



UNIVERSITY  
OF ILLINOIS  
SYSTEM

**Altogether  
Extraordinary™**

Office of University Audits

# Annual Report

For the Year Ended June 30, 2022

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Report to the University of Illinois Board of Trustees  
*September 2022*

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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, 2022 (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 22,000 hours of service.
- We completed 55 audit, investigation, and consulting projects resulting in 281 recommendations for improvement.
- We validated the implementation of 214 improvements made by management.
- A team of our auditors was awarded the System Offices' Annual Distinguished Employee Leadership and Team Award in recognition for consultative and advisory assistance to management to address the financial impacts of COVID-19.

Based on the program of work completed during fiscal year 2022, 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 evaluate conformance with the *Standards*. In accordance with State Internal Audit Advisory Board Guidelines we selected a subset of Attribute and Performance Standards and the 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.

The Office's accomplishments would not have been possible without the dedication and professionalism of the employees of the Office, and I thank them for their contributions. I also would like to thank the Officers and employees 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 2022

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 2022.

#### FISCAL YEAR 2022 AUDIT PLAN COMPLETION STATUS – IN-HOUSE STAFF

##### Number of Projects

	Projects Completed FY21 Plan	Projects Completed FY22 Plan	Fieldwork Completed – Report Drafted and Pending	In-Progress	Deferred to FY23 Plan	Withdrawn – Risk Lowered
Planned Audits	6	41	5	10	9	3
Projects Added	0	8	2	5	0	0
<b>In-House Staff - Total</b>	<b>6</b>	<b>49</b>	<b>7</b>	<b>15</b>	<b>9</b>	<b>3</b>

##### Hours

	Planned	Actual	Remaining Hours	Remaining Percent
Planned Audits	18,005	16,821	1,184	7%
Emerging Issues / Investigations	3,745	4,087	(342)	0%
Follow-up	1,410	1,448	(38)	0%
<b>In-House Staff - Total</b>	<b>23,160</b>	<b>22,356</b>	<b>804</b>	<b>3%</b>

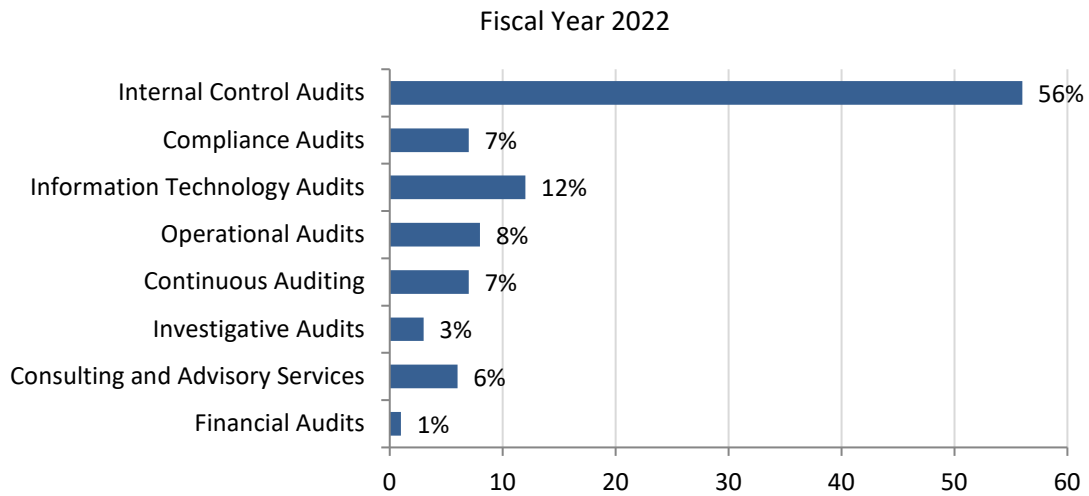
#### AUDIT PLAN COMPLETION STATUS – CO-SOURCED CONSTRUCTION AUDITS

##### Number of Projects

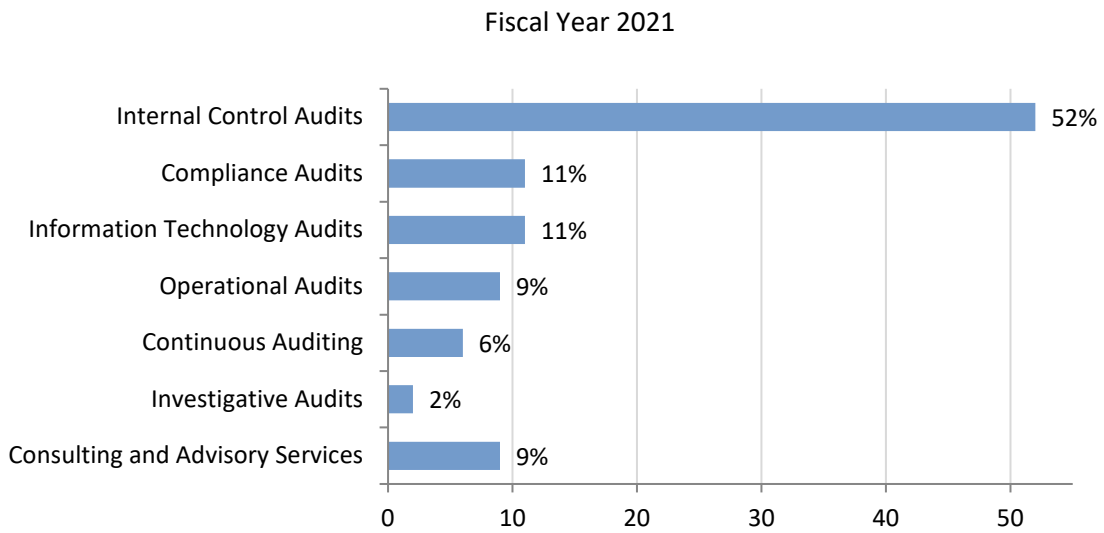
	Total Selected	Audits Completed	In-Progress
1 Phase	40.0	30.0	4.0
3 Phase	10.0	4.3	.3
Special Purpose	7.0	1.0	5.0
<b>Total</b>	<b>57.0</b>	<b>35.3</b>	<b>9.3</b>

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 two of a five-year maximum contract period.

#### DIRECT AUDIT HOURS BY TYPE OF PROJECT



Total Direct Audit Hours FY22 – 22,356

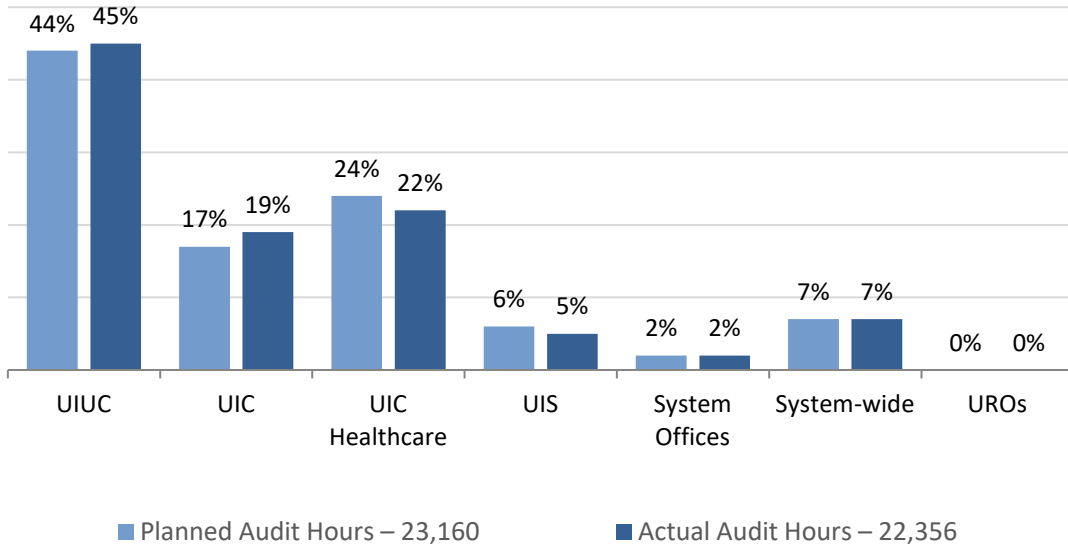


Total Direct Audit Hours FY21 – 21,343

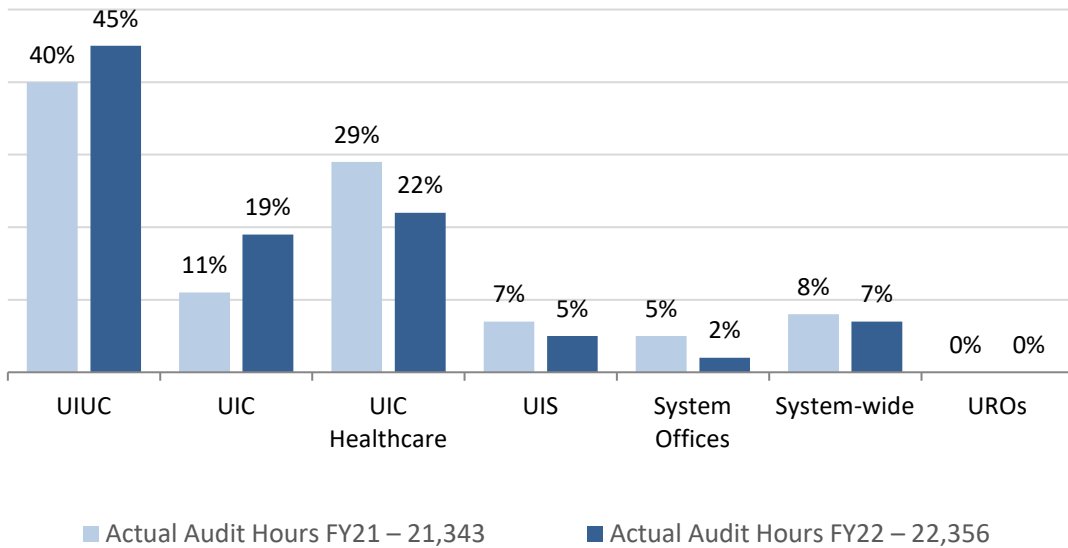
*Appendix B* provides a summary of completed projects, along with a definition of audit project types.

## DIRECT AUDIT HOURS BY UNIVERSITY / AREA

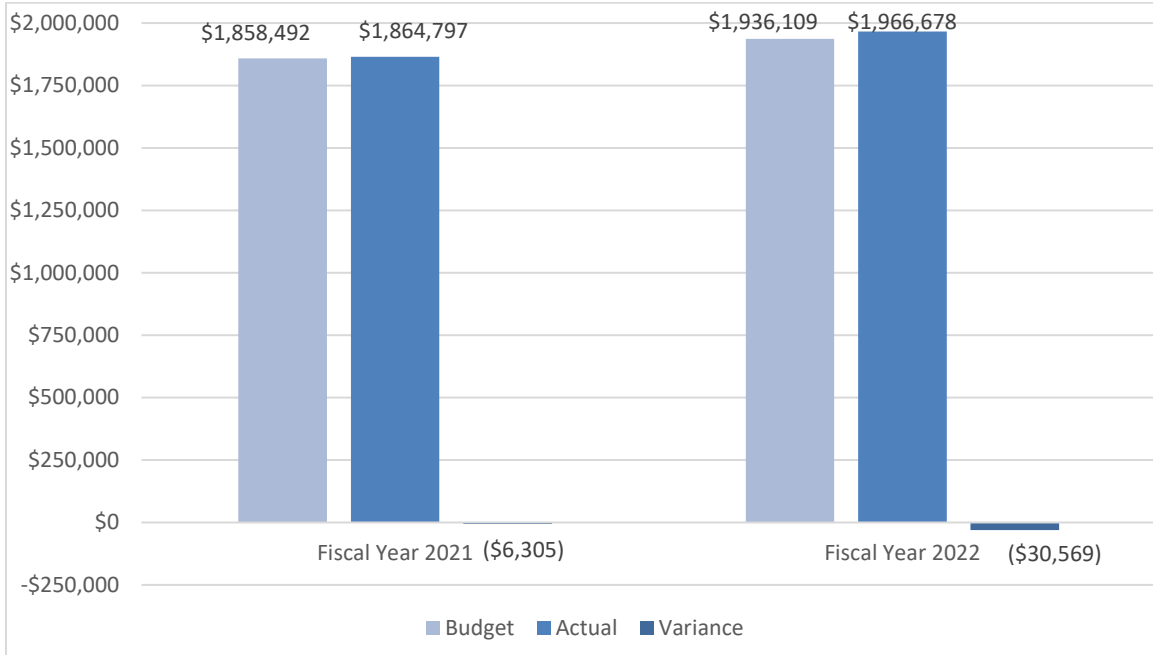
Fiscal Year 2022



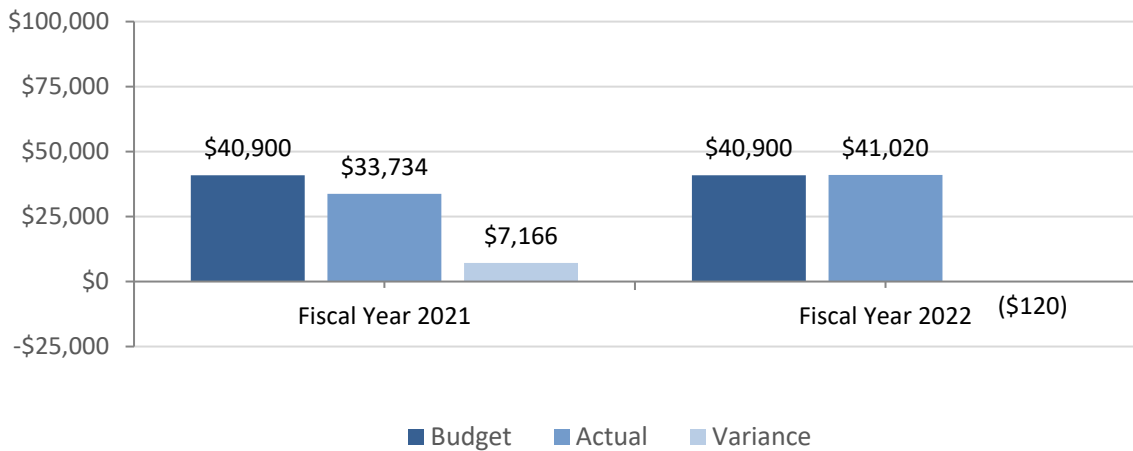
Fiscal Years 2021 and 2022



## FISCAL YEARS 2021 AND 2022 PERSONNEL EXPENDITURES

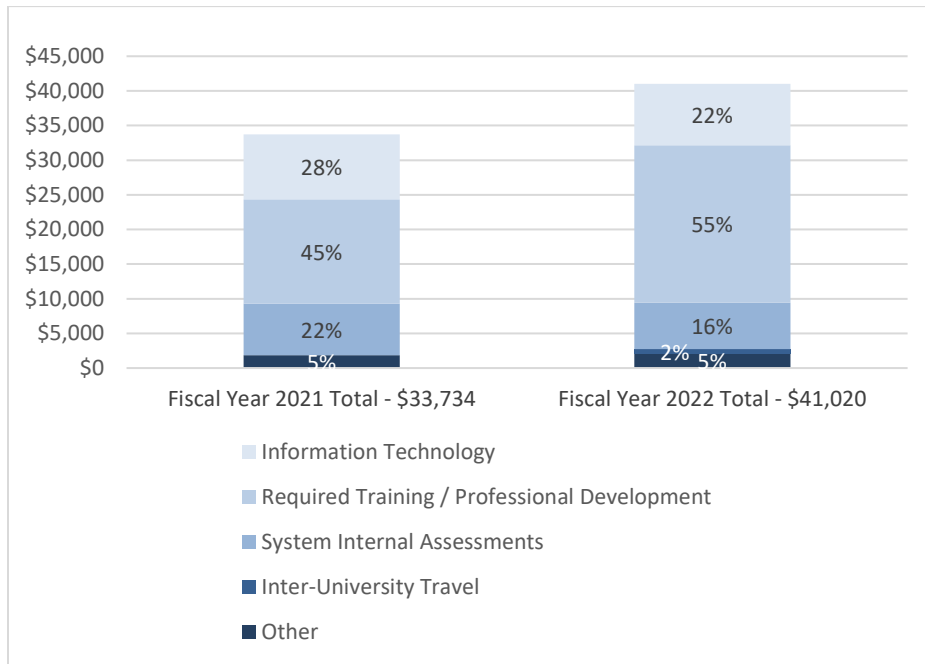


## FISCAL YEARS 2021 AND 2022 NON-PERSONNEL EXPENDITURES

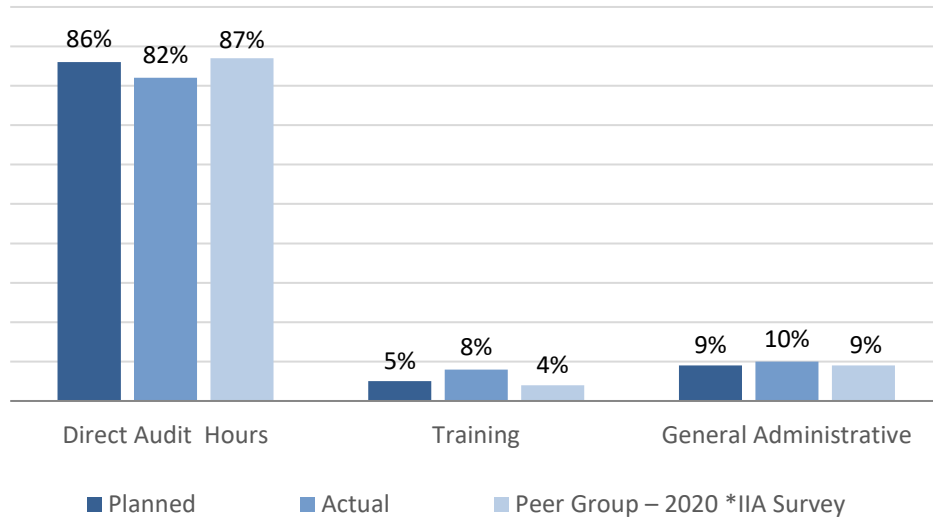


Non-personnel expenditures represent expenditures for Office of University Audits' operations. During Fiscal 2022, the Office hosted an external conference, accounted for in a self-supporting activity fund. Expenditures in support of that conference are not included in this chart and are covered by conference fees paid by participants.

## FISCAL YEARS 2021 AND 2022 USE OF NON-PERSONNEL EXPENDITURES (ACTUAL)



## FISCAL YEAR 2022 ALLOCATION OF AUDIT STAFF PRODUCTIVITY



\*Institute of Internal Auditors 2020 Benchmarking Report



## SECTION 3

### AUDIT RECOMMENDATION IMPLEMENTATION STATUS

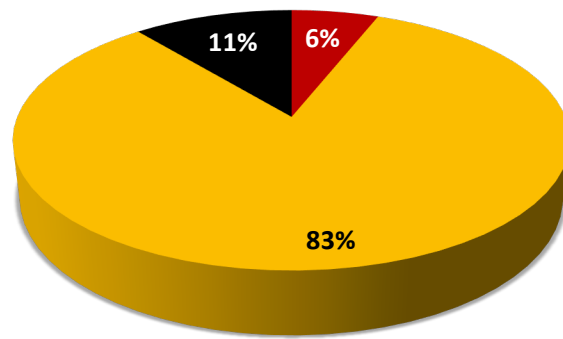
After the expected implementation dates provided by management have passed, all audit recommendations are revisited to determine the status of management's action. It is through this process that the Office ensures that recommendations have been effectively implemented or that senior management has accepted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

The results of the audit recommendation follow-up activity for fiscal years 2020 through 2022 are presented in the following chart:

#### IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS

	FY2020	FY2021	FY2022
Beginning Balance	206	283	249
Internal Audit Recommendations Issued	230	164	281
Implemented by Management	-126	-155	-214
Partially Implemented by Management / Remaining Risks Accepted by Management	-7	-17	-19
Not Implemented / Risks Accepted by Management	-19	-21	-23
Withdrawn by Internal Audit	-1	-5	-1
<b>ENDING BALANCE</b>	<b>283</b>	<b>249</b>	<b>273</b>

RISK AND PRIORITY RATING  
ALL OPEN AUDIT RECOMMENDATIONS – 6/30/22

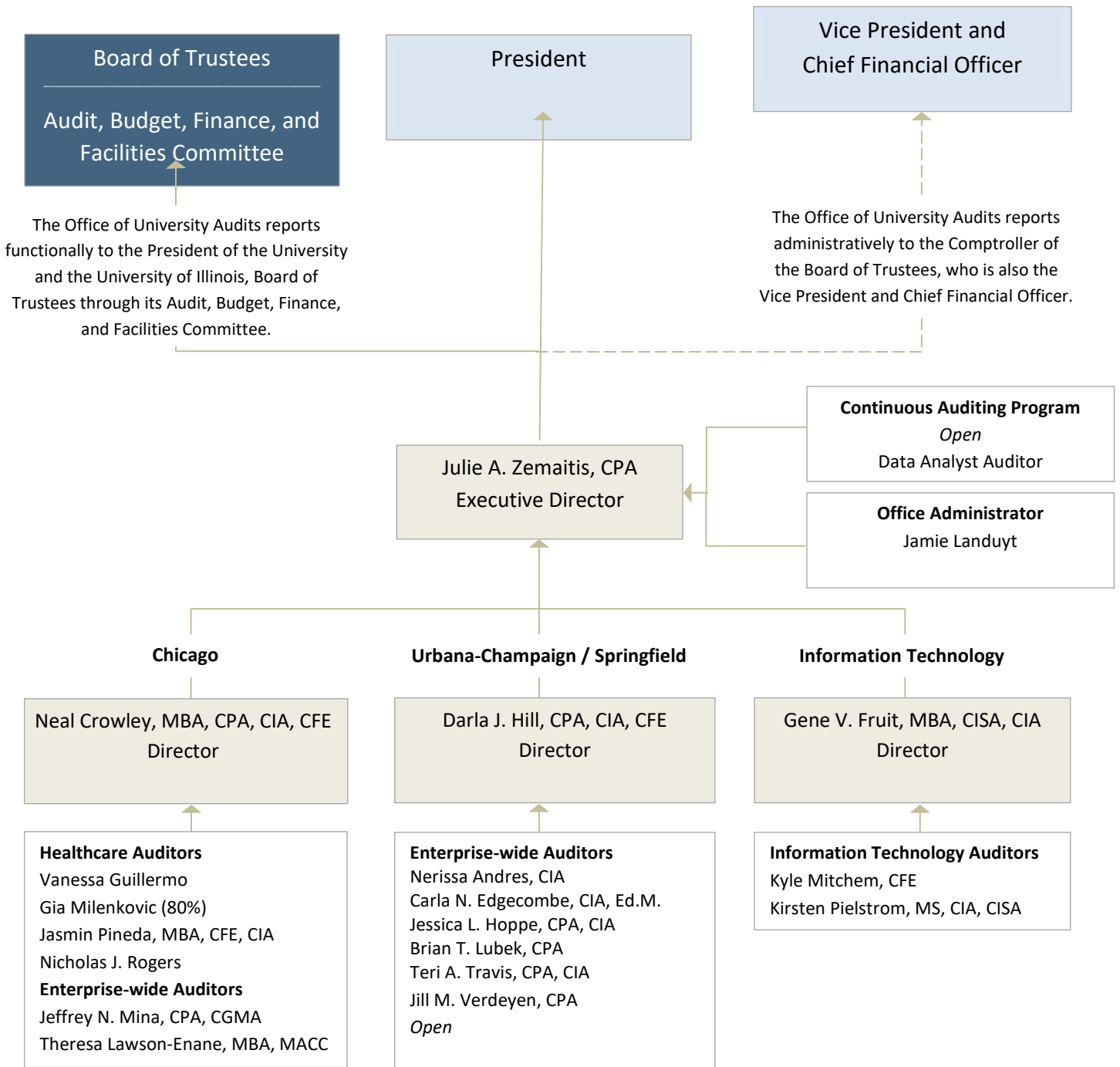


■ High     
 ■ Moderate     
 ■ Low

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

Fiscal Year	Number of Recommendations
2025	10
2024	30
2023	161
2022	59
2021	11
2020	2
<b>TOTAL RECOMMENDATIONS</b>	<b>273</b>

# APPENDIX A



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

**Professional Certifications**

- 9 CIA (Certified Internal Auditor)
- 8 CPA (Certified Public Accountant)
- 2 CISA (Certified Information Systems Auditor)
- 4 CFE (Certified Fraud Examiner)
- 1 CGMA (Chartered Global Management Accountant)

**Advanced Degrees**

- 4 MBA (Master of Business Administration)
- 1 Ed.M. (Master of Education)
- 1 MS (Master of Science, Computer Science)
- 1 MACC (Master of Accountancy)

# APPENDIX B

The following summarizes the projects completed during fiscal year 2022. 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 Education
- College of Medicine - Peoria
- College of Medicine, Department of Orthopaedic Surgery
- College of Medicine, Department of Pediatrics
- College of Medicine, Department of Psychiatry
- Office of the Vice Chancellor for Research, Foreign Influence Reporting
- University of Illinois Hospital & Health Sciences System, Ambulatory Services Administration
- University of Illinois Hospital & Health Sciences System, University Hospital and Clinics, Kronos Time Reporting
- University of Illinois Hospital, Materials Management, Hospital On-Site Vendor Management
- University of Illinois Hospital, UI Health, Human Resources, Learning Management System
- University Police

### Springfield

- Student Union
- Counseling Center

### Urbana-Champaign

- Carle Illinois College of Medicine
- College of Agricultural, Consumer and Environmental Sciences, Cooperative Extension, Expansion Energy Education Council Self-Supporting Fund
- College of Agricultural, Consumer and Environmental Sciences, Department of Animal Sciences, Stein MGN Research Self-Supporting Fund
- College of Applied Health Sciences, Department of Kinesiology and Community Health
- College of Applied Health Sciences, Disability Resources and Education Services
- College of Education, University Primary School, Self-Supporting Operation
- College of Engineering, Department of Computer Science
- College of Engineering, Department of Electrical and Computer Engineering
- College of Veterinary Medicine, Internal Audit of Controlled Substances in Research and at Secondary Locations
- College of Veterinary Medicine, Veterinary Teaching Hospital, Medication Dispensary
- Illinois Fire Service Institute

## 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

- Institutional Review Board

Urbana-Champaign

- College of Engineering, Health Care Systems Center, Jump Applied Research in Community Health through Engineering and Simulation, Gift Administration and Program Audit
- Department of Intercollegiate Athletics, Compliance Office, NCAA and Big Ten Conference Compliance Review
- Department of Intercollegiate Athletics, Office of Student Financial Aid

## FINANCIAL AUDITS

**Financial audits** attest to the accuracy of financial information of assets, liabilities, revenues, expenditures, or other financial presentations.

Financial audits included a review of:

Chicago

- University of Illinois Hospital and Health Sciences System and College of Pharmacy 340B Drug Pricing Program

## 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

- Technology Solutions
- Office of the Vice Chancellor for Research, Information Technology Operations

Urbana-Champaign

- College of Agricultural, Consumer and Environmental Sciences

## 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:

Urbana-Champaign

- Office of Undergraduate Admissions

## 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:

System Offices

- Trending Analysis of Vendor Volume
- Vendor Bank Account Records
- Vendors Paid through an Online Payment Processor with a P-Card
- Vendors Used by One Employee
- Purchasing
- Credit Card Refunds
- Fund Deficit Identification and Reporting
- Overtime Pay
- Computer and Equipment Purchases
- Trending Analysis of Purchasing Activity
- Journal Vouchers
- Trending Analysis of Vendor Volume
- Employee Reimbursements

## 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.

Five 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.

#### Springfield

- Higher Education Emergency Relief Fund Student Aid Portion
- Review of COVID-19 Related Calculations and Expenses for Recovery

#### System Offices

- University of Illinois Press Consulting Activities

#### Urbana-Champaign

- Higher Education Emergency Relief Fund II and III, Office of Provost Assistance

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

- 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
- Cybersecurity System-wide Task Force
- Internal Controls Program Executive Steering Committee
- President’s Management Council
- U of I System Executive Risk Management Council
- U of I System-wide Compliance Advisory Committee
- UIC Compliance Committee
- UIH Compliance Committee
- UIUC Business Managers Group
- UIUC Business/IT Collaboration Group
- UIUC Campus Administrative Manual Working Group
- UIUC Public Safety Research Committee
- University Information Privacy and Security Committee
- University-wide Compliance Advisory Committee

#### Audit and Support Staff

- 3i Business Continuity Access Team
- Conflict of Interest Policy Group
- FCIAA Annual Internal Control Evaluation and Reporting System Training
- Joint Commission on Accreditation of Healthcare Organizations Committee
- System Administrative Support / Chief Financial Officer Working Group
- System Offices Staff Development Committee
- 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 Effort Reporting Group
- UIUC IT Caffeine Break (weekly university IT topic discussion group)



*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](#)). 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.

### 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.

**Office of University Audits**

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