Office of University Audits

Annual Report

For the Year Ended June 30, 2020
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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, 2020 (Report). The Report describes our service to the University of Illinois System (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 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 System goals by striving to provide a positive impact on the effectiveness and efficiency of the System’s operations. Selected highlights of our services during the fiscal year include:

- We delivered over 22,000 hours of service.
- We completed 52 audit, investigation, and consulting projects resulting in 230 recommendations for improvement.
- We validated the implementation of nearly 130 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 2020, 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 International Standards for the Professional Practice of Internal Auditing (IIA Standards) require a periodic internal assessment to assess conformance with IIA Standards and the IIA Code of Ethics. In conformance with State Internal Audit Advisory Board Guidelines a subset of the Standards, Performance Standards 2200, 2300, and 2400, was selected. Results of the periodic internal assessment concluded a Generally Conforms opinion on these Standards, 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.
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 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 2020

The Office’s strategic intent is to operate in a manner that adds value within the System, focuses on the differing primary stakeholders’ expectations and priorities, and adapts to changes in technology, legislation, and organizational strategic priorities.

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

Following are summaries of how our Office utilized audit resources during fiscal year 2020.

**FISCAL YEAR 2020 AUDIT PLAN COMPLETION STATUS**

<table>
<thead>
<tr>
<th>Number of Projects</th>
<th>Projects Completed FY19 Plan</th>
<th>Projects Completed FY20 Plan</th>
<th>Fieldwork Completed – Report Drafted and Pending</th>
<th>In-Progress</th>
<th>Deferred to FY21 Plan</th>
<th>Withdrawn – Risk Lowered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planned Audits</td>
<td>8</td>
<td>31</td>
<td>6</td>
<td>13</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Projects Added</td>
<td>3</td>
<td>10</td>
<td>2</td>
<td>13</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td>TOTAL</td>
<td>11</td>
<td>41</td>
<td>8</td>
<td>26</td>
<td>9</td>
<td>4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Hours</th>
<th>Planned</th>
<th>Actual</th>
<th>Remaining Hours</th>
<th>Remaining Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planned Audits</td>
<td>17,380</td>
<td>16,379</td>
<td>1,001</td>
<td>6%</td>
</tr>
<tr>
<td>Emerging Issues / Investigations</td>
<td>4,095</td>
<td>4,677</td>
<td>(582)</td>
<td>0%</td>
</tr>
<tr>
<td>Follow-up</td>
<td>1,675</td>
<td>1,013</td>
<td>662</td>
<td>40%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>23,150</td>
<td>22,069</td>
<td>1,081</td>
<td>5%</td>
</tr>
</tbody>
</table>
Appendix B provides a summary of completed projects, along with a definition of audit project types.
DIRECT AUDIT HOURS BY UNIVERSITY / AREA

Fiscal Year 2020

Planned Audit Hours
Actual Audit Hours

Fiscal Years 2019 and 2020

Actual Audit Hours - FY19
Actual Audit Hours - FY20
The increase in actual non-personnel expenditures during Fiscal Year 2019 includes the External Quality Assessment of the Office of University Audits at an approximate cost of $30,000, which is required every five years, as well as a planned increase in professional development funded by accumulated fund balance reserves. The increase in the Fiscal Year 2020 non-personnel budget reflects a special one-time $30,000 funding for the External Quality Assessment, less a permanent budget reduction of $7,426.
**Fiscal Years 2019 and 2020 Use of Non-Personnel Expenditures (Actual)**

![Bar chart showing expenditures for Fiscal Years 2019 and 2020.](chart)

- **Information Technology**: 11% (2019), 21% (2020)
- **Required Training / Professional Development**: 30% (2019), 46% (2020)
- **System Internal Assessments**: 17% (2019), 7% (2020)
- **Inter-Campus Travel**: 9% (2019), 9% (2020)
- **Other**: 26% (2019), 16% (2020)
- **Required External Quality Assessment**: 9% (2019), 7% (2020)

**Fiscal Year 2020 Productivity Rate**

![Bar chart showing productivity rates for Fiscal Year 2020.](chart)

- **Productive Hours**: Planned 86%, Actual 83%, Peer Group 87%
- **Training**: Planned 5%, Actual 8%, Peer Group 4%
- **General Administrative**: Planned 9%, Actual 9%, Peer Group 9%

*Institute of Internal Auditors 2019 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 2018 through 2020 are presented in the following chart:

<table>
<thead>
<tr>
<th></th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Balance</td>
<td>207</td>
<td>207</td>
<td>206</td>
</tr>
<tr>
<td>Internal Audit Recommendations Issued</td>
<td>202</td>
<td>233</td>
<td>230</td>
</tr>
<tr>
<td>Implemented by Management</td>
<td>(177)</td>
<td>(189)</td>
<td>(126)</td>
</tr>
<tr>
<td>Partially Implemented by Management / Remaining Risks Accepted by Management</td>
<td>(9)</td>
<td>(19)</td>
<td>(7)</td>
</tr>
<tr>
<td>Not Implemented / Risks Accepted by Management</td>
<td>(13)</td>
<td>(23)</td>
<td>(19)</td>
</tr>
<tr>
<td>Withdrawn by Internal Audit</td>
<td>(3)</td>
<td>(3)</td>
<td>(1)</td>
</tr>
<tr>
<td><strong>Ending Balance:</strong></td>
<td>207</td>
<td>206</td>
<td>283</td>
</tr>
</tbody>
</table>

**Risk and Priority Rating**

All Open Audit Recommendations – 6/30/20

- **High**: 6%
- **Moderate**: 74%
- **Low**: 20%
Aging of Outstanding Recommendations by Management’s Original Expected Implementation Date

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Number of Recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td>2024</td>
<td>1</td>
</tr>
<tr>
<td>2023</td>
<td>2</td>
</tr>
<tr>
<td>2022</td>
<td>23</td>
</tr>
<tr>
<td>2021</td>
<td>180</td>
</tr>
<tr>
<td>2020</td>
<td>57</td>
</tr>
<tr>
<td>2019</td>
<td>17</td>
</tr>
<tr>
<td>2018</td>
<td>2</td>
</tr>
<tr>
<td>2016</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total Recommendations</strong></td>
<td><strong>283</strong></td>
</tr>
</tbody>
</table>
Certifications and Advanced Degrees Held By Members of the Office of University Audits Professional Staff

<table>
<thead>
<tr>
<th>Professional Certifications</th>
<th>Advanced Degrees</th>
</tr>
</thead>
<tbody>
<tr>
<td>10 CIA (Certified Internal Auditor)</td>
<td>4 MBA (Master of Business Administration)</td>
</tr>
<tr>
<td>9 CPA (Certified Public Accountant)</td>
<td>1 MAS (Master of Accounting Science)</td>
</tr>
<tr>
<td>3 CISA (Certified Information Systems Auditor)</td>
<td>1 Ed.M. (Master of Education)</td>
</tr>
<tr>
<td>3 CFE (Certified Fraud Examiner)</td>
<td>1 MS (Masters of Science, Computer Science)</td>
</tr>
<tr>
<td>1 CGMA (Chartered Global Management Accountant)</td>
<td>1 MACC (Master of Accountancy)</td>
</tr>
</tbody>
</table>
The following summarizes the projects completed during fiscal year 2020. 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.

We completed 52 projects during fiscal year 2020.

**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 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 System’s general systems of internal control.

Internal control audits were performed in the following areas:

**Chicago**
- Clinical Trials
- College of Architecture, Design, and the Arts
- College of Medicine, Center for Magnetic Resonance Research 3T
- College of Medicine, Dean’s Office Administration
- College of Medicine, Department of Medicine
- College of Medicine, Department of Obstetrics and Gynecology
- College of Medicine, Department of Otolaryngology
- College of Pharmacy, Ambulatory Pharmacy Services
- School of Public Health, Community Outreach Intervention Projects
- Vice Chancellor for Administrative Services, Trucks and Cars

**Springfield**
- Athletics

**Urbana-Champaign**
- Campus Charitable Fund Drive
- College of Agricultural, Consumer and Environmental Sciences, Department of Agricultural and Biological Engineering
- College of Liberal Arts and Sciences, Department of Economics
- College of Veterinary Medicine, Veterinary Diagnostic Lab
- National Center for Supercomputing Applications
- Office of Registered Student Organizations
- Technology Services
**Compliance Audits**

**Compliance audits** determine the adequacy of the design of systems to ensure compliance with 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 a review of:

- Urbana-Champaign
  - Division of Intercollegiate Athletics, Summer Camps/Clinics, National Collegiate Athletic Association Compliance

**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
  - Academic Computing and Communications Center, Security Office Compliance with the UIC Information Technology Security Program
  - College of Engineering

- Urbana-Champaign
  - Privacy and Security
  - Student Affairs Technology

**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
  - Vice Chancellor for Administrative Services, Facilities Management, Heat Light and Power Payroll

- Urbana-Champaign
  - Fraternity and Sorority Affairs
  - Office for Access and Equity, Employee Accommodations

**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 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 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:

- Computer and Equipment Purchases
- Credit Card Refunds
- Journal Vouchers
- Matched Vendor and Employee Addresses, Social Security Numbers, and Direct Deposit Accounts
- Overtime Pay
- Trending Analysis of Purchasing Activity
- Trending Analysis of Vendor Volume
- University Payables Support Services’ P-Card Monitoring Program
- Vendor Bank Account Records
- Vendors Paid through an Online Payment Processor with a P-Card
- Vendors Used by One Employee

I N V E S T I G A T I V E  A U D I T S

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

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

C O N S U L T I N G  A N D  A D V I S O R Y  S E R V I C E S

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
- College of Medicine, Division of Infectious Disease, Project Wish, Clinard Human Subjects Payments
- Hospitals and Clinics, Review of P-Card and T-Card Roles and Responsibilities

Urbana-Champaign
- College of Liberal Arts and Sciences, Department of Anthropology
- Human Resource Policy Review
- P-Card Transactions Reconciled by Proxy
- Testing Center

Springfield
- College of Education and Human Services, Department of Teacher Education
- P-Card Transactions Reconciled by Proxy
Additionally, we performed various other consulting, advisory, and training services for 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
- Audit, Compliance, and ERM Coordination Group
- Business Administrator Certification Program Course Development
- Business Process Improvement Advisory Council
- COVID-19 Financial Impacts – System-wide, UIC, UIS, Urbana-Champaign
- COVID-19 UIC Campus Emergency Operations Center
- President’s Management Council
- System Executive Risk Management Council
- System Office IT Council
- 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
- University System Internal Controls Review: Procurement, Payment & Asset Accounting Systems Access and Procedures Review Team
- University-wide Compliance Advisory Committee

Audit Staff

- 3i Business Continuity Access Team
- COVID-19 Financial Impacts Tracking – UIC, UIS, Urbana-Champaign
- Joint Commission on Accreditation of Healthcare Organizations Committee
- Source2Pay Advisory Meetings
- UIC Academic Fiscal Officers Group
- UIC Business Officers 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 of Illinois Hospital and Clinics Ambulatory Revenue Cycle Operating Committee
- University System Internal Controls Review: Procurement, Payment & Asset Accounting Systems Access and Procedures Review Team
MISSION

The mission of the Office of University Audits (University Audits) is to provide independent and objective services to protect and strengthen the University 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 University 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 University 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 University’s control process. Significant legislative or regulatory issues impacting the University are recognized and addressed appropriately.

University Audits reports functionally to the President of the University System (President) and The Board of Trustees (BOT) of the University of Illinois 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

The Office responsibilities include the following:

- Develop a flexible two-year plan identifying audits scheduled for the pending fiscal year, 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 appropriate any 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.
• Maintain sufficient knowledge, skills, and experience to meet the requirements of this Charter.
• Assist University management by conducting special services to assist management in meeting its objectives, where appropriate, the nature of which is agreed to with management, and for which University Audits assumes no management responsibility.
• Assist in the investigation of significant suspected fraudulent activities within the institution and notify management and the ABFFC of the results.
• 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.

A U T H O R I T Y

The general scope of audit coverage is University-wide and no function, activity, or unit of the University 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 University 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 the accounts of all organizations required to submit financial statements to the University.

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 University personnel from their assigned responsibilities.

P R O F E S S I O N A L S T A N D A R D S

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

OFFICE OF UNIVERSITY AUDITS STRATEGIC PLAN SUMMARY

MISSION

The mission of the Office of University Audits (Office) is to provide independent and objective services to protect and strengthen the System and its related organizations.

VISION

Be an innovative driver of positive change while striving to be the premier audit function in higher education.

GUIDING VALUES

We perform all that we do with:

- Objectivity
- Independence
- Integrity
- Confidence
- Credibility
- Leadership
- Straightforwardness
- Excellence
- Innovation
- Professionalism

STRATEGIC GOALS

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