# MEMORANDUM

**To:** Banking Committee

**From:** Board Office

**Subject:** Internal Audit Reports

**Date:** March 31, 2003

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**Recommended Actions:**

1. Receive the following internal audit report from the University of Northern Iowa: Conference and Event Services.

2. Receive the report on the Status of the Internal Audit Follow-up reports, including one follow-up report from Iowa State University for the Department of Electrical and Computer Engineering.

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**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 10 internal audit reports, 9 of which require follow-up. One follow-up report is presented this month (page 4); it is closed.

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**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.

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# Status of Internal Audit Follow-Up
# March 31, 2003

## University of Iowa

| Title | Report Date | Follow-Up Status | Expected Completion |
|---|---|---|---|
| 1. Food and Nutrition Gift Card Program (UIHC) | April 15, 2002 | Follow-up scheduled in FY 2003. | June 2003 |
| 2. Patient Fiscal and Registration Services (UIHC) | March 18, 2002<br>January 27, 2003 | Follow-up scheduled in FY 2003. | July 2003 |
| 3. UIHC Timekeeping / Payroll Follow-up Memorandum | August 20, 2002<br>January 27, 2003 | Follow-up scheduled in FY 2004. | July 2003 |
| 4. NCAA Compliance – Recruiting (SUI) | November 25, 2002 | Follow-up scheduled in FY 2003. | June 2003 |
| 5. UI President's Residence Inventory (SUI) | December 16, 2002 | Follow-up scheduled in FY 2003. | April 2003 |
| 6. University Hygienic Laboratory – Des Moines Locations (SUI) | September 20, 2002 | Follow-up scheduled in FY 2003. | May 2003 |

## Iowa State University

| Title | Report Date | Follow-Up Status | Expected Completion |
|---|---|---|---|
| 7. Department of Electrical and Computer Engineering Follow-up report | May 28, 2002<br><br>March 4, 2003 | Audit closed (page 4.) | Closed |
| 8. Procurement Functions | September 24, 2002 | Follow-up scheduled in FY 2003. | April 2003 |
| 9. Security of Internet-Initiated ACH Transactions | January 14, 2003 | Follow-up scheduled in FY 2003. | July 2003 |

## University of Northern Iowa

| Title | Report Date | Follow-Up Status | Expected Completion |
|---|---|---|---|
| 10. FY 2002 Cash on Hand Follow-up report | September 10, 2002<br>January 31, 2003 | Follow-up scheduled in FY 2003. | June 2003 |

**University of Northern Iowa**
**Conference and Event Services**
Initial Audit Report Issued: November 22, 2002

Description

Conference & Event Services (CES) is a sub-center of the Division of Continuing Education. CES is the result of the merger between the Conferences and Visitor Services Office and the Continuing Education Non-Credit Programs Office.

CES provides assistance with planning, budgeting, managing, and evaluating conferences, seminars, and institutes held in cooperation with the University of Northern Iowa. These services enable various colleges and departments to offer non-credit courses that serve the public's continuing education needs. CES is recognized as the official provider of Continuing Education Units (CEUs) for non-credit education.

Scope / Objective

The purpose of the audit was to provide reasonable assurance that CES had established adequate internal controls. 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.

The internal audit reviewed CES' internal controls over administration, human resources, information technology, and financial assets and transaction processing.

Recommendations / Responses

| Auditor's Recommendation | Management's Response |
|---|---|
| 1. CES Cash Balances. Develop, document, and share with appropriate administration a plan to correct the deficit cash balance. | Management will develop a plan, put it in place by March 1, 2003, work with university personnel to explore ways to reduce the overall deficit, and implement monthly reviews. |
| 2. Cost Recovery Study. Complete a documented cost study of indirect costs. | Management will implement a study on indirect costs. |
| 3. Human Resource Management. Establish support staff responsibilities and consistent procedures. | Management will perform position description questionnaires on all current positions and will review office policies and procedures. |
| 4. Conference & Event Management. Assure that (1) appropriate agreements are completed and documented; (2) Insurance Certificates are obtained prior to events; (3) expenses are recorded timely; and (4) review of event files are performed within 60 – 90 days of invoicing. | Management will use a checklist to assure: (1) the timely completion of appropriate documents; (2) receipt of Insurance Certificates; (3) proper recording of expenses; and (4) utilization of Peopleware software as a management tool. |

| University of Northern Iowa<br>Conference and Event Services<br>*(continued)* | |
|---|---|
| 5. Revenue & Expenses. Create immediate record for revenue; prepare accounts receivables record at least monthly; and monitor purchases and payments closely. | Management will implement precise revenue records; prepare monthly lists of accounts receivables; and review purchases and payments closely. |
| 6. FY 2001 Cash on Hand Internal Audit Follow-Up. | |
| a. Restrictive Check Endorsements. Endorse checks immediately. | Management will instruct employees to endorse checks immediately upon receipt. |
| b. Alarm Procedure. Develop, document, and communicate an alarm procedure. | Management has developed and distributed an alarm procedure. |
| c. Physical Security of Cash Funds & Revenue. Secure revenue in a locked area during business hours; hold undeposited revenue in a fire-resistant safe overnight or when the office is closed; move safe to an inaccessible location. | Management will hold cash and revenue to be processed in the fire-resistant safe that will be moved to an inaccessible location. |
| d. Accounts Receivable Records. Maintain an adequate accounts receivable record and update monthly. | Management will record payments as received and update the accounts receivable report monthly. |

Auditor's Response and Follow-up: Follow-up will be performed in FY 2004.

## INTERNAL AUDIT FOLLOW-UP REPORTS

**Iowa State University**
**Department of Electrical and Computer Engineering**
Initial Audit Report Issued: May 28, 2002
Follow-up Review Issued: March 4, 2003

Recommendations / Responses

| Auditor's Recommendation | Management's Response |
|---|---|
| 1. Negative Account Balances. Resolve a loan transaction, formulate and document a plan to resolve and close an account with a deficit; and closeout a terminated grant account. | Management will resolve the loan transaction, formulate and document a plan to resolve and close an account with a deficit; and closeout a terminated grant account. |
| 2. Bindery Services. Bill bindery service fees through University Receivables, not through a special course fee account. | Management will establish billing for bindery service fees. |
| 3. Procedures and Documentation. Document policies and procedures and update desk manuals to include current information. | Management will assess and electronically document department policies and procedures, as well as update desk manuals as needed. |

Auditor's Response and Follow-up: Action has been taken on all recommendations. This audit is closed.