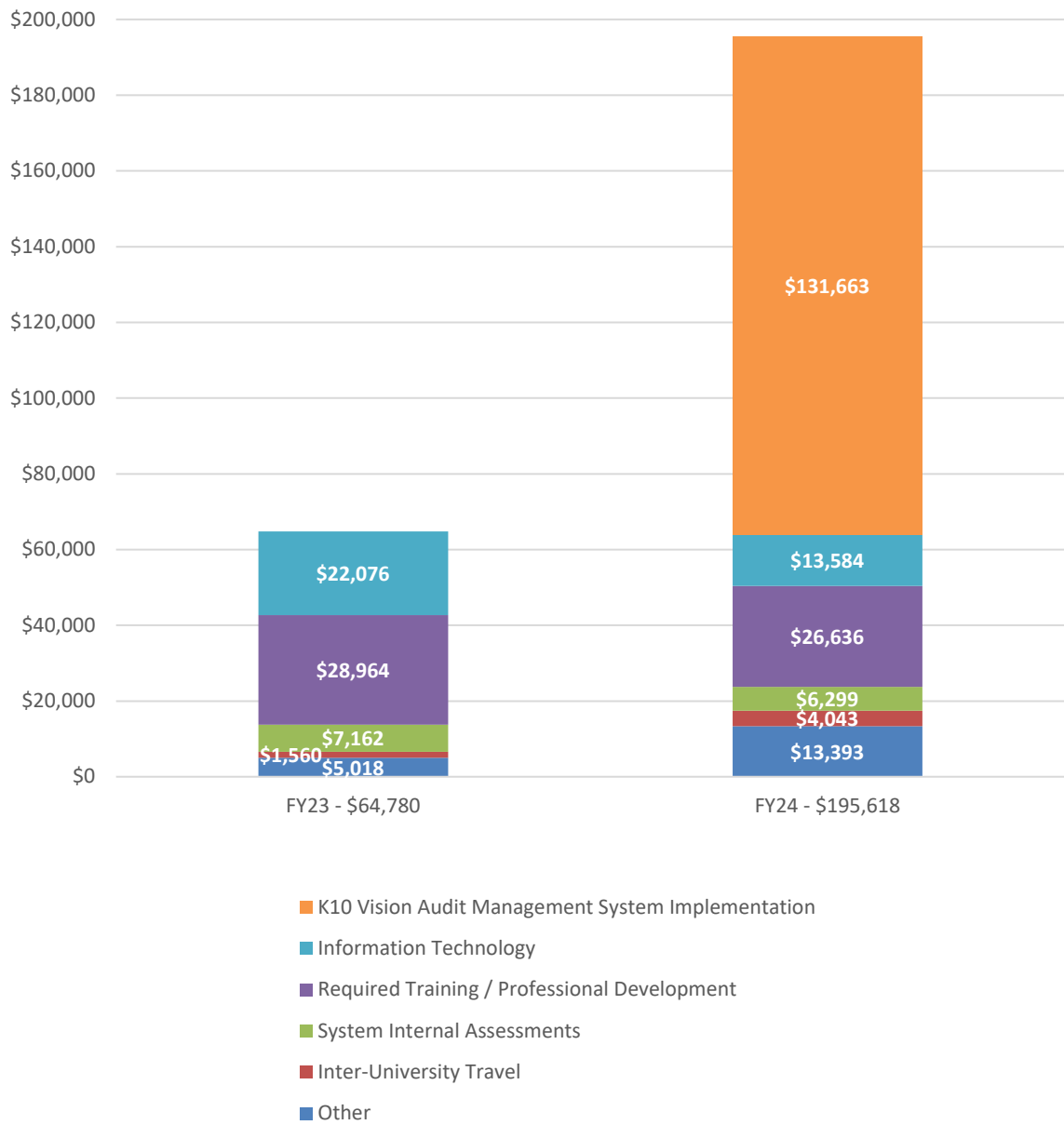|	FY23	FY24
Budget	$ 2,248,633	$2,339,769
Actual	2,046,515	2,284,089
(Over)/Under Budget	$ 202,118	$55,680

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

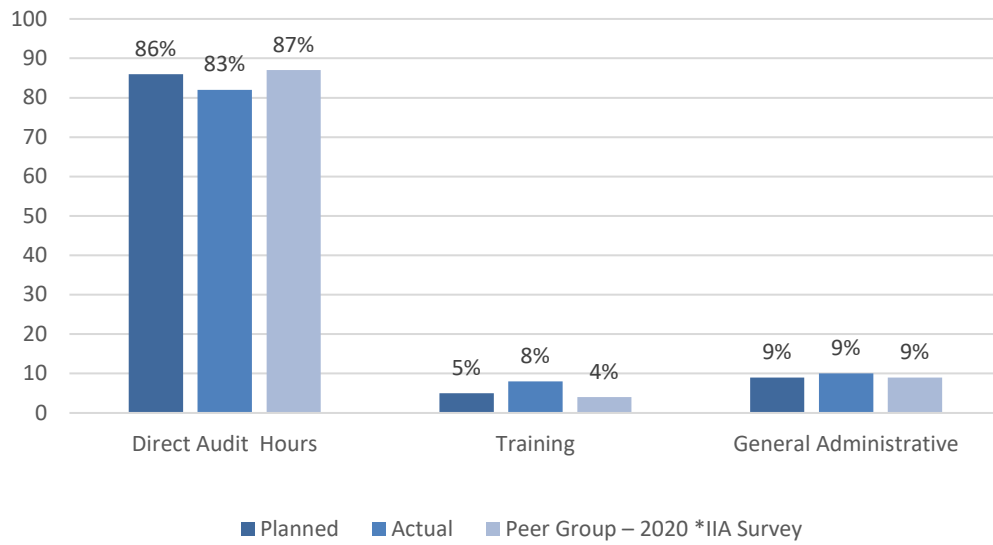# FISCAL YEARS 2023 AND 2024 NON-PERSONNEL EXPENDITURES

	FY23	FY24
Budget	$ 40,900	$ 40,900
Actual	64,780	195,618
(Over)/Under Budget	$ (23,880)	$ (154,718)

During Fiscal Year 2023, the Office hosted an external conference, accounted for in a self-supporting activity fund. Expenditures in support of that conference are not included in this chart and were covered by conference fees paid by participants. 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. Other overages of non-personnel expenditures represent expenditures for the Office's operations and are returning to pre-Covid levels; these expenditures primarily represent investments in professional development, also funded by carryover reserves.

FISCAL YEAR 2024 ALLOCATION OF AUDIT STAFF UTILIZATION

Legend: Planned, Actual, Peer Group – 2020 *IIA Survey

	Planned	Actual	Peer Group – 2020 *IIA Survey
Direct Audit Hours	86%	83%	87%
Training	5%	8%	4%
General Administrative	9%	9%	9%

*Institute of Internal Auditors 2020 Benchmarking Report

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 2022 through 2024 are presented in the following chart:

IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS

	FY2022	FY2023	FY2024
Beginning Balance	249	273	211
Internal Audit Recommendations Issued	281	143	135
Implemented by Management	-214	-165	-134
Partially Implemented by Management / Remaining Risks Accepted by Management	-19	-23	-18
Not Implemented / Risks Accepted by Management	-23	-17	-27
Withdrawn by Internal Audit	-1	0	-1
ENDING BALANCE	273	211	166

RISK AND PRIORITY RATING
ALL OPEN AUDIT RECOMMENDATIONS – 6/30/24
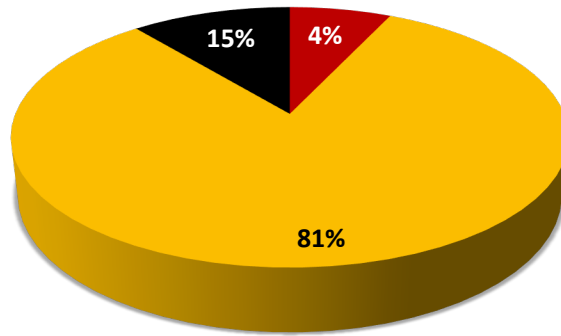
High Moderate Low

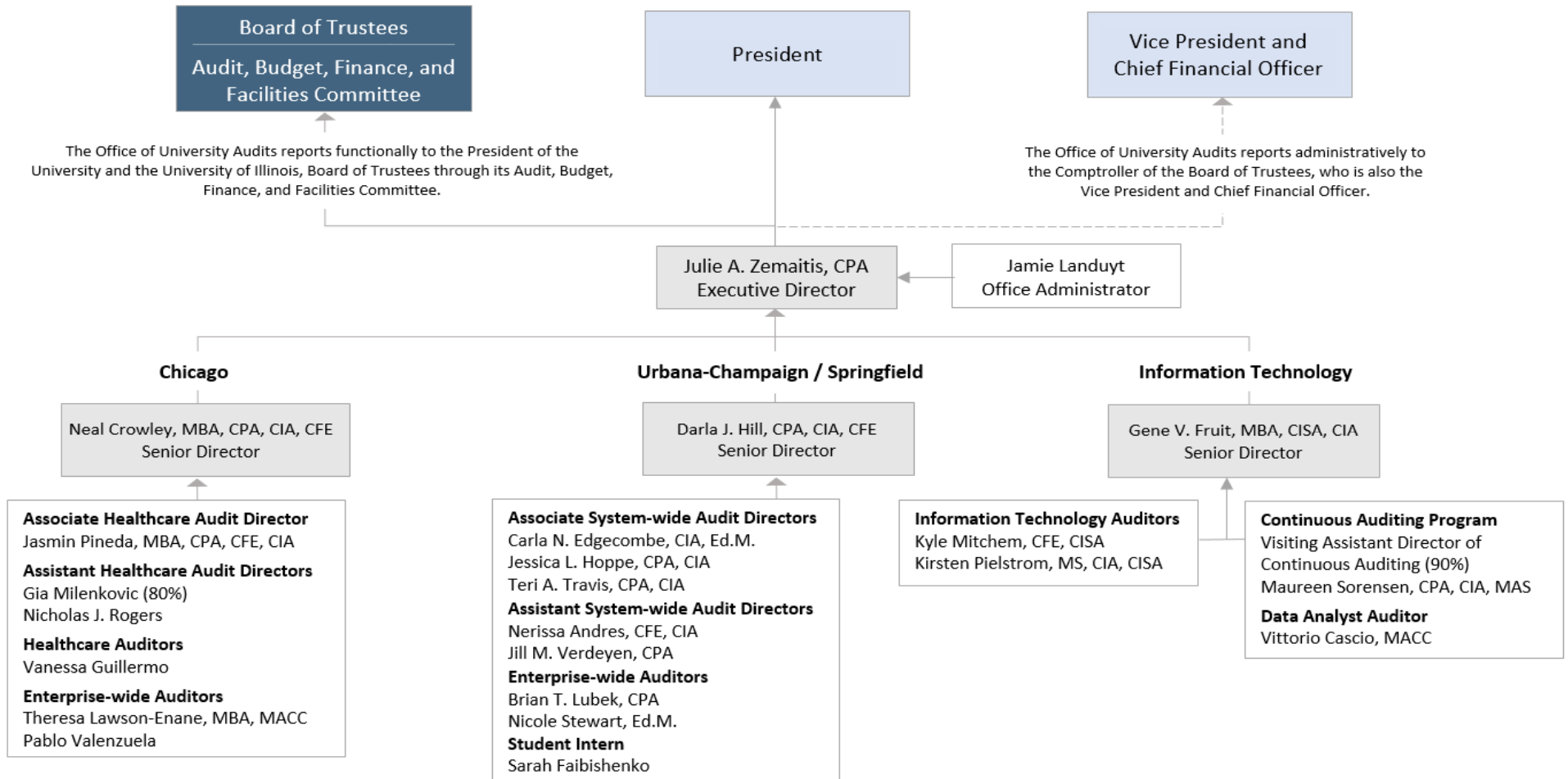## AGING OF OUTSTANDING RECOMMENDATIONS BY MANAGEMENT'S ORIGINAL EXPECTED IMPLEMENTATION DATE

Fiscal Year	Number of Recommendations
2026	10
2025	103
2024	47
2023	6
TOTAL RECOMMENDATIONS	**166**

Office of University Audits

Board of Trustees
Audit, Budget, Finance, and Facilities Committee

President

Vice President and Chief Financial Officer

The Office of University Audits reports functionally to the President of the University and the University of Illinois, Board of Trustees through its Audit, Budget, Finance, and Facilities Committee.

The Office of University Audits reports administratively to the Comptroller of the Board of Trustees, who is also the Vice President and Chief Financial Officer.

Julie A. Zemaitis, CPA
Executive Director

Jamie Landuyt
Office Administrator

Chicago

Neal Crowley, MBA, CPA, CIA, CFE
Senior Director

Associate Healthcare Audit Director
Jasmin Pineda, MBA, CPA, CFE, CIA

Assistant Healthcare Audit Directors
Gia Milenkovic (80%)
Nicholas J. Rogers

Healthcare Auditors
Vanessa Guillermo

Enterprise-wide Auditors
Theresa Lawson-Enane, MBA, MACC
Pablo Valenzuela

Urbana-Champaign / Springfield

Darla J. Hill, CPA, CIA, CFE
Senior Director

Associate System-wide Audit Directors
Carla N. Edgecombe, CIA, Ed.M.
Jessica L. Hoppe, CPA, CIA
Teri A. Travis, CPA, CIA

Assistant System-wide Audit Directors
Nerissa Andres, CFE, CIA
Jill M. Verdeyen, CPA

Enterprise-wide Auditors
Brian T. Lubek, CPA
Nicole Stewart, Ed.M.

Student Intern
Sarah Faibishenko

Information Technology

Gene V. Fruit, MBA, CISA, CIA
Senior Director

Information Technology Auditors
Kyle Mitchem, CFE, CISA
Kirsten Pielstrom, MS, CIA, CISA

Continuous Auditing Program
Visiting Assistant Director of Continuous Auditing (90%)
Maureen Sorensen, CPA, CIA, MAS

Data Analyst Auditor
Vittorio Cascio, MACC

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

Professional Certifications	Advanced Degrees
10 CIA (Certified Internal Auditor)	4 MBA (Master of Business Administration)
9 CPA (Certified Public Accountant)	2 Ed.M. (Master of Education; Master of Educational Organization and Leadership)
3 CISA (Certified Information Systems Auditor)	1 MS (Master of Science, Computer Science)
5 CFE (Certified Fraud Examiner)	2 MACC (Master of Accountancy)
	1 MAS (Master of Accounting Science)

The following summarizes the projects completed during fiscal year 2024. 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.

INTERNAL CONTROL AUDITS

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

- College of Applied Health Sciences
- College of Urban Planning and Public Affairs
- Office of the Vice Chancellor for Student Affairs, TRIO Programs
- School of Law
- University of Illinois Hospital, Materials Management, Device Recalls, Rebates, and Refunds
- University of Illinois Hospital and Health Sciences System, Mile Square Health Center, Revenue Cycle Audit
- University of Illinois Hospital and Health Sciences System, University Health Services
- University of Illinois Hospital and Health Sciences System, Wolcott, Wood, and Taylor Inc., Single Billing Office

Urbana-Champaign

- College of Agricultural, Consumer and Environmental Sciences, Department of Human Development and Family Studies, Child Development Lab Program

Springfield

- UIS Student Fees and Fee Waivers

System Offices

- Office of Medicaid Innovation

University Related Organizations

- Shield T3, LLC

COMPLIANCE AUDITS

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

- University of Illinois Hospital & Health Sciences System, Expiration of Public Health Emergency Waivers and Flexibility

Urbana-Champaign

- College of Agricultural, Consumer and Environmental Sciences, Department of Crop Sciences, Donor Intent
- Division of Intercollegiate Athletics, Office of the Registrar, Internal Audit of Student-Athlete Eligibility

System-Wide

- Co-source Collaboration with University of Illinois Foundation Internal Audit, Donor Intent Limited Review

INFORMATION TECHNOLOGY AUDITS

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

- College of Applied Health Sciences
- College of Dentistry
- University of Illinois Hospital and Health Sciences System, University Health Services
- University of Illinois Hospital, Information Services, Office of Information Security, Account Access Removal

Urbana-Champaign

- Institute of Genomic Biology
- Technology Services Information Technology, Audit for Endpoint Services

Springfield

- Information Technology Services

OPERATIONAL AUDITS

Operational audits examine the use of unit resources to evaluate whether those resources are being used in the most 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

- Office of the Vice Chancellor for Budget, HR, and Financial Administration, UIC Purchasing & Contract Management
- Office of the Vice Chancellor for Student Affairs, UIC Counseling Center
- University of Illinois Hospital and Health Sciences System, Health Information Management
- University of Illinois Hospital, Medical Staff Services, Credentialing and Privileging

Urbana-Champaign

- Counseling Center
- Office of the Registrar
- McKinley Health Center, Mental Health Program

Springfield

- Counseling Center

System Offices

- University Payroll and Benefits

CONTINUOUS AUDITING

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:

Springfield

- Vice Chancellor for Finance and Administration, Budget and Financial Analysis, Review of Fund Deficit Identification and Reduction Plans

System-wide

- Chrome River
- Early Equipment Disposals
- Employee Job and Payroll Data
- iBuy Approval Queues
- Incompatible Profile Combinations
- Lump Sum Payments
- Matched Vendor and Employee Addresses, Social Security Numbers, and Direct Deposit Bank Accounts
- Overtime Pay
- Trending Analysis of Purchasing Activity
- Trending Analysis of Vendor Volume
- Tuition Waivers
- Vendor Bank Account Records
- Vendors Paid via Online Payment Processors by P-Card
- Vendors Used by One Employee

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.

One investigative audit was completed. This project addressed allegations of misappropriation of U of I System resources and non-compliance with U of I System policies.

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.

University Related Organizations

- Wolcott, Wood, and Taylor Inc. (WWT) Accounts Payable

Urbana-Champaign

- Purchasing and Contract Management Office
- Diversity, Equity and Inclusion, Consulting Project - A Review of DEI Student Data
- English as a Second Language

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
- Business Administrator Certification Program Course
- Chief Ethics and Compliance Officer Search Committee
- Coordinator for Reconciliation Guidance Committee
- COVID-19 Financial Impacts - UIS
- Data Strategy Task Force-Data Governance and Management
- Digital Risk Council
- Internal Controls Program Executive Steering Committee
- OBFS Website Redesign Stakeholder Group
- President's Management Council
- U of I System Executive Risk Management Council
- U of I System-wide Compliance Advisory Committee
- UIC Compliance Committee
- UIC Emergency Management Specialist for Office of Preparedness & Response Search Committee
- UIUC Business Managers Group
- UIUC Business/IT Collaboration Group
- UIUC Campus Administrative Manual Committee

Audit and Support Staff

- FCIAA Annual Internal Control Evaluation and Reporting System Training
- Joint Commission/Centers for Medicare/Medicaid Services Compliance Committee
- Information Technology Leadership Council – Infrastructure Committee
- Internal Controls Program Executive Steering Committee
- System Offices Staff Development Committee
- 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

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:

- ABFFC 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 Police Chief
- U of I Hospital CIO
- UIS Chancellor and Vice President (currently Semi-Annually)
- UIUC Chancellor and Vice President
- UIUC Chief of Staff
- 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

APPENDIX C

MISSION

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

DEFINITION OF INTERNAL AUDITING

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

PURPOSE

The purpose of University Audits is to determine whether the U of I System's control, risk management, and governance processes, as designed and implemented by management, are adequate and functioning to ensure:

- Risks are appropriately identified and managed.
- Interaction with the various governance groups occurs as needed.
- Financial, managerial, and operating information is accurate, reliable, and timely.
- Employee actions are in compliance with U of I System policies and procedures, and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and adequately protected.
- Plans and objectives are achieved.
- Quality and continuous improvement are fostered in the U of I System's control process.
- Significant legislative or regulatory issues impacting the U of I System are recognized and addressed appropriately.

University Audits reports functionally to the President of the University of Illinois System (President) and The University of Illinois Board of Trustees (BOT) through its Audit, Budget, Finance, and Facilities Committee (ABFFC), and administratively to the Comptroller of the Board of Trustees, who is also the Vice President and Chief Financial Officer.

INTERNAL AUDITING RESPONSIBILITIES

University Audits responsibilities include:

- Develop a flexible two-year audit plan using an appropriate risk-based methodology, including any risks or control concerns identified by management, and submit the plan to the President for approval by June 30 of each year.
- Implement the audit plan, as approved by the President, including as deemed appropriate special tasks or projects requested by management and the ABFFC.
- Issue periodic reports to the President and Chairman of the ABFFC summarizing results of audit activities.
- Report annually to the ABFFC regarding audit plans, activities, staffing, and the organizational structure.
- Report to the ABFFC and BOT by September 30 of each year the scope and results of audits and the adequacy of management's corrective actions.
- Ensure the internal audit function collectively maintains sufficient knowledge, skills, and experience to meet the requirements of this Charter.
- Perform consulting or advisory services where appropriate, the nature of which is agreed to with U of I System management, and for which University Audits assumes no management responsibility.
- Conduct or assist in the investigation of significant suspected fraudulent activities within or against the institution and notify management and the ABFFC of the results, as well as law enforcement as appropriate.
- Establish a follow-up process to monitor and identify whether management actions have been effectively implemented, or senior management has accepted the risk of not taking action.
- Consider the scope of work of the external auditors and regulators as appropriate for the purpose of providing optimal audit coverage to the institution.
- Periodically provide the Internal Audit Charter to the ABFFC for review and approval.

AUTHORITY

The general scope of audit coverage is U of I System-wide and no function, activity, or unit of the U of I System or a related organization is exempt from audit and review. No officer, administrator, or staff member may interfere with or prohibit internal auditors from examining any U of I System or related organization's record or interviewing any employee or student that the auditors believe necessary to carry out their duties. Additionally, the Executive Director has the authority to audit all organizations required to submit financial statements to the U of I System.

In performing their work, internal auditors have neither direct authority over, nor responsibility for, any of the activities reviewed. Internal auditors do not develop and install procedures, prepare records, make management decisions, or engage in any other activity that could be reasonably construed to compromise their independence or impair their objectivity. Therefore, internal audit reviews do not, in any way, substitute for or relieve other U of I System personnel from their assigned responsibilities.

PROFESSIONAL STANDARDS

University Audits has the responsibility to carry out its duties as defined by the State of Illinois *Fiscal Control and Internal Auditing Act* (Illinois Compiled Statutes, 30 ILCS 10/1001). Those responsibilities include performing audits in accordance with The Institute of Internal Auditor's *International Professional Practices Framework (IPPF)*, which the State of Illinois Internal Audit Advisory Board has adopted as the standard of performance for all state internal auditors. The IPPF requires mandatory adherence to the Core Principles of the Professional Practice of Internal Auditing, Definition of Internal Auditing, the Code of Ethics, and the Standards.

Appendix D

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.

Office of University Audits

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