

MEMORANDUM

To: Banking Committee
From: Board Office
Subject: Internal Audit Reports
Date: April 8, 2002

Recommended Action:

Receive the report on the Status of the Internal Audit Follow-up reports, including four follow-up reports.

Executive Summary:

Completed institutional internal audit reports are presented to the Banking Committee as required by Board policy. The Board Office monitors the progress of the institutions' follow-up on these reports. When corrective action has been satisfactorily completed, the audits are closed.

The Status of Internal Audit Follow-Up Table on page 2 identifies 16 internal audit reports, 12 of which require follow-up.

Four follow-up reports, listed on page 3, are presented this month on pages 4 - 6. All are closed.

Background:

In accordance with Regent Policy Manual §1.06, internal audit reports are presented to the Banking Committee. 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.

**Status of Internal Audit Follow-Up
April 8, 2002**

University of Iowa

Title	Report Date	Follow-Up Status	Expected Completion
1. Patient Accounts (UIHC)	January 16, 1996	Two new audits focusing on Patient Accounts have been completed: • Credit Balances; and • Patient Fiscal & Registration Services	Completed Will be reported in May
2. Athletic Ticket Office (SUI)	October 16, 2001	Follow-up scheduled in FY 2002.	April 2002
3. Cash Collection Activities (SUI)	December 20, 2001	Audit closed (page 4).	Closed
4. College of Dentistry – Business Office Cash Handling (SUI)	December 20, 2001	Follow-up scheduled in FY 2002.	April 2002
5. College of Dentistry – Business System Security & Access (SUI)	December 20, 2001	Follow-up scheduled in FY 2002.	May 2002
6. College of Medicine Departmental Audit – Otolaryngology (SUI)	December 20, 2001	Audit closed (pages 4-5).	Closed
7. Conflict of Interest (SUI)	December 20, 2001	Follow-up scheduled in FY 2002.	May 2002
8. Human Resources – Family Medical Leave Act (SUI)	December 20, 2001	Audit closed (page 6).	Closed
9. NCAA Representative of Athletics Interest (Boosters) (SUI)	December 20, 2001	Audit closed (page 6).	Closed

Iowa State University

Title	Report Date	Follow-Up Status	Expected Completion
10. Residence Hall Convenience Stores Follow-up report #1	February 16, 2001 December 6, 2001	Second follow-up scheduled in FY 2002.	June 2002
11. Athletic Ticket Office	August 14, 2001	Follow-up scheduled in FY 2002.	June 2002
12. Athletic Business Office	February 18, 2002	Follow-up scheduled in FY 2003.	July 2002
13. Department of Animal Science	December 3, 2001	Follow-up scheduled in FY 2002.	May 2002
14. Veterinary Diagnostic and Production Animal Medicine	October 11, 2001	Follow-up scheduled in FY 2002.	May 2002

University of Northern Iowa

Title	Report Date	Follow-Up Status	Expected Completion
15. Grants and Contracts Accounting Follow-up report #1	March 22, 2000 June 29, 2001	Second follow-up scheduled in FY 2002.	June 2002
16. North American Review	March 9, 2001	Follow-up scheduled in FY 2002.	April 2002

INTERNAL AUDIT FOLLOW-UP REPORTS

University of Iowa – University Operations

- Cash Collection Activities
- College of Medicine Departmental Audit
Department of Otolaryngology – Head & Neck Surgery
- Human Resources Family Medical Leave Act
- NCAA Compliance-Representatives of Athletics Interests (Boosters)

**University of Iowa - University Operations
Cash Collection Activities**

First Follow-Up Audit Report Issued: March 18, 2002
Initial Audit Report Issued: December 20, 2001

Auditor's Recommendation	Management's Response	Auditor's Response	Auditor's Follow-Up
1. <u>Safeguarding</u> . Store all cash receipts in a secure location until deposited.	Not reported.	Corrective actions taken.	Item closed.
2. <u>Segregation of Duties and Reconciliation</u> . Reassign job duties to separate key cash handling responsibilities, including an independent reconciliation of cash receipts.	Not reported.	Corrective actions taken.	Item closed.
3. <u>Timely Deposits</u> . Make deposits at least weekly or when the amount on hand reaches \$500.	Not reported.	Corrective actions taken.	Item closed.

**University of Iowa - University Operations
College of Medicine Departmental Audit
Department of Otolaryngology - Head & Neck Surgery**

Follow-Up Audit Report Issued: March 18, 2002
Initial Internal Audit Report Issued: December 20, 2001

Auditor's Recommendation	Management's Response	Auditor's Response	Auditor's Follow-Up
1. <u>Procurement Card Procedures</u> . a. <u>Transactions</u> . Cardholder needs to be closely associated with and knowledgeable of the related purchase transactions. b. <u>Procedures</u> . Develop internal procurement card policy and procedures. c. <u>Safekeeping</u> . Store departmental procurement cards in a safe location on campus. d. <u>Authorization for Use</u> . Complete a form for each procurement cardholder.	Management will: Cancel the card of the holder who is unable to locate the assigned card, and change the holder to be in the name of either the Account Clerk or Administrative Assistant, with the other being responsible for performing monthly reconciliations. Develop procedures including reporting requirements, supporting documentation retention policy, deadlines, and appropriate authorization/signatures and provide copies to all personnel. Request the existing cardholder to remove the procurement card from a personal wallet and store it in a safe place on campus. Complete a form for each cardholder, designating all authorized users; keep it on file at the department; and review and update it at least annually.	Corrective actions taken.	Item closed.

**University of Iowa - University Operations
College of Medicine Departmental Audit
Department of Otolaryngology - Head & Neck Surgery**

Follow-Up Audit Report Issued: March 18, 2002
Initial Internal Audit Report Issued: December 20, 2001
(continued)

Auditor's Recommendation	Management's Response	Auditor's Response	Auditor's Follow-Up
<p>2. <u>Purchasing Procedures.</u></p> <p>a. <u>Procedures.</u> Develop internal purchasing policy and procedures.</p> <p>b. <u>Segregation of Duties.</u> Designate someone other than the receiver of purchases to reconcile purchases.</p>	<p>Management will:</p> <p>Develop or revise internal policy and include procedures.</p> <p>Designate someone other than the receiver of purchases to reconcile purchases to the statement of account.</p>	<p>Corrective actions taken.</p>	<p>Item closed.</p>
<p>3. <u>Human Resource/ Personnel Procedures.</u></p> <p>a. <u>Performance Appraisals.</u> Develop a formal criteria-based performance appraisal program.</p> <p>b. <u>Time Records.</u> Submit a corrected time record for the identified discrepancy. Develop a reconciliation process. Maintain time records centrally.</p> <p>c. <u>Transaction Processes.</u> Complete I-9's within the third day of employment of a new employee. Periodically review available human resource reports.</p>	<p>Management has developed a formal appraisal program consistent with the University's policy.</p> <p>Management will submit a correct time record to payroll, develop a reconciliation process, gather and maintain appropriately signed time records centrally at the department for three years plus the current year.</p> <p>Management will complete I-9's within the third day of employment and have the human resource representative review the web applications weekly and monthly.</p>	<p>Corrective actions taken.</p>	<p>Item closed.</p>
<p>4. <u>Conferences and Institutes Processes.</u> Adopt Conferences and Institutes' standard processes for conference origination.</p>	<p>Management will: transfer the existing surplus to an appropriate departmental account; have Conferences and Institutes handle all future arrangements; and develop an expense approval and reconciliation process.</p>	<p>Corrective actions taken.</p>	<p>Item closed.</p>

**University of Iowa - University Operations
Human Resources Family Medical Leave Act**

Follow-Up Audit Report Issued: March 18, 2002
Initial Internal Audit Report Issued: December 20, 2001

Auditor's Recommendation	Management's Response	Auditor's Response	Auditor's Follow-Up
1. <u>Responsibility of Administration of the Family Medical Leave Act (FMLA).</u> Clearly define those individuals who are responsible for compliance with the FMLA and ensure availability of training.	Management will review the Operations Manual to determine the need for clarification of departmental responsibility. Departmental representatives will be instructed to designate responsible individuals.	Corrective actions taken.	Item closed.
2. <u>Documentation.</u> Clarify the documents needed to comply with the FMLA.	Management will develop written procedures to clarify and make University requirements more specific.	Corrective actions taken.	Item closed.
3. <u>Support to Departments.</u> Provide tools to enhance consistency of compliance with the FMLA.	Management will create compliant, less formal documents that will be available on the web.	Corrective actions taken.	Item closed.

**University of Iowa - University Operations
NCAA Compliance-Representatives of Athletics Interests (Boosters)**

Follow-Up Audit Report Issued: March 18, 2002
Initial Internal Audit Report Issued: December 20, 2001

Auditor's Recommendation	Management's Response	Auditor's Response	Auditor's Follow-Up
1. <u>Written Policy and Procedures.</u> Prepare a policy statement concerning personnel interaction with boosters and booster organizations.	Management will revise the existing policy to outline the roles in booster relations and approved interaction between personnel and boosters.	Corrective actions taken.	Item closed.
2. <u>Monitoring of I-Club Financial Activities.</u> Prepare and distribute guidelines to help the club determine an appropriate operating funds balance. Request financial reports, bank statements, and funds sources/uses report on a periodic basis.	Management will request financial reports, bank statements, and funds sources/uses.	Corrective actions taken.	Item closed.