

University of Illinois



Annual Report

From the Office of University Audits

For the Year Ended June 30, 2008

For Presentation to the Audit Committee
Of the University of Illinois Alumni Association
Board of Directors

November 2008

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Note: Appendices A and B are not for public distribution or web publication.

This report is for the use of University and Alumni Association administrators only and should not be distributed outside the University or Alumni Association without permission of the President of the University or the President of the Alumni Association.

Dear President Taylor and Audit Committee of the University of Illinois Alumni Association Board of Directors:

I am pleased to present the Office of University Audits Annual Report for the Fiscal Year Ended June 30, 2008.

In fulfilling its responsibility to assist University of Illinois Alumni Association (Association) management and the Board of Directors in accomplishing their objectives, the Office of University Audits (Office) is committed to providing independent, objective assurance and consulting services. As illustrated in the following report, we were successful in completing the majority of our planned audit projects.

The Office's accomplishments in fiscal year 2008 would not have been possible without the dedication of the employees in the Office. I thank them for their efforts. Additionally, I thank the officers and staff of the Association for their cooperation, responsiveness, and valued feedback. Finally, I thank you for your continued support of our Office. With such exceptional leadership and staff, we look forward to another successful year.

Sincerely,

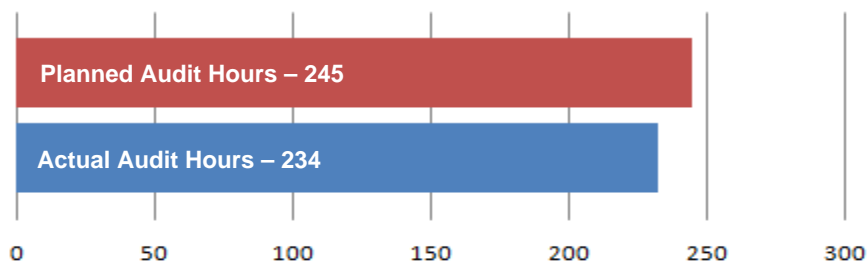
Julie A. Zemaitis
Executive Director
Office of University Audits

The Office operates in a manner that adds value within the Association, focuses on the differing primary stakeholders' expectations and priorities, and adapts to changes in technology, legislation, and organizational strategic priorities.

We conducted an internal control audit over the President and Chief Executive Officer's Expenditures, Moveable Equipment, Cash Handling/Bar Revenue, and P-Card Expenditures during fiscal year 2008.

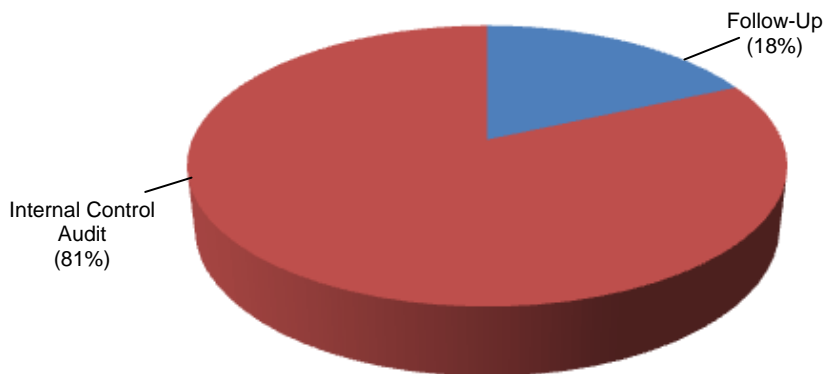
Following are summaries of how our Office utilized audit resources during the fiscal year 2008.

FISCAL YEAR 2008 PLANNED VS. ACTUAL DIRECT AUDIT HOURS



Planned and actual hours represented above excludes hours spent on follow-up activities. Overall of the year, we delivered 95% of the total hours budgeted.

FISCAL YEAR 2008 TOTAL HOURS BY TYPE OF PROJECT



Additional information regarding the objective, scope, and results of this audit is included in *Appendix B*.

After the expected implementation dates provided by management have passed, audit recommendations are revisited to determine the adequacy of management's corrective action.

The results of the audit recommendation follow-up activity for fiscal years 2005 through 2008 are presented in the following chart:

Implementation of Association Audit Recommendations

	2006	2007	2008
Beginning Balance	8	6	15
New Recommendations	3	12	7
Implemented	(5)	(3)	(6)
Ending Balance	6	15	16

Aging of outstanding audit recommendations at June 30, 2008, by management's original expected implementation date is as follows:

Aging of In-Progress and Open Recommendations

Fiscal Year 2010	2
Fiscal Year 2009	4
Fiscal Year 2008	8
Fiscal Year 2007	1
Fiscal Year 2006	1
Total Outstanding Recommendations	16

Details of the open recommendations issued prior to fiscal year 2008 can be found at *Appendix C*.

Section 4

University of Illinois Alumni Association

Two-Year Audit Plan for Fiscal Years 2009-2010

	<u>Hours</u>	
	<u>FY09</u>	<u>FY10</u>
<u>Business Functions</u>		
<i>Internal Control Audits:</i>		
Revenue Processing	-	100
Personnel and Payroll	50	-
Purchasing/Expenditures	50	-
Illinois Connection Operational and Compliance Audit	-	100
Unrelated Business Income (UIB) and Review of Non-Profit Status Compliance Audit	-	125
Preferred Lender – Contract Review	75	-
<u>Information Technology</u>		
Information Privacy and Security	150	-
Total Hours	<u>325</u>	<u>325</u>

Section 5

University of Illinois Alumni Association

Number of Audit Projects Completed by Cycle During Fiscal Years 2005-2008

Chart indicates the number of audits completed by major transaction cycle.

Audit Title	FY05	FY06	FY07	FY08
Organization and Management				
Constituent Group Procedures	1			
Club Event Management			1	
Support Agreement with University		1		
Budgeting, Accounting, and Reporting				
Unrelated Business Income Tax	1			
Purchasing, Contracting, and Leasing				
Contracting and Leasing			1	
Expenditure Control				
President's Expenditures				1
Expenditures		1		
P-Card				1
Personnel and Payroll				
Personnel and Payroll		1		
Property, Equipment, and Inventories				
Moveable Equipment				1
Revenues and Receivables				
Revenue Processing Review			1	1
Tour Program	1			
Bar Operations				
Cash and Local Funds				
Investment Management			1	
Bank Reconciliations		1		
Information Technology				
General Information Technology Audit			1	

Mission

The mission of the Office of University Audits (Office) is to protect and improve the University and its related organizations (University) through independent, objective assurance and consulting services that evaluate the effectiveness of risk management, internal control, and governance processes.

Purpose

The purpose of the Office is to determine whether the University'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.
- Employees' actions are in compliance with University policies and procedures, and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and adequately protected.
- Plans and objectives are achieved.
- Quality and continuous improvement are fostered in the University's control process.
- Significant legislative or regulatory issues impacting the University are recognized and addressed appropriately.

Independence

The Office reports functionally to the President of the University (President) and the University of Illinois Board of Trustees through its Budget and Audit Committee, and administratively to the Comptroller of the Board of Trustees, who is also the Vice President and Chief Financial Officer.

Responsibility

The Office responsibilities include the following:

- Develop a flexible two-year plan identifying audits scheduled for the pending fiscal year, using an appropriate risk-based methodology, including any risks or control concerns identified by management, and submit the plan to the President for approval by June 30 of each year.
- Implement the audit plan, as approved by the President, including as appropriate any special tasks or projects requested by management and the Budget and Audit Committee.

- Issue periodic reports to the President and Chairman of the Budget and Audit Committee summarizing results of audit activities.
- Report annually to the Budget and Audit Committee our audit plans, activities, staffing, and the organizational structure.
- Report to the Budget and Audit Committee by September 30 of each year the scope and results of our audits and the adequacy of management's corrective actions.
- Maintain sufficient knowledge, skills, and experience to meet the requirements of this Charter.
- Assist University management by conducting special services to assist management in meeting its objectives, where appropriate.
- Assist in the investigation of significant suspected fraudulent activities within the organization and notify management and the Budget and Audit Committee of the results.
- Establish a follow-up process to monitor and identify if 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 Budget and Audit Committee for review.

Authority

The general scope of audit coverage is enterprise-wide and no function, activity, or unit of the University or related organization is exempt from audit and review. No officer, administrator, or staff member may interfere with or prohibit internal auditors from examining any University or related organization's record or interviewing any employee or student that the auditors believe is necessary to carry out their duties. Additionally, the Executive Director has the authority to audit the accounts of all organizations required to submit financial statements to the University.

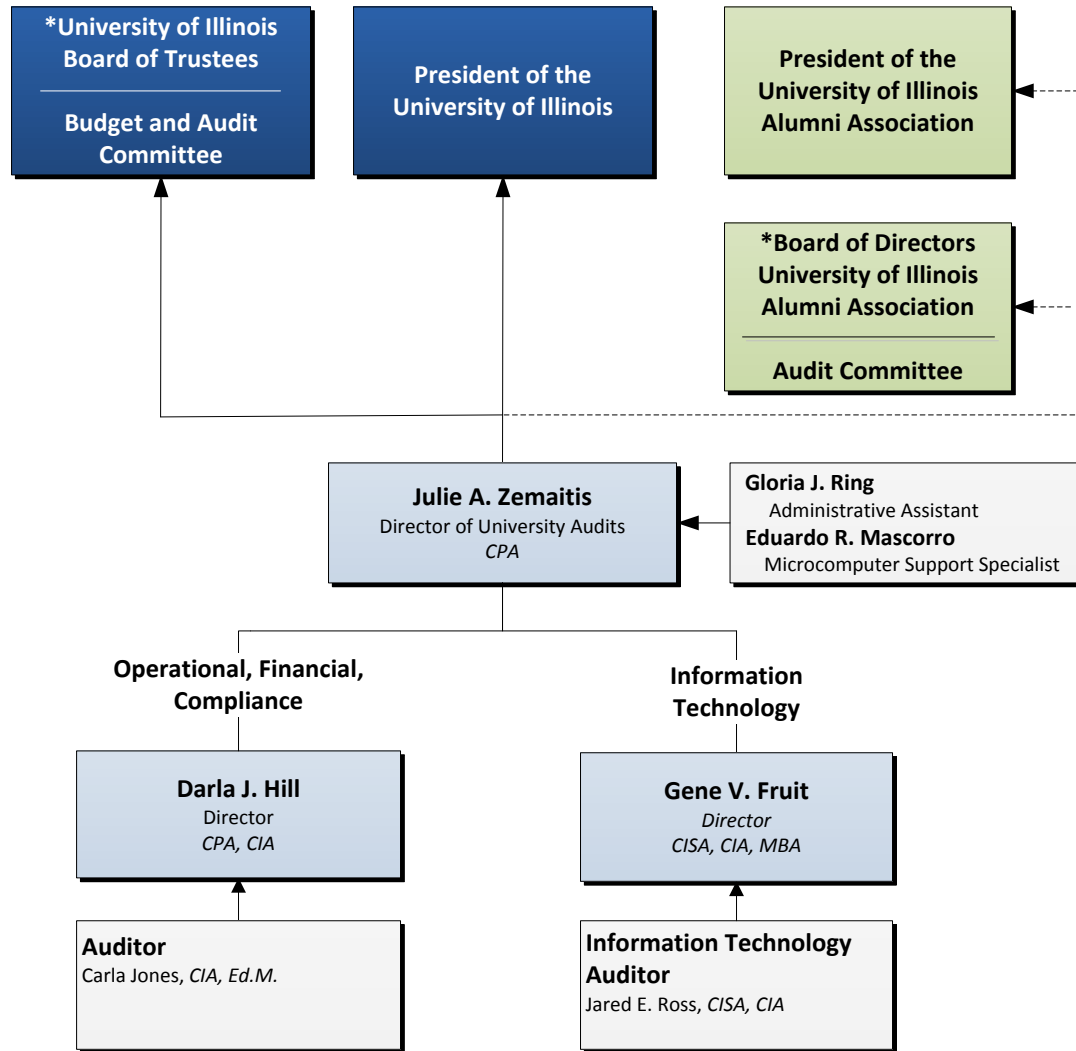
In performing their work, the internal auditors have neither direct authority over, nor responsibility for, any of the activities reviewed. Internal auditors do not develop and install procedures, prepare records, make management decisions, or engage in any other activity that could be reasonably construed to compromise their independence or impair their objectivity. Therefore, internal audit reviews do not, in any way, substitute for or relieve other University personnel from their assigned responsibilities.

Professional Standards

The Office 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 Standards for the Professional Practice of Internal Auditing*, which the State of Illinois Internal Audit Advisory Board has adopted as the standard of performance for all state internal auditors.

Organization Chart as of June 30, 2008

This organization chart represents only those individuals providing direct services to the University of Illinois Alumni Association.



*Annually, a report of audit activities is provided to the Audit Committee of the University of Illinois Alumni Association Board of Directors.

Certifications and Advanced Degrees held by Members of the Office of University Audits

Professional Certifications		Advanced Degrees	
4	CIA = Certified Internal Auditor	2	CISA = Certified Information Systems Auditor
2	CPA = Certified Public Accountant	1	MBA = Master of Business Administration
		1	Ed.M. = Master of Education