UNIVERSITY OF ILLINOIS SYSTEM

Altogether Extraordinary™

Office of University Audits

Annual Report

For the Year Ended June 30, 2023

Report to the University of Illinois Board of Trustees
September 2023

SECTION 1

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, 2023. 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:

- We delivered over 20,000 hours of service.
- We completed 46 audit, investigation, and consulting projects resulting in 143 recommendations for improvement.
- We validated the implementation of 165 improvements made by management.

The *IIA Standards* require a periodic internal assessment to evaluate our conformance with the *Standards*. In accordance with State of Illinois Internal Audit Advisory Board Guidelines we selected a subset of the *Standards* and *Code of Ethics*. Results of the periodic internal assessment concluded a Generally Conforms opinion, which is the highest rating classification. We identified minor opportunities for continued improvement, which have been communicated to the President and the Audit, Budget, Finance and Facilities Committee of the Board of Trustees.

As we enter the new fiscal year, our Office remains committed to fostering a culture of continuous improvement and adding value to the System through delivery of our services.

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. Following are summaries of how our Office utilized audit resources during fiscal year 2023.

FISCAL YEAR 2023 AUDIT PLAN COMPLETION STATUS – IN-HOUSE STAFF

Number of Projects

	Projects Completed FY22 Plan	Projects Completed FY23 Plan	Fieldwork Completed – Report Drafted and Pending	In-Progress	Deferred to FY24/25 Plan	Withdrawn – Risk Lowered
Planned Audits	9	28	9	19	8	2
Projects Added	0	9	0	3	0	0
In-House Staff - Total	**9**	**37**	**9**	**22**	**8**	**2**

Hours

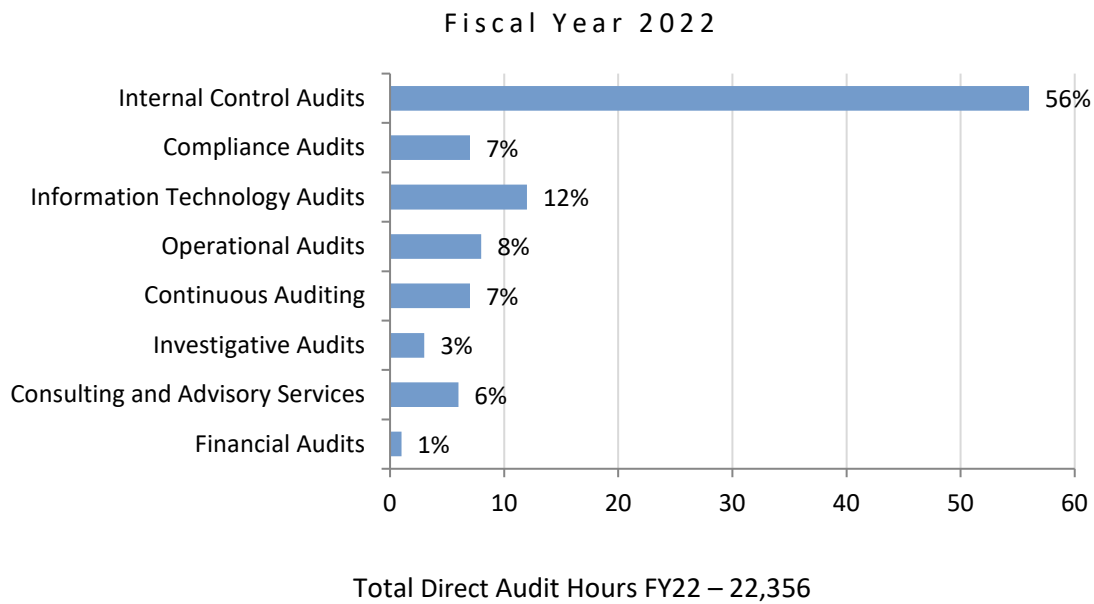|	Planned	Actual	Remaining Hours	Remaining Percent
Planned Audits	18,330	15,980	2,350	13%
Emerging Issues / Investigations	3,225	2,065	1,160	36%
Follow-up	1,365	2,495	(1,130)	0%
In-House Staff - Total	**22,920**	**20,540**	**2,380**	**10%**

Audit Plan Completion Status – Co-Sourced Construction Audits

Number of Projects

	Total Selected	Audits Completed	In-Progress
1 Phase	66.0	50.0	1.0
3 Phase	13.0	8.7	1.0
Special Purpose	7.0	7.0	0
Total	**86.0**	**65.7**	**2.0**

The Office continued the co-sourced construction audits initiative, coordinated with the University Office of Capital Programs and Real Estate Services, performed by an outside consulting firm. The chart represents activity through year three of a five-year maximum contract period.

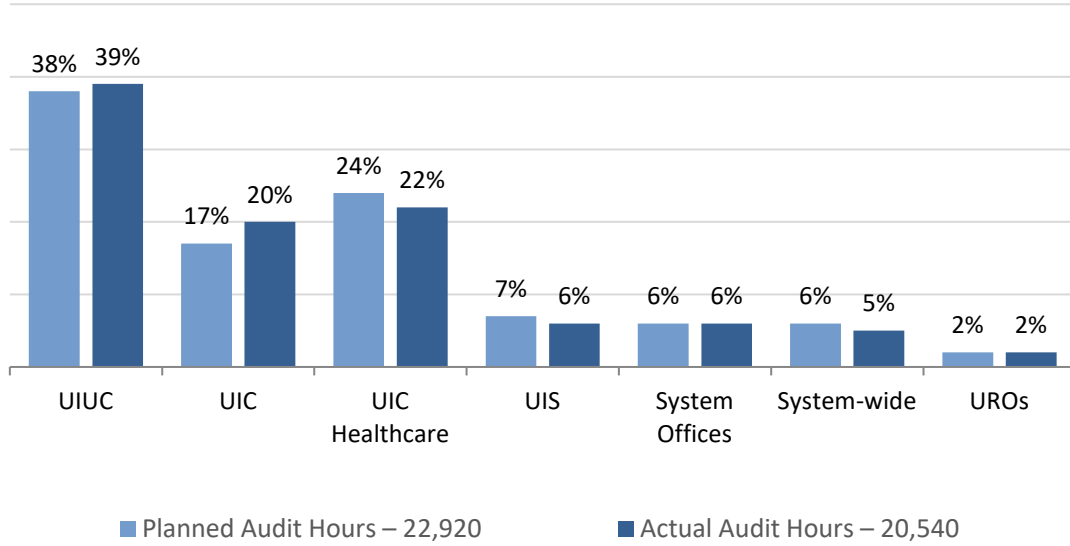## DIRECT AUDIT HOURS BY TYPE OF PROJECT

Fiscal Year 2023

Type of Project	Percent
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

Fiscal Year 2022

Type of Project	Percent
Internal Control Audits	56%
Compliance Audits	7%
Information Technology Audits	12%
Operational Audits	8%
Continuous Auditing	7%
Investigative Audits	3%
Consulting and Advisory Services	6%
Financial Audits	1%

Total Direct Audit Hours FY22 – 22,356

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

Fiscal Year 2023

Planned Audit Hours – 22,920   Actual Audit Hours – 20,540

Fiscal Years 2022 and 2023

Actual Audit Hours FY22 – 22,356   Actual Audit Hours FY23 – 20,540

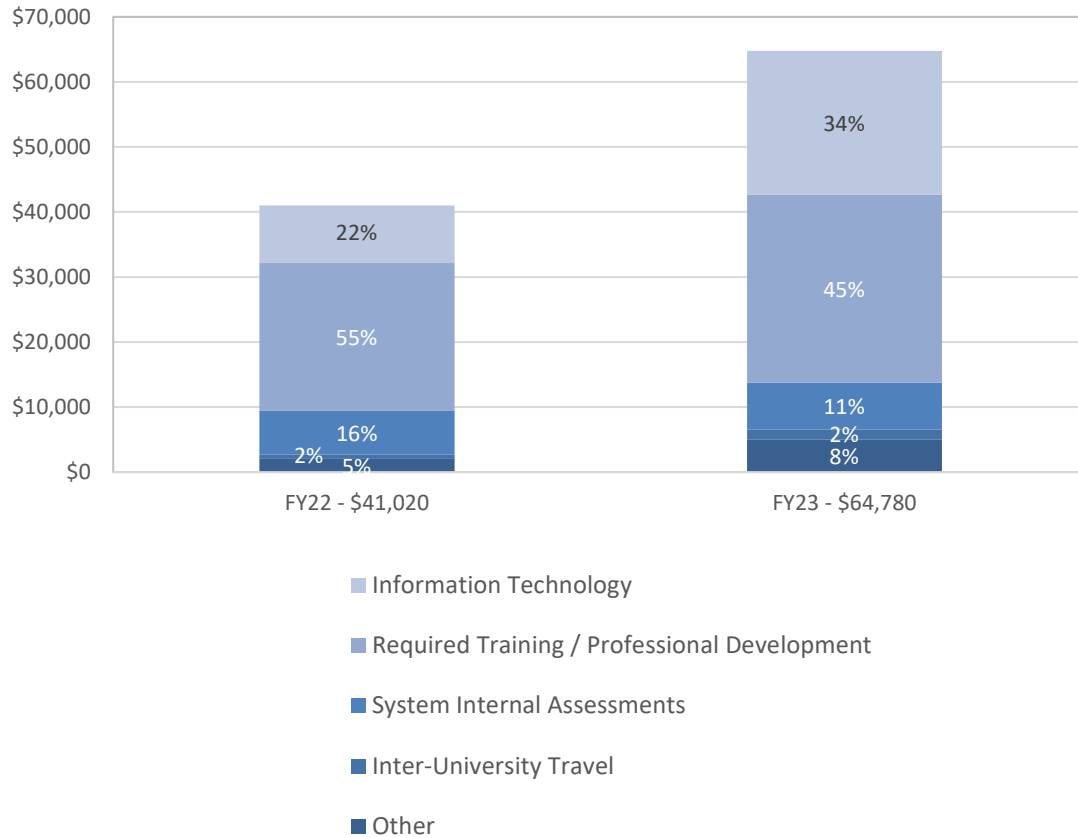|	FY22	FY23
Budget	$ 1,936,109	$ 2,248,633
Actual	1,966,678	2,046,515
(Over)/Under Budget	$ (30,569)	$ 202,118

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 a period of open positions during the year.

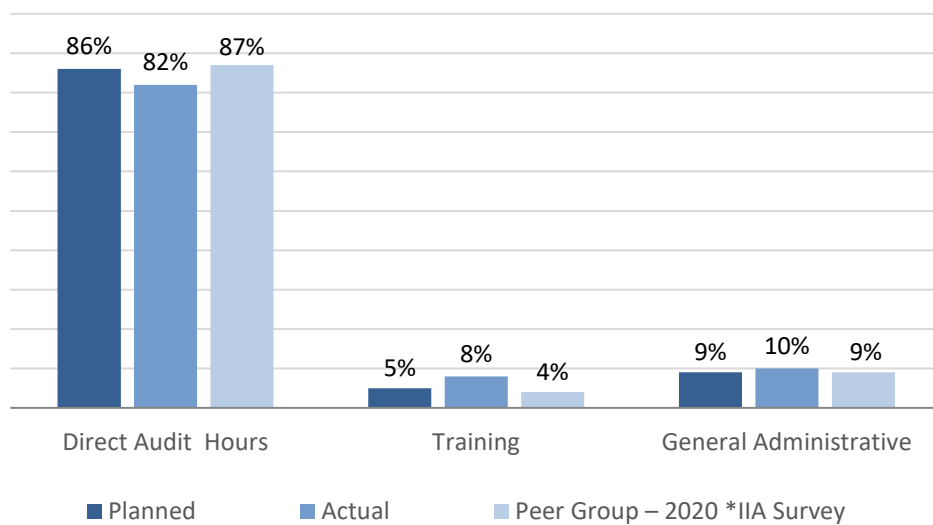|	FY22	FY23
Budget	$ 40,900	$ 40,900
Actual	41,020	64,780
(Over)/Under Budget	$ (120)	$ (23,880)

Non-personnel expenditures represent expenditures for Office of University Audits' operations and are returning to pre-Covid levels. Shortfall in annual recurring budget represents investments in professional development, funded by carryover reserves. During Fiscal Years 2022 and 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.

Legend:
- Information Technology
- Required Training / Professional Development
- System Internal Assessments
- Inter-University Travel
- Other

FISCAL YEAR 2023 ALLOCATION OF AUDIT STAFF PRODUCTIVITY

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

*Institute of Internal Auditors 2020 Benchmarking Report

SECTION 3

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 2021 through 2023 are presented in the following chart:

IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS

	FY2021	FY2022	FY2023
Beginning Balance	283	249	273
Internal Audit Recommendations Issued	164	281	143
Implemented by Management	-155	-214	-165
Partially Implemented by Management / Remaining Risks Accepted by Management	-17	-19	-23
Not Implemented / Risks Accepted by Management	-21	-23	-17
Withdrawn by Internal Audit	-5	-1	0
ENDING BALANCE	249	273	211

RISK AND PRIORITY RATING
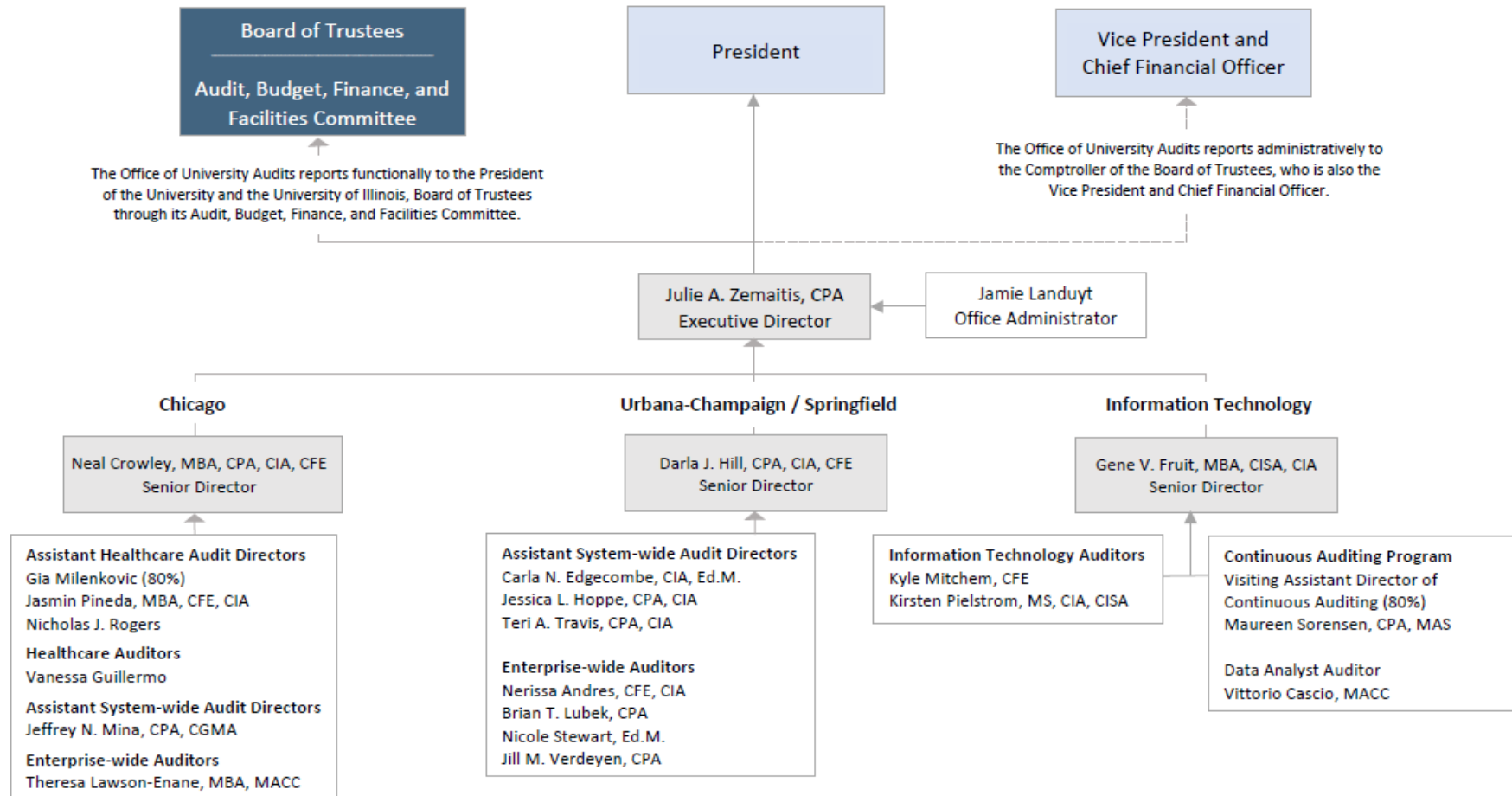## ALL OPEN AUDIT RECOMMENDATIONS – 6/30/23
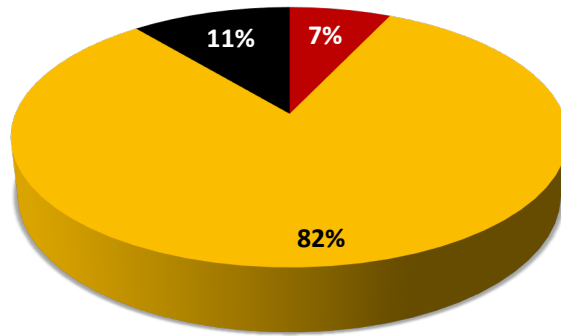
Legend: ■ High ■ Moderate ■ Low

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

Fiscal Year	Number of Recommendations
2025	35
2024	109
2023	58
2022	9
TOTAL RECOMMENDATIONS	**211**

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

Assistant Healthcare Audit Directors
Gia Milenkovic (80%)
Jasmin Pineda, MBA, CFE, CIA
Nicholas J. Rogers

Healthcare Auditors
Vanessa Guillermo

Assistant System-wide Audit Directors
Jeffrey N. Mina, CPA, CGMA

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

Urbana-Champaign / Springfield

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

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

Enterprise-wide Auditors
Nerissa Andres, CFE, CIA
Brian T. Lubek, CPA
Nicole Stewart, Ed.M.
Jill M. Verdeyen, CPA

Information Technology

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

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

Continuous Auditing Program
Visiting Assistant Director of Continuous Auditing (80%)
Maureen Sorensen, CPA, 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
9 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)
2 CISA (Certified Information Systems Auditor)	1 MS (Master of Science, Computer Science)
5 CFE (Certified Fraud Examiner)	2 MACC (Master of Accountancy)
1 CGMA (Chartered Global Management Accountant)	1 MAS (Master of Accounting Science)

The following summarizes the projects completed by in-house staff during fiscal year 2023. 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 Nursing
- Office of the Chancellor
- Office of the Vice Chancellor for Administrative Services, Contracting and Chargeback Process Audit
- University of Illinois Hospital and Health Sciences System, University Hospital and Clinics, Charge Capture and Reconciliation
- University of Illinois Hospital and Health Sciences System, University Hospital and Clinics, Hospital Pharmacy Services, Inpatient Revenue Cycle
- University of Illinois Hospital and Health Sciences System, University Hospital and Clinics, Imaging Services
- University of Illinois Hospital and Health Sciences System, University Hospital and Clinics, Pharmaceutical Floor Stock Revenue Cycle
- University Library

Urbana-Champaign

- Beckman Institute
- College of Fine and Applied Arts, School of Art and Design
- College of Liberal Arts and Sciences, School of Chemical Sciences
- Office of the Associate Vice Chancellor and Executive Director of Facilities and Services, Facilities and Services, Building Access
- Gies College of Business, Department of Finance
- University Library
- University-wide use of Controlled Substances

System Offices

- Executive Vice President and Vice President for Academic Affairs, Shield Deployment Unit

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:

Springfield

- Higher Education Emergency Relief Fund Student Aid Portion
- UIS Athletics, National Collegiate Athletic Association/Great Lakes Valley Conference

System Offices

- University Ethics and Compliance Office

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

- Clinical Engineering, University of Illinois Hospital
- University of Illinois Chicago, College of Liberal Arts and Sciences
- University of Illinois Chicago School of Law

Urbana-Champaign

- Applied Technologies for Learning in the Arts & Sciences
- Facilities and Services, 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 Vice Chancellor for Administrative Services, Technology and Building Systems, Building Access
- University of Illinois Hospital and Health Sciences System, University Hospital and Clinics, Ambulatory Scheduling and Customer Care Center Operations
- University of Illinois Hospital and Health Sciences System and Wolcott, Wood, and Taylor, Denials Management
- University of Illinois Hospital and Health Sciences System, University Hospital and Clinics, Time of Service Co-Payment Collection
- Vice Chancellor for Budget, HR, and Financial Administration, Human Resources, UIC Civil Service Hiring Process

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

- Credit Card Refund Analysis
- Fund Deficit Identification and Reporting
- High Risk Profile Review
- Vendor Bank Account Records
- Vendors Paid through an Online Payment Processor with a 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.

Three investigative audits and analyses were completed. These projects addressed allegations of misappropriation of U of I System resources and non-compliance with U of I System policies.

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

- Department of Pharmaceutical Sciences
- Nursing Program
- University of Illinois Chicago, Safety and Security Facility Walk-through

Urbana-Champaign

- University of Illinois Urbana-Champaign, Safety and Security Facility Walk-through

Springfield

- Barriers to Enrollment for Underrepresented Minority and Rural Students
- University of Illinois Springfield, Safety and Security Facility Walk-through

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
- Coordinator for Reconciliation Guidance Committee
- COVID-19 Financial Impacts – UIS
- Digital Risk Council
- Internal Controls Program Executive Steering Committee
- OBFS Website Redesign Stakeholder Group
- President's Management Council
- Search Committee – UIC Emergency Management Specialist for Office of Preparedness & Response
- U of I System Executive Risk Management Council
- U of I System-wide Compliance Advisory Committee
- UIC Compliance Committee
- UIUC Business Managers Group
- UIUC Business/IT Collaboration Group
- UIUC Campus Administrative Manual Committee
- University Information Privacy and Security Committee
- University-wide Compliance Advisory Committee

Audit and Support Staff

- UIUC Effort Reporting Group
- FCIAA Annual Internal Control Evaluation and Reporting System Training
- Joint Commission on Accreditation of Healthcare Organizations 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
- Treasurer of the Board of Trustees
- 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
- 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

Approved by Audit, Budget, Finance, and Facilities Committee March 1, 2021

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.

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.