

MEMORANDUM

To: Banking Committee
From: Board Office
Subject: State Auditor's System Review of the Payroll System (ISU)
Date: February 12, 2001

Recommended Action:

Receive the State Auditor's report of the payroll system at Iowa State University for the period of March 27, 2000, through June 18, 2000.

Executive Summary:

The State Auditor made a study and evaluation of general and application controls of Iowa State University's Administrative Data Processing Center (ADP) to determine whether controls were sufficient to provide reasonable, but not absolute, assurances that control objectives were achieved. The auditor's opinion concluded that controls for the payroll system were sufficient, except for the identified findings. The University is taking corrective action.

The primary objectives of the review were to study the manual and automated controls within the existing ADP environment and systems and provide recommendations for enhancing the control environment. The review met the requirements for determining the validity and reliability of data from computer-based systems as outlined by federal policies and guidelines.

The auditor made recommendations for improving controls and establishing written policies and procedures and accepted University responses for corrective actions. Follow-up is dependent on the State Auditor's Office.

Background:

In accordance with the Regent Procedural Guide §1.06, audit reports from the State Auditor are presented to the Banking Committee. Studies of university departments were initiated by the State Auditor during fiscal year 1995 and are expected to continue as part of their annual review process. The reviews are conducted to study and evaluate departmental controls and/or to determine departmental compliance with university guidelines; the reports are not intended to constitute audits of the financial statements.

These audits are designed to determine whether controls were sufficient to provide reasonable, but not absolute, assurances that control objectives were achieved.

Corresponding tables highlight auditor recommendations, management responses, auditor responses, and whether corrective actions have been taken. Controls in the following key areas were studied:

General Controls:

- Organizational Controls
- System Design, Development and Modification Controls
- Data Center Management Controls
- Data Center Protection Controls
- System Software Controls
- Hardware Controls (no tests of controls performed)

Application Controls:

- Documentation Controls
- Input Controls
- Processing Controls
- Output Controls

Iowa State University
System Review of the Payroll System of the Administrative Data Processing Center

<i>Auditor's Recommendations</i>	<i>Management's Response</i>	<i>Auditor's Response</i>	<i>Auditor's Follow-Up</i>
System Design, Development and Modification			
<p><u>Independent Approval of Program Changes</u> – Establish policies and procedures to ensure programs are independently reviewed prior to migration to the production library. An independent person should migrate the program to the production library.</p>	<p>A newly developed, automated review process was initiated with every test compile during the program development/ maintenance phase as well as with the final production compile. This process applies to all existing programs and new programs.</p> <p>Detailed audit trails show who made changes and every change made. The manual post-production peer review further enhances the review process.</p>	Response accepted.	None noted.
Input Controls			
<p><u>Monitoring Unsuccessful Attempted Access</u> – Implement procedures to ensure that unsuccessful attempts at access to the Center's systems are adequately monitored.</p>	<p>Unsuccessful login attempts are automatically logged. Access to ADP Center supported systems/networks is denied after 5 unsuccessful login attempts. Once denied, ADP staff must intervene to re-establish access.</p>	Response accepted.	None noted.
Output Controls			
<p><u>Policies and Procedures</u> – Establish written policies and procedures for the reconciliation and distribution of output and the shredding of confidential data.</p>	<p>Policies and procedures for the reconciliation and distribution of output and shredding of confidential data are being assembled in a folder.</p>	Response accepted.	None noted.