

LEGISLATIVE AUDIT COMMISSION



Review of
University of Illinois
Year Ended June 30, 2016

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**REVIEW: 4471
UNIVERSITY OF ILLINOIS
YEAR ENDED JUNE 30, 2016**

FINDINGS/RECOMMENDATIONS – 18

ACCEPTED - 18

REPEATED RECOMMENDATIONS - 14

PRIOR AUDIT FINDINGS/RECOMMENDATIONS - 30

This review summarizes the auditors' reports on the University of Illinois for the year ended June 30, 2016, filed with the Legislative Audit Commission on February 23, 2017. The auditors conducted a financial audit and compliance examination in accordance with State law and *Government Auditing Standards* and the requirements of the federal Single Audit Act and OMB Circular 133. The auditors stated the financial statements were fairly presented.

The University of Illinois (University) is a comprehensive university serving primarily the citizens of Illinois from three main campuses through instruction (both on-campus and on-line), research, economic development and various outreach activities. The governing body of the University is the Board of Trustees. The Governor appoints nine members, with the advice and consent of the Senate, and each of the three campuses elects a trustee, only one of which may vote. The Governor is an ex-officio member.

The Urbana-Champaign campus is responsible for pursuing instruction, including strong emphasis at the graduate level; research, through its eminent faculty; and public service as the original land grant campus of the University.

The Chicago campus is responsible for pursuing teaching, research and service activities related to basic and health sciences and providing a broad range of educational services at both the graduate and undergraduate levels. Vast educational offerings include professional degree programs in medicine, dentistry, pharmacy, nursing, associated health professions and public health as well as major research programs in a variety of curriculums.

The Springfield campus is responsible for addressing public affairs within the framework of a liberal arts curriculum through its first-hand access to State government and public service through special courses, projects and internship opportunities.

Dr. Timothy L. Killeen was President during this audit period. He was appointed President effective May 18, 2015 following a national search. Dr. Killeen previously held positions as a geophysicist space scientist, professor, and administrator at other universities and the National Science Foundation. He most recently served as Vice Chancellor for Research and President of the Research Foundation at the State University of New York.

General Information

Following is a summary of the net assets of the University as of June 30:

	2016	2015
Assets		
Cash & investments, current	\$ 881,774,000	\$ 1,011,815,000
Accounts and notes receivable	529,118,000	467,114,000
Receivable from State of Illinois	1,537,000	118,126,000
Cash & investments, noncurrent	1,813,963,000	2,046,030,000
Capital assets, net of depreciation	3,711,559,000	3,643,175,000
All other assets	231,512,000	238,076,000
Total Assets	\$ 7,166,463,000	\$ 7,524,336,000
Total Liabilities	\$ 2,844,582,000	\$ 2,962,375,000
Net Position	\$ 4,321,881,000	\$ 4,561,961,000

Federal awards to the University totaled more than \$1.25 billion in FY16. Information on full-time equivalent (FTE) enrollment of 79,478 students, employment of 29,505 and per capita costs is detailed in Appendix A. Full-time student enrollment increased from FY15 to FY16 by 1,535, primarily among undergraduates and graduates at UIUC, and the number of full-time equivalent employees decreased by 81 persons.

Expenditures From Appropriations and the Income Fund

Appendix B summarizes the appropriations and expenditures for the period under review. In FY16, the State appropriated \$185,060,300 to the University from six funds: Educational Assistance Fund, Fire Prevention Fund, State College and University Trust Fund, Hazardous Waste Research Fund, Emergency Public Health Fund, and Used Tire Management Fund. Overall appropriations in FY15 were \$652.5 million, so FY16 appropriations were \$467.5 million less than FY15. There were no appropriations from GRF or the General Professions Dedicated Fund in FY16, and Funds appropriated to the University from the Educational Assistance Fund were \$406 million less in FY16 than FY15. The University's total expenditures were \$649 million from appropriated funds in FY15 compared to \$185 million in FY16, a decrease of about \$464 million, or 71%. The decrease in expenditures was due to \$340 million less in spending on Personal Services and \$64 million less in spending in other areas in the Educational Assistance Fund. The decrease in State appropriations (nonoperating revenues) between FY16 and FY15 was due to the University receiving a six-month state appropriation for FY16 caused by State of Illinois budget issues.

Income Fund receipts totaled \$1.17 billion in FY16 compared to \$1.1 billion in FY15. Receipts from student tuition and fees increased \$58.9 million, or 5.1%. Expenditures from the Income Fund were \$1.3 billion in FY16, an increase of approximately \$284 million, or 26%

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over FY15 expenditures. The increases in expenditures were evident in Personal Services, Awards and Grants, and Medicare.

Revenues, Expenses and Changes in Net Position

The table appearing in Appendix C presents a summary of revenues, expenses and changes in net position at June 30, 2016 and 2015. Operating revenues, or those that generally result from exchange transactions, were \$3,624,204,000. State appropriations, gifts and investments are defined as nonoperating revenues, and totaled \$1,790,135,000. The University's operating expenses were \$5,702,494,000. The decrease in net position was (\$275,966,000).

The chart appearing below shows revenues by source for FY16:

Revenues	FY16
Non-operating revenue	33%
Student tuition and fees	21%
Hospital and other medical services	13%
Federal Grants and contracts	12%
Auxiliary enterprises	7%
Educational activities	6%
Medical Service Plan	4%
Private and State grants and contracts	3%
Other operating revenues	1%

The following chart indicates expenses by type for FY16:

Expenses	FY16
Instruction	24.2%
Hospital and medical activities	15.7%
Research	13.0%
Academic support	9.1%
Public service	8.4%
Auxiliary enterprises	6.2%
Operation and maintenance of plant	5.3%
Institutional support	5.2%
Scholarships & fellowships	4.9%
Depreciation	4.5%
Student services	3.5%

Accounts Receivable

Appendix D provides a summary of the accounts receivable for FY16 and FY15. Total net accounts receivable increased 12.6% in FY16, from \$457,446,829 as of June 30, 2015 to

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\$515,338,260 as of June 30, 2016. The allowance for doubtful accounts (both unrestricted and restricted) decreased from \$411.8 million in FY15 to \$351.8 million in FY16. Of the allowance for doubtful accounts in FY16, about 90%, or \$319 million was related to the operation of the hospitals and clinics. Notes receivable, net (student loans) totaled \$61.3 million at the end of FY16.

Capital Assets

Appendix E is a summary of changes in capital assets. Capital assets at the beginning of FY16, valued at \$3.643 billion at July 1, 2015, increased to \$3.711 billion at June 30, 2016.

This figure was comprised of the following:

- \$4.1 billion in buildings;
- \$1.2 billion in equipment;
- \$725.3 million in improvements and infrastructure;
- \$636.3 million in library materials;
- \$400.5 million in construction in progress;
- \$178.9 million in software;
- \$135.8 million in land;
- \$23.3 million in inexhaustible collections; and
- Less \$3.7 billion in accumulated depreciation.

In FY16, two new buildings, a residence hall, Wassaja Hall, and the Center for Wounded Veterans in Higher Education were added to UIUC for \$83.2 million. The State Farm Center (Assembly Hall) at UIUC was listed as construction in progress at \$61.7 million. Major construction in progress at UIC included \$14.1 million at the Hospital and College of Dentistry. Major construction in progress at UIS was \$2.2 million for the Student Union building.

Foundation Payments to the University

During FY16 and FY15, the University engaged the University of Illinois Foundation under contract to provide fund-raising and other services. In accordance with the contract agreement, in FY16 the University provided a total of \$10,139,716 in funds and services to the Foundation. This compares to a total of \$12,307,969 provided to the Foundation by the University in FY15. As required by the contract, the Foundation provided the University certain funds considered unrestricted for purposes of the computations outlined in the *University Guidelines*.

The Foundation provided a total of \$163,131,803 to the University in FY16 compared to \$193,935,458 in FY15. Appendix F provides a summary of all funds that the Foundation gave to the University during FY16 and FY15. The Foundation received a gift of real estate valued at \$840,000 in Thornton, CO in FY16.

Tuition and Fee Waivers

Appendix G provides a summary of tuition and fee waivers by campus. During the 2015-2016 school year, the University of Illinois granted tuition and fee waivers valued at almost \$48.9 million to 7,448 undergraduate students, and almost \$270.5 million to 23,904 graduate students. Of the \$319.4 million in tuition and fee waivers granted in FY16, \$24.2 million was for mandatory waivers and \$295.2 million was for discretionary waivers. The majority of waivers, totaling \$199.6 million in FY16, were for various assistantships at the three campuses. Waivers for grants and scholarships to veterans totaled \$8.9 million. Waivers totaled \$311.7 million in the 2014-2015 school year.

Health Services Facilities System

Appendix H provides a summary of health services facilities systems operations and a statement of revenues, expenses, and changes in net position. The summary includes the University of Illinois Hospital and associated clinical facilities providing patient care at, but not limited to, the University of Illinois at Chicago Medical Center. In FY16, the System had operating revenues of \$687.7 million and operating expenses of almost \$915.9 million, which resulted in an operating loss of \$228.1 million. However, once the non-operating revenues are considered, assets increased to \$4.3 million.

Accountants' Findings and Recommendations

Condensed below are the 18 findings and recommendations from the audit report. There were 14 repeated recommendations. The following recommendations are classified on the basis of information provided in the audit report.

Accepted or Implemented

- 1. Review the process to assess the existence of current period revenues and expenses and consider changes necessary to ensure they are accurately identified and recorded for presentation in the financial statements. (Repeated-2009)**

Finding: The University of Illinois (the University) has not established adequate internal controls over accurately identifying and recording deferred expense transactions and reporting prepaid expenses at fiscal year-end for financial reporting purposes.

Auditors reviewed 225 cash disbursement transactions, 60 P-Card expense transactions, and 60 T-Card expense transactions recorded during the fiscal year. They also reviewed 13 cash disbursement occurring subsequent to year-end. Auditors separately reviewed 12 internal journal voucher transactions recorded during the fiscal year and 60 cash receipt transactions.

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Accepted or Implemented – continued

During review of these transactions, auditors noted the following items were not recorded in the proper accounting period:

University of Illinois transactions

- One general expense cash disbursement (totaling \$4,157) that was recorded as an expense for fiscal year ended June 30, 2016, should have been fully accrued as of June 30, 2015 at an amount of \$4,157.
- One general expense cash disbursement (totaling \$27,563) that was recorded as an expense for fiscal year ended June 30, 2016, should have been partially deferred as of June 30, 2016 at an amount of \$17,662, and then recognized as an expense for the fiscal year ending June 30, 2017.
- Three cash receipts (totaling \$67,225) that were recorded as operating revenue for the fiscal year ended June 30, 2016, should have been partially accrued as of June 30, 2015 at an amount of \$61,070.

University of Illinois P-card transactions

- Three general and service expense cash disbursements (totaling \$8,399) that were recorded as expenses for fiscal year ended June 30, 2016, should have been partially deferred as of June 30, 2016 at an amount of \$8,222, and then recognized as expenses for the fiscal year ending June 30, 2017.

University of Illinois T-card transactions

- One general expense cash disbursement (totaling \$1,895) that was recorded as an expense for fiscal year ended June 30, 2016, should have been deferred as of June 30, 2016, and then recognized as an expense for the fiscal year ending June 30, 2017.

In discussing these conditions with University personnel, they stated that the units associated with the exceptions did not adequately follow the procedures to record the transactions in the proper period. While the University believes it has processes in place to prevent material misstatements in the financial statements, the highly decentralized business environment with hundreds of units and large volumes of transactions does present challenges to catching all errors.

Response: Accepted. The University will continue to implement corrective actions to address the recommendation in this finding.

- 2. Review and improve internal controls over procurement card transactions to ensure compliance with University policies so that erroneous or fraudulent transactions are not recorded in the general ledger system. (Repeated-2008)**

Finding: The University has not complied with University policies and internal controls over procurement card transactions.

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During testwork over 85 procurement card transactions totaling \$302,720, auditors noted the following:

- One transaction (totaling \$3,850) was a charge for pharmaceuticals/drugs, which are prohibited by the University's procurement card policies.
- Four transactions (totaling \$30,699) were paid in two or more installments, circumventing the card holder's single transaction limit of \$4,999.
- One transaction (totaling \$6,582) was made prior to the approval of form "Software Purchased by P-Card". The form was approved two days after the transaction date.

The University has approximately 4,462 active procurement cards and the procurement card expenditures paid for the year ended June 30, 2016 totaled \$58,487,244.

University management indicated the bulleted exceptions largely resulted from human error at the individual and unit level. In addition, management indicated the four transactions related to circumventing the card holder's single transaction limit of \$4,999 are the result of misunderstanding prohibitions outlined in policy.

Response: Accepted. The University recognizes the importance of process controls, training, and transaction monitoring in this area. Further corrective action measures will be taken in connection with the recommendation in this finding.

3. Review and implement stronger internal controls in order to monitor and maintain the accounts payable master vendor file.

Finding: The University has inadequate controls in place to monitor and maintain the accounts payable master vendor file.

During review of the University's accounts payable master vendor file (with 144,071 total vendors), auditors noted there were 779 duplicate records representing 360 vendors. The vendors had the same name but were given different vendor identification numbers in the accounts payable system. In addition, auditors noted 3,115 vendors without an employer identification number (EIN) listed and 105,938 vendors with no activity within the three previous fiscal years.

The University indicated that the conditions found within the University's accounts payable master vendor file largely resulted from a combination of systems limitations and the need for more regular reviews of the vendor master file. Regarding the systems limitations, one challenge involves the inability to delete a vendor in the system without also deleting the related spending history for that vendor. As such, there has been a historic hesitancy to delete vendors from the vendor file. A second challenge relates to the fact that some vendors are foreign nationals and do not have an employer identification number (EIN). Identifying these vendors in the system requires significant manual effort.

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Accepted or Implemented – continued

Response: Accepted. The University will continue to implement necessary corrective action to address the recommendation in this finding. Development and testing initiatives are ongoing and will continue with staff from Administrative Information Technology Services (AITS) to resolve the system limitations regarding the inactivation/deletion of vendors with no activity and properly identifying foreign vendors and nationals.

4. Implement procedures to ensure properly documented expenditures are recorded in the general ledger as they are incurred to ensure the reimbursement requests are adequately supported by the University's official accounting records. (Repeated-2010)

Finding: The University had inadequate accounting records to support reimbursement requests for the Research and Development Cluster and did not refund the overpayment on the Child Care Development Funds (CCDF) Grant timely.

During testing of 40 grants in the Research and Development (R&D) Cluster and one grant for the CCDF Cluster for cash management procedures, auditors noted the following:

- For Research and Development, six out of 60 draws (10%) tested included unsupported expenditures at the time of the draw. The agreements included expenditures noted within the draw that were not supported by documented expenditures at the time of the draws. The effect is a total of \$45,000 of funds were drawn down that were not supported at the time of the drawdowns for these two R&D grants.
- For the CCDF grant award, it was noted the agency overpaid the University for the final report for the June 30, 2016 close-out by \$3,729. The refund of \$3,729 due the Agency hadn't been processed timely as the close-out of the grant is still in progress, which is later than the 90 days close-out period under the grant.

The University stated the unsupported six R&D draws under the two grants identified occurred due to the University unit responsible for management of these two grants not following established policy. The University stated the late return of funds under the CCDF grant occurred due to ongoing communications related to the close-out of the award.

Response: Accepted. The University agrees the Research and Development funds were drawn prior to the expenditures being incurred. While the University has cash policies and procedures, the errors resulted from a unit not following established policies. The University provided additional training to the unit and implemented additional procedures to prevent funding from being drawn in advance of incurred expenditures. The CCDF late return of funds was due to ongoing communication related to the closeout of the award.

5. Review the current close-out procedures and implement additional procedures to monitor the timeliness of federal account close-outs. (Repeated-2009)

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Finding: The University does not have adequate procedures in place to ensure federal projects are closed in a timely manner.

The University administers thousands of individual federal projects from several federal agencies and pass-through entities which have varying project periods. The University has formally documented policies and procedures for closing out federally funded projects which generally require projects to be closed within 90 days after the project end date.

Procedures have been established to send a notice of terminating accounts to the principal investigator or program coordinator 90 days prior to the project end date. The notice provides information about the process for closing projects and includes an information request for any extensions granted and other project information necessary to complete the project close-out. Personnel in the Grants and Contracts Office are responsible for ensuring the University has met its obligations under the project, closing the general ledger accounts, and returning any unexpended grant funds to the federal agency or pass-through entity.

During review of the University's schedule of expenditures of federal awards for the year ended June 30, 2016, auditors noted expenditures (or negative expenditures) were reported for several projects with end dates of greater than the 90 day close-out period. Specifically, auditors noted the following:

Year Ended	Number of projects with end date during fiscal year	Year ended June 30, 2016		
		Number of Expenditures	Dollar amount of positive costs	Dollar amount of negative costs
6/30/2009	2	5	2,050	-
6/30/2010	3	86	5	(42,414)
6/30/2011	10	182	-	(278,393)
6/30/2012	29	230	4,345	(117,769)
6/30/2013	44	624	10,892	(110,339)
6/30/2014	89	2,018	101,042	(605,009)
6/30/2015	238	14,158	467,725	(1,214,313)
Total	415	17,303	586,059	(2,368,237)

Upon review of the transactions recorded in the projects above, auditors noted transactions included a number of transfer expenditures and corrections. Periodic financial reports previously submitted for several of the University's federally funded projects inaccurately included or excluded project expenditures which have later been corrected.

In discussing these conditions with University officials, they stated the reason for late close-out varies from award to award. Difficulties in collecting delinquent Accounts Receivable balances or completion of project deliverables can contribute to late award close-out. Additionally, some awards may remain open more than 90 days after the end date as the University awaits continuation paperwork for incrementally funded awards.

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Accepted or Implemented – continued

Response: Accepted. The University agrees that there were projects cited with end dates greater than the 90 day closeout period. The reason for late closeout varies from award to award. Difficulties in collecting delinquent Accounts Receivable balances or completion of project deliverables can contribute to late award closeout. Additionally, some awards may remain open more than 90 days after the end date as the University awaits continuation paperwork for incrementally funded awards. The University believes that there are effective internal controls to ensure that expenditures are allowable and in accordance with federal regulations. While the thorough closeout process ensures the appropriateness of the charges, it may also lengthen the closeout time.

The University has devoted additional attention to closeout review and processing to improve the timeliness of its closeouts. As a result of these efforts, the University has been successful in closing out a significant number of older awards. Of the 415 awards cited above, 285 of 296 UIUC projects, and 111 of 119 UIC projects have been successfully closed to date.

6. Review procedures for verifying participant eligibility and implement additional procedures to ensure the correct participant information is used to determine eligibility and calculate co-payments under the TANF and CCDF programs. (Repeated-2015)

Finding: The University did not have proper procedures in place to verify participant eligibility and correctly calculate co-payments for the State’s Child Care Assistance Program at the Illinois Child Care Resource Services (CCRS).

In relation to the Temporary Assistance for Needy Families Grant (TANF), CCRS is the department the University of Illinois designated to verify eligibility for participants receiving aid under the Child Care Resource Services program. The Illinois Department of Human Services (IDHS) is responsible for setting the eligibility requirements, determining payment rates, and accrediting providers. CCRS is responsible for the data entry process into the IDHS system, verifying eligibility per IDHS guidelines, calculating copay using IDHS spreadsheets, and retaining documentation and client files.

During testing of 40 beneficiary files for TANF, auditors noted 10 beneficiary files where CCRS did not properly verify eligibility or calculate the co-payment correctly:

- In three cases, the income per the parent co-payment calculation worksheet, which is used to determine monthly income, was improperly based on federal regulation and co-payments were incorrect.
- In four cases, the income per the parent co-payment calculation worksheet was improperly based on federal regulations.
- In three cases, auditors viewed the participant’s grant history printout from IDHS’ system, and noted that the participant’s eligibility was not verified by a “Y” in the grant history column for the period of eligibility that was being tested.

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In relation to the Child Care Development Funds Grant, CCRS is the department for the University of Illinois designated to receive and administer funds and aid under the Child Care Assistance Program to assist parents with child care needs. During testing for 40 beneficiary payments disbursed totaling \$11,551 under the Child Care Assistance Program, auditors noted eight beneficiary files with payments totaling \$2,872 with incorrect or incomplete information related to eligibility or co-payments.

- In five cases, the income per the parent co-payment calculation worksheet was improperly based on federal regulation.
- In three additional cases, there were improper amounts used on the parent co-payment calculation worksheet and these were improperly based on federal regulations.

University officials stated the conditions noted in the finding were the result of clerical errors.

Response: Accepted. The University has policies and procedures in place for verifying participant eligibility.

For the first two TANF bullets cited, the University acknowledges that, due to human error, proper assistance amounts were not used to determine eligibility for Child Care Resources Services. However, the University disagrees with the third TANF bullet that participants were ineligible for assistance. The participants would still be eligible for assistance under the non-TANF rules. The University is reviewing current policies and procedures for determining eligibility and will revise if necessary.

For the Child Care Development Funds Grant exceptions cited, the University acknowledges that, due to human error, proper assistance amounts were not used to determine eligibility and co-payment calculations. The University is reviewing current policies and procedures for determining eligibility and will revise if necessary.

Auditor's Comment: The exceptions identified for TANF were the result of expenditures reported by the University under TANF. Hence, the University's assertion that they disagree with bullet three under TANF as these participants would have been eligible to receive benefits under non-TANF rules does not address that these participants did receive benefits reported under the TANF program. As a result, these participants received ineligible benefits under TANF as reported by the University.

7. Review policies related to documentation and approval of cost transfers and implement procedures to ensure the University cost transfer policies are being adequately followed for all federal funds including agricultural grant funds (Hatch Grant). (Repeated-2013)

Finding: The University does not adequately document cost transfers for the Research and Development agricultural grant (Hatch Grant).

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Accepted or Implemented – continued

The University lacks formal policies and procedures for the Federal Agriculture Funds and does not prepare cost transfer forms for any appropriations received under the Hatch Grant in the Research and Development Cluster.

During testing of 40 Research and Development cost transfers, auditors noted two cost transfer totaling \$558 under the Hatch Grant where cost transfer forms were not prepared.

The University is responsible for maintaining a policy to document the processing of cost transfers. However, the current cost transfer policy does not address these particular grant funds.

Response: Accepted. There is no requirement under University Policy 16.1.2 for the forms cited in the finding. However, effective July 1, 2016, the University developed and implemented policies and procedures related to documentation and approval of cost transfers for Hatch Capacity Funds and Cooperative Extension Services Smith-Lever Capacity Funds.

The cost transfer form cited as missing is required for sponsored projects administered at the Office of Grants and Contracts. The Federal Agriculture Appropriation Capacity Funds are administered at the College of Agriculture, Consumer and Environmental Sciences.

8. Review procedures for communicating information to subrecipients and implement the procedures necessary to ensure information is included in the subrecipient award documents at the time of funding. (Repeated-2014)

Finding: The University did not communicate required program information to subrecipients of the Research and Development Cluster program and the Head Start Cluster.

During testwork of four subrecipient subawards in the Head Start Cluster totaling \$701,400 and 40 subrecipient awards totaling \$58,036,158 for the Research and Development Cluster, auditors noted the following:

- In the Head Start Cluster, two subrecipients (with awards totaling \$457,000) were not informed of the Federal Award Identification Number (FAIN). The University erroneously listed the internal grant number in place of the FAIN.
- In the Research and Development cluster the following was noted:
 - One subrecipient (with awards totaling \$193,934), did not provide the University their DUNS number.
 - Thirteen subrecipients (with awards totaling \$7,145,199) were not notified of the CFDA and title. The CFDA number was listed in the prime award, but was omitted for the sub agreement upon issuance of the sub award.
 - Five subrecipients (with awards totaling \$11,792,314) were not informed of the Federal Award Date in the subagreements.

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In discussing this condition related to the Head Start subawards with University officials, the University stated the subrecipients were provided with the University's identification number rather than the FAIN due to human error.

In discussing this condition related to the Research and Development subawards with University officials, the University stated in some cases an outdated subaward template was used resulting in subrecipients not being informed of the Federal Award Date in the subagreements. The University stated they maintain subaward procedures, but in these cases the subaward procedures were not adequately followed by grant personnel.

Response: Accepted.

UIUC Response:

The University has developed more robust subaward procedures to ensure the required information is obtained from or communicated to subrecipients. The exceptions cited above were for agreements completed prior to the implementation of these procedures. The University is revisiting awards completed under the previous procedure to ensure required elements have been communicated.

UIC Response:

The University agrees that two Head Start subawards were missing the Federal Award Identification number (FAIN) and two Research and Development subawards were missing the Federal Award Date as a result of human error. The University is reviewing its procedures for communicating information to subrecipients and is using updated subaward templates if necessary to ensure all required information is included in the subrecipient award documents at the time of funding.

9. Implement procedures to ensure financial reports are filed in a timely manner.

Finding: The University did not timely submit financial reports for its federal programs.

During testwork of 40 Research and Development Cluster SF-425 reports (16 quarterly reports, four annual reports, and one final report), 13 monthly reports and 7 ACM\$ reports auditors noted the following:

- In the Research and Development Cluster, three monthly reports were submitted eight to 20 days late; one annual report was submitted 10 days late; and one quarterly financial status report was submitted two days late.

University officials stated there are various reasons for submitting after the required filing dates such as delays in confirmation of expenditures from the administering departments or awaiting fully executed agreements.

Response: Accepted.

UIUC Response:

The University agrees that three monthly financial reports for CFDA 77.000 were filed late.

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Accepted or Implemented – continued

UIC Response:

The final quarterly Federal Financial Report for CFDA 66.469 and the annual report for CFDA 17.720 were submitted after the reporting deadlines due to delays in the confirmation of expenditures from the administering departments.

10. Review current processes for reporting to National Student Loan Data Systems (NSLDS) and implement procedures to ensure submissions are reported timely for enrollment status and student status changes. (Repeated 2015)

Throughout the 2015-16 award year, auditors noted error records were being returned on the enrollment reporting rosters that were sent to National Student Loan Data System (NSLDS) and those error records were not being corrected and resubmitted within the required 10 days. As well, student status changes were not being reported to NSLDS within the 60-day requirement.

This processing error is not within a computer system in the control of the University. While it is difficult to eliminate all errors, it is possible for colleges and universities to create an Enrollment Reporting Summary Report after reporting student status changes on NSLDS, which can help to detect these types of errors. The Summary Report must then be reviewed by college registrar staff and errors must be corrected manually.

University officials stated processing errors occurred with the third party vendor it uses for enrollment reporting that resulted in lack of timely enrollment status updates being made to NSLDS.

Response: Accepted. The University agrees that processing errors occurred with the third party vendor used for enrollment reporting. The University continues to work with the vendor and the NSLDS to improve timely reporting.

The University of Illinois at Chicago agrees two students records were not updated within the sixty day requirement. The University timely certified the change with the third party vendor, but due to processing errors at the vendor, the changes did not occur within sixty days. The University is reviewing procedures to ensure submissions are reported timely for enrollment status and student status changes and will revise if determined necessary.

11. Review current procedures for awarding Title IV Funds and implement further control procedures to ensure students are correctly awarded federal funds. (Repeated-2015)

Finding: The University of Illinois at Springfield incorrectly awarded one student Pell Title IV Funds.

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During student file testing, auditors noted one student out of 60 had an incorrect award letter showing more Title IV funds than they were qualified for. The University of Illinois at Springfield Student Financial Aid department should have completed the award letter for a Pell amount of \$4,925 instead of \$5,025, resulting in an error on the letter of \$100. However, the University did not disburse funds to the student in excess of their total need.

In discussing this condition with University officials, the incorrect award occurred due to human error.

Response: Accepted. The University agrees one award letter communicated an incorrect Pell award amount. The Notification Letter included the Pell award amount prior to the completion of the verification process. Once the verification process was complete, the maximum Pell award amount decreased, and the award letter was not updated. However, the student's Pell award disbursement was correct, and the total cost of attendance was not exceeded. The University is reviewing its current procedures to ensure award records are correctly updated and will revise if determined necessary.

12. Review current procedures for Title IV funds and implement additional procedures to ensure funds are properly and timely returned. Also, implement a formal review procedure to document the Return of Title IV (R2T4) calculations are being performed to minimize the likelihood that errors may go undetected and not be corrected in a timely manner. (Repeated-2015)

Finding: The University did not accurately complete Return of Title IV (R2T4) calculations for students.

Out of the 22 students tested at University of Illinois at Chicago, auditors noted one student for which the University did not accurately complete the R2T4 calculation. The student requested the withdrawal on February 2, 2016 but the University used February 8, 2016 as the withdrawal date for the R2T4 calculation, resulting in an error in the R2T4 calculation of \$677, which should have been returned to the Department of Education.

Out of the 22 students tested at University of Illinois at Chicago, auditors noted two students for which the University did not properly round to three decimal places for the students' R2T4 calculations, resulting in errors in the R2T4 calculation of \$7, which should have been earned by the students.

The University of Illinois at Springfield and at Chicago do not have a formal review process in place for the R2T4 calculations. The Universities have indicated a review is happening; however, no formal review is documented.

In discussing this condition with University officials, the inadequate Return of Title IV calculations were a result of human errors and a change in how withdrawals are processed.

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Accepted or Implemented – continued

Response: Accepted. The University of Illinois at Chicago agrees that the incorrect withdrawal date was used for one student, and there were two instances where the refunds were not processed to the correct decimal place for the Return of Title IV (R2T4). The University is reviewing current procedures to ensure funds are properly and timely returned to the Department of Education and will revise if determined necessary. Additionally, we believe that a Return of Title IV review was conducted but not formally documented.

13. Review current procedures for performing eligibility determination in accordance with program regulations and implement any changes necessary to ensure proper documentation is used to determine program eligibility. (Repeated-2011)

Finding: The University did not perform eligibility determinations for beneficiaries of the Maternal and Child Health Services Block Grant (MCH Block Grant) program in accordance with the Illinois Division for Specialized Care for Children (DSCC).

During testing for 40 beneficiary payments disbursed totaling \$6,663 under the MCH Block Grant, auditors noted one beneficiary with a payment totaling \$52 with incorrect information. The benefit paid on behalf of the beneficiary was not calculated properly. Based on review of the claim summary form from the health insurance, the beneficiary was only responsible for paying \$49 and due to a data entry error, the beneficiary paid \$52, which resulted in an overpayment of \$3.

In discussing this condition with University officials, they stated the differences were a result of human error.

Response: Accepted. The University agrees that the benefit was incorrectly calculated. Due to a typographical error when entering data from medical claims to be paid from the MCH Block Grant, an overpayment was created. The overpayment has been refunded and removed from the award.

14. Review procedures to ensure equipment inventory records are accurate and equipment items are properly tagged.

Finding: The University does not adequately follow property management regulations relative to equipment purchased with federal funding from the Research and Development Cluster and Cooperative Extension Services programs.

During physical observation of 40 pieces of equipment purchased with the Research and Development Cluster funds and 16 pieces of equipment purchased with Cooperative Extension Service Program funds, auditors noted the following:

- One item included on the FY16 Cooperative Extension equipment listing could not be verified as the asset tag was not visible on the equipment item.

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- One item included on the FY16 Research and Development equipment listing could not be located. Upon further inquiry, this piece of equipment was on loan to another University. Forms such as the Sponsored Equipment Loan Agreement and the Agreement for Temporary Off-University Use were not completed and signed.

The University stated the asset tag was not visible on the server without unplugging the server. The University stated the equipment on loan was transferred with incomplete loan forms due to the timing of the departure of the Principal Investigator on the grant.

Response: Accepted. The University has property and equipment policies and procedures in place related to the tagging and transfer of equipment. The University agrees that one asset tag was not visible at the inspection without a service interruption. During this period, service interruptions were not allowed in order to meet the demands of the crucial data processing. There are policies and procedures currently in place related to equipment loans. The University agrees that the Research and Development equipment was transferred with incomplete loan forms.

- 15. Establish appropriate procedures to ensure that all contracts and leases are completed, approved, and properly executed prior to the start of the services and lease term. Further, review procedures to ensure all appropriate signatures, clauses and certifications are obtained prior to execution for all contracts and lease agreements, and that all applicable contracts, real estate leases, and emergency purchases are filed with the Office of the Comptroller and the Auditor General of the State of Illinois in accordance with the statutes and related guidelines. (Repeated-2003)**

Finding: The University has not established adequate internal controls over contracts and leases to ensure all necessary approvals are received and the agreements are executed prior to the performance and filed with the State of Illinois Office of the Comptroller on a timely basis.

Some of the conditions noted during review of 69 contracts, including purchase orders, executed during FY16, were as follows:

- Three contracts did not contain the signature of the employee signing on behalf of the University Comptroller.
- Five contracts (totaling \$31,448,711) were not approved by the University's Chief Executive Officer or Chief Legal Counsel out of 54 contracts (totaling \$194,952,526) sampled requiring this level of approval. Of the five contracts, one contract (totaling \$1,000,000) was approved 155 days after the contract start date, and four contracts (totaling \$30,448,711) were not approved at all.
- Six contracts (totaling \$33,675,196) were executed subsequent to the start date of the contracts. The contract execution dates ranged from seven to 248 days from the commencement of service.
- Three contracts did not contain disclosure of financial interest statements of contractors or subcontractors, as required. The disclosures were submitted 33 to 326 days late.

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Accepted or Implemented – continued

- Thirteen contracts did not have standard vendor certifications, as required. Of the 13 contracts, 12 contracts did not contain the certification by the vendor to maintain and make available records to the State for audit purposes.
- One contract's total expenditures (totaling \$150,000) for the fiscal year exceeded the total contract amount (totaling \$78,021) awarded.
- Eight contracts were not submitted to the State Comptroller's Office, as required. Of the eight, one contract was filed 68 days late and seven contracts were not filed at all.

During review of 25 real property leases executed during FY16, some of the conditions noted by the auditors were as follows:

- Seven lease agreements (totaling \$18,865,776) did not contain the signature of the employee signing on behalf of the University Comptroller.
- Two leases (totaling \$252,078) were executed after the lease term began. The lease execution dates ranged from one to 37 days after the beginning of the lease.
- One lease was not paid in accordance with the lease term, resulting in an overpayment of \$13,301.
- Real Estate Disclosure Forms for two leases were not properly and timely completed, as required. Of the two Real Estate Disclosure Forms, one was signed seven days after the beginning of the lease term, and the other was not completed at all.

During review of 25 emergency purchases that occurred during the year ended June 30, 2016, auditors noted the following:

- One contract was procured as an emergency when none of the emergency purchase conditions were met or such conditions could have been avoided.
- One emergency purchase was extended beyond 90 days; however, requirements for an emergency purchase extension were not complied with. Rather than complying with the requirements for an emergency purchase extension, a new emergency purchase affidavit was issued for the extended period.
- Four emergency purchases were not filed with the Office of the Auditor General, as required. Three out of the four emergency purchases were filed 21 to 88 days late and one emergency purchase was not filed at all.

University officials stated that given the large number of contracts processed by the University there are occasions when certain State and University requirements and University best business practices are not met. University management indicated the bulleted exceptions largely resulted from human error, technical deficiencies or process interpretation and oversight.

Response: Accepted. The University recognizes the importance of process controls, training, and transaction monitoring in these areas. Corrective action measures have been put in place or will be taken in connection with the recommendations in this finding to include: (1) contracts missing name and title of person who signed the documents were completed prior to enhancements to the enterprise-wide Illinois Contract System (ICS) program in December 2015, which added name and titles of all authorized signatory and added automatic

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notifications to staff responsible for timely filing of contracts to the State Comptroller's Office; (2) staff will receive annual refresher training in January 2017 regarding executed and start dates of contracts and on University policy stating that all procurement contracts that exceed \$249,999 must have the signature of the Comptroller, President, and Chief Legal Counsel; and (3) further training and template revisions will be accomplished to mitigate human error and misinterpretations of transaction processing for group purchasing requirements in relation to Board of Trustee approval, requirements for all contract and real estate lease disclosures to include financial interests, conflict of interest and certifications, contract approval prior to service, vendor registrations, contract file documentation, and emergency purchasing processing and filing.

16. Implement procedures to ensure all employees submit time sheets as required by the State Officials and Employees Ethics Act. (Repeated-2005)

Finding: The University does not require all employees to submit time sheets as required by the State Officials and Employees Ethics Act (Act).

During testing of payroll, auditors selected 25 employees across all three campuses and noted the following:

- Eight employees did not file time sheets as required by the Act. Based upon inquiry of the University management, faculty, postdoctoral employees, instructors, and lecturers continue to track their time using a "negative" timekeeping system whereby the employee is assumed to be working unless noted otherwise.
- Three employees under Academic Professional and Civil Service employee classes did not properly submit time sheets, as required by the University policy. Of the three employees, one employee did not submit any time sheets during FY16, one employee did not submit time sheets for one full pay event of 14 days, and the other employee did not submit time sheets for eight of the 28 days within the full pay event.

University officials stated that due to the unique nature of faculty and post-doctoral work, the creative process for the development and discovery of new knowledge does not fit in with traditional Monday through Friday forty-hour work week. Tracking time that is put into the preparation of instructional materials, research, public service and economic development takes place anytime and anywhere on a continuing basis and is very difficult to quantify. Faculty productivity is evaluated through the tenure process and annually for tenured faculty. Each campus continues to track faculty and other post-doctoral positions through a timekeeping system whereby the employee reports their leave. While several mechanisms are in place, including training and weekly reminder emails, it can sometimes be a challenge to achieve full cooperation from some employees.

Response: Accepted. For faculty and post-doctoral exceptions: There is ongoing dialogue with the academic leadership at each University campus regarding further implementation of this requirement.

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Accepted or Implemented – concluded

For Academic Professional and Exempt Civil Service exceptions: The University continues to take steps to address any issues.

17. Review process for monitoring employee sabbatical leaves and consider any changes necessary to ensure all written sabbatical leave reports are properly completed and submitted within the required timeframes. (Repeated-2012)

Finding: The University does not have adequate procedures to monitor submission of sabbatical reports from employees returning from sabbatical leaves.

During review of 25 employees who both returned from sabbatical leave and were required to submit a sabbatical report during fiscal year ended June 30, 2016, auditors noted the following:

- Two employees did not submit their required written sabbatical reports on their activities, study, and travel during the leave, within the required time frames. Delays in submitting these reports ranged from four and five days after the required time frames.
- The sabbatical reports of two employees were not transmitted from the college office to the Office of the Provost within the required time frame. The reports were submitted three and five days later than the required time frame.

University officials stated: (a) for the Springfield campus, one of the noted faculty members communicated with the Provost Office prior to report due date, but upon receipt of report required follow-up due to missing signatures. The second noted faculty member was unable to meet the due date for the sabbatical report; and (b) for the Urbana-Champaign campus, the faculty member was unable to meet the due date for the sabbatical report.

Response: Accepted. UIS faculty file office sends email reminders to faculty members about the deadline for submitting their sabbatical report. The faculty file office has implemented a more complete tracking system to monitor the receipt of sabbatical reports.

UIUC has taken corrective action and reviewed its processes. In addition to the sabbatical report due date published in Provost's Communication #19, Sabbatical Leaves of Absence, Academic Human Resources followed established practice related to communicating sabbatical report due dates. Academic Human Resources (AHR) sent two e-mail messages, at one-month intervals, on February 15, 2016 and March 15, 2016 to individual faculty members who had returned in January 2016 to regular roles following fall semester 2015-16 sabbatical activities. AHR then communicated with College Dean's offices to track report submission and signature routing; one week prior to the report due date, AHR contacted Department Head's assistants via phone calls and e-mail messages requesting personal communication from the Department Head to each faculty member who had not yet submitted a report (faculty member was named within the phone call or e-mail communication). Based on these communications, AHR's records indicate that of the 46 reports due, one was submitted late.

18. Review current process for reviewing and approving travel card transactions and consider any changes necessary to ensure charges are made in accordance with University policies and procedures.

Finding: The University has not established adequate internal controls over travel card transactions. During testwork over 60 travel card transactions (totaling \$331,836), auditors noted the following:

- Five transactions (totaling \$21,303) included charges for sales tax (totaling \$1,790), which is a prohibited charge since the University is considered to be a tax exempt organization;
- One transaction (totaling \$1,080) was not supported by an itemized receipt, as required;
- One transaction (totaling \$4,000) was part of an invoice (totaling \$25,883) that exceeded the cardholder's single transaction limit amount. The required T-Card Exception Request Form was not approved prior to using the T-Card for that purchase; and
- One transaction (totaling \$624) exceeded the allowable amount (\$20/per person) for refreshments and was not properly approved, as required.

The University has approximately 3,991 active travel cards, and the travel card expenditures paid for the year ended June 30, 2016 totaled \$32,202,956.

University officials stated the bulleted exceptions largely resulted from human error at the individual and unit level. In addition, management indicated the five exceptions related to the University's sales tax exemption status are the result of challenges in understanding when tax exemption applies and how and when it should be documented if a vendor does not accept the University's tax exemption status.

Response: Accepted. The University recognizes the importance of process controls, training, and transaction monitoring in these areas. A university-wide communication will be issued to employees with travel cards and their Departmental Card Managers in February 2017 emphasizing requirements for pre-approval of exception requests, supporting documentation requirements for individual transactions, and reminders of sales tax exemption status. Further corrective action and training measures will be taken in connection with the recommendations in this finding.

Emergency Purchases

The Illinois Procurement Code (30 ILCS 500/) states, "It is declared to be the policy of the State that the principles of competitive bidding and economical procurement practices shall be applicable to all purchases and contracts..." The law also recognizes that there will be emergency situations when it will be impossible to conduct bidding. It provides a general exemption when there exists a threat to public health or public safety, or when immediate expenditure is necessary for repairs to State property in order to protect against further loss of or damage to State Property, to prevent or minimize serious disruption in critical State

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services that affect health, safety, or collection of substantial State revenues, or to ensure the integrity of State records; provided, however that the term of the emergency purchase shall not exceed 90 days. A contract may be extended beyond 90 days if the chief procurement officer determines additional time is necessary and that the contract scope and duration are limited to the emergency. Prior to the execution of the extension, the chief procurement officer must hold a public hearing and provide written justification for all emergency contracts. Members of the public may present testimony.

Notice of all emergency procurement shall be provided to the Procurement Policy Board and published in the online electronic Bulletin no later than 3 business days after the contract is awarded. Notice of intent to extend an emergency contract shall be provided to the Procurement Policy Board and published in the online electronic Bulletin at least 14 days before the public hearing.

A chief procurement officer making such emergency purchases is required to file an affidavit with the Procurement Policy Board and the Auditor General. The affidavit is to set forth the circumstance requiring the emergency purchase. The Legislative Audit Commission receives quarterly reports of all emergency purchases from the Office of the Auditor General. The Legislative Audit Commission is directed to review the purchases and to comment on abuses of the exemption.

The University filed 25 affidavits for emergency purchases in FY16 totaling \$87,139,901.48 as follows:

- \$76,384,424.00 for pharmaceuticals;
- \$ 5,135,708.32 for medical equipment;
- \$ 2,667,535.86 for repairs and renovation;
- \$ 1,562,500.00 for electronic library materials;
- \$ 985,733.30 for healthcare services; and
- \$ 404,000.00 for insurance review.

(See Recommendation #15 for more information about the University's emergency purchases during the fiscal year under review.)

Headquarters Designations

The State Finance Act requires all State agencies to make semiannual headquarters reports to the Legislative Audit Commission in January and July. Each State agency is required to file reports of all of its officers and employees for whom official headquarters have been designated at any location other than that at which their official duties require them to spend the largest part of their working time. On July 5, 2016 the University of Illinois indicated that no employees spent the majority of working time at locations other than official headquarters.

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APPENDIX A

Enrollment and Cost

	<u>Urbana</u>		<u>Chicago</u>		<u>Springfield</u>	
	<u>Under-graduate</u>	<u>Grad. & Profess.</u>	<u>Under-graduate</u>	<u>Grad. & Profess.</u>	<u>Under-graduate</u>	<u>Grad. & Profess.</u>
2016 Fall FTE Enrollment	34,642	15,145	16,579	8,759	2,443	1,910
2015 Fall FTE Enrollment	34,084	14,504	16,204	8,870	2,419	1,862
2016 Cost per FTE Student	10,657	18,040	9,124	15,949	11,838	10,199
2015 Cost per FTE Student	11,510	20,017	10,395	17,539	11,952	10,458

Employment

<u>FTE Employees</u>	2016			2015		
	<u>Urbana</u>	<u>Chicago</u>	<u>Springfield</u>	<u>Urbana</u>	<u>Chicago</u>	<u>Springfield</u>
Faculty	3,120	2,647	264	3,125	2,592	267
Academic Professionals	4,518	2,696	234	4,560	2,969	227
Support Staff	4,410	6,501	317	4,584	6,121	313
Other	2,666	2,011	121	2,662	2,016	150
Total by Campus	14,714	13,855	936	14,931	13,698	957
Employment, all campuses			29,505			29,586

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APPENDIX B

Summary of Appropriations and Expenditures and Income Fund

	FY16	FY15
TOTAL APPROPRIATIONS	\$ 185,060,300	\$ 652,557,700
 <u>EXPENDITURES</u>		
<u>General Revenue</u>		
State Scientific Survey	\$ -	\$ 16,447,900
Transfer to UI Hospital Services	-	43,987,500
Fund Expenditures	\$ -	\$ 60,435,400
 <u>Educational Assistance</u>		
Transfer to UI Hospital Services	\$ 11,104,600	\$ -
Hispanic Center Excellence	-	734,000
Dixon Springs	-	301,300
Dentistry	-	321,100
Personal services	167,645,200	507,084,200
Awards & grants	-	5,921,200
Contractual services	-	32,700,000
Health Insurance	-	24,333,100
Medicare	-	9,518,000
Public Policy Institute	-	1,146,800
Labor and Employment Relations Degree Programs	641,600	686,200
Labor and Employment Relations Certificate Programs	702,700	537,600
Fund Expenditures	\$ 180,094,100	\$ 583,283,500
Fire Prevention Fund	3,816,200	3,721,300
State College and University Trust Fund	191,025	186,525
Hazardous Waste Research Fund	500,000	500,000
Emergency Public Health Fund	200,000	200,000
Used Tire Management Fund	200,000	200,000
General Professions Dedicated Fund	-	500,000
TOTAL EXPENDITURES	\$ 185,001,325	\$ 649,026,725
 <u>University Income Fund</u>		
	FY16	FY15
Revenues	1,171,070,689	1,104,812,828
Expenditures	1,375,873,358	1,091,557,197
Fund Balance at end of budget fiscal year	\$ 37,203	\$ 204,776,758

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APPENDIX C

Statement of Revenues , Expenses and Changes
In Net Position

<u>Operating Revenues</u>	<u>FY16</u>	<u>FY15</u>
Student tuition and fees, net	\$ 1,145,945,000	\$ 1,095,905,000
Federal appropriations	15,826,000	14,297,000
Federal grants & contracts	653,156,000	627,236,000
State of Illinois grants & contracts	40,376,000	83,798,000
Private and other agency gifts, grants & contracts	138,119,000	144,062,000
Educational activities	302,581,000 (b)	293,743,000
Auxillary enterprises, net	406,620,000	407,530,000
Hospital and other medical activities	703,177,000 (b)	684,000,000
Medical Service Plan	206,513,000	198,495,000
Independent operations	10,602,000	12,899,000
Interest and service charges on student loans	1,289,000	2,145,000
Total Operating Revenues	\$ 3,624,204,000	\$ 3,564,110,000
 <u>Operating Expenses</u>		
Instruction	\$ 1,380,175,000	\$ 1,300,281,000
Research	740,788,000	744,043,000
Public service	476,457,000	512,953,000
Academic support	517,258,000	507,303,000
Student services	198,433,000	184,572,000
Institutional support	297,075,000	282,877,000
Operation and maintenance of plant	299,657,000	324,010,000
Scholarships and fellowships	278,994,000	278,001,000
Auxillary enterprises	353,159,000	371,639,000
Hospital and medical activities	895,572,000	793,777,000
Independent operations	10,047,000	12,182,000
Depreciation	254,879,000	248,889,000
Total Operating Expenses	\$ 5,702,494,000	\$ 5,560,527,000
Operating (Loss)	\$ (2,078,290,000)	\$ (1,996,417,000)
 <u>Nonoperating Revenues (Expenses)</u>	<u>FY16</u>	<u>FY15</u>
State appropriations	\$ 181,502,000	\$ 653,128,000
Transfer of state appropriations to the Illinois DHFS		
Hospital Services Fund	(11,105,000)	(43,988,000)
Private gifts	158,913,000	177,195,000
Federal grants, nonoperating	111,067,000	134,910,000
On behalf payments for fringe benefits	1,336,491,000	1,172,354,000
Net investment income	42,863,000	69,462,000
Net increase (decrease) in the fair value of investments	(22,439,000)	(39,044,000)
Interest expense	(62,188,000)	(63,790,000)
Loss on disposals of capital assets	(11,136,000)	(10,802,000)
Other nonoperating revenues (expenses)	66,167,000	50,297,000
Net nonoperating revenues (expenses)	\$ 1,790,135,000	\$ 2,099,722,000

Appendix C - continued

Income (loss) before other revenues	(288,155,000)	103,305,000
Capital state appropriations	3,366,000	8,942,000
Capital gifts and grants	8,819,000	2,782,000
Private gifts for endowment purposes	4,000	1,000
Increase (Decrease) in Net Position	\$ (275,966,000)	\$ 115,030,000
Net Position, Beginning of Year, adjusted (a)	<u>4,597,847,000</u> (a)	<u>4,446,931,000</u>
Net Position, End of Year	<u>\$ 4,321,881,000</u>	<u>\$ 4,561,961,000</u>

(a) Beginning of year net position for fiscal year 2015 was adjusted due to adoption of a new accounting standard, GASB Standard #68.

Net position, beginning of year as previously reported	\$ 4,561,961,000
Cumulative effect of change in accounting principle	<u>35,886,000</u>
Net position, beginning of year, adjusted	<u>\$ 4,597,847,000</u>

(b) Certain items were reclassified to correspond to the June 30, 2016 presentation.

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APPENDIX D

Accounts Receivable

Current Unrestricted Funds	<u>FY16</u>	<u>FY15</u>
Student tuition	\$ 46,181,545	\$ 44,448,496 (a)
Other unrestricted	27,124,782	21,072,717
Entity activities -		
Auxiliary enterprises	17,288,593	17,025,695
Hospitals/clinics	503,945,202	520,065,596
Other departmental	47,929,888	48,133,045 (a)
Total accounts receivable	<u>642,470,010</u>	<u>650,745,549</u>
Allowance for doubtful accounts -		
Student tuition	(18,878,714)	(17,199,747) (a)
Other unrestricted funds	(1,421,790)	(168,181)
Auxiliary enterprises	(5,751,316)	(5,798,372)
Hospitals and clinics	(319,273,895)	(382,030,132)
Other department activities	(6,454,197)	(6,576,729) (a)
Total Allowance for Doubtful Accounts	<u>(351,779,912)</u>	<u>(411,773,161)</u>
Net Current Unrestricted Funds Receivable	<u>290,690,098</u>	<u>238,972,388</u>
Current Restricted Funds		
Medical Service Plan	63,332,905	72,107,111
Grants, contracts, & gifts	175,837,961	162,320,147
Federal appropriations	1,739,041	1,987,504
Total accounts receivable	<u>240,909,907</u>	<u>236,414,762</u>
Allowance for doubtful accounts		
Medical service plan	(21,170,969)	(22,873,887)
Grants, contracts and gifts	(2,886,971)	(1,424,681)
Current Restricted Funds accounts receivable, net	<u>216,851,967</u>	<u>212,116,194</u>
Plant Funds	<u>7,796,195</u>	<u>6,358,247</u>
Total accounts receivable, net	<u>\$ 515,338,260</u>	<u>\$ 457,446,829</u>
Total notes receivable, net	61,277,458	63,970,081
Total accounts and notes receivable, net	<u>\$ 576,615,718</u>	<u>\$ 521,416,910</u>

(a) Certain items were reclassified to correspond to the June 30, 2015 presentation.

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APPENDIX E

Summary of Capital Assets

	Balance at July 1, 2015	Additions	Retirements	Transfers	Impairments	Balance at June 30, 2016
Nondepreciable Capital Assets						
Land	\$ 135,822,035	\$ -	\$ -	\$ -	\$ -	\$ 135,822,035
Construction in progress	303,682,380	240,520,943	-	(143,671,919)	-	400,531,404
Inexhaustible collections	22,982,798	292,206	-	-	-	23,275,004
Total nondepreciable capital assets	\$ 462,487,213	\$ 240,813,149	\$ -	\$ (143,671,919)	\$ -	\$ 559,628,443
Depreciable Capital Assets						
Buildings	4,035,443,191	341,241	-	116,672,429	(2,097,064)	4,150,359,797
Improvements and infrastructure	702,297,271	-	-	23,032,370	-	725,329,641
Equipment	1,220,364,311	73,677,897	(48,162,912)	1,961,214	-	1,247,840,510
Exhaustible collections/Library materials	623,923,123	20,500,810	(8,085,390)	-	-	636,338,543
Software	176,883,883	-	-	2,005,906	-	178,889,789
Subtotal	\$ 6,758,911,779	\$ 94,519,948	\$ (56,248,302)	\$ 143,671,919	\$ (2,097,064)	\$ 6,938,758,280
Less accumulated depreciation	3,578,224,225	254,879,227	(45,111,974)	-	(1,164,169)	3,787,991,478
Total net depreciable capital assets	3,180,687,554	(160,359,279)	(11,136,328)	143,671,919	(932,895)	3,150,766,802
Total Capital Assets	\$ 3,643,174,767	\$ 80,453,870	\$ (11,136,328)	\$ -	\$ (932,895)	\$ 3,711,559,414

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APPENDIX F

Summary of Funds Provided by and to the Foundation

	<u>FY16</u>	<u>FY15</u>
Funds and services provided by the University	\$ 10,139,716	\$ 12,307,969
Unrestricted Funds	74,258	99,133
Restricted only as to campus, college or department and generally available for ongoing university operations:		
Provided to a particular campus	233,461	8,307,758
Provided to a particular college	56,604,358	61,819,223
Subtotal	\$ 56,912,077	\$ 70,226,114
Restricted by donor:		
Provided for student support	25,349,591	25,925,277
Provided for faculty support	10,268,135	10,157,719
Provided for certain instructional, research, and public service programs	52,022,505	54,285,780
Provided for physical facilities additions or improvements	17,201,660	32,109,547
Provided for other restricted purposes	1,377,835	1,231,021
Total funds provided to the University	\$ 163,131,803	\$ 193,935,458

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APPENDIX G

Tuition and Fee Waivers

2015 - 2016 School Year

	Undergraduate			Graduate		
	Tuition Wavers	Fee Waivers	Total Waivers	Tuition Waivers	Fee Waivers	Total Waivers
Urbana	\$ 35,373,000	\$ 1,788,000	\$ 37,161,000	\$ 178,396,000	\$ 11,788,000	\$ 190,184,000
Chicago	8,623,000	287,000	8,910,000	69,843,000	7,702,000	77,545,000
Springfield	2,608,000	173,000	2,781,000	2,492,000	243,000	2,735,000
Total	\$ 46,604,000	\$ 2,248,000	\$ 48,852,000	\$ 250,731,000	\$ 19,733,000	\$ 270,464,000

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 UNIVERSITY OF ILLINOIS
 YEAR ENDED JUNE 30, 2016

APPENDIX H

Health Services Facilities System
Statement of Revenues, Expenses, and Changes in Net Position

<u>Operating Revenues</u>	<u>FY16</u>	<u>FY15</u>
Net patient service revenues	\$ 620,406,166	\$ 610,453,914
Payments on behalf of the System	28,291,861	21,488,592
Other revenues	39,039,467	41,959,539
Total Operating Revenues	<u>\$ 687,737,494</u>	<u>\$ 673,902,045</u>
<u>Operating Expenses</u>		
Salaries & wages	299,645,868	286,104,950
Fringe benefits	241,807,202	205,917,082
Supplies & general expenses	340,488,468	331,365,531
Administrative services	13,859,481	21,972,364
Depreciation & amortization	20,067,606	18,613,216
Total Operating Expenses	<u>915,868,625</u>	<u>863,973,143</u>
Operating Income (Loss)	<u>\$ (228,131,131)</u>	<u>\$ (190,071,098)</u>
<u>Nonoperating Revenues (Expenses)</u>		
On-behalf payments for fringe benefits	\$ 235,059,283	\$ 198,745,979
State appropriations	11,104,600	43,987,500
Transfer of State appropriations to the Illinois Hospital Services Fund	(11,104,600)	(43,987,500)
Net decrease in fair value of investments	(552,994)	(984,818)
Interest on capital asset related debt	(4,797,271)	(1,482,341)
Investment income (net of related expenses)	2,285,515	2,301,715
Loss on disposal of capital assets	(35,455)	(205,645)
Other nonoperating revenues (expenses), net	487,648	(107,907)
Net Nonoperating Revenues (Expenses)	<u>232,446,726</u>	<u>198,266,983</u>
Increase in Net Position	4,315,595	8,195,885
Net Position, Beginning of the Year	<u>310,525,339</u>	<u>302,329,454</u>
Net Position, End of the Year	<u>\$ 314,840,934</u>	<u>\$ 310,525,339</u>