

COMMITTEE MEMORANDUM

TO: Audit and Compliance Committee Members
Board of Regents, State of Iowa

FROM: Andrea Anania

DATE: April 20, 2005 *ASN*

SUBJ: Internal Audit Reports

Recommended Action:

1. Receive the following internal audit reports:

UNIVERSITY OF IOWA

University Operations

- Carver College of Medicine – Effort Reporting
- Carver College of Medicine – Finance and Administration
- Compliance with Federal Export Control Regulations Risk Assessment
- Museum of Art
- NCAA Compliance – Financial Aid
- NCAA Employment of Student Athletes
- Ophthalmology and Visual Sciences Sponsored Research

IOWA STATE UNIVERSITY

- Extension Administration
- IBSSS Assistive Device Center
- Sponsored Program in the Department of Biomedical Sciences

UNIVERSITY OF NORTHERN IOWA

- Department of Residence – Dining Services
- FY 2005 Cash on Hand
- Gallagher-Bluedorn Performing Arts Center
- Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)

2. Receive the report on the Status of the Internal Audit Follow-up reports, including eight follow-up reports.
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Executive Summary:

Completed institutional internal audit reports are reported to the Audit and Compliance Committee as required by Board policy.

Presented this month:

- Fourteen new audit reports: seven from SUI, three from ISU, and four from UNI; five are closed – four at SUI and one at UNI.
- Nine follow-up reports: six from SUI, one from ISU, and two from UNI; eight are closed.

The Status of Internal Audit Follow-Up Table on page 7 identifies 23 internal audit reports, 15 of which require follow-up.

Background:

Internal audits provide appraisals of institutional services to the Board and institutional administrators by measuring and evaluating the effectiveness of financial and managerial controls.

These audits are designed to determine the adequacy of controls and procedures by providing reasonable assurance that assets are properly safeguarded, resources are used economically and efficiently, and compliance is maintained.

The three universities have internal auditors to perform these functions. The University of Iowa internal auditor is responsible for internal audits at the Iowa School for the Deaf. The Iowa State University internal auditor is responsible for internal audits at the Iowa Braille and Sight Saving School.

The Board Office tracks and monitors audit reports indicating a need for corrective action. When all recommendations have been satisfactorily completed, the audits are closed.

**Dashboard
Data**

At its May 2004 meeting, the Audit and Compliance Committee requested that a dashboard approach be incorporated in the quarterly internal audit report. At the August 2004 meeting, a simplified dashboard format was presented for discussion.

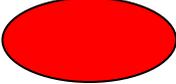
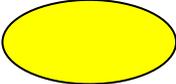
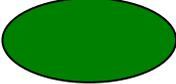
At its November 2004 meeting, the Committee discussed the dashboard definitions and the color indicators developed by the internal auditors and the Board Office. The dashboards are an evolving tool for the Committee. One change was made to the definitions at the February 2005 meeting to add the following language to the definition of the green follow-up color: "by or within three months of original scheduled date of completion."

**Format
Change**

For simplification, only the general description, title, and assessment of controls / efficiencies (CEA) color code for each recommendation / observation are included in this memorandum. Full text for each comment may be found in the reports.

Additionally, only details for those follow-up reports that remain open are included in the follow-up section. Follow-up reports that are closed are not summarized.

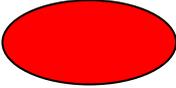
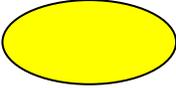
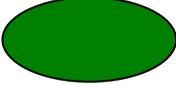
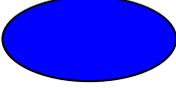
MATERIALITY/CRITICALITY

<p style="text-align: center;">HIGH</p> 	<ul style="list-style-type: none"> • Potential significant impact on enrollment/teaching/research/extension OR • Potential significant impact on people/health/safety OR • Potential exposure to significant financial loss/costly inefficiencies OR • Potential exposure to loss or interception of sensitive electronic data/information OR • Potential exposure to significant legal liability/regulatory penalties OR • Potential significant reputational risk OR • Potential for broad impact of negative event.
<p style="text-align: center;">MODERATE</p> 	<ul style="list-style-type: none"> • Potential for moderate impact on people/health/safety OR • Potential exposure to moderate financial loss/inefficiencies OR • Potential exposure to loss or interception of non-sensitive electronic data/information OR • Potential exposure to moderate legal liability/regulatory penalties OR • Potential moderate reputational risk OR • Potential for localized impact of negative event.
<p style="text-align: center;">LOW</p> 	<ul style="list-style-type: none"> • Low potential for impacting people/health/safety OR • Low potential for loss/liability OR • Low potential for damage to reputation OR • Low potential impact of negative event.

MATERIALITY/CRITICALITY TERMS - Definitions include but are not limited to the following:

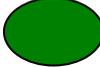
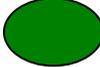
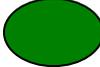
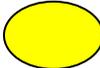
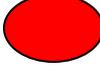
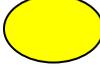
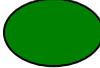
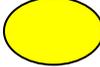
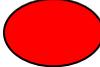
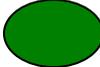
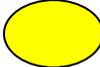
- Enrollment/Teaching/Research/Extension: Recruiting, admissions, financial aid, registrar, curriculum, sponsored programs, extension programs.
- People/Health/Safety: Hospital, clinics, student health center, national security issues, environmental health and safety.
- Financial Loss/Inefficiencies: Improper or inefficient use of money, equipment, human resources, or other assets resulting in lost funds or increased costs.
- Loss or Interception of Electronic Data/Information: Central university and departmental information technology security.
- Legal Liability/Regulatory/Penalties: Violation of laws or regulations resulting in litigation, loss of funding, restriction of programs, fines/penalties.
- Reputational Risk: Negative publicity that could result in loss of public trust, contributions, and other support.
- Significance and Impact: Significant impact of a negative event related to any of the above areas could include large dollar losses, penalties, or other types of harm that could broadly restrict fulfillment of the universities' missions. Moderate impact would include losses or penalties that could restrict specific key activities that are related to the universities' missions.

ASSESSMENT OF CONTROLS/EFFICIENCIES (CEA)

<p>HIGH</p> 	<ul style="list-style-type: none"> • Could seriously affect several areas within the University. Exposes the University to unacceptable risks or liability if not corrected OR • Involves difficult issues requiring the attention of executive management OR • Involves compliance with Federal, State, or other laws and could result in serious consequences if not implemented OR • Unacceptable weakness in the internal and/or accounting controls OR • Substantial savings (perhaps millions) can potentially be realized by correcting.
<p>MODERATE</p> 	<ul style="list-style-type: none"> • Could seriously affect a department or area within the University OR • Involves a difficult issue requiring the attention of upper management OR • Involves compliance with Federal, State or other law and could result in minor consequences if not implemented OR • Weakness in the internal and/or accounting controls OR • Savings (perhaps thousands) can potentially be realized by correcting.
<p>LOW</p> 	<ul style="list-style-type: none"> • Can affect a department or may be common to several areas OR • Could result in improved internal and accounting control OR • Can be corrected relatively easy OR • Could result in improved efficiency or effectiveness of operations OR • No reportable observations or corrective action taken prior to report issuance.
<p>CONSULTATION</p> 	<ul style="list-style-type: none"> • Auditors provided consultation only, without thorough assessment • No audit recommendations at this time.

The internal auditors have also utilized these colors and definitions in evaluating each comment.

Internal Audit Report Dashboard
 (Colors provided by university internal auditors)
 April 20, 2005

	<u>MATERIALITY/CRITICALITY</u>	<u>CONTROL/EFFICIENCY ASSESSMENT (CEA)</u>
UNIVERSITY OF IOWA		
University Operations		
Carver College of Medicine Effort Reporting		
Carver College of Medicine Finance and Administration		
Compliance with Federal Export Control Regulations Risk Assessment		
Museum of Art		
NCAA Compliance Financial Aid		
NCAA Employment of Student Athletes		
Ophthalmology and Visual Sciences Sponsored Research		
IOWA STATE UNIVERSITY		
Extension Administration		
IBSSS Assistive Device Center		
Sponsored Program in the Department of Biomedical Sciences		
UNIVERSITY OF NORTHERN IOWA		
Department of Residence Dining Services		
FY 2005 Cash on Hand		
Gallagher-Bluedorn Performing Arts Center		
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)		

The internal auditors have utilized the colors for the control/efficiency assessment (CEA) in evaluating each comment.

Follow-Up Issues

	<ul style="list-style-type: none">Planned corrective action and/or follow-up report not completed within 6 months of originally scheduled date.
	<ul style="list-style-type: none">Planned corrective action and/or follow-up report not completed within 3 months of originally scheduled date.
	<ul style="list-style-type: none">Follow-up report completed as originally planned and all issues resolved by or within three months of original scheduled date of completion.
	<ul style="list-style-type: none">Follow-up report not yet due.

**Status of Internal Audit Follow-Up
April 20, 2005**

University of Iowa

Title	Report Date	Original Follow-Up Status	Expected Completion	Action Status
1. Data Backup and Business Continuation Planning (SUI)	Mar 26, 2004	Originally scheduled Mar 2005.	Mar 2005	
2. University HIPAA Compliance (SUI)	Jun 28, 2004	Originally scheduled Jan 2005, then Feb 2005, then May 2005	Feb 2005 May 2005	
3. Workflow Business Process Review (SUI)	Jun 28, 2004	Originally scheduled Dec 2004, then Jan 2005.	Jan 2005	Closed
4. Intercollegiate Athletics – Home Game Ticket Revenue – FY 2003-04 (SUI)	Aug 25, 2004	Originally scheduled Jun 2005	Jul 2005	
5. Office of the Provost (SUI)	Sep 27, 2004	Originally scheduled Oct 2005	Oct 2005	
6. Opportunity at Iowa Departmental Audit (SUI)	Sep 27, 2004	Originally scheduled Dec 2004	Jan 2005	Closed
7. Travel Expenses on Procurement Card (SUI)	Sep 27, 2004	Originally scheduled Aug 2005	Sep 2005	
8. Meal Charging (UIHC)	July 30, 2004	Originally scheduled Jan 2005	Feb 2005	Closed
9. Safety and Security (UIHC)	July 8, 2004	Originally scheduled Dec 2004	Jan 2005	Closed
10. Dance Marathon Business Process Review (SUI)	Dec 20, 2004	Originally scheduled Jan 2005	Feb 2005	Closed
11. Department of Pediatrics (SUI)	Oct 29, 2004	Originally scheduled Apr 2005	Apr 2005	
12. Office of Animal Resources – Cost Accounting Processes (SUI)	Dec 8, 2004	Originally scheduled Aug 2005	Aug 2005	

Iowa State University

Title	Report Date	Original Follow-Up Status	Expected Completion	Action Status
13. Employee Medical Benefit Claims	Jun 18, 2004	Originally scheduled June 2005.	July 2005	
14. Security of Remote Computing	Sep 1, 2004	Originally scheduled Jan 2005	Feb 2005	Closed

University of Northern Iowa

Title	Report Date	Original Follow-Up Status	Expected Completion	Action Status
15. Conference and Event Services Follow-up Report	Nov 22, 2002 Sep 26, 2003	Originally scheduled in Jun 2004.	Jan 2005	Closed
16. University-Wide Financial Business Procedures	Feb 16, 2004	Originally scheduled in Mar 2005.	Mar 2005	
17. Campus Supply – Process Review	Apr 14, 2004	Originally scheduled in Mar 2005.	Mar 2005	
18. Transportation Services – Motor Vehicle Usage	Apr 14, 2004	Originally scheduled in Feb 2005.	Feb 2005	Closed
19. Continuing Education – Credit Programs	Aug 13, 2004	Originally scheduled in Aug 2005.	Sep 2005	
20. Department of Residence – Facilities	Sep 24, 2004	Originally scheduled in Oct 2005.	Oct 2005	
21. Field House (UNI Dome) Operations – Event Parking	Aug 25, 2004	Originally scheduled in Aug 2005.	Sep 2005	
22. Human Resource Services – Workers' Compensation	Sep 23, 2004	Originally scheduled in Oct 2005.	Oct 2005	
23. University Health Services – Student Health Center	Sep 24, 2004	Originally scheduled in Oct 2005.	Nov 2005	

The University of Iowa
Carver College of Medicine Effort Reporting

Initial Audit Report Issued: March 28, 2005

Audit Closed

Description The Carver College of Medicine (CCOM) received \$147 million in federally funded research projects during FY 2003. Federal regulations require that individuals who receive federal funds comply with federal regulations that govern sponsored research, which includes at least annual affirmation of work performed.

The University of Iowa certifies effort via a Personal Activity Report (PAR), which details the percent of an individual's total effort on each federal research project and other University duties. The person signing the PAR certifies that the effort percentages represented are an accurate reflection of the work that was performed.

Scope / Objective Internal auditors reviewed 48 federally funded research projects to verify that current effort reporting is compliant with appropriate federal regulations.

Recommendations/ Responses	C E A	Auditor's Recommendation	Implementation Target Date	Expected Auditor Follow-up
		Properly Certified Effort.	Immediately	Item closed.

**The University of Iowa – University Operations
Carver College of Medicine – Finance and Administration**

Initial Audit Report Issued: March 28, 2005

Audit Remains Open

Description Finance and Administration provides a variety of fiscal, human resource, and administrative services, which support the entire Carver College of Medicine.

Scope / Objective Internal auditors focused on current business processes established in three service areas: budgeting, financial reporting, and financial analysis and planning. Primary objectives were to:

1. Review recurring financial analysis, budget, allocation, and other reporting processes:
 - A. Determine if operational goals/standards are established and measured;
 - B. Desired goals/standards are being achieved;
 - C. Factors preventing achievement of goals/standards are identified and evaluated;
 - D. Processes produce reliable and accurate information in an efficient manner; and
 - E. Processes are well documented, carried out consistently, and results communicated to appropriate personnel.
2. Interview Carver College of Medicine departments/academic units to assess the unit's satisfaction with Finance and Administration support.

C E A	Auditor's Recommendation	Implementation Target Date	Expected Auditor Follow-up
1.	Review of Established Business Processes.		Review: Aug 2005 Report: Sep 2005
	A. Documentation of Month End Procedures.	July 2005	
	B. Documentation of Monthly Allocation Process.	July 2005	
	C. Documentation for Recurring Financial Analysis.	April 2005	
	D. Provide Quality Assurance for Financial Reports Made Available for General Use.	July 2005	
	E. Communicate Written Summary of Budget Goals/Objectives to Departments/Academic Units at End of Annual Budget Process.	April 2005	
2.	Results of Interviews of College Departments/ Academic Units.	Completed	Item closed.
			

**The University of Iowa – University Operations
Compliance with Federal Export Control Regulations Risk Assessment**
Initial Audit Report Issued: March 28, 2005

Audit Closed

Description The University of Iowa (UI) is subject to federal export laws including Export Administration Regulations (EAR) and International Traffic in Arms Regulation (ITAR). Both are complex and have lengthy control lists, which detail equipment, goods, technology, and other commodities that fall under the regulations. When the University possesses an item on either control list, regulations on exports and deemed exports apply.

Unless an exemption is available, the University needs to obtain a special license. The regulations require a license before the export or deemed export can take place. Failure to obtain a license for these activities can result in criminal penalties against the individual and civil penalties against the University.

Due to recent efforts of the federal government to increase national security, more attention has been paid to export laws and compliance within the university community. Compliance with export control regulations have all recently been reviewed. Common to all reviews was a recommendation to increase federal monitoring of federal contractors, private companies, and universities.

Scope / Objective The internal audit included:

- Interviews with the University’s Office of General Counsel and the Division of Sponsored Programs to understand the current compliance environment; and
- Assessments of the effectiveness and adequacy of internal control within selected areas of the University that are directly affected by export control regulations.

C E A	Auditor's Recommendation	Implementation Target Date	Expected Auditor Follow-up
	Training for University Researchers.	N/A	Review: N/A Report: N/A

**The University of Iowa – University Operations
Museum of Art**

Initial Audit Report Issued: January 25, 2005

Audit Remains Open

Description The Museum of Art is funded by: the general education fund, contributions, membership fees, grants, museum store and event rental receipts, loans, and miscellaneous sales and services. The museum director reports to the Office of the Provost.

Scope / Objective The audit was a general business review audit and focused on the following:

- Internal controls and business practices;
- Organizational structure, mission and goals;
- Management of risks related to the Museum of Art and its contents;
- Communication to management regarding business planning;
- Best practices for human resources;
- Protection of records and information technology policy; and
- Documentation of policies and procedures to ensure business continuity.

C E A	Auditor's Observation	Implementation Target Date	Expected Auditor Follow-up
1. 	Human Resources. A. Best Practices. B. Internal Controls.	April 30, 2005	Review: May 2005 Report: Jun 2005
2. 	Budgeting and Planning Practices. A. Budgeting Process B. Self Supporting Activities. C. Grant Funding.	April 30, 2005	Review: May 2005 Report: Jun 2005
3. 	Policies and Procedures. A. Business Policies and Procedures. B. Collections Policy Revision.	April 30, 2005	Review: May 2005 Report: Jun 2005
4. 	Accessioning Process.	April 30, 2005	Review: May 2005 Report: Jun 2005
5. 	Cash Handling.	April 30, 2005	Review: May 2005 Report: Jun 2005
6. 	Information Technology and Data Security.	April 30, 2005	Review: May 2005 Report: June 2005

**The University of Iowa – University Operations
NCAA Compliance – Financial Aid**

Initial Audit Report Issued: March 28, 2005

Audit Remains Open

Description As a Division I member of the National Collegiate Athletic Association (NCAA), the University of Iowa is obligated to comply with NCAA rules and regulations. NCAA Bylaw 22.2.1.2.(e) requires member institutions to demonstrate at least once every four years that its rules-compliance program is the subject of evaluation by an authority outside the athletics department. This audit was performed to fulfill a portion of the requirement.

Scope / Objective The objective of this audit was to determine whether the institution has policies and procedures in place to determine and monitor financial aid for student-athletes in accordance with NCAA and Big Ten regulations and to evaluate effectiveness.

Audit scope and procedures included review and evaluation of the following:

- Article 15 of the NCAA Division I Manual;
- Rule 15 of the Big Ten Conference Handbook;
- University departmental policies and procedures;
- Review of all team Squad Lists for the 2003/2004 academic year, including summer 2004, for completeness and proper reporting;
- Recalculation of counter and equivalency totals for 10 selected sports from a population of 24 teams; and
- Comprehensive review of Athletic Aid eligibility, documentation, pay-out, and reporting for a sample of 39 student athletes out of a population of 355, from the teams selected for review.

Audit procedures included:

- Comparison of amounts awarded and sources of aid per the Office of Student Financial Aid to amounts reported on team Squad List and to the actual amounts credited to the student-athlete's account by the Cashier's Office;
- Review of proper notification of initial awards, renewals, non-renewals, and cancellations of aid; and
- Determination of proper inclusion or exclusion of aid from individual limit calculations.

**Recommendations/
Responses**

C E A	Auditor's Recommendation	Implementation Target Date	Expected Auditor Follow-up
1. 	Training Table/Room and Board Calculations and Off-Campus Payments.	August 30, 2005	Review: Sep 2005 Report: Oct 2005
2. 	Notification of Reduction in Tendered Athletically Related Aid.	June 30, 2005	Review: Sep 2005 Report: Oct 2005

**The University of Iowa – University Operations
NCAA Employment of Student Athletes**

Initial Audit Report Issued: January 25, 2005

Audit Closed

Description As a Division I member of the National Collegiate Athletic Association (NCAA), the University of Iowa is obligated to comply with NCAA rules and regulations. NCAA Bylaw 23.2.1.2 (e) requires member institutions to demonstrate at least once every four years that its rules-compliance program has been evaluated by an authority outside the athletics department. This audit was performed to fulfill a portion of the requirement.

Scope / Objective The framework for this audit was developed by The Association of College and University Auditors (ACUA). The objective of the audit was to determine whether the athletics department is monitoring employment and maintaining adequate documentation to establish compliance with NCAA bylaws governing employment. Internal auditors:

- Identified University personnel who are responsible for monitoring Student-Athlete employment and reviewed their job descriptions to confirm the assignment.
- Determined that the Athletics Department has written policies and procedures for the student-athletes and the employers regarding the employment of student-athletes.
- Verified that student-athlete employment is documented in the files of the Athletic Compliance office which includes:
 - Name and location of employer
 - Identity of the supervisor of the athlete
 - Arrangements for the employment
 - Amount of pay
 - Description of job duties
- Identified that educational efforts are being made to ensure that student-athletes and employers understand applicable University policy and NCAA legislation.
- Determined the University's process for monitoring student-athlete employment and whether this process is periodically evaluated.

Recommendations/ Responses	C E A	Auditor's Recommendation	Implementation Target Date	Expected Auditor Follow-up
			Description of Job Duties.	N/A

**The University of Iowa – University Operations
Ophthalmology and Visual Sciences Sponsored Research**
Initial Audit Report Issued: March 28, 2005

Audit Remains Open

Description The Department of Ophthalmology has over thirty externally sponsored projects. The funding ratio is roughly two-thirds private/industry sponsored and one-third federally funded. During FY 2004, the department received just under \$5 million in externally funded research.

Scope / Objective The purpose of the audit was to provide management with a reasonable assurance that the department is compliant with applicable regulations, and that proper internal controls are in place to properly manage externally sponsored research projects.

C E A	Auditor's Recommendation	Implementation Target Date	Expected Auditor Follow-up
1. 	Effort Reporting.	Immediately	Review: Jun 2005 Report: Jul 2005
2. 	Administrative Invention Agreement.	Immediately	Review: Jun 2005 Report: Jul 2005
3. 	Clinical Research Committee.	June 2005	Review: Jun 2005 Report: Jul 2005

Iowa State University
Extension Administration
 Initial Audit Report Issued: January 14, 2005

Audit Remains Open

Description Extension Administration at ISU provides administrative leadership in the areas of budget and finance, human resources, external relations, and ISU-wide support services.

The nationwide network of Extension programs was established by the Smith Lever Act of 1914.

Extension receives funding from: the federal government via the Smith Lever Act, federal and non-federal sponsored programs, the state of Iowa, and revenue generation activities.

Scope / Objective The scope of testing included Extension Administration accounts and accounts that are assigned to other units that receive Extension funding. Internal auditors evaluated:

- Allowability of costs charged to a sample of accounts funded by the Smith Lever Act, a sample of federally funded sponsored program accounts, and a sample of non-federally funded accounts.
- Adherence to ISU Controller’s Department guidelines for a sample of service center accounts.
- Internal controls over cash handling processes.

C E A	Auditor’s Observations	Implementation Target Date	Expected Auditor Follow-up
1. 	<u>Expenditure Allowability.</u> A. Smith Lever Funds. B. Other Federal Funds.	June 30, 2005	Review: July 2005 Report: July 2005

Iowa State University
Iowa Braille and Sight Saving School – Assistive Device Center
 Initial Audit Report Issued: March 9, 2005

Audit Remains Open

Description The purpose of the Assistive Device Center (ADC), housed at the Iowa Braille and Sight Saving School (IBSSS) in Vinton, Iowa, is to lend equipment to students to help educational teams make more informed choices regarding assistive technology devices. There is no charge for this service, as a State Vision Grant through the Iowa Department of Education’s Bureau of Children, Family & Community Services, funds the ADC. The State Vision grant is an ongoing proposal that provides needed statewide services and resources to address a targeted set of needs.

Equipment may be borrowed for several weeks or a semester, or while the purchase equipment is pending. All equipment is available for loan to any student who is visually impaired, blind, or deaf-blind, from 0 to 21 years of age. The ADC provides assessments, consultations, and training at no charge, and continually upgrades its devices to maintain an inventory that reflects the latest in technology for persons with visual impairments.

Scope / Objective The scope of the audit included the activities of the ADC, primarily those taking place in its location in at the IBSSS. Internal auditors evaluated:

- General operations of the ADC;
- Compliance with the terms of the State Vision Grant;
- Inventory record keeping and controls; and
- Allowability and appropriateness of ADC expenditures.

**Observations/
Responses**

C E A	Auditor’s Observations	Implementation Target Date	Expected Auditor Follow-up
1. 	ADC training and coordination.	October 1, 2005	Review: Oct 2005 Report: Nov 2005
2. 	ADC Device Loans.	June 1, 2005	Review: Oct 2005 Report: Nov 2005
3. 	ADC Inventory Controls.	October 1, 2005	Review: Oct 2005 Report: Nov 2005
4. 	Obsolete and Low-value Inventory.	August 15, 2005	Review: Oct 2005 Report: Nov 2005
5. 	ADC Databases.	August 15, 2005	Review: Oct 2005 Report: Nov 2005

Iowa State University
Sponsored Program in the Department of Biomedical Sciences
 Initial Audit Report Issued: March 15, 2005

Audit Remains Open

Description Internal auditors select specific sponsored programs across the University to test specific controls in the administration of sponsored programs. Internal auditors selected a federally sponsored program in the Department of Biomedical Sciences in the College of Veterinary Medicine. This four-year project is in its final year and total funding is nearly \$900,000.

Primary responsibility for carrying out sponsored projects at ISU lies with the department and with the principal investigator. Several central university units have responsibility for various aspects of project administration and support. Among these units are the Offices of Sponsored Programs Administration and Sponsored Programs Accounting, and the Office of Research Compliance.

Scope / Objective The scope of the audit included the administrative and compliance aspects of this sponsored program. Internal auditors worked with the Department of Biomedical Sciences, and the Offices of Sponsored Programs Administration, Sponsored Programs Accounting, and the Office of Research Compliance to evaluate:

- Project documentation;
- Expenditures;
- Subcontractor monitoring;
- Compensation of program personnel;
- Financial and progress reporting; and
- Equipment inventory controls.

**Observations/
Responses**

C E A	Auditor's Observations	Implementation Target Date	Expected Auditor Follow-up
1. 	Research Compliance and Related Documentation.	December 31, 2005	Review: Jan 2006 Report: Feb 2006
2. 	Effort Reporting.	Implemented	Review: Jan 2006 Report: Feb 2006
3. 	Expenditure Transactions.	March 31, 2005	Review: Jan 2006 Report: Feb 2006

The University of Northern Iowa
Department of Residence – Dining Services

Initial Audit Report Issued: February 10, 2005

Audit Closed

Description Department of Residence – Dining Services (DOR) provides dining services to students, faculty, staff, and visitors of the University. Dining Services consist of many units throughout campus that provide a wide variety of dining options. These units include two recently renovated dining centers; five fast-food establishments located in Maucker Union; four grab-and-go locations and three food carts throughout campus. There are also two convenience stores.

Scope / Objective The purpose of the internal audit was to provide reasonable assurance that an adequate internal control environment has been established that reasonably protects the University from exposure, loss, and/or misuse of the public trust. Operations were examined for:

- Regulatory compliance, including University policies and procedures;
- Effective accomplishment of its mission;
- Reliable financial information;
- Effective and efficient use of resources; and
- Adequate safeguarding of assets.

The review was accomplished by obtaining an understanding of operations through direct observation of processes, including physical observation of food stores inventory, examination of supporting financial and operational documentation by testing cost of food used and reviewing food contracts, and by discussions of questions and concerns with dining services staff.

**Recommendations/
Responses**

C E A	Auditor's Recommendations	Implementation Target Date	Expected Auditor Follow-up
	No audit recommendations were identified.	N/A	Review: N/A Report: N/A

The University of Northern Iowa
FY 2005 Cash on Hand
Initial Audit Report Issued: January 4, 2005

Audit Remains Open

Description The University has three types of cash on hand in its departments and units:

- Undeposited revenue - represents cash and check income collected for miscellaneous sales and services.
- Departmental change fund - an authorized cash fund used to make change for the department or unit's cash and check income.
- Departmental reimbursement fund - an authorized cash fund used to reimburse employees for approved departmental supplies amounting to \$100 or less per reimbursement.

The FY 2005 cash on hand audit focused on University departments and units receiving over-the-counter and mail revenue.

Scope / Objective The objective of the internal audit for cash funds and undeposited revenue is to provide a reasonable assurance that the internal control environment over cash and revenue on hand is reasonable and functioning adequately. Audit procedures included:

- Performing counts of undeposited revenue and cash funds on hand in selected departments and units; and
- Ascertaining how cash funds and undeposited revenue are handled and secured until deposited.

C E A	Auditor's Recommendations	Implementation Target Date	Expected Auditor Follow-up
1. 	Unauthorized Change Fund.	December 2004	Review: Oct 2005 Report: Nov 2005
2. 	Reimbursement Fund Compliance.	Immediately	Review: Oct 2005 Report: Nov 2005
3. 	Cash Funds Reporting.	Immediately	Review: Oct 2005 Report: Nov 2005
4. 	Appropriate Check Negotiation.	October/November 2004	Review: Oct 2005 Report: Nov 2005
5. 	Adequate Revenue Records.	Immediately	Review: Oct 2005 Report: Nov 2005
6. 	Security of Cash Funds & Revenue.	October 2004	Review: Oct 2005 Report: Nov 2005
7. 	Timely Depositing of Revenue.	Immediately	Review: Oct 2005 Report: Nov 2005
8. 	Alarm Procedure.	December 2004	Review: Oct 2005 Report: Nov 2005
9. 	Inventory Records.	December 2004	Review: Oct 2005 Report: Nov 2005

**The University of Northern Iowa
Gallagher-Bluedorn Performing Arts Center (GBPAC)**

Initial Audit Report Issued: February 10, 2005

Audit Remains Open

Description GBPAC is a \$23 million, 100,000 square foot complex featuring three state-of-the-art concert halls, a soaring glass-walled lobby, and dozens of teaching and rehearsal spaces. Hosting over 300 performances each year, the GBPAC showcases the world's finest artists, ensembles of the UNI School of Music, the Waterloo-Cedar Falls Symphony and many other community and regional events.

Currently, the GBPAC hosts twice the level of activity with approximately 25% less state support than envisioned by the original business plan. Revenues derived from non state sources, which include ticket sales, rental income, advertising income, corporate support, and an annual donations campaign, surpass originally planned levels, some by as much as one hundred percent.

Scope / Objective The purpose of the internal audit was to provide a reasonable assurance that an adequate internal control environment had been established to reasonably protect the University from negative exposure, loss, and/or misuse of the public trust.

Internal auditors obtained an understanding of operations through direct observations of processes, examination of supporting financial and operational documentation, and discussions of questions and concerns with appropriate GBPAC staff.

GBPAC's operations were examined for:

- Regulatory compliance, including University policies & procedures;
- Effective accomplishment of mission;
- Reliable financial information;
- Effective and efficient use of resources; and
- Adequate safeguarding of assets.

**Recommendations/
Responses**

C E A	Auditor's Recommendations	Implementation Target Date	Expected Auditor Follow-up
1. 	Financial Condition.	June 30, 2005	Review: Feb 2006 Report: Mar 2006
2. 	Ticket Sales Distribution and Reconciliation.	June 30, 2005	Review: Feb 2006 Report: Mar 2006
3. 	Accounts Receivable.	June 30, 2005	Review: Feb 2006 Report: Mar 2006
4. 	Cash and Revenue Handling.	March 1, 2005	Review: Feb 2006 Report: Mar 2006
5. 	Contracts.	Immediately	Review: Feb 2006 Report: Mar 2006

The University of Northern Iowa
Gaining Early Awareness and Readiness for Undergraduate Programs
 Initial Audit Report Issued: March 9, 2005

Audit Remains Open

Description The GEAR-UP program, a federally funded national program administered by the U.S. Department of Education, is a discretionary grant program designed to increase the number of low-income students who are prepared to enter and succeed in postsecondary education. It is one of twelve programs in UNI's Educational Opportunity Programs and Special Community Services.

GEAR-UP selected Logan Middle School as its partnership school, which is assisted by other organizations within the local community. Its mission is accomplished by providing tutoring, after school activities, and a summer program that involves assemblies, orientations, college visits, career awareness, implementation of decision-making curriculum, and homeroom mentors. The total budget for the first five years of the grant agreement is \$1,260,085.

Scope / Objective The purpose of the audit was to provide a reasonable assurance that an adequate internal control environment had been established that reasonably protects the University from exposure, loss, and/or misuse of the public trust.

Internal auditors obtained an understanding of operations through completion of an internal control questionnaire, examination of supporting financial and program documentation, and discussions of questions and concerns with GEAR-UP staff.

Operations were examined for:

- Regulatory compliance including University policies and procedures;
- Effective accomplishment of its mission;
- Reliable financial information;
- Effective and efficient use of resources; and
- Adequate safeguarding of assets.

C E A	Auditor's Recommendations	Implementation Target Date	Expected Auditor Follow-up
1. 	Programming Authority.	March 1, 2005	Review: Mar 2006 Report: Apr 2006
2. 	Daily Free Balance.	February 2005	Review: Mar 2006 Report: Apr 2006
3. 	Volunteer Tutoring.	January 2005	Review: Mar 2006 Report: Apr 2006

INTERNAL AUDIT FOLLOW-UP REPORTS

<p><u>University of Iowa – University Operations</u></p> <ul style="list-style-type: none"> • Dance Marathon Business Process Review • HIPAA • Opportunity at Iowa Departmental Audit • Workflow Business Process Review 	<p>Closed</p> <p>Open</p> <p>Closed</p> <p>Closed</p>
<p><u>University of Iowa – Hospital Operations</u></p> <ul style="list-style-type: none"> • Department of Safety and Security • Meal Charging 	<p>Closed</p> <p>Closed</p>
<p><u>Iowa State University</u></p> <ul style="list-style-type: none"> • Security of Remote Computing 	<p>Closed</p>
<p><u>University of Northern Iowa</u></p> <ul style="list-style-type: none"> • Conference and Event Services 	<p>Closed</p>

**University of Iowa – University Operations
University HIPAA Compliance**

Initial Audit Report Issued: June 28, 2004

Follow-Up Memorandum Issued: February 28, 2005

Audit Remains Open

Recommendations / Responses	Auditor's Recommendation	Implementation Target Date	Expected Auditor Follow-up
	1. Training.	December 2004	Item closed.
	2. Privacy Notice.	Dec 2004	Review: May 2005 Report: Jun 2005
	3. Address for HIPAA Privacy Officer.	July 2004	Review: May 2005 Report: Jun 2005
	4. Accessibility of PHI.	December 2004	Review: May 2005 Report: Jun 2005
	5. Business Associate Database.	August 2004	Item closed.
	6. Covered Versus Non-Covered Components.	December 2004	Item closed.
	7. HIPAA Committee.	August 2004	Item closed.

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