THE UNIVERSITY OF IOWA

AUDIT FOLLOW-UP MEMORANDUM

TO: Terry Johnson, University Controller

FROM: Carol Senneff, Director of Internal Audit cfs
Richard See, Audit Manager RRS

DATE: May 20, 2004

SUBJECT: Review of Campus-Wide Expenditures for Business Purpose Events Follow-up

The Review of Campus-Wide Expenditures for Business Purpose Events Audit report was issued on September 22, 2003. A follow-up review has been conducted to ensure that appropriate corrective actions were taken. The following are the outstanding audit issues and their corresponding corrective actions taken by Management:

- Policy Clarification – Management has submitted the suggested changes to the University Policy Manual. It is awaiting final approval by the Vice President's Group.
- Detail in the General Ledger – An additional account has been added to the General Ledger. This account will contain all expenses that are not foodstuffs purchased for resale.
- Guidelines for specific types of events – Management has communicated the changes to policy through various forums. Internal Audit has been included the communication flow.
- Departmental and Management Training – The collegiate business officers, departmental officers, and grant administrators have been included in the dialogue concerning these changes. The central Accounts Payable Department will be highlighting the changes to the policy on its website as soon as the policy receives final approval.

Management has taken appropriate corrective action on all of the remaining audit recommendations. This audit is now closed.

cc: David J. Skorton – President
Douglas K. True – Vice President for Finance and Operations and University Treasurer
Mary Jane Beach – Assistant Vice President – Business Services
Deborah Zumbach – Director of Purchasing
Internal Audit Management Committee
Board of Regents, State of Iowa
Office of Auditor of State

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E613-C General Hospital, Iowa City, Iowa 52242-1009, 319/353-6752, FAX 319/353-8423

THE UNIVERSITY OF IOWA

AUDIT FOLLOW-UP MEMORANDUM

TO: Steven R. Fleagle - Assistant Vice President and Interim CIO
Jane Drews - University Information Technology Security Officer

FROM: Carol Senneff – Director of Internal Audit
Herbert Musser – Principal Auditor

DATE: June 28, 2004

SUBJECT: Information Technology Security Risk Assessment Follow-up

The *Information Technology Security Risk Assessment* report was issued on October 17, 2003. A follow-up review has been conducted to ensure that appropriate corrective actions were taken to address the following observations:

- Better organization of the IT policy website was needed to provide a user friendly interface. In addition, an assembly of IT guidance or "best practice" documents was needed to supply all levels of IT users with an informational baseline for security issues. While not all of management's plans have yet been realized due to position turnover, significant steps have been taken and resources dedicated, demonstrating management's commitment to correcting noted deficiencies. Comment closed.

- Clear communication of IT security-related policies, procedures, and risks was needed to all levels of the University community. Significant improvement has been made to on-campus IT security communication methods. Training for IT technical staff has been made available, and educational programs for all levels of University management have occurred. Management is currently evaluating options for providing IT security training to service users. Comment closed.

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- Immediate steps were needed to begin implementing a comprehensive approach to deploying better IT security processes throughout the entire University. A risk assessment of enterprise authentication has been performed by an outside vendor, with steps being taken in line with the vendor's recommendations. Management is also actively testing a method allowing for centralized administration of workstations, including distribution of software. Once deployed it should permit more timely and uniform installation of software patches. Comment closed.

Based on our review, management has either taken appropriate action or committed resources to address cited concerns. The audit is now closed.

cc: David J. Skorton – President
Douglas K. True – Vice President for Finance and Operations
Michael J. Hogan – Provost
Donald J. Szeszycki – Assistant Provost, Operations
Ann Madden Rice – Chief Operations Officer, UIHC
Lee Carmen – Director, Health Care Information Systems
Terry Johnson – University Controller
Internal Audit Management Committee
Board of Regents, State of Iowa
Office of Auditor of State

THE UNIVERSITY OF IOWA

AUDIT FOLLOW-UP MEMORANDUM

TO: Donna Katen-Bahensky – Chief Executive Officer, UIHC

FROM: Debra Johnston – Principal Healthcare Auditor
Carol Senneff - Director, Internal Audit

DATE: June 28, 2004

SUBJECT: Contractual Adjustment Follow-up

The original Contractual Adjustment audit report was issued in January 2003. The audit was conducted to review the contractual adjustment processes that Finance and Accounting Services performed as part of their due diligence for reimbursement verification. Six recommendations were made in the original audit:

1. Document contractual adjustment procedures.
2. Perform contractual adjustment reviews for Wellmark, Medicare and Medicaid.
3. Re-allocate claim analysis resources so that their efforts add more value.
4. Address Payor Code mismatches that make it difficult to analyze reimbursements.
5. Perform outpatient claim level analysis.
6. Ensure system data integrity.

In March 2003, UIHC implemented a new patient accounting system called IDX. Implementation of the system required significant workflow changes for the Finance and Accounting staff members performing reimbursement reviews. New financial service classifications (FSC) were implemented that replaced payor codes. Tasks were either eliminated, changed or re-allocated to staff ensuring better utilization of resources. Some procedures have been documented.

Prior to the IDX implementation, the Senior Associate Director and Reimbursement Manager in Finance and Accounting Services left UIHC. In October 2003, a new Chief Financial Officer was hired, and shortly thereafter, an Associate Director of Financial Management and Control was hired. The change in leadership and the implementation of the IDX system completely changed the way in which reimbursements and contractual adjustments are reviewed.

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New management is continuing to re-define and refine processes to ensure adequate review of reimbursement issues. Additionally, consultants have been hired to evaluate and redesign the revenue cycle at UIHC. Management is well aware of Internal Audit's concerns and is actively working to improve processes and systems to mitigate reimbursement risks. At this time, the original Contractual Adjustment audit is being closed. After the revenue cycle initiative has been completed, another reimbursement audit will be conducted to evaluate the new control environment.

cc: David Skorton – President
Ann Madden Rice – Chief Operating Officer, UIHC
Anthony DeFurio – Chief Financial Officer, UIHC
Mark Henrichs – Associate Director Financial Management and Control, UIHC
Terry Johnson – University Controller
Internal Audit Management Committee
Board of Regents, State of Iowa
Office of Auditor of State

UNIVERSITY OF NORTHERN IOWA
INTERNAL AUDIT FOLLOW-UP REPORT

DEPARTMENT

Original Report Issued: July 7, 2003
Follow-Up Report Date: May 7, 2004

Report Distribution

Robert D. Koob, President
Kelly Flege, Director, Office of Business Operations
Gary B. Shontz, Controller & University Secretary/Treasurer
Gregory S. Nichols, Executive Director, Board of Regents, State of Iowa

BACKGROUND

An internal audit of a University of Northern Iowa (UNI) department (Department) was performed during fiscal year 2003. The purpose of the original audit was to provide a reasonable assurance that the Department had established an adequate internal control environment that is reasonable and adequate, and operating appropriately. From the procedures performed during the audit, four major audit recommendations were presented in the internal audit report issued July 7, 2003.

PURPOSE & SCOPE

The purpose of this subsequent review is to determine whether Department at UNI has satisfactorily implemented the recommendations identified during the internal audit. During the follow-up review, the status of each audit recommendation was determined based on discussions with Department personnel as well as a limited examination and/or observation of the actions implemented for each recommendation.

AUDIT RECOMMENDATION STATUS

The status of each audit recommendation is summarized below. For a detailed explanation of the actions taken by UNI Department as well as the follow-up observations for each recommendation, please see the section titled "Follow-Up Results for Audit Recommendations".

A. General Administration	
1. Department account review	Complete
2. Student assessments	Complete
B. Payroll	
1. Overtime/compensatory time	Complete
2. Timesheets	Complete
C. Supplies & Services Expenses	
1. Expenditures	Complete
2. Procurement card	Complete
3. Request for Payments	Complete
4. Journal entries	Complete
D. Travel	
1. Authorization	Complete
2. Signature	Complete

FOLLOW-UP AUDIT OPINION

Based on the results of the follow-up review of UNI Department, it is our opinion that Department has satisfactorily implemented all audit recommendations from the audit report issued July 7, 2003. This internal audit is considered complete and closed.

AUDIT STAFF

Timothy J. McKenna, Operations Auditor
Carla S. Kelley, Internal Auditor
Kristin Cleveland, Student Assistant Auditor

SIGNATURES

Completed by: _____
Carla S. Kelley, Internal Auditor

Approved by: _____
Timothy J. McKenna, Operations Auditor

FOLLOW-UP RESULTS FOR AUDIT RECOMMENDATIONS

A. GENERAL ADMINISTRATION

1. Department account review

Original Recommendation – It is recommended that the Department head review the Department's financial accounts on a monthly basis, at a minimum. Obtaining paper copies of the account activity from the Department secretary or elsewhere is an option. The Department head might also consider the benefit of additional experience and/or training relating to the University's financial system so that the Department head can obtain the information directly through the computer system. If the Department head decides to continue reviewing the Department's financial activity through paper copies and those paper copies are retained, then evidence of the Department head's review should be indicated on the documents, such as the head's initials and the date of the review.

Original Department response – The Department head will review the Department's financial accounts on a monthly basis. Paper copies of the account will be provided by the Department secretary each month. The copies are not retained.

Original Conclusion – Response accepted.

Follow-Up Observations – Per discussion with Department Head (DH), the departmental accounts are being reviewed on a regular basis.

Follow-Up Conclusion – Department has satisfactorily implemented this audit recommendation, and it is considered complete and closed.

2. Student assessments

Original Recommendation – Since the student assessments have been summarized and recorded at this time, there is no direct internal audit recommendation relating to this issue. However, it is recommended that the Department attempt to summarize and record the student assessments on a more timely basis in the future.

Original Department response – The Department secretary will have the student assessments summarized and recorded on a more timely basis in the future.

Original Conclusion – Response accepted.

Follow-Up Observations – Per discussion with DH and Dean's Office, student assessments are up to date through Fall 2003.

Follow-Up Conclusion – Department has satisfactorily implemented this audit recommendation, and it is considered complete and closed.

B. PAYROLL

1. Overtime/compensatory time

Original Recommendation – Overtime and compensatory time should require prior Department head approval, in writing. The written approval, or a copy thereof, can then be used to reconcile with the applicable payroll records.

Original Department response -- The Department head will require a written request for any future overtime or compensatory time worked.

B. PAYROLL / 1. Overtime/compensatory time (continued)

Original conclusion – Response accepted, except the department is reminded to retain and use the approved written request to reconcile with payroll-related records.

Follow-Up Observations – Per discussion with DH, the current departmental secretary has not requested overtime or compensatory time, which was confirmed by Payroll staff that no overtime has been paid or compensatory used this fiscal year. DH indicated that a written request will be required if overtime or compensatory time is requested in the future by the departmental secretary.

Follow-Up Conclusion – Department has satisfactorily implemented this audit recommendation, and it is considered complete and closed.

2. Timesheets

Original Recommendation – Time sheets need to be completed and submitted according to University policy.

Original Department response – The Department secretary will submit time sheets every week according to University policy. The Department head will review time sheets and submit them.

Original Conclusion – Response accepted.

Follow-Up Observations – Per discussion with Payroll staff, the departmental secretary's timesheets are being submitted timely, are accurate, and appropriately approved. The previous departmental secretary's timesheets are up-to-date also.

Follow-Up Conclusion – Department has satisfactorily implemented this audit recommendation, and it is considered complete and closed.

C. SUPPLIES & SERVICES EXPENSES

1. Expenditures

Original Recommendation – Expenditure items should be more accurately completed, use proper authorization in all circumstances, and according to the University's process. Expense reimbursements should also be completed within the Department and submitted to the Controller's Office on a more timely basis, i.e., within 30 days.

Original Department response – The Department secretary will use the University process and make greater effort to complete expenditure items timely, with proper authorization, and accurately as to account numbers and amounts.

Original Conclusion – Response accepted.

Follow-Up Observations – Per review of departmental accounts and supporting documentation, the Department properly recorded expenses the previous departmental secretary incurred on behalf of the Department from personal funds. The departmental secretary was reimbursed for the appropriate amount in May 2003. Per discussion with DH, signature approval has not been provided to any other employee nor is it being misused to the best of the DH's knowledge. Ten expenditure items from July 2003 through April 2004 were reviewed for accurate completion, proper authorization, timely submission for payment, and compliance with University processes. The test results indicate that since the change in departmental secretaries expenditures have been submitted for payment processing: a) with reasonably accurate and complete information; b) with proper and authentic authorization by the DH; c) on a timely basis; and d) generally in compliance with University processes.

C. SUPPLIES & SERVICES EXPENSES / 1. Expenditures (continued)

Follow-Up Conclusion – Department has satisfactorily implemented this audit recommendation, and it is considered complete and closed.

2. Procurement card

Original Recommendation – The Department should take greater control of the procurement card process, only allowing the authorized person to use the card and only for authorized expenses. In addition, the procurement card expenses should be reconciled and processed on a monthly basis.

Original Department response -- The Department head and other University personnel have reviewed the procurement card rules with the Department secretary. The Department secretary will follow the University's procurement card process and rules, including regular/monthly reconciliation and processing.

Original Conclusion – Response accepted.

Follow-Up Observations – Per discussion with DH, there is only one procurement card in the office under the departmental secretary's name. The procurement card is not passed around or used by anyone other than the departmental secretary. A review of procurement card expenses charged to the Department's accounts between July 2003 and April 2004 indicates that there is only one procurement card in use by the Department. The card in use is assigned to the departmental secretary. Three procurement card chargeback entries occurring between July 2003 and April 2004 were examined. The results indicate that all charges were appropriate, payment amounts reconcile to the card invoice, and payment were submitted timely for processing.

Follow-Up Conclusion – Department has satisfactorily implemented this audit recommendation, and it is considered complete and closed.

3. Request for Payments (RFP)

Original Recommendation – The Department should take greater care in its completion of its RFP's. The information contained on and included with each RFP should be accurate, adequate, and complete, without extraneous information, and must include original supporting documentation

Original Department response -- The Department secretary shall attempt to complete RFP's with more care as noted in the Recommendation.

Original Conclusion – Response accepted.

Follow-Up Observations – A review of five RFPs paid between July 2003 and April 2004 indicated that the Department is submitting original supporting documentation with no extraneous information on expenditure forms.

Follow-Up Conclusion – Department has satisfactorily implemented this audit recommendation, and it is considered complete and closed.

4. Journal entries

Original Recommendation – The Department head should review and approve all journal entries initiated by the Department. If the Department retains paper copies of such entries, the head should indicate approval, for example by initialing the document.

C. SUPPLIES & SERVICES EXPENSSES / 4. Journal entries (continued)

Original Department response – The Department secretary will have the Department head review and approve all journal entries before submitting them.

Original Conclusion – Response accepted, except we want to remind the Department that evidence of journal entry approval should be maintained in some form, whether electronically or in hard (paper) copy.

Follow-Up Observations – Per discussion with DH, no journal entries have been processed by the Department this fiscal year, which was confirmed by a review of the departmental accounts. DH was reminded to leave evidence of DH approval on paper copies of journal entries or keep DH electronic approval before submitting journal entries for processing.

Follow-Up Conclusion – Department has satisfactorily implemented this audit recommendation, and it is considered complete and closed.

D. TRAVEL

1. Authorization

Original Recommendation – It is recommended that the Department head approve, in writing and on the University's travel authorization form, all Department travel prior to travel taking place, except in cases of Department head travel which should be approved by the appropriate person with supervisory authority.

Original Department response -- The Department secretary will make sure the Department head sees, reviews and approves all appropriate Department travel.

Original Conclusion – Response accepted.

Follow-Up Observations – Per discussion with DH, all travel requests are authorized in advance of travel. A review of five travel reimbursements paid between July 2003 and April 2004 indicates that travel was appropriately approved in advance by the department head.

Follow-Up Conclusion – Department has satisfactorily implemented this audit recommendation, and it is considered complete and closed.

2. Signature

Original Recommendation – The Department should not submit travel reimbursement forms to the University Controller's Office until the employee's signature is obtained.

Original Department response -- The Department secretary will ensure that all travel reimbursement forms include the faculty member's signature.

Original Conclusion – Response accepted.

Follow-Up Observations - A review of 5 travel reimbursements paid between July 2003 and April 2004 indicates that all Department employees receiving reimbursement also signed the travel expense form before it was submitted for payment.

Follow-Up Conclusion – Department has satisfactorily implemented this audit recommendation, and it is considered complete and closed.

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BOARD OF REGENTS
STATE OF IOWA

UNIVERSITY OF NORTHERN IOWA
INTERNAL AUDIT FOLLOW-UP REPORT

FY2003 CASH ON HAND

Original Report Issued: June 11, 2003
Follow-up Report Date: December 15, 2003
Second Follow-up Report Date: June 30, 2004

Report Distribution

Robert D. Koob, President
Aaron M. Podolefsky, Provost & VP-Academic Affairs
Jeffrey W. Cornett, Dean, College of Education
Christopher R. Edginton, Director, HPELS

Gary B. Shontz, Controller & Secretary/Treasurer
Kelly Flege, Director, Business Operations
Gregory S. Nichols, Executive Director, Board of Regents

BACKGROUND

During FY2003, an internal audit was performed of selected University of Northern Iowa (UNI) departments/units' cash funds and undeposited revenue on hand. The purpose of the audit was to: (a) verify that cash funds on hand exist; are authorized, accounted for, and adequately secured; and comply with applicable laws, regulations, policies, and procedures; and (b) assure that undeposited revenue is being controlled and handled until deposited in the same manner as cash funds on hand, as well as complying with applicable laws, regulations, policies, and procedures. From the procedures performed, nine areas were identified as audit concerns:

1. Departmental Reimbursement Fund Compliance
2. Unauthorized Change Fund
3. Cash Funds Reporting
4. Physical Security of Cash Funds & Revenue
5. Cash Overages & Shortages
6. Adequate Revenue Records
7. Appropriate Check Negotiation
8. Timely Depositing of Revenue
9. Alarm Procedure

An original follow-up review was performed during fall 2003, resulting in a follow-up report issued on December 15, 2003. *HPELS* had recommendations that remained in process at that time. The following audit recommendations remained open for *HPELS*.

1. Adequate Revenue Records
2. Appropriate Check Negotiation
3. Alarm Procedure

PURPOSE

The purpose of this subsequent review is to determine whether *HPELS* have taken satisfactory corrective action in relation to the audit recommendations still in process at the time of the first follow-up report (December 15, 2003). This second follow-up review was performed April 29, 2004, approximately four months after the previous follow-up review.

AUDIT RECOMMENDATION STATUS

The follow-up reviews identified the status of the original audit recommendations for each UNI department/unit reviewed during FY2003. See summary below. The detail of actions taken on the audit recommendations is provided later in this report under the section titled "Follow-Up Results for Audit Recommendations."

	Department or Unit	Audit Recommendations Status
1.	Art Store	Complete 12/2003
2.	Campus Supply	Complete 12/2003
3.	Business Exchange-College of Business Administration (CBA)	Complete 12/2003
4.	Examination Services	Complete 12/2003
5.	Global Health Corps (GHC)	Complete 12/2003
6.	Health, Physical Education, & Leisure Services (HPELS)	**Complete 5/2004**
7.	Print Services – Mail Center	Complete 12/2003
8.	Theatre	Complete 12/2003
9.	University Health Center	Complete 12/2003

FOLLOW-UP AUDIT OPINION

Based on the results of the second follow-up review, the FY2003 Cash on Hand audit recommendations that remained open as of December 15, 2003 have been satisfactorily completed and placed in operation.

SIGNATURES

Performed by: Kristin Cleveland
Kristin Cleveland, Student Assistant Auditor

Reviewed by: Carla S. Kelley
Carla S. Kelley, Internal Auditor

Approved by:
Timothy J. McKenna, Operations Auditor

Accepted by:

Gary B. Shontz, Controller and University Treasurer/Secretary

Kelly Fiege, Director, Office of Business Operations

FOLLOW-UP RESULTS FOR AUDIT RECOMMENDATIONS

1. Departmental Reimbursement Fund Compliance

This audit recommendation was satisfactorily completed by all applicable UNI departments/units as discussed per the FY2003 Cash On Hand Follow-up Report issued December 15, 2003.

2. Unauthorized Cash Fund

This audit recommendation was satisfactorily completed by all applicable UNI departments/units as discussed per the FY2003 Cash On Hand Follow-up Report issued December 15, 2003.

3. Cash Funds Reporting

This audit recommendation was satisfactorily completed by all applicable UNI departments/units as discussed per the FY2003 Cash On Hand Follow-up Report issued December 15, 2003.

4. Physical Security of Cash Funds & Revenue

This audit recommendation was satisfactorily completed by all applicable UNI departments/units as discussed per the FY2003 Cash On Hand Follow-up Report issued December 15, 2003.

5. Cash Overages & Shortages

This audit recommendation was satisfactorily completed by all applicable UNI departments/units as discussed per the FY2003 Cash On Hand Follow-up Report issued December 15, 2003.

6. Adequate Revenue Records

Original Recommendation: It is recommended to the applicable UNI departments/units that an adequate revenue record be created immediately when revenue is received or collected. This record should include the appropriate information: the date of receipt, the name of the payer, the amount received, and the purpose of receipt. The revenue record should be reconciled to the actual deposit when preparing a deposit to assure that revenue is not missing or stolen. This reconciliation should be evidenced by the reconciler's initials and date on the revenue record at the point of deposit.

- ***HPELS –***

  Original Response: HPELS will comply.

  Original Conclusion: Response accepted. We want to remind HPELS to reconcile their revenue record when making a deposit with the date, total deposited, and the depositor's initials.

  First Follow-up Observations: When the follow-up review was performed, we were informed that a revenue log is no longer being maintained. The importance of this log was discussed and HPELS agreed to develop a log. This recommendation remains open for HPELS.

  First Follow-up Response: A log of checks received has been developed and was put into use October 21, 2003.

  Second Follow-up Observations: When the second follow-up review was performed, we observed that an adequate revenue record is currently in use. We want to remind HPELS to also include the number of the check received and the depositor's initials on the date of reconciliation.

  Auditor's Conclusion: HPELS has satisfactorily implemented this audit recommendation and it is considered complete.

7. Appropriate Check Negotiation

Original Recommendation: It is recommended to the applicable UNI departments/units that when checks are accepted, they be restrictively endorsed immediately upon receipt, and include the

7. Appropriate Check Negotiation (continued)

University or UNI in the payee. By satisfying these control procedures, each unit will be able to more adequately safeguard against loss or theft.

- ***HPELS –***

  Original Response: Checks will be stamped upon receipt "for deposit only." Faculty in HPELS who run special programs will be informed that participants in these programs must include "UNI" in the "Pay to Order of" line on their checks.

  Original Conclusion: Response accepted.

  First Follow-up Observations: When the follow-up review was performed, it was observed that a stamp with "for deposit only" had been purchased, however checks are not being stamped immediately upon receipt. UNI is being included in the payee. This recommendation remains open for HPELS.

  First Follow-up Response: We began restrictively endorsing checks immediately upon receipt rather than at deposit as of November 1, 2003.

  Second Follow-up Observations: When the second follow-up review was performed, it was observed that checks are being restrictively endorsed immediately upon receipt.

  Auditor's Conclusion: HPELS has satisfactorily implemented this audit recommendation and it is considered complete.

8. Timely Depositing of Revenue

This audit recommendation was satisfactorily completed by all applicable UNI departments/units as discussed per the FY2003 Cash On Hand Follow-up Report issued December 15, 2003.

9. Alarm Procedure

Original Recommendation: It is recommended to the applicable UNI departments/units that an alarm procedure be developed, documented, and communicated to employees. In this way, the department/unit will be adequately prepared in case of theft or suspected theft of cash, undeposited revenue, and other University assets. A copy of this policy should be maintained in an accessible location and/or at points of sale within each department/unit.

- ***HPELS –***

  Original Response: HPELS will develop, document, and communicate an alarm procedure.

  Original Conclusion: Response accepted, except that we want to emphasize to HPELS that not only should an alarm procedure be developed, documented, and communicated, but also a copy of the procedure should be maintained near the office's front desk and/or point of sale.

  First Follow-up Observations: When the follow-up review was performed, we were informed that an alarm procedure has not been developed, documented, or communicated to employees. This recommendation remains open for HPELS.

  First Follow-up Response: An alarm procedure document has been prepared and is currently being reviewed by Dr. Edginton with implementation expected January 12, 2004.

  Second Follow-up Observations: When the second follow-up was performed, it was observed that a procedure has been developed and documented. We reminded HPELS to communicate this procedure to employees and place a copy at the front desk and in the equipment room. HPELS indicated that they will do this immediately.

  Auditor's Conclusion: HPELS has satisfactorily implemented this audit recommendation and it is considered complete.