

Reported to the Board of Trustees

September 23, 2021

Office of University Audits

# Annual Report

## For the Year Ended June 30, 2021

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Report to the University of Illinois Board of Trustees  
*September 2021*

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Section 1

Message from the Executive Director

President Killeen and

The University of Illinois Board of Trustees

On behalf of the Office of University Audits (Office), I am pleased to present our Annual Report for the Year Ended June 30, 2021 (Report). The Report describes our service to the University of Illinois System (U of I System) through the utilization of audit resources, performance metrics and benchmarks, and adherence to professional standards and our Internal Audit Charter.

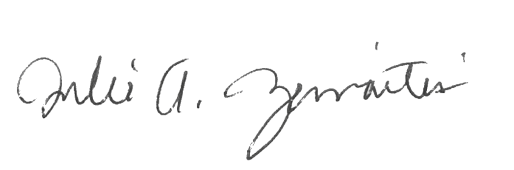
Our mission is to protect and strengthen the U of I System, by providing independent, objective assurance and consulting services that evaluate the effectiveness of governance, risk management, and internal control processes. We assist all levels of management in the achievement of U of I System goals by striving to provide a positive impact on the effectiveness and efficiency of the U of I System’s operations. Selected highlights of our services during the fiscal year include:

* We delivered over 21,000 hours of service.
* We completed 57 audit, investigation, and consulting projects resulting in over 160 recommendations for improvement.
* We validated the implementation of 155 improvements made by management.
* We provided consultative and advisory assistance to management to address the COVID-19 pandemic.

Based on the program of work completed during fiscal year 2021, we submit the following representations:

* All audits were performed in accordance with The Institute of Internal Auditors’ (IIA) *International Standards for the Professional Practice of Internal Auditing.*
* The Audit Plan and each individual audit were risk-driven.
* There is transparency in all reports issued; all significant findings were reported.
* We received cooperation from management in all audits conducted.

The Office’s accomplishments would not have been possible without the dedication and professionalism of the employees in the Office, and I thank them for their efforts. I also would like to thank the officers and staff of the U of I System for their cooperation and responsiveness. Finally, I thank you for your continued support of our Office.

Sincerely,

Julie A. Zemaitis

Executive Director of University Audits

Section 2

Use of Audit Resources During Fiscal Year 2021

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.

As with all U of I System organizations, resources are finite and must be applied judiciously to ensure the maximum contribution and benefit possible toward achieving the U of I System’s vision and objectives.

Following are summaries of how our Office utilized audit resources during fiscal year 2021.

### 

Fiscal Year 2021 Audit Plan Completion Status

Number of Projects

|  | Projects Completed FY20 Plan | Projects Completed FY21 Plan | Fieldwork Completed – Report Drafted and Pending | In-Progress | Deferred to FY22 Plan | Withdrawn – Risk Lowered |
| --- | --- | --- | --- | --- | --- | --- |
| Planned Audits | 14 | 37 | 3 | 9 | 9 | 1 |
| Projects Added | 2 | 4 | 5 | 5 | 0 | 0 |
| **In-House Staff** | **16** | **41** | **8** | **14** | **9** | **1** |
| Co-Sourced Construction Audits | n/a | 14 | 0 | 4 | 12 | 0 |
| **TOTAL** | **16** | **55** | **8** | **18** | **21** | **1** |

Hours

|  | Planned | Actual | Remaining Hours | Remaining Percent |
| --- | --- | --- | --- | --- |
| Planned Audits | 16,425 | 15,462 | 963 | 6% |
| Emerging Issues / Investigations | 4,635 | 4,693 | (58) | 0% |
| Follow-up | 1,270 | 1,188 | 82 | 1% |
| **In-House Staff** | **22,330** | **21,343** | **987** | **4%** |
| Co-Sourced Construction Audits – FTI Consulting, Inc. Hours | 4,800 | 1,609 | 3,191 | 66% |
| **TOTAL** | **27,130** | **22,952** | **4.178** | **15%** |

Direct Audit Hours by Type of Project

Fiscal Year 2021

Fiscal Year 2020

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

### Direct Audit Hours by University / Area

Fiscal Year 2021

Fiscal Years 2020 and 2021

Fiscal Years 2020 and 2021 Personnel Expenditures

Fiscal Years 2020 and 2021 Non-Personnel Expenditures

The $73,074 non-personnel budget for Fiscal Year 2020 includes a special one-time $30,000 funding for the required once every five years External Quality Assessment (EQA) of the Office of University Audits. The expense for this EQA was incurred during Fiscal Year 2019. The decrease in actual non-personnel expenditures during Fiscal Year 2021 reflects a significant decrease in inter-university travel, training related travel, printing, and other costs, due to the COVID-19 pandemic and remote working environment.

Fiscal Years 2020 and 2021 Use of Non-Personnel Expenditures (Actual)

Fiscal Year 2021 Productivity Rate

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  
*\*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 2019 through 2021 are presented in the following chart:

Implementation of Internal Audit Recommendations

|  | **FY2019** | **FY2020** | **FY2021** |
| --- | --- | --- | --- |
| Beginning Balance | 207 | 206 | 283 |
| Internal Audit Recommendations Issued | 233 | 230 | 164 |
| Implemented by Management | (189) | (126) | (155) |
| Partially Implemented by Management / Remaining Risks Accepted by Management | (19) | (7) | (17) |
| Not Implemented / Risks Accepted by Management | (23) | (19) | (21) |
| Withdrawn by Internal Audit | (3) | (1) | (5) |
| **Ending Balance** | 206 | 283 | 249 |

Risk and Priority Rating  
All Open Audit Recommendations – 6/30/21

Aging of Outstanding Recommendations by Management’s Original Expected Implementation Date

| **Fiscal Year** | **Number of Recommendations** |
| --- | --- |
| 2024 | 1 |
| 2023 | 6 |
| 2022 | 139 |
| 2021 | 86 |
| 2020 | 15 |
| 2018 | 2 |
| **Total Recommendations** | **249** |

Appendix A

Organization Chart as of June 30, 2021

Board of Trustees  
\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Audit, Budget, Finance, and Facilities Committee

Vice President and  
Chief Financial Officer

President

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.

**Continuous Auditing Program**  
Maureen Sorensen, CPA, CIA, MAS  
Data Analyst Auditor

**Support Staff**  
Eduardo Mascorro  
Microcomputer Support Specialist

Julie A. Zemaitis, CPA  
Executive Director

**Information Technology**

**Chicago**

**Urbana-Champaign / Springfield**

Gene V. Fruit, MBA, CISA, CIA  
Director

Darla J. Hill, CPA, CIA, CFE  
Director

Neal Crowley, MBA, CPA, CIA, CFE  
Director

**Enterprise-wide Auditors**  
Nerissa Andres, CIA

Carla N. Edgecombe, CIA, Ed.M.

Jessica L. Hoppe, CPA, CIA

Kevin K. Jones, CPA, CIA

Brian T. Lubek, CPA

Teri A. Travis, CPA, CIA

Jill M. Verdeyen, CPA

**Healthcare Auditors**  
Vanessa Guillermo

Gia Milenkovic (80%)

Jasmin Pineda, MBA, CFE

Nicholas J. Rogers

**Enterprise-wide Auditors**

Jeffrey N. Mina, CPA, CGMA

Theresa Lawson-Enane, MBA, MACC

**Information Technology Auditors**  
Kyle Mitchem, CFE

Kirsten Pielstrom, MS, CIA, CISA

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)

10 CPA (Certified Public Accountant) 1 MAS (Master of Accounting Science)

2 CISA (Certified Information Systems Auditor) 1 Ed.M. (Master of Education)

4 CFE (Certified Fraud Examiner) 1 MS (Masters of Science, Computer Science)

1 CGMA (Chartered Global Management Accountant) 1 MACC (Master of Accountancy)

Appendix B

Summary of Completed Projects

The following summarizes the projects completed during fiscal year 2021. 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 Dentistry, Department of Oral and Maxillofacial Surgery
* College of Medicine, Basic Sciences, Department of Pharmacology and Regenerative Medicine
* College of Medicine, Department of Ophthalmology and Visual Sciences
* College of Medicine, Department of Urology
* Managed Care Office
* Mile Square Health Center, Telemedicine
* University of Illinois Hospital and Health Sciences System, University of Illinois Hospital, Potentially Infectious Medical Waste Disposal
* Vice Chancellor for Student Affairs, TRIO Programs
* Vice Provost for Undergraduate Affairs and Academic Programs, African American Academic Network

Springfield

* College of Business and Management
* Performing Arts Services

Urbana-Champaign

* Department of Intercollegiate Athletics
* Division of Public Safety
* Facilities and Services, Capital Programs, Project Closeout
* Illinois Public Media

### 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

* College of Medicine, Dean’s Office Administration and Advancement, Gift Administration and Donor Intent
* Vice Chancellor for Administrative Services, Facilities Management, Environmental Health and Safety Office, UIC Emergency Action Plan Audit

Urbana-Champaign

* Child of Employee Tuition Waiver, Dependent Eligibility Verification

### 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 Medicine, Informational Resources
* Division of Specialized Care for Children
* University of Illinois Hospital, Electronic Medical Health Record, System Pre-Implementation Review

Urbana-Champaign

* Grainger College of Engineering
* National Center for Supercomputing Applications

### 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:

System Offices

* Investments Office

Urbana-Champaign

* College of Agricultural, Consumer and Environmental Sciences, Office of Advancement, Gift Administration
* College of Veterinary Medicine, Gift Administration
* Gies College of Business, Office of Advancement

### 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:

* Conflicts of Interest in Grants and Research
* Computer and Equipment Purchases
* Credit Card Refunds
* Credits Posted to Student Accounts
* Employee Reimbursements
* Overtime Pay
* P-Card Purchases by Employees with Monthly Cycle Limit Increases
* P-Card Purchases by Employee with High Turnover of P-Cards
* P-Card and T-Card Charge Processing
* Trending Analysis of Vendor Volume
* Trending Analysis of Purchasing Activity
* Vendors Paid through an Online Payment Processor with a P-Card
* Vendors Used by One Employee
* Vendor Bank Account Records

### 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

* CARES Act: Various Higher Education Emergency Relief Fund (HEERF) Funding
* IBHE COVID Financial Impact Reporting Assistance

Springfield

* CARES Act: Various HEERF Funding

System Offices

* Discovery Partners Institute, Governance

System-wide

* Capital Construction Project Reviews (performed by co-sourced audit partner, FTI Consulting, Inc.)
* IBHE COVID Financial Impact Reporting

Urbana-Champaign

* CARES Act: Various HEERF Funding
* IBHE COVID Financial Impact Reporting for Self-Supporting Operations
* Provost COVID Funding Assessments

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

* 3i Support Team
* 3i Steering Committee
* Adobe Sign Expansion Project
* Audit, Compliance, and ERM Coordination Group
* Business Administrator Certification Program Course Development
* COVID-19 Financial Impacts – U of I System-wide, UIC, UIS, and UIUC
* COVID-19 UIC Campus Emergency Operations Center
* Cybersecurity System-wide Task Force
* President’s Management Council
* U of I System Executive Risk Management Council
* U of I System Office IT Council
* U of I System-wide Compliance Advisory Committee
* UIC Academic Officers Group
* UIC Compliance Committee
* UIUC Business Managers Group
* UIUC Campus Administrative Manual Working Group
* UIUC LINK Training Sessions
* University Information Privacy and Security Committee
* University Information Privacy and Security Committee – HIPAA Subcommittee
* University Information Privacy and Security Committee – Security Subcommittee
* University Payroll and Benefits Training Initiative Advisory Committee
* U of I System Internal Controls Review: Procurement, Payment & Asset Accounting Systems Access and Procedures Review Team
* University-wide Compliance Advisory Committee

Audit and Support Staff

* 3i Business Continuity Access Team
* Conflict of Interest Policy Group
* Contracts + Implementation Team
* COVID-19 Financial Impacts Tracking – UIC, UIS, and UIUC
* Internal Controls Project – Highest Risk System Access Combinations
* Joint Commission on Accreditation of Healthcare Organizations Committee
* Source2Pay Advisory Meetings
* System Administrative Support / Chief Financial Officer Working Group
* System Offices Diversity, Equity, and Inclusion Certificate Program Pilot
* UIC Academic Fiscal Officers and Business Manager Group
* UIC Human Resources Advisory Group
* UIC Information Technology Governance Council, Infrastructure and Security Committee
* UIS Business Managers Group
* UIUC Business Managers Group
* UIUC IT Caffeine Break (weekly university IT topic discussion group)
* University System Internal Controls Review: Procurement, Payment & Asset Accounting Systems Access and Procedures Review Team

Appendix C

Internal Audit Charter

*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.

### 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](http://www.ilga.gov/legislation/ilcs/ilcs5.asp?ActID=467&ChapAct=30%26nbsp%3BILCS%26nbsp%3B10%2F&ChapterID=7&ChapterName=FINANCE&ActName=Fiscal+Control+and+Internal+Auditing+Act)). 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

Office of University Audits Strategic Plan Summary

### Mission

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