

**Audit and Compliance Committee Memorandum**  
Board of Regents, State of Iowa

**Subject:** Internal Audit Reports  
**Prepared by:** Andrea Anania  
**Date Submitted:** October 20, 2004

---

**Recommended Action:**

1. Receive the following internal audit reports:

UNIVERSITY OF IOWA

University Operations

- Intercollegiate Athletics – Home Game Ticket Revenue – FY 2003-04
- Office of the Provost
- Opportunity at Iowa Departmental Audit
- Travel Expenses on Procurement Card

Hospital Operations

- UIHC Meal Charging
- UIHC Safety and Security

IOWA STATE UNIVERSITY

- Security of Remote Computing
- Sponsored Programs – FY 2004

UNIVERSITY OF NORTHERN IOWA

- Continuing Education – Credit Programs
- Department of Residence – Facilities
- Field House (UNI-Dome) Operations – Event Parking
- Human Resource Services – Workers' Compensation
- University Health Services – Student Health Center

2. Receive the report on the Status of the Internal Audit Follow-up reports, including eleven follow-up reports.
  3. Discuss the proposed format for the dashboard report.
- 

**Executive Summary:**

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

Thirteen new audit reports are presented this month: six from SUI; two from ISU; and five from UNI. Eleven follow-up reports are presented this month: seven from SUI and four from ISU. Eight are closed and three remain open.

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**

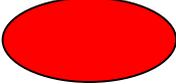
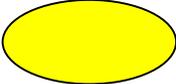
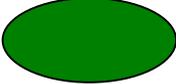
At its May 2004 meeting, the Audit and Compliance Committee requested that a dashboard approach be incorporated in the quarterly internal audit report. At the August 2004 meeting, a simplified format was presented for discussion.

The Board directed the internal auditors to reach agreement about the definition of core institutional process, in conjunction with the Board Office, and then present a single judgment to the Committee at the November meeting. The Board Office held a meeting in September with internal auditors from the three universities to discuss definitions for the dashboard.

The internal auditors agreed on:

- Detailed definitions for materiality/criticality and terms as illustrated on page 3; and
- Assessment of controls/efficiencies as illustrated on page 4. These provide the basis for internal auditors to determine colors for the two-column dashboard on page 5.

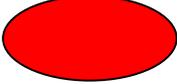
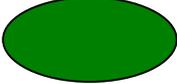
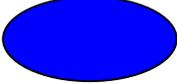
**MATERIALITY/CRITICALITY**

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

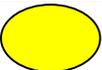
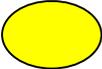
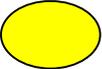
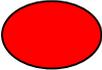
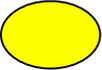
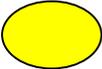
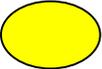
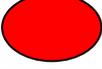
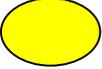
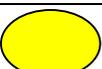
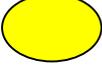
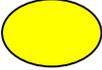
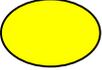
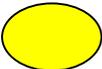
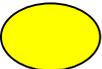
**MATERIALITY/CRITICALITY TERMS** - Definitions include but are not limited to the following:

- 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

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

**Internal Audit Reports  
October 20, 2004**

	<u>MATERIALITY/CRITICALITY</u>	<u>CONTROL EFFICIENCY ASSESSMENT</u>
<b>UNIVERSITY OF IOWA</b>		
University Operations		
Intercollegiate Athletics – Home Game Ticket Revenue FY 2003-04		
Office of the Provost		
Opportunity at Iowa Departmental Audit		
Travel Expenses on Procurement Card		
Hospital Operations		
UIHC Meal Charging		
UIHC Safety and Security		
<b>IOWA STATE UNIVERSITY</b>		
Security of Remote Computing		
Sponsored Programs – FY 2004		
<b>UNIVERSITY OF NORTHERN IOWA</b>		
Continuing Education- Credit Programs		
Department of Residence - Facilities		
Field House (UNI-Dome) Operations – Event Parking		
Human Resource Services – Workers' Compensation		
University Health Services – Student Health Center		

### Follow-Up Issues

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

**Status of Internal Audit Follow-Up  
October 20, 2004**

**University of Iowa**

<b>Title</b>	<b>Report Date</b>	<b>Original Follow-Up Status</b>	<b>Expected Completion</b>	<b>Action Status</b>
1. NCAA Compliance – Complimentary Admissions (SUI) Follow-up Memorandum #1 Follow-up Memorandum #2	Dec 18, 2003 Mar 26, 2004 Aug 25, 2004	Audit closed. (Page 31.)	Closed	Closed
2. HIPAA Privacy Compliance (UIHC) Follow-up Memorandum #1 Follow-up Memorandum #2	Jan 26, 2004 Apr 16, 2004 Oct 8, 2004	Audit closed. (Page 36.)	Closed	Closed
3. Hospital Mail Room (UIHC) Follow-up Memorandum	Feb 13, 2004 Aug 25, 2004	Originally scheduled May 2004, then Jan 2005.	Jan 2005	
4. OIG Exclusion Program (UIHC) Follow-up Memorandum	Jan 26, 2004 Aug 25, 2004	Audit closed. (Page 38.)	Closed	Closed
5. Data Backup and Business Continuation Planning (SUI)	Mar 26, 2004	Originally scheduled Mar 2005.	Mar 2005	
6. NCAA Team Travel (SUI) Follow-up Memorandum	Apr 16, 2004 Aug 25, 2004	Audit closed. (Page 31.)	Closed	Closed
7. Dialysis Program (UIHC) Follow-up Memorandum	Mar 26, 2004 Aug 25, 2004	Originally scheduled Aug 2004, then Nov 2004.	Nov 2004	
8. Center for Biocatalysis and Bioprocessing (SUI) Follow-up Memorandum	May 20, 2004 Sep 27, 2004	Audit closed. (Page 30.)	Closed	Closed
9. NCAA Equipment and Apparel (SUI)	Jun 28, 2004	Originally scheduled Nov. 2004.	Nov 2004	
10. University External Relations Organizational Review (SUI)	May 20, 2004	Originally scheduled Dec. 2004.	Dec 2004	
11. University HIPAA Compliance (SUI)	Jun 28, 2004	Originally scheduled Jan 2005.	Jan 2004	
12. Workflow Business Process Review (SUI)	Jun 28, 2004	Originally scheduled Dec. 2004.	Dec 2004	

**Iowa State University**

<b>Title</b>	<b>Report Date</b>	<b>Original Follow-Up Status</b>	<b>Expected Completion</b>	<b>Action Status</b>
13. Conflict of Interest Follow-up Report	Aug 7, 2003 Aug 30, 2004	Audit closed. (Pages 39-40.)	Closed	Closed
14. Sponsored Programs Follow-up Report	Nov 10, 2003 Sep 16, 2004	Audit closed. (Page 45.)	Closed	Closed
15. Genetics, Development and Cell Biology Follow-up Report	Jan 7, 2004 Aug 2, 2004	Originally scheduled May 2004, then Nov 2004.	Nov 2004	
16. Employee Medical Benefit Claims	Jun 18, 2004	Originally scheduled June 2005.	July 2005	
17. International Education Services	Jun 23, 2004	Originally scheduled Oct 2004.	Nov 2004	
18. OPPTAG Special Review Follow-up Report	Jun 22, 2004 Sep 29, 2004	Audit closed. (Pages 43-44.)	Closed	Closed
19. Workers' Compensation	Jun 9, 2004	Originally scheduled Oct 2004.	Nov 2004	

**University of Northern Iowa**

<b>Title</b>	<b>Report Date</b>	<b>Original Follow-Up Status</b>	<b>Expected Completion</b>	<b>Action Status</b>
20. Conference and Event Services Follow-up Report	Nov 22, 2002 Sep 26, 2003	Originally scheduled in Jun 2004.	Dec 2004	
21. University-Wide Financial Business Procedures	Feb 16, 2004	Originally scheduled in Mar 2005.	Mar 2005	
22. Campus Supply – Process Review	Apr 14, 2004	Originally scheduled in Mar 2005.	Mar 2005	
23. Transportation Services – Motor Vehicle Usage	Apr 14, 2004	Originally scheduled in Nov 2004.	Nov 2004	

**The University of Iowa – University Operations  
Intercollegiate Athletics Home Game Ticket Revenue – FY 2003-2004**

Initial Audit Report Issued: August 25, 2004

Audit Remains Open

**Description** During FY 2004, combined home game gross revenue for Men's and Women's Athletics was approximately \$18.2 million. Of this amount, football contributed 76%; men's basketball 22%; and women's basketball and wrestling contributed the majority of the balance. The \$18.2 million gross revenue is prior to conference revenue sharing and contractual payments to visiting teams.

**Scope / Objective** Internal auditors perform annual audits of athletic ticket revenue to: (1) provide independent verification and reconciliation of revenue and guaranteed payments to visiting institutions; and (2) reconcile and destroy unused tickets as required by University policies.

Objectives of the audit included determination of compliance with:

- Section V14.1 of the University of Iowa Operations Manual for the accounting of ticket inventory and appropriate disposition of unused tickets;
- Big Ten revenue sharing regulations; and
- Contractual payment obligations to visiting teams.

**Recommendations / Responses**

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
1. <u>Contractual Payment and Big Ten Settlements.</u> Review the payment initiation and payment process; determine why numerous late payments occurred; and take appropriate steps to correct the problem.	Management will keep a closer watch on the payment process and will make sure that payments are handled in a timely manner.	Internal auditors will review and evaluate the timeliness of payments.
	Implementation Target Date: 2004-2005 athletic season.	Review: Jun 2005 Report: Jul 2005
2. <u>Women's Basketball Season Ticket Printing Log.</u> Review the on-site ticket printing process and ensure that an accurate printing log is kept and available for future review.	A log was kept, but was inadvertently destroyed prior to the audit. Management will maintain the log on a backed-up network drive to ensure that this does not happen again.	Internal auditors will obtain and review the ticket log.
	Implementation Target Date: 2004-2005 Athletic Season	Review: Jun 2005 Report: Jul 2005

**The University of Iowa – University Operations  
Office of the Provost**

Initial Audit Report Issued: September 27, 2004

Audit Remains Open

**Description** The Provost is the University’s chief academic officer and reports directly to the President. The Provost is responsible for the supervision of all academic programs, student academic affairs, and faculty matters. The deans of the eleven colleges report to the Provost as do the Director of the Division of Continuing Education, the University Librarian, the Chief Information Officer and the Director of the Museum of Art. On May 24, 2004, a new Provost assumed the duties of the office.

**Scope / Objective** The purpose of the internal audit was to provide information regarding internal controls and efficiencies currently in place as the new Provost takes office. The review focused on the following:

- Internal controls and business practices within the Office of the Provost;
- Collegiate reviews;
- Dean’s reviews;
- Tenure documentation;
- Responsibilities over information technology services; and
- Processes relative to shared degrees with other universities.

**Recommendations / Responses**

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
1. <u>Revision of the Collegiate Review Process.</u> Shorten the review process and maintain its quality, consistency, and relevance. Consider patterning the process after peer reviews used in accreditation and professional applications.	Management will conduct a study to determine ways to shorten the collegiate review process and maintain its quality, consistency, and relevance; consult with relevant constituencies; and investigate which suggestions are feasible and advisable.	Internal auditors will follow up subsequent to the implementation date.
	Implementation Target Date: September 30, 2005	Review: Oct 2005 Report: Oct 2005
2. <u>Changes to the Dean's Review Process.</u> Consider utilizing standardized, externally-developed software to provide scored evaluations of executives.	Management will investigate the value of incorporating externally-developed software by assessing available products and by consulting with deans, administrations, and other institutions.	Internal auditors will follow up subsequent to the implementation date.
	Implementation Target Date: September 30, 2005	Review: Oct 2005 Report: Oct 2005

**The University of Iowa – University Operations  
Opportunity at Iowa Departmental Audit**  
Initial Audit Report Issued: September 27, 2004

Audit Remains Open

**Description**                      Opportunity at Iowa, a part of the Office of the Provost, works collaboratively with other University offices and external partners to provide prospective and current minority students with information about the University of Iowa.

The main focus of Opportunity at Iowa is to develop and conduct outreach programs for elementary, middle, and high school students and their families. These programs include encouragement to consider attending a post secondary institution; information about how to apply for admissions; and enrichment and academic preparation programming, including summer academic programs.

During FY 2004, pre-college programs/events provided outreach to 2,491 prospective minority students in and around Iowa.

**Scope / Objective**                      Internal auditors performed a review of operations and evaluated the adequacy of departmental procedures and internal controls of predetermined business processes to ensure:

- Compliance with University and other regulatory policies;
- Proper tracking and recording of program expenses;
- Proper purchasing processes;
- Proper record/document retention at the departmental level;
- Proper identification, maintenance, and safeguarding of assets;
- Proper monitoring and follow-up;
- Timely and accurate recording of transactions to the general ledger;
- Accurate and reliable information to management; and
- Effective and reliable system security and data backup.

**Recommendations / Responses**

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
1. <u>Charter Bus Transportation</u> . Work closely with purchasing to develop standardized and acceptable processes for hiring bus transportation that includes using a University approved contract.	Management worked with purchasing to requisition University-approved bus vendors.	Internal auditors verified that corrective action has been implemented.
	Implementation Target Date: Immediately.	Item closed.

**The University of Iowa – University Operations  
Opportunity at Iowa Departmental Audit**

(continued)

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
<p>2. <u>Computer Security</u>. Install anti-virus software on the computer that does not have it. Ensure that anti-virus software is on all machines and updates are installed soon after issuance. Discourage the use of programs that are susceptible to viruses. Ensure that configuration of the programs reduces the risk of possible contamination.</p>	<p>Management has installed anti-virus software on the computer that did not have it and has assured that all virus definitions are up to date and automatic updates and scans are scheduled.</p> <p>Management will implement a procedure to periodically remind staff to avoid cluttering computers with non work-related software, take precautions when installing or downloading software, and take precautions to limit exposure to viruses.</p> <p>Implementation Target Date: October 31, 2004.</p>	<p>Internal auditors will follow-up in December 2004.</p> <p>Review: Dec 2004 Report: Jan 2005</p>
<p>3. <u>Co-sponsorships</u>. Determine that the type of co-sponsorship provided by Opportunity at Iowa is an acceptable practice. Develop formal procedures to provide consistency and adequate documentation. Include criteria to parallel the University's and Opportunity at Iowa's mission statements, goals, and a defined purpose of the support and the benefit received by the University.</p>	<p>Management is working with the Office of General Counsel to clarify the policy that governs co-sponsorships. All co-sponsorships will comply with University policy, recognize Opportunity at Iowa as a co-sponsor, and document the purpose of the event or activity being co-sponsored and how it relates to Opportunity at Iowa's mission. Opportunity at Iowa may require, as a condition of co-sponsorship, that it receive a report of the event or activity and confirmation of how the funds were used.</p> <p>Implementation Target Date: October 31, 2004.</p>	<p>Internal auditors will follow-up in December 2004.</p> <p>Review: Dec 2004 Report: Jan 2005</p>
<p>4. <u>Cash Handling</u>. All staff involved in cash handling should review the new training presentation. Revise, document, and approve new cash handling procedures.</p>	<p>All staff involved in the cash handling process have reviewed the University cash handling training presentation. New departmental cash handling procedures have been adopted and approved by Accounting Services.</p> <p>Implementation Target Date: Immediately.</p>	<p>Internal auditors followed-up and verified that corrective action has been implemented.</p> <p>Item closed.</p>

**The University of Iowa – University Operations  
Opportunity at Iowa Departmental Audit**

(continued)

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
<p>5. <u>Best Business Practices.</u></p> <p>A. Develop a departmental mission statement.</p> <p>B. Define departmental goals and specific event objectives/goals in conjunction with a mechanism of measurement.</p> <p>C. Revise the current event report to show budget versus actual cost comparisons for planning and management analysis.</p> <p>D. Submit the procurement card voucher as required by policy. Inform secondary users that the University is exempt from paying Iowa sales tax on most purchases and that it is their responsibility to inform the vendors. Someone other than the cardholder should conduct the monthly reconciliation of the procurement card for proper segregation of duties.</p>	<p>Management and staff have been engaged in discussions about the mission, goals, and objectives of specific programming activities and benchmarks for evaluating success.</p> <p>A new accounting database has been developed that will show budget versus actual cost comparisons. Reports from this database will provide more accurate and detailed comparisons and facilitate future budget and event planning.</p> <p>Management is reviewing the departmental procurement card policy and, with support from the Office of the Provost, will segregate reconciliation of procurement card statements from the responsibility of the cardholder. The office will implement a procedure to periodically remind staff of University policies regarding procurement card use and their responsibility to inform vendors of the University's exemption for Iowa sales tax.</p>	<p>Internal Audit will follow-up on all items in December 2004.</p>
	<p>Implementation Target Date: A &amp; B) December 15, 2004. C) November 15, 2004. D) October 31, 2004.</p>	<p>Review: Dec 2004 Report: Jan 2005</p>

**The University of Iowa – University Operations  
Travel Expenses on Procurement Card**

Initial Audit Report Issued: September 27, 2004

Audit Remains Open

**Description** Procurement Cards (Pcard) are the primary vehicle for low-dollar purchasing transactions. Travelers can charge most travel expenses to Pcards rather than using personal charge cards and submitting expenses for reimbursement. During FY 2004, the University's 1,897 cardholders spent over \$40.5 million in 170,000 transactions.

Pcards are issued to staff through their employing departments. Agreements are signed between individuals and departments to observe specific rules and procedures. The University agrees to share responsibility and risk with departments when those rules and procedures are followed.

**Scope / Objective** The purpose of the audit was to review procurement card travel to determine if proper controls were in place in the following areas:

- Training;
- Expense review and voucher approval; and
- Card program operations.

**Recommendations / Responses**

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
<p><u>Reconciliation and Approval of Travel Expenses</u>. Include card reconcilers and voucher approvers in the current training program; hold reviewers accountable for enforcing University policy; report and refer continuing problems to management; and deny payment of expenses that fall outside of University policy.</p>	<p>Management will encourage reconcilers and voucher approvers to attend training.</p> <p>Automated procurement card reconciliation software has been augmented to include an online automated travel reconciliation module that will improve monitoring and notification of potential policy violations. Approvers will be provided documentation and will be required to acknowledge their role and responsibility.</p>	<p>Internal auditors will review and evaluate the success of the optional training program for reviewers and of the online reconciliation module implementation.</p>
	<p>Implementation Target Date: July 1, 2005</p>	<p>Review: Aug 2005 Report: Sept 2005</p>

**The University of Iowa – Hospital Operations  
UIHC Meal Charging**

Initial Audit Report Issued: July 30, 2004

Audit Remains Open

Description

UIHC has several options for purchasing food. Staff and students can use an identification (ID) card at any of the eight UIHC cafeterias and most hospital vending machines. Salaried employees have charges deducted from monthly payroll, while other employees and students receive bills. This payment method accounts for 43% of Food and Nutrition Services' (FNS) revenue.

Hospital departments also have the option to set up accounts for staff to charge meals directly to the department. Departments are responsible for maintaining who has the privilege of charging meals to their accounts. Resident and fellow physicians are provided with meal allowances for on-call shifts when they are required to remain in the hospital overnight or for the weekend.

Both on-call and department charging transactions are processed the same as regular payroll deduction transactions. FNS's cash register verifies the individuals charging privileges when the ID card is swiped through the register.

Scope / Objective

The purpose of this audit was to verify that:

- All meal charges are being recorded and recovered in an appropriate and timely manner by the University;
- Controls are in place to identify that only approved personnel are charging food; and
- On-call food purchases are limited to current policy.

Recommendations / Responses

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
1. <u>On-Call Meal Allowances</u> . Review current policy, communicate any changes, and enforce agreed upon policy.	Management will discuss, agree, and communicate an appropriate policy to resident and fellow physicians and faculty; review mechanisms to enforce policy; and begin implementation.  Implementation Target Date: 2 <sup>nd</sup> quarter FY 2005	Internal auditors will follow up and verify that action has been taken.  Review: Jan 2005 Report: Feb 2005
2. <u>Inactivating Charging Privileges</u> . Inactivate all terminated employee charging privileges and inactivate privileges when employees are terminated.	Management is working on enhancing the system to inactivate charging privileges.  Implementation Target Date: Immediately	Internal auditors will follow up and verify corrective action has been implemented.  Review: Jan 2005 Report: Feb 2005
3. <u>Regular Fund monitoring/reconciliation</u> . Reconcile monthly revenue transfers. Document all inconsistencies and resolve immediately.	FNS will begin reconciling monthly revenue transfers.  Implementation Target Date: Immediately	Internal auditors will follow up and verify that corrective action has been implemented.  Review: Jan 2005 Report: Feb 2005

---

**The University of Iowa**  
**UIHC Safety and Security**  
Initial Audit Report Issued: July 8, 2004

Audit Remains Open

Description

The Department of Safety and Security's mission is to provide a safe and secure environment for patients, visitors, and staff. Security represents the largest commitment of budget and time for the department. The budget for FY 2004 totaled \$1,700,000, which supports thirty full-time equivalent positions. The department employs twenty-two officers.

The department provides service in five areas: security; fire safety; general safety; occupational health and safety regulations; and patient, visitor, and staff assistance. Services primarily consist of:

- Overseeing implementation of the hospital-wide safety management plan;
- Proactive security and safety patrols and watches;
- Immediate response to all fire, emergency, and other special request calls;
- Operation of a 24 hour dispatch center;
- Coordinating safety drills and exercises; and
- Performing safety inspections and security investigations.

Scope / Objective

Internal auditors performed a limited scope review of the hospital's security function only. The review was to determine whether the hospital has reasonable processes in place to minimize common, foreseeable threats staff encounter while working at the hospital. The review focused on measures established to prevent and respond to threats of assaults, disturbances, harassment and theft and consisted of:

- Determining whether relevant, existing security policies are being followed; and
- Reviewing operations to determine whether results are consistent with established goals and whether operations are being carried out as planned.

Internal auditors reviewed the operations of the Department of Safety and Security, the Code Green Team, and the Environment of Care subcommittee. Auditors also performed a broad examination of security at the recently opened Pediatric Newborn Unit.

**The University of Iowa  
UIHC Safety and Security**

(continued)

Recommendations / Responses

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
<p>1. <u>Environment of Care Subcommittee (EOC)</u></p> <ul style="list-style-type: none"> <li>• Establish procedures to follow-up on non-responses to fill EOC vacancies.</li> <li>• Encourage greater participation from inactive liaisons.</li>   <li>• Consider formal representation from the Department of Emergency Medicine on the EOC.</li> </ul>	<p>Management will initiate a process to ensure other hospital departments appoint a representative to vacant positions in a timely manner. Management will further define and communicate responsibilities/expectations of primary and liaison members, include minimum attendance standards for primary members, and encourage increased participation from liaisons. The Department of Emergency Medicine has selected a representative and appointment to the EOC has been accepted.</p> <hr/> <p>Implementation Target Date: August 2004</p>	<p>Internal auditors will review efforts to fill vacancies.</p> <p>Internal auditors will verify that the proposed guidance is issued to committee members.</p> <p>Item closed.</p> <hr/> <p>Review: Dec 2004 Report: Jan 2005</p>
<p>2. <u>Hospital Safety and Security.</u></p> <p>A. Ensuring periodic review of hospital safety policies and procedures is needed.</p> <ul style="list-style-type: none"> <li>• Establish a procedure to determine compliance with the required review of all safety policies and procedures every three years.</li> <li>• Establish a process to follow-up with departments regarding corrective actions taken on hazard inspection findings.</li> </ul>	<p>The policy has been revised to require departments to provide written notification every three years that safety manuals have been reviewed and updated.</p> <p>Management will follow on requested departmental responses to hazard inspections and look into developing a process to utilize liaisons more effectively in coordinating hazard inspection responses and policy reviews.</p> <hr/> <p>Implementation Target Date: August 2004</p>	<p>Item Closed.</p> <p>Internal auditors will review documentation from the latest hazard inspection to assess progress made.</p> <hr/> <p>Review: Dec 2004 Report: Jan 2005</p>

**The University of Iowa  
UIHC Safety and Security**

(continued)

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
<p>B. Training program needs greater monitoring.</p> <ul style="list-style-type: none"> <li>• Update training program documentation to reflect existing training standards.</li> <li>• Ensure timely and complete recording of officer training activities in computer database.</li> <li>• Review database periodically to identify officers lacking required training.</li> </ul>	<p>Management is in the process of reviewing and updating training standards and related documentation.</p> <p>Management is reviewing the feasibility of discontinuing the database in favor of participation in Human Resource's computer application, which will allow the recording of employee training and provide reminders when training is due.</p> <p>Implementation Target Date: Dec 2004</p>	<p>Internal auditors will verify the updates.</p> <p>Internal auditors will review processes used for recordkeeping and monitoring of the training program.</p> <p>Review: Dec 2004 Report: Jan 2005</p>

**Iowa State University**  
**Security of Remote Computing**  
Initial Audit Report Issued: September 1, 2004

Audit Remains Open

**Description** Remote computing is the ability to work at a location other than on campus. The University and its employees benefit when staff members are able to access office networks from home or while traveling.

The use of portable computers, high-speed telecommunications links, and pocket communications devices enable remote computing and also introduce additional risks to the University network and information. Remote devices are easier to exploit which could allow intruders to steal information, launch denial-of-service attacks, or cause the network to distribute pirated software.

**Scope / Objective** The internal audit focused on remote computing for administrative personnel that are supported by central information technology (IT) units. Some data was also gathered from decentralized administrators. Security practices for remote systems support or emergency support were not evaluated.

Internal auditors reviewed remote computing policies, procedures, and practices for confidentiality, integrity, and availability as defined in the standards for Security Categorization of Federal Information and Information Systems (FIPS PUB 199).

**Recommendations / Responses**

Auditor's Observation	Management's Response	Expected Auditor Follow-up
1. <u>Remote Computing Guidelines</u> . The University does not have documented guidelines to support the practice of remote computing.	Management will commit to developing a formal documented set of guidelines and practices for those individuals who support and/or utilize remote computing.	Internal auditors will review the guidelines.
	Implementation Target Date: December 31, 2004	Review: Jan 2005 Report: Feb 2005
2. <u>User Education</u> . Employees and their supervisors have not been actively trained in the specific threats, vulnerabilities, and desired security controls within a remote commuting environment.	Administrative Technology Services (ATS) will work with the other central IT service units to develop training that addresses threats, vulnerabilities, and controls within the supported remote computing environment.	Internal auditors will discuss the training and efforts with management and review training documentation.
	Implementation Target Date: December 31, 2004	Review: Jan 2005 Report: Feb 2005

---

**Iowa State University**  
**Sponsored Programs – FY 2004**  
Initial Audit Report Issued: September 1, 2004

Audit Closed

Description	<p>Iowa State University received over \$274 million in sponsored funding during FY 2004, \$169 million of which was received from federal sponsors. Federally-sponsored awards are subject to government regulations and university policies.</p> <p>Administration of sponsored funding at ISU is allocated among central administration, colleges, departments, Principal Investigators (PIs), and support personnel. The PI is the chief administrator for the sponsored project. The offices of Sponsored Programs Administration, Sponsored Programs Accounting, and the Vice Provost for Research provide service and guidance.</p>
Scope / Objective	<p>Internal auditors reviewed two federally-sponsored programs. The accounts were selected based on characteristics such as amount of the award, amount of time remaining in the project, subcontracts, and cost share requirements. The objective of the audit was to assess:</p> <ul style="list-style-type: none"><li>• Adequacy of institutional review and approval;</li><li>• Compliance with institutional and federal requirements for expenditures and reporting;</li><li>• Compliance with requirements of specific sponsored program agreement terms and conditions; and</li><li>• Procedures and controls that assure proper administration of sponsored funds.</li></ul>
Recommendations / Responses	<p>Internal auditors made no recommendations.</p>

---

**University of Northern Iowa**  
**Continuing Education – Credit Programs**  
 Initial Audit Report Issued: August 13, 2004

Audit Remains Open

**Description** Continuing Education – Credit Programs (CE-CP) includes instruction, research, and service functions that are shared with citizens of the state and include but are not limited to: off-campus lectures, correspondence study, consultant services, surveys, conferences, and noncredit workshops.

**Scope / Objective** The purpose of the internal audit was to provide reasonable assurance that adequate internal controls have been established to protect the University from exposure, loss, and/or misuse of the public trust. Operations were examined for:

- Compliance with university, state, and federal policies, procedures, rules, regulations, and laws;
- Effective accomplishment of its mission;
- Reliable financial information;
- Effective and efficient use of resources; and
- Adequate safeguarding of assets.

**Recommendations / Responses**

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
1. <u>Revenue Sharing.</u>  a) Discontinue the term "overhead rate" in accounting for on-load course expenses. b) Review procedures for transferring net balances for on-load courses to non-appropriated funds. c) Apply CE-CP's revenue share consistently to all on-load courses with documentation in the course file when the established revenue share is not used.	Management will work with the Provost's Office and other relevant University offices to implement the recommendations.	Internal auditors will verify that:  a) The term "overhead rate" has been discontinued.  b) Procedures for transferring net balances are agreeable with state law.  c) CE-CP's revenue share is consistently applied to all on-load courses with documentation maintained in course files when it is not.
	Implementation Target Date: May 2005	Review: Aug 2005 Report: Sep 2005

**University of Northern Iowa  
Continuing Education – Credit Programs**

(continued)

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
<p>2. <u>Final Course Accounting.</u></p> <p>a) Use revenue collected print-outs to adjust revenue billed to revenue received.</p> <p>b) Adjust estimated costs for ICN room rent to actual before finalizing the course's profit or loss.</p> <p>c) Base telephone expense on actual expense for each course or on an actual cost study of telephone expense.</p>	<p>Management will amend course financial summaries as new income and expense data becomes available and it no longer charges a telephone expense for each course.</p>	<p>Internal auditors will verify that:</p> <p>a) Revenue billed has been adjusted to revenue received.</p> <p>b) Estimated costs for room rent have been adjusted to actual on courses' final account statements.</p> <p>c) Telephone expense for each course is based on actual expense or eliminated.</p>
	Implementation Target Date: August 2004	Review: Aug 2005 Report: Sep 2005
<p>3. <u>Course File Documentation.</u> Assure that each course is approved and documented through the established process; and document why a course is held at a loss, insufficient enrollment, or if grant rates are different from customary tuition rates.</p>	<p>Management will file course approval forms for each course; document why a course was held at a loss or insufficient enrollment; and note grant fees in grant-supported courses.</p>	<p>Internal auditors will verify that courses have approval documentation on file; and course files include documentation for losses, insufficient enrollment, and grant rates that are different than customary tuition rates.</p>
	Implementation Target Date: August 2004	Review: Aug 2005 Report: Sep 2005

**University of Northern Iowa**  
**Department of Residence – Facilities**  
 Initial Audit Report Issued: September 24, 2004

Audit Remains Open

**Description**                      The Department of Residence operates nine traditional residence halls, one apartment-style residence hall, three family apartment complexes, and six different food locations across campus.

Each residence hall has between 8 and 14 communities with approximately 50 students who live in each community. Most halls have a lounge in addition to common bathrooms, hallways, computer labs, washers, driers, vending machines, and copy machines.

**Scope / Objective**              The purpose of the internal audit was to provide reasonable assurance that adequate internal controls have been established to reasonably protect the University from exposure, loss, and/or misuse of public trust. Operations were examined for:

- Compliance with university, state, and federal policies, procedures, rules, regulations, and laws;
- Effective accomplishment of its mission;
- Reliable financial information;
- Effective and efficient use of resources; and
- Adequate safeguarding of assets.

**Recommendations / Responses**

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
<u>Student Safety.</u> Review student injury reports; identify, examine, and modify problem locations; and maintain an injury response log.	Management will review student injury reports to determine if modifications to the facility are necessary and will develop and use an injury response log regularly.	Internal auditors will verify that injury reports are being reviewed and that a record of the analysis is maintained.
	Implementation Target Date: March 2005	Review: Oct 2005 Report: Nov 2005

**University of Northern Iowa  
Field House (UNI-Dome) Operations – Event Parking**

Initial Audit Report Issued: August 25, 2004

Audit Remains Open

**Description** The UNI-Dome serves as a premier, multi-purpose facility, offering a diverse blend of academic, cultural, entertainment, and recreational opportunities and events. Event parking manages parking needs for each event that is not a UNI athletic event. During FY 2004, Event Parking operations generated over \$118,000 in income from 39 event parking days.

**Scope / Objective** The purpose of the audit was to provide reasonable assurance that adequate internal controls have been established for compliance, effectiveness, reliability, efficiency, and safeguarding. Internal auditors examined:

- Written operational procedures;
- Adequate supervision;
- Ticket management;
- Appropriate cash and revenue processes;
- Reliable financial accounting; and
- Sufficient parking allowances in event contracts.

**Recommendations / Responses**

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
<p>1. <u>Human Resources Review.</u></p> <p>a) Obtain each parking attendant's signature on timesheets.</p> <p>b) Pay contract parking attendants as University employees and not independent contractors.</p> <p>c) Justify and substantiate amounts paid to volunteer groups.</p>	<p>Management will:</p> <p>a) Require all student parking attendants to sign their timesheets.</p> <p>b) Establish a pay classification for non-student parking employees.</p> <p>c) Provide analysis of volunteer labor provided.</p>	<p>Internal auditors will verify that:</p> <p>a) Proper signatures are on timesheets.</p> <p>b) Contract parking attendants are being paid as employees of the University.</p> <p>c) Amounts paid to volunteer group are justified and substantiated.</p>
	Implementation Target Date: March 2005	Review: Aug 2005 Report: Sep 2005

**University of Northern Iowa  
Field House (UNI-Dome) Operations – Event Parking**

(continued)

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
<p>2. <u>Parking Tickets.</u></p> <p>a) Assure that identical numerical ticket sequences with same color are not used in the same fiscal year and other unused tickets are voided and stored in a separate location.</p> <p>b) Perform a cost study of direct and indirect costs and a comparison with other institutions to determine appropriate ticket price(s).</p> <p>c) Review and update the parking ticket for size, vehicle placement, liability language, price, and other factors.</p>	<p>Management will:</p> <p>a) Separate previous years' unused ticket stock from the current year and void and store unused loose tickets separately.</p> <p>b) Complete a parking ticket price analysis and analyze direct and indirect expenses of the operation.</p> <p>c) Review and update the current parking ticket for the factors noted and obtain assistance to make these decisions.</p>	<p>Internal auditors will verify that:</p> <p>a) Identical numerical ticket sequences in same color are no longer used, and unused loose tickets are voided and stored separately.</p> <p>b) A cost study has been performed.</p> <p>c) The current parking ticket has been reviewed and updated.</p>
	Implementation Target Date: August 2005	Review: Aug 2005 Report: Sep 2005
<p>3. <u>Cash and Revenue Process.</u></p> <p>a) Perform regular cash drops and deliver timely to Field House Operations (FHO) business office.</p> <p>b) Install a covering over the FHO business office window.</p>	<p>Management will:</p> <p>a) Assure that cash pickups and drops are performed and delivered to the FHO business office immediately following pickup.</p> <p>b) Install a window blind for the cash counting room.</p>	<p>Internal auditors will verify that:</p> <p>a) Regular cash drops are performed and delivered timely to the FHO business office.</p> <p>b) A window covering has been installed.</p>
	Implementation Target Date: September 2004	Review: Aug 2005 Report: Sep 2005

**University of Northern Iowa  
Field House (UNI-Dome) Operations – Event Parking**

(continued)

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
<p>4. <u>Financial Account Management.</u></p> <p>a) Reassign the Event Parking account to FHO on or before July 1, 2006, in accordance with the event complex business plan approved by the Board of Regents.</p> <p>b) Identify an appropriate amount or percentage of revenue to pay Public Safety for the maintenance and repair of parking lots.</p>	<p>Management will:</p> <p>a) Monitor plans to reassign the Event Parking account to FHO by July 1, 2006.</p> <p>b) Identify an appropriate amount or percentage of revenue to pay Public Safety for repair and maintenance of parking lots with the agreed-upon amount to be distributed annually beginning by June 30, 2005.</p>	<p>Internal auditors will verify that:</p> <p>a) Plans are in place to reassign the Event Parking account on or before July 1, 2006.</p> <p>b) An amount or percentage of revenue has been identified to pay Public Safety for the maintenance and repair of parking lots.</p>
	<p>Implementation Target Date: July 2006</p>	<p>Review: Aug 2005 Report: Sep 2005 (Dates verified by internal auditor.)</p>
<p>5. <u>Contract Terms for Event Parking.</u> Determine the amount of revenue needed to cover parking costs and identify the allowable amount of complimentary parking.</p>	<p>Management will analyze the breakeven and revenue maximization points for events where complimentary parking is offered.</p> <p>Once analyzed, only a reasonable number of complimentary parking passes will be offered for those events.</p>	<p>Internal auditors will verify that a parking analysis has been performed that identifies the allowable amount for complimentary parking. The allowance will be traced to events with complimentary parking.</p>
	<p>Implementation Target Date: July 2005</p>	<p>Review: Aug 2005 Report: Sep 2005</p>

**University of Northern Iowa**  
**Human Resource Services – Workers’ Compensation**

Initial Audit Report Issued: September 23, 2004

Audit Remains Open

**Description**                    The Workers’ Compensation program provides benefits to employees who sustain injuries, occupational illnesses, or occupational hearing loss arising out of and during the course of employment. Benefits are payable regardless of fault and are the exclusive remedy of the employee against employer.

Payment is made on eligible incidents for medical treatment, prescriptions, and related expenses when medical services are received through an approved provider. Employees are paid for time lost from work if they are unable to work for more than three days.

**Scope / Objective**            The purpose of the internal audit was to provide a reasonable assurance that an adequate internal control environment has been established. Internal auditors examined:

- Compliance with university, state, and federal policies, procedures, rules, regulations, and laws;
- Reliable financial information; and
- Reasonable programs to reduce employment related injuries.

**Recommendations / Responses**

Auditor’s Recommendation	Management’s Response	Expected Auditor Follow-up
1. <u>Workers’ Compensation Funding.</u> Determine the necessary increase for the program to be funded through the fringe benefit charge or an alternative method of funding the non-appropriated portion of the annual premium.	Management will work with the Administration and Finance Division to adjust the current percentage.	Internal auditors will verify the funding.
	Implementation Target Date: October 2004	Review: Oct 2005 Report: Nov 2005
2. <u>Fringe Benefit Accounts’ Review.</u> Request that organization codes be changed for monitoring purposes; review all accounts on a regular basis; and identify and implement corrective financial action, especially for deficit cash balances.	Management is now able to review all accounts. Management will work with administrators to review the methodology for prorating health insurances for 9- and 10-month employees over 12 months to ensure the accounts have a zero balance at the end of each fiscal year and review all benefit accounts on a quarterly basis.	Internal auditors will verify that the organization codes have been changed, the accounts are reviewed on a regular basis, and that corrective action is taken in a timely manner.
	Implementation Target Date: June 2005	Review: Oct 2005 Report: Nov 2005

**University of Northern Iowa**  
**University Health Services – Student Health Center**  
 Initial Audit Report Issued: September 24, 2004

Audit Remains Open

**Description** The Student Health Center (SHC) provides medical treatment, examinations, and prescriptions to UNI students both during the academic year and the summer session.

**Scope / Objective** The purpose of the internal audit was to provide a 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. Internal auditors examined:

- Compliance with university, state, and federal policies, procedures, rules, regulations, and laws;
- Effective accomplishment of its mission;
- Reliable financial information;
- Effective and efficient use of resources; and
- Adequate safeguarding of assets.

**Recommendations / Responses**

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
1. <u>Deposit Timeliness.</u> Comply with University deposit policies, which state that revenue is required to be deposited at least weekly or daily when \$250 is collected and on hand, whichever occurs first.	Management has reviewed and updated deposit procedures to assure that all checks are deposited daily. Implementation Target Date: October 2004	Internal auditors will verify compliance with University policies. Review: Oct 2005 Report: Nov 2005

**University of Northern Iowa  
University Health Services – Student Health Center**

(continued)

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
<p>2. <u>Expenditure Review.</u></p> <p>a) Document employees with signatory authority.</p> <p>b) Document public purpose on payment documents for questionable purchases.</p> <p>c) Support all payments with adequate invoices.</p> <p>d) Process all invoices for payment within 30 days of the invoice date.</p> <p>e) Mark receipts from the departmental reimbursement fund as paid with the date and the reimbursers' initials.</p> <p>f) Review all types of payment documents for information errors before processing.</p>	<p>Management will:</p> <p>a) Document employees with signatory authority.</p> <p>b) Document adequate purpose for all expense items.</p> <p>c) Review incoming invoices closely.</p> <p>d) Process all invoices and replenishments within 30 days of the invoice date with holds placed in the system until disputes are resolved.</p> <p>e) Mark all receipts from the departmental reimbursement fund with the date and the reimbursers' initials.</p> <p>f) Consider additional training for both the preparer and the approver to improve accuracy.</p>	<p>Internal auditors will verify that:</p> <p>a) Employees with signatory authority have been documented.</p> <p>b) Public purpose has been documented for questionable purchases.</p> <p>c) Payments are supported with adequate invoices.</p> <p>d) Invoices are being processed within 30 days of the invoice date.</p> <p>e) Receipts from the departmental reimbursement fund have been marked paid with the date and the reimbursers' initials.</p> <p>f) Payment-related processing errors have decreased.</p>
	Implementation Target Date: October 2004	Review: Oct 2005 Report: Nov 2005
<p>3. <u>Payroll Matching.</u> Correct the payroll situation where three University employees that do not report to SHC are paid from SHC's operational account.</p>	<p>Management will determine the appropriate method to correct the payroll situation.</p>	<p>Internal auditors will verify that the payroll situation has been adequately corrected.</p>
	Implementation Target Date: July 2005	Review: Oct 2005 Report: Nov 2005

**INTERNAL AUDIT FOLLOW-UP REPORTS**

<p><b><u>University of Iowa – University Operations</u></b></p> <ul style="list-style-type: none"> <li>• Center for Biocatalysis and Bioprocessing</li> <li>• NCAA Compliance – Complimentary Admissions (2<sup>nd</sup> follow-up)</li> <li>• NCAA Team Travel</li> </ul>	<p>Closed</p> <p>Closed</p> <p>Closed</p>
<p><b><u>University of Iowa – Hospital Operations</u></b></p> <ul style="list-style-type: none"> <li>• Dialysis Center</li> <li>• HIPPA Privacy Compliance (2<sup>nd</sup> follow-up)</li> <li>• Hospital Mail Room</li> <li>• OIG Exclusion Database</li> </ul>	<p>Open</p> <p>Closed</p> <p>Open</p> <p>Closed</p>
<p><b><u>Iowa State University</u></b></p> <ul style="list-style-type: none"> <li>• Conflict of Interest</li> <li>• Genetics, Development, and Cell Biology</li> <li>• OPPTAG Special Review</li> <li>• Sponsored Programs (FY 2003)</li> </ul>	<p>Closed</p> <p>Open</p> <p>Closed</p> <p>Closed</p>

**The University of Iowa – University Operations  
Center for Biocatalysis and Bioprocessing**

Initial Audit Report Issued: May 20, 2004

Follow-Up Memorandum Issued: September 27, 2004

Audit Closed

Remaining  
Recommendations /  
Responses

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
1. <u>Signature Delegation.</u> Clarify contract signature authority by obtaining written acknowledgement, or by determining the most effective method to process approvals without written acknowledgement.	Management will work to clarify the issue of signature authority and establish standard procedures for contracting.	Item closed.
	Implementation Target Date: June 2004	Review: July 2004 Report: Sep 2004
3. <u>Accounts Receivable.</u> Determine the most efficient method to record receivables in the University financial system.	Management received and completed the necessary worksheets.	Item closed.
	Implementation Target Date: June 2004	Review: July 2004 Report: Sep 2004
4. <u>Internal Control.</u> Segregate cash collection, deposit, and billing functions; establish controls for changed or cancelled invoices; establish procedure for written acknowledgment of financial reports review.	Management will establish a cash collection system; assure systematic examination of invoices; and verify review of financial reports.	Item closed.
	Implementation Target Date: June 2004	Review: July 2004 Report: Sep 2004
5. <u>Personnel/Payroll.</u> Establish (1) separate medical and recruitment files and (2) procedures to assure correct and complete information is included in all files.	Management will (1) establish separate medical and recruitment files; and (2) assure that correct and complete information is obtained.	Item closed.
	Implementation Target Date: June 2004	Review: July 2004 Report: Sep 2004
6. <u>IT Security.</u> Establish separate computer login passwords for the lab staff.	Management will establish individual logins for each staff member.	Item closed.
	Implementation Target Date: August 2004	Review: July 2004 Report: Sep 2004
7. <u>Grant Administration.</u> Ensure that completed Administration Invention Agreement forms are on file and communicate the document's importance.	Management will assure that completed agreement is on file.	Item closed.
	Implementation Target Date: May 2004	Review: July 2004 Report: Sep 2004

**The University of Iowa – University Operations  
NCAA Compliance – Complimentary Admissions**

Initial Audit Report Issued: December 18, 2003  
Follow-up Memorandum Issued: March 26, 2004  
Second Follow-Up Memorandum Issued: August 25, 2004

Audit Closed

Remaining  
Recommendations /  
Responses

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
4. <u>Tracking of High School/2-Year College Coach Complimentary Tickets</u> . Establish a consistent method for tracking complimentary tickets provided to high school and 2-year college coaches.	Management will implement a consistent method across all sports for handling high school and 2-year college coach complimentary tickets. <b>Status update:</b> Management had plans to meet and discuss this situation, no action has been taken yet. <b>Implementation Target Date:</b> December 31, 2003	Item closed.          <b>Review:</b> Jul 2004 <b>Report:</b> Aug 2004

**The University of Iowa – University Operations  
NCAA Team Travel**

Initial Audit Report Issued: April 16, 2004  
Follow-Up Memorandum Issued: August 25, 2004

Audit Closed

Recommendations /  
Responses

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
1. <u>Departmental Travel Policies</u> . Revise Athletic Department rules regarding meals during team travel. Communicate to those individuals who are responsible for team travel expenditures.	Management will revise the rules for team travel meal allowances. Compliance officers will meet with those responsible for team travel charges to discuss the changes and offer guidelines and illustrations to assist them with providing the necessary documentation for meal expenditures. <b>Implementation Target Date:</b> June 11, 2004	Item closed.          <b>Review:</b> Jun 2004 <b>Report:</b> Aug 2004
2. <u>Team Meal Expenditures Documentation</u> . Revise the current request for team travel form to include a meal itinerary. Request employee names associated with charges for team travel.	Management will revise the team travel form to include the meal itinerary in addition to the lodging itinerary that is currently requested. Additional changes to the form will be considered to strengthen controls and allow for expense tracking. <b>Implementation Target Date:</b> June 11, 2004	Item closed.          <b>Review:</b> Jun 2004 <b>Report:</b> Aug 2004

**University of Iowa – Hospital Operations  
Dialysis Program**

Initial Audit Report Issued: March 26, 2004  
Follow-Up Memorandum Issued: August 25, 2004

Audit Remains Open

Recommendations /  
Responses

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
<b>INVENTORY</b>		
<p>1. <u>Dialysis Supply Inventory Processes</u>. Design and implement an inventory control system; evaluate supply levels; rotate inventory; implement a formal transfer mechanism; assure accurate financial data, adequate and secure storage area, and segregation of duties; and document the process.</p>	<p>Management has been working to improve the inventory system and will develop written procedures and assure segregation of duties.</p> <hr/> <p>Implementation Target Date: April 2004</p>	<p>Item closed.</p> <hr/> <p>Review: May 2004 Report: Aug 2004</p>
<p>2. <u>Spare Parts Inventory Process</u>. Implement a spare parts inventory system. Determine inventory levels from historical trends and preventative maintenance schedules. Assure appropriate vendor billing.</p>	<p>Management will add a spare parts inventory system to the supply inventory database currently being developed and will assure appropriate vendor billing.</p> <hr/> <p>Implementation Target Date: September 2004</p>	<p>Auditor concurs with management's corrective action and will verify during the follow-up review.</p> <hr/> <p>Review: Oct 2004 Report: Oct 2004</p>
<p>3. <u>Home Dialysis Supply Ordering</u>. Compare vendor invoices with patient verified packing lists.</p>	<p>Management has established supply inventory controls for the Home Program.</p> <hr/> <p>Implementation Target Date: April 2004</p>	<p>Item closed.</p> <hr/> <p>Review: May 2004 Report: Aug 2004</p>

**University of Iowa – Hospital Operations  
Dialysis Program**

(continued)

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
<p>4. <u>Transporting Items.</u> Establish a formal distribution process to transport supplies and medications to satellite dialysis centers. Reconcile transfer/distribution documents with inventory and medication records. Procure a temperature controlled transport container for delivery of medications.</p>	<p>Management has established distribution processes; created a monthly newsletter; and stressed communication.</p>	<p>Item closed.</p>
	<p>Implementation Target Date: May 2004</p>	<p>Review: Jun 2004 Report: Aug 2004</p>
<p>5. <u>Expired Supplies.</u> Dispose expired supplies immediately via appropriate means. Review supply items regularly.</p>	<p>Management instructed staff to perform supply reviews and will conduct periodic spot checks to ensure compliance.</p>	<p>Item closed.</p>
	<p>Implementation Target Date: Immediately</p>	<p>Review: May 2004 Report: Aug 2004</p>
<b>BUSINESS PRACTICES</b>		
<p>6. <u>Job Descriptions.</u> Draft new job descriptions or re-organize tasks.</p>	<p>Management will submit job reclassification requests to Human Resources. If the requests are not approved, tasks will be re-allocated.</p>	<p>Item closed.</p>
	<p>Implementation Target Date: July 2004</p>	<p>Review: Aug 2004 Report: Aug 2004</p>
<p>7. <u>Documentation and Cross-training.</u> Document each employee's key processes and software/business applications to ensure continuity of processes during times of change and employee absence.</p>	<p>Management will develop documented processes and procedures to ensure processes can continue during times of change or employee absence. Written procedures will be completed and approved by the management team.</p>	<p>Auditor will review documentation during the follow-up review.</p>
	<p>Implementation Target Date: October 2004</p>	<p>Review: Oct 2004 Report: Oct 2004</p>
<p>8. <u>Cash Handling.</u> Implement cash handling procedures in accordance with University policy.</p>	<p>Management will develop cash handling procedures.</p>	<p>Auditor will review procedures during the follow-up review.</p>
	<p>Implementation Target Date: September 2004</p>	<p>Review: Oct 2004 Report: Oct 2004</p>

**University of Iowa – Hospital Operations  
Dialysis Program**

(continued)

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
9. <u>Asset Listing</u> . Ensure that inventory listings are correct and up to date.	Management will conduct a physical inventory and submit applicable forms to the Property Management Office (PMO).  Implementation Target Date: September 2004	Auditor will perform testing to ensure that appropriate documentation has been submitted to the PMO.  Review: Oct 2004 Report: Oct
10. <u>Procurement Card</u> . Deactivate current procurement card and reissue a new one; lock in a secure location; resolve charges to the old card; and ensure proper use of procurement card and segregation of duties.	Management will deactivate the current card and have a new one reissued.  Implementation Target Date: Immediately	Item closed.  Review: Apr 2004 Report: Aug 2004
11. <u>Personal Computers</u> . Provide training regarding acceptable use of computers; delete unauthorized programs; perform random audits; discontinue use of generic user ID's; and assign individual ID's.	Management will provide information to all staff regarding acceptable use of computers; delete unauthorized programs; perform random audits; and assign individual user ID's.  Implementation Target Date: March 2004	Item closed.  Review: May 2004 Report: Aug 2004
12. <u>Physical Access Controls</u> . Enhance physical security at all satellite centers. Re-key locks; issue keys to appropriate personnel; maintain log; report lost or stolen keys; obtain keys from terminated employees.	Management will implement auditor's proposal.  Implementation Target Date: December 2004	Auditor agrees with corrective action.  Review: Oct 2004 Report: Oct 2004

**University of Iowa – Hospital Operations  
Dialysis Program**

(continued)

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
<p>13. <u>Month-End Financial Transactions.</u> Establish a formal tracking mechanism for supplies; record transactions in a timely manner; assure correct journal entries; and maintain supporting documentation.</p>	<p>Management will implement a formal tracking system.</p>	<p>Item closed.</p>
	<p>Implementation Target Date: March 2004</p>	<p>Review: May 2004 Report: Aug 2004</p>
<b>COMPLIANCE</b>		
<p>14. <u>Joint Commission and Medicare Standard on Medication Security.</u> Assure that medicine cabinet keys are in the possession of the primary registered nurses in the satellite; no keys are available to all employees nor are they hidden in another room; and lock medicine cabinets when not in direct sight of the nurse on duty.</p>	<p>Management will make periodic compliance evaluations.</p>	<p>Item closed.</p>
	<p>Implementation Target Date: Immediately</p>	<p>Review: May 2004 Report: Aug 2004</p>
<p>15. <u>Medicare Billing – Urea Reduction Ratio (URR).</u> Assess risk regarding non-compliance with Medicare rule 3644.5. Notify senior management of any financial impact. Formulate action plans for compliance.</p>	<p>Management will (1) assess financial risk regarding non-compliance with Medicare rule 3644.5; (2) notify senior management of any financial impact; (3) reinforce the importance of compliance to attending physicians; and (4) conduct compliance audits.</p>	<p>Item closed.</p>
	<p>Implementation Target Date: April 2004</p>	<p>Review: May 2004 Report: Aug 2004</p>



**The University of Iowa – Hospital Operations  
Hospital Mail Room**

Initial Audit Report Issued: February 13, 2004  
Follow-Up Memorandum Issued: August 25, 2004

Audit Remains Open

Recommendations / Responses	Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
	1. <u>Revolving Fund Balance.</u> Determine the cause of the excess fund balance by monitoring the fund on a daily basis; define a standard fund balance amount to use as an operational benchmark; and determine the disposition of the excess balance.	Management will establish a method for comparing daily readings; develop an acceptable balance to use as a benchmark; and determine the disposition of the excess balance.  Implementation Target Date: Dec 2004	Internal auditors will review progress on determining cause of excess fund balance, establishing a benchmark, and the disposition of the excess balance.  Review: Jan 2004 Report: Jan 2004
	2. <u>Personal Mail.</u> Enforce university policy of not allowing the use of hospital equipment for personal mail.	Personal mail is no longer being processed on hospital equipment.  Implementation Target Date: Immediately	Item closed.  Review: Apr 2004 Report: Aug 2004
	3. <u>Equipment Purchase.</u> Consider extending use of current machines beyond planned retirement date; ensure plans to purchase new equipment include a bid process open to all manufacturers; perform a lease/purchase analysis; and develop a closer relationship with University Central Mail to ensure that major issues are well coordinated.	Management will consult with University Central Mail and Accounting Services before purchase. Purchases of new equipment will occur when the existing equipment can no longer meet operational demands, be economically maintained, or meet USPS requirements.  Implementation Target Date: May 2004	Item closed.  Review: May 2004 Report: Aug 2004
	4. <u>Presort Charges.</u> Review presort service billings and promptly investigate significant differences.	Presort charges will be routinely verified.  Implementation Target Date: March 2004	Item closed.  Review: Apr 2004 Report: Aug 2004
	5. <u>Delayed Mail.</u> Establish a procedure that avoids returning mail back to hospital departments for minor infractions.	Mail is now processed as received and not returned to the departments.  Implementation Target Date: Immediately	Item closed.  Review: Apr 2004 Report: Aug 2004

**The University of Iowa – Hospital Operations  
Hospital Mail Room**

(continued)

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
6. <u>Maintenance Contracts.</u> Obtain a written contract for ongoing maintenance and use the contract as the basis for reviewing quarterly invoices.	A copy of the equipment maintenance agreement has been requested and received and is on file.	Internal auditors will review the agreement and comment on its appropriateness.
	Implementation Target Date: Dec 2004	Review: Jan 2004 Report: Jan 2004
7. <u>Contingency Plans.</u> Document backup contingency plans and inform and confirm cooperation of the external parties.	Management will document plans and confirm with external parties.	Item closed.
	Implementation Target Date: March 2004	Review: Apr 2004 Report: Aug 2004

**The University of Iowa – Hospital Operations  
OIG Exclusion Program**

Initial Audit Report Issued: January 26, 2004

Follow-up Memorandum Issued: August 25, 2004

Audit Closed

Recommendations / Responses

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
1. <u>University Purchasing.</u> Perform quarterly active vendor comparisons; deactivate sanctioned vendors; and restrict sanctioned vendors in the procurement card software.	Management will perform quarterly active vendor comparisons and post a link on the Purchasing website to the OIG Exclusion list.	Item closed.
	Implementation Target Date: March 2004	Review: FY 2004 Report: Aug 2004
2. <u>College of Dentistry New Hires.</u> Verify College of Dentistry new hires against the OIG exclusion list.	Management will verify all new hires against the OIG exclusion list prior to making employment offers.	Item closed.
	Implementation Target Date: Immediately	Review: FY 2004 Report: Aug 2004
3. <u>Employee Verifications.</u> Compare all University employees against the OIG exclusion list quarterly.	Management will run quarterly comparisons and forward matches to the appropriate Human Resource Office and the Joint Office of Compliance.	Item closed.
	Implementation Target Date: FY 2004	Review: FY 2004 Report: Aug 2004
4. <u>Notification Process.</u> Ensure that all relevant parties are notified of the identified exclusion and its impact on UI Health Care. Document the process and communicate it to the appropriate departments.	Management will draft a notification procedure that includes the College of Medicine, the College of Dentistry, and the UIHC.	Item closed.
	Implementation Target Date: January 2004	Review: Jan 2004 Report: Aug 2004



**Iowa State University  
Conflict of Interest**

(continued)

Auditor's Observation	Management's Response	Expected Auditor Follow-up
4. <u>Dissemination of Information</u> . Defined processes do not exist to ensure that conflict of interest information is made available to units for decision-making, oversight, reporting, or procurement purposes.	Management will develop a method to share conflict of interest information with the units that need it for decision-making, oversight, reporting, or procurement purposes. Implementation Target Date: August 31, 2003	Item closed.  Review: Jun 2004 Report: Aug 2004
5. <u>Follow-Up</u> . No process exists to determine whether oversight committees have been established. No process exists to ensure that original information is updated as changes occur.	Management will meet annually with the colleges and the Institute for Physical Research and Technology to verify that necessary oversight exists and to review and update information. Implementation Target Date: August 31, 2003	Item closed.  Review: Jun 2004 Report: Aug 2004

**Iowa State University  
Genetics, Development and Cell Biology**

Initial Audit Report Issued: January 7, 2004

Follow-Up Report Issued: August 2, 2004

Audit Remains Open

Recommendations /  
Responses

Auditor's Observation	Management's Response	<u>Expected Auditor Follow-up</u>
<p>1. <u>Management of Sponsored Program and Foundation Accounts.</u> GDCB has not established an adequate system for management of sponsored program or foundation accounts. The following conditions were noted that warrant further investigation in several sponsored program accounts:</p> <ul style="list-style-type: none"> <li>• Deficit balances in closed accounts;</li> <li>• Expenses greater than total budget;</li> <li>• Expenses greater than receipts;</li> <li>• Receipts greater than total budget; and</li> <li>• Potential need for rebudgeting.</li> </ul>	<p>The department head will assign responsibilities for management of sponsored program accounts. The administrative specialist will review account activity on the foundation system on a monthly basis to assess the allowability and appropriateness of the transactions, and to monitor the expendable balance of each account.</p>	<p>Item closed.</p>
	<p>Implementation Target Date: December 31, 2003</p>	<p><u>Review</u>: Apr 2004 <u>Report</u>: Aug 2004</p>
<p>2. <u>Segregation of Duties.</u> A lack of segregation of duties exists within the following processes:</p> <ul style="list-style-type: none"> <li>• <u>Procurement.</u> The account clerk is responsible for performing all steps of the procurement process with the exception of purchasing card transactions.</li> </ul>	<p>Management will segregate procurement tasks as much as possible. The administrative specialist will monitor departmental statements for allowability and appropriateness of expenditures.</p>	<p>Item closed.</p>

**Iowa State University  
Genetics, Development and Cell Biology**

(continued)

Auditor's Observation	Management's Response	Expected Auditor Follow-up
<ul style="list-style-type: none"> <li>• <u>Hourly payroll</u>. The account clerk is responsible for entering and reconciling hourly payroll.</li> <li>• <u>Disbursement of GDCB scholarship funds</u>. The record analyst identifies scholarship recipients and approves disbursements from a scholarship fund.</li> </ul>	<p>The secretary will be responsible for reconciling the hourly payroll entry to the timesheets.</p> <p>The department chair will determine the recipient selection process and approve the disbursement of funds. The administrative specialist will review the scholarship fund account activity on a monthly basis.</p>	
	Implementation Target Date: December 31, 2003	Review: Apr 2004 Report: Aug 2004
3. <u>Procedures and Documentation</u> . GDCB does not have the following thoroughly documented: <ul style="list-style-type: none"> <li>• Departmental responsibilities regarding sponsored program and foundation accounts;</li> <li>• Transactions, reconciling, and other recurring processes;</li> <li>• Organizational reporting;</li> <li>• Signature authority designation; and</li> <li>• Processes specific to the department.</li> </ul>	<p>Management will complete an assessment of departmental policies and procedures and will create an electronic manual format.</p>	<p>Internal auditors will review the policies and procedures documented by the department.</p>
	Implementation Target Date: September 30, 2004	Review: Oct 2004 Report: Oct 2004

**Iowa State University**  
**OPPTAG Special Review**  
 Initial Audit Report Issued: June 22, 2004  
 Follow-Up Report Issued: September 29, 2004

Audit Closed

Recommendations / Responses	Auditor's Observation	Management's Response	Expected Auditor Follow-up
	1. <u>Program Administration.</u> Databases used for administration and record keeping— <ul style="list-style-type: none"> <li>• Were not consistently updated;</li> <li>• Did not contain complete refund information;</li> <li>• Had not been reconciled with deposit information; and</li> <li>• Are not adequate for administering accounts receivable of this complexity.</li> </ul>	OPPTAG has upgraded their databases and record keeping procedures and will begin utilizing the University's receivables system for billings and collections. Receivables reports will be reconciled with OPPTAG records.  Implementation Target Date: June 1, 2004	Item closed.          Review: Aug 2004 Report: Sep 2004
	2. <u>Monitoring of Revenues and Expenses.</u> Records are not reconciled consistently; student rosters are not maintained for each program and session; fees are not sufficient to cover expenses during FY 2002 and FY 2003; and section project numbers are not used to separate receipts / expenditures for the different programs and sessions.	Management will ensure consistent record keeping and reconciliations; use class rosters to reconcile attendance and revenues; document cancellations, changes, and the status of refunds; establish section project numbers to facilitate revenue and expense tracking for each program; and develop a plan to eliminate the deficit account balance.  Implementation Target Date: August 1, 2004	Item closed.          Review: Aug 2004 Report: Sep 2004
	3. <u>Scholarships.</u> Applicants are invited to donate to scholarships without indicating how funds will be awarded or whether they will be invested in a scholarship endowment funds. Donation proceeds from summer 2003 programs were absorbed into revenues and used to offset scholarships awarded.	Management will develop an approach and criteria for using scholarship donations and the earnings on endowment funds to provide scholarships and will utilize expendable funds for scholarships awarded in the current and prior years.  Implementation Target Date: July 1, 2004	Item closed.          Review: Aug 2004 Report: Sep 2004

**Iowa State University  
OPPTAG Special Review**

(continued)

Auditor's Observation	Management's Response	Expected Auditor Follow-up
<p>4. <u>OPPTAG Staffing.</u> Staffing gaps exist in program administration. A documented procedural manual does not exist. Segregation of duties is lacking.</p>	<p>By using the receivables office for billings and the College of Liberal Arts and Sciences and Department of Psychology staff to perform reconciliations and provide approvals, management has segregated the duties within OPPTAG administration. Management will document procedures for all aspects of program administration.</p>	<p>Item closed.</p>
	<p>Implementation Target Date: July 1, 2004</p>	<p>Review: Aug 2004 Report: Sep 2004</p>
<p>5. <u>Documentation.</u> Documentation was missing, expenditures lacked a documented business purpose, and expenditures were assigned incorrect class codes.</p>	<p>Management will maintain documentation to support expenditures that includes the business purpose and will use class codes that accurately reflect transactions.</p>	<p>Item closed.</p>
	<p>Implementation Target Date: June 1, 2004</p>	<p>Review: Aug 2004 Report: Sep 2004</p>

**Iowa State University  
Sponsored Programs – FY 2003**

Initial Audit Report Issued: November 10, 2003

Follow-Up Report Issued: September 16, 2004

Audit Closed

Recommendations /  
Responses

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
1. <u>Policies and Procedures</u> . Improve policy and procedure information, define the roles and responsibilities and improve compliance.	Management will evaluate policies and procedures, define and document each role in the administration of sponsored programs, and publish the information in a central user-friendly location.  Implementation Target Date: March 1, 2004	Item closed.  Review: July 2004 Report: Sep 2004
2. <u>Compliance and Training</u> . Enhance training programs and encourage participation to improve administrative processes and coordination as well as compliance with policies, regulations and contracts.	Management will (1) continue to enhance training programs and refresher courses; (2) emphasize administrative requirements, accountability for project oversight and the potential ramifications of non-compliance on the institution; (3) monitor training session attendance; and (4) encourage participation.  Implementation Target Date: March 1, 2004	Item closed.  Review: July 2004 Report: Sep 2004
3. <u>Cost Sharing</u> . Require cost sharing supporting documentation and assure that third party commitment letters have been signed.	Management will (1) compile cost share documentation; (2) ensure commitment letters from third parties are documented and signed in a timely manner; (3) verify that cost share contributions are allowable and not included for any other project or program; and (4) provide cost sharing information in training sessions.  Implementation Target Date: December 31, 2003	Item closed.  Review: July 2004 Report: Sep 2004
4. <u>Project Approval</u> . Limit signature delegates to individuals who have received proper training and have approval authority.	Management will evaluate signature authority delegation, revise policies and practices, and provide training.  Implementation Target Date: June 30, 2004	Item closed.  Review: July 2004 Report: Sep 2004
5. <u>Submission of Reports to Sponsors</u> : Ensure that progress and financial reports are submitted to sponsors on time.	Management will stress timely reporting in training sessions.  Implementation Target Date: Ongoing	Item closed.  Review: July 2004 Report: Sep 2004