



UNIVERSITY OF ILLINOIS

AT URBANA-CHAMPAIGN

2011 BUSINESS LEADERSHIP CONFERENCE

**Overview of the
Annual External Audit**

April 7, 2011

9:15 am – 10:30 am

10:45 am – 12:00 pm

Workshop Presenters

- Ginger Velazquez, Executive Director for Business & Finance, OBFS AVP Business & Finance
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- Janet Ford, Assistant Controller Administrative Accounting & Financial Reporting, UAFR
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- Brent Rasmus, Associate Director University Accounting Services, UAFR
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- Sandra Moulton, Director, Grants & Contracts Post-Award
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Please ...

- Turn off cell phones.
- Avoid side conversations.
- Hold questions until the end of the presentation.
- Sign the attendance roster.
- Complete the evaluation at the end of the workshop.

Workshop Objective

Provide an overview of the University external financial and compliance audit

AUDIT OVERVIEW

What Kind Of Audit Is This?

- Annual audit, required by law, that begins each Spring
- Conducted by the State of Illinois Office of the Auditor General
- Financial, state and federal compliance, and information systems audit
- Audit reports can be found on the OAG website at www.auditor.illinois.gov

Who is Involved?

- State of Illinois Office of the Auditor General (OAG) – The OAG is responsible for reviewing the obligation, expenditure, and receipt and use of public funds. That office issues about 150 audits of State agencies each year. Our audit includes a review of our financial records, compliance with state and federal laws and regulations, and an information systems audit.
- KPMG – The OAG contracts with an external audit firm to conduct our audit. The current contract is with KPMG.
- E.C. Ortiz & Co, LLP - KPMG subcontracted out a portion of the audit work, mainly the state compliance work, to E.C. Ortiz & Co, LLP.

Who is Involved? (continued)

- Legislative Audit Commission (LAC) – The LAC is composed of legislators from both the House and Senate. The LAC reviews audit reports and holds a public hearing regarding audit findings that is attended by President Hogan.
- Office of the Assistant Vice President for Business & Finance (AVP Office) – The Urbana AVP Office is responsible for coordination and oversight of this external audit. In addition, this office is directly responsible for the state compliance portion of this audit.

Who is Involved? (continued)

- University Accounting & Financial Reporting (UAFR) – UAFR is responsible for the financial portion of this audit.
- Grants & Contracts, Post Award (Post Award) – Urbana Post Award is responsible for the coordination of the federal compliance audit for all 3 campuses.
- Campus & UA Units – Various units across the University provide data every year as a regular part of this audit engagement. In addition, transactions from a variety of units across the University are selected for testing via random sampling.

What is the Actual Audit Process?

- Entrance Conference
- Preliminary Survey
- System Narratives
- Statute Confirmations (State Compliance)

What is the Actual Audit Process? (continued)

- List of Items Needed
- Fieldwork and Testing
- Potential Findings & Preliminary Responses
- Final Findings & Final Responses

What is the Actual Audit Process? (continued)

- Exit Conference
- Federal Resolution Process (if applicable)
- LAC Hearing

STATE COMPLIANCE AUDIT

State Compliance Audit

Illinois Auditor General Audit Guide

- State Statutes
- Expenditure Testing (payroll, travel, automotive, property, telecom, etc)
- State Reporting Requirements (agency workforce report, C-15, locally held funds report, etc)
- Internal Audit Function
- ...and many other areas...

FINANCIAL AUDIT

Financial Audit

- FY10 University Financial Statements
 - Dated 12/20/2010
- Why does it take so long after June 30?

Timeline

- May-June External auditors conduct interim fieldwork
- July Banner year-end processing
- August UAFR prepare schedules
- August-November External auditors conduct fieldwork
- November Financial statement review
- December Reports finalized

Annual Financial Reports

- University Financial Report
- Bondholder Reports
 - Auxiliary Facilities System Report
 - Health Services Facilities System Report

Annual Financial Reports (continued)

- University web site
 - <http://www.obfs.uillinois.edu/annualreports>
- Office of the Auditor General
 - www.auditor.illinois.gov

FY10 Financial Audit Findings

- Inadequate controls over user access to information systems
- Inadequate controls over University procurement card transactions
- Inadequate year-end accounts payable process

Areas of Testing Include:

- Accounts Receivable
- Investments
- Revenue
- Payroll
- Cash
- Journal Entries
- Accounts Payable
- Equipment
- Capital Assets
- Expenses
- Debt
- Leases

How YOU Can Help

- Pay attention to deadlines in the [FY11 Closing/FY12 Opening Procedures document](#) on the OBFS web site
- Before the end of period 12
 - Submit all FY11 payable transactions—travel, invoice vouchers, receiving reports
 - Reconcile all FY11 P-card transactions
 - Enter labor redistributions properly (PZAREDS, see [Year End Labor Redistribution Job Aid](#))

How YOU Can Help (continued)

- Request termination of all inactive funds by May 27th
- Submit timely and accurate Fact Sheets for your self-supporting funds
- Respond to audit requests for documentation on a timely basis
- Make sure equipment is tagged and you know where it's located

FEDERAL COMPLIANCE AUDIT (A-133)

U.S. Office of Management and Budget

Circular No. A-133 and Compliance Supplement

Audits of States, Local Governments, and Non-Profits Organizations

- Annual (contracted out by the OAG)
- Required if annual expenditures exceed \$500,000
- Major and high risk programs
- Programs and clusters are defined by CFDA number
- Schedule of expenditures of Federal awards (SEFA)
- All federal funds
 - Sponsored agreements
 - Ag appropriations (Hatch and Smith Lever)
 - Pass-through (State and other entities)
 - Student financial aid (grants and loans)

A-133 Audit Framework

Apr 2011

Entrance Conference

May 2011 -
March 2012

Fieldwork

- Interview Key Personnel
- Review and Evaluate Policies, Procedures, Internal Controls, Compliance, Fraud, Waste, etc
- Validation of SEFA and Identification of Major Programs
- Testing of Transactions
- Identification of Issues
- Development of Findings
- Follow-up on Status of Prior Year Findings

University Responses to Findings

Exit Conference

March 31, 2012

Audit Report filed with Federal Audit Clearinghouse

FY10 Urbana Campus Sponsored Project Expenditures by Funding Source

<u>Major Sponsor</u>	<u>All Sponsored Expenditures</u>	<u>Federal Expenditures</u>	<u>Number of Awards</u>
Federal (US)	310,365,793	310,365,793	2,971
State (IL)	124,610,386	26,438,326	294
Private (Domestic)	53,897,242	10,938,402	1,060
State (IL) State Fiscal Stabilization Fund (SFSF) *	24,746,689	24,746,689	
Federal (US) – Fed Ag Appropriations	15,668,801	15,668,801	32
Other Government (Domestic)	55,883,712	33,890,100	197
Foreign	9,601,955	2,143	137
Other & special use (GCO, ANTIC, etc)	2,227,438	-	9
	597,002,017	422,050,254	4,700

*SFSF – One time federal Stimulus funding passed through State of IL

Federal Exp Total Ties to Urbana SEFA

WHO

are the key players in the A-133 Audit?

- External Audit Firm
 - Partner, Manager, Field Auditors
- Illinois Office of the Auditor General
- University
 - Urbana AVP Office
 - Grants and Contracts Post-Award
 - Various Campus and University Administration Units,
including Principle Investigators and Business Staff

Areas of A-133 Compliance Testing

- Activities Allowed or Unallowed
- Allowable Costs/Cost Principles
- Cash Management
- Davis Bacon Act
- Eligibility
- Equipment and Real Property Management
- Matching, level of effort, earmarking
- Period of Availability
- Procurement, Suspension and Debarment
- Program Income
- Real Property Acquisition and Relocation Assistance
- Reporting
- Sub recipient Monitoring
- Special Tests and Provisions

FY10 A-133 Audit Finding Categories

Federal Findings – 31

Material Noncompliance and Material Weakness - 6

Scope Limitation and Material Weakness - 1

Noncompliance and Material Weakness – 14

Noncompliance and Significant Deficiency – 8

Significant Deficiency – 2

Broad Finding Descriptions

Inadequate Documentation or Support

Inadequate Procedures, Process or Controls

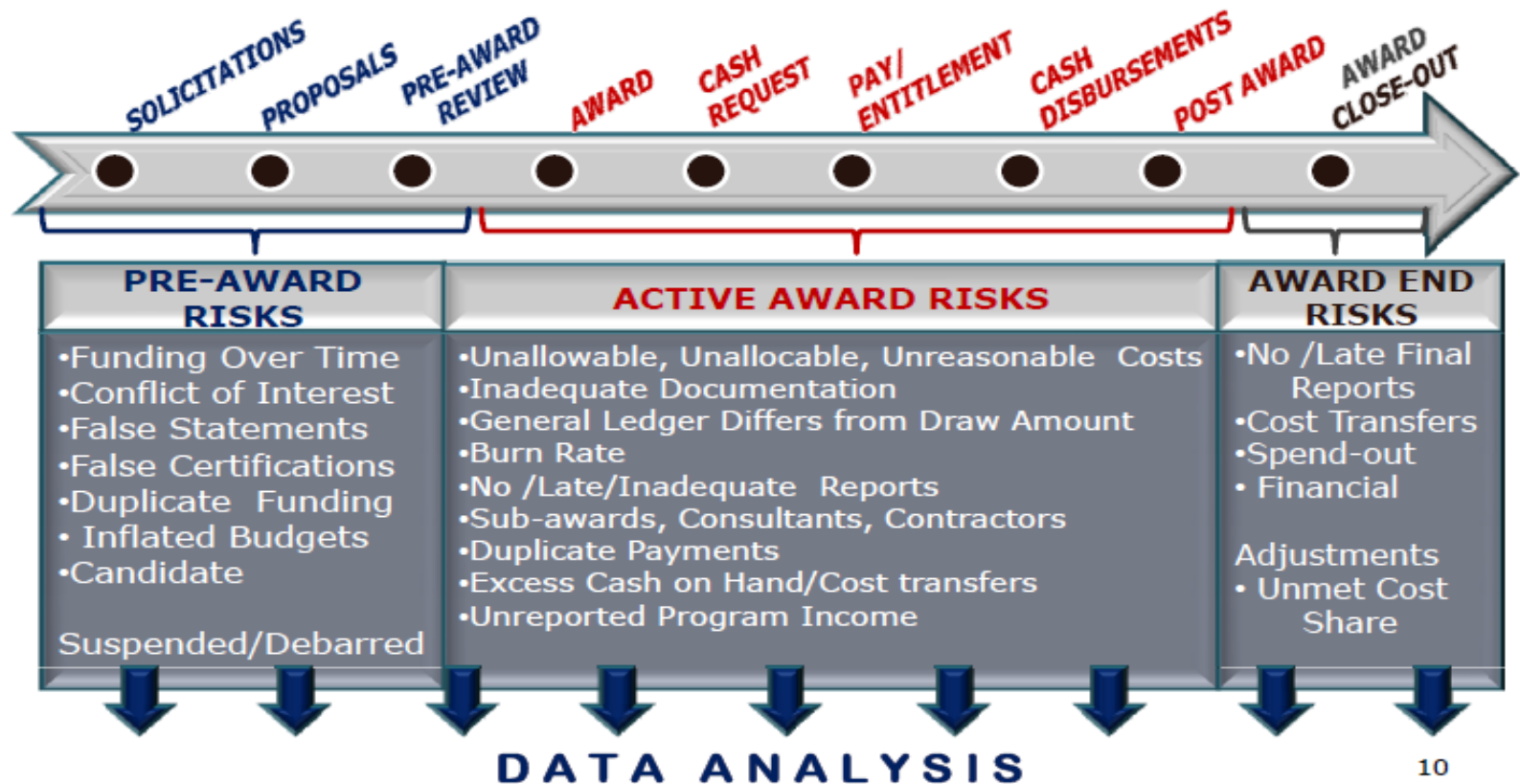
Inaccurate, Untimely, Incomplete or Improper

Failure to Obtain, Perform, Notify

How are you and your department affected by the A-133 Audit?



END TO END PROCESS FOR GRANT OVERSIGHT



THE IMPACT OF INTEGRITY and TRANSPARENCY ON FEDERAL COMPLIANCE

- September 2006 - Federal Funding Transparency and Accountability Act (FFATA)
- February 2009 - American Reinvestment and Recovery Act of 2009 (ARRA)
- April 2010 - Federal Awardee Performance and Integrity Information (FAPIIS)
- July 2010 - Improper Payment Elimination and Recovery Act (IPERA)
- March 2010 – Federal False Claims Act Amended

Federal OMB Circulars

- OMB Circular A-21, 2CFR, Part 220
http://www.whitehouse.gov.omb/circulars/a021/a21_2004.html
- OMB Circular A-110
<http://www.whitehouse.gov/omb/circulars/a110/a110.html>
- OMB Circular A-133 and Compliance Supplements
<http://www.whitehouse.gov.circulars/a133/a133.html>

Workshop Summary

- Overview of the external audit process
- State Compliance
- Financial
- Federal Compliance

Questions / Concerns?