

**MEMORANDUM**

**To:** Banking Committee  
**From:** Board Office  
**Subject:** Internal Audit Reports *JB*  
**Date:** January 7, 2002

**Recommended  
Actions:**

1. Receive the following thirteen internal audit reports from the University of Iowa:
  - Athletic Ticket Office
  - Cash Collection Activities
  - College of Dentistry – Business Office Cash Handling
  - College of Dentistry – Business System Security & Access
  - College of Medicine Departmental Audit – Otolaryngology
  - Conflict of Interest
  - Hancher Box Office
  - Human Resources – Family Medical Leave Act
  - Intercollegiate Athletics – Home Game Ticket Revenue FY 2000-2001
  - NCAA Compliance Audit – Student Athlete Employment
  - NCAA Representative of Athletics Interest (Boosters)
  - Registrars – Audit of In-State Tuition
  - Summary of Internal Audit Review Activity for Regent Investment Policy Compliance FY 2000-01
  
2. Receive the report on the Status of the Internal Audit Follow-up reports, including eleven 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 3 identifies 16 internal audit reports, 6 of which require follow-up.

The tables beginning on page 4 identify auditor recommendations, management responses, auditor responses, and the status of the corrective action for the 13 new SUI audits, of which 9 require follow-up.

Eleven follow-up reports, listed on page 19, are presented this month. Ten are closed. Tables for these begin on page 20.

**Background:**

In accordance with Regent Procedural Guide §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  
January 7, 2002**

**University of Iowa**

<b>Title</b>	<b>Report Date</b>	<b>Follow-Up Status</b>	<b>Expected Completion</b>
1. Patient Accounts (UIHC)	January 16, 1996	Major changes have occurred in UIHC Business Office operations. A new review is being conducted of these significantly revised operations. Issues included in the initial review are being addressed as applicable.	January 2002
2. Human Resources Software Access Security (SUI) Follow-up report #1 Follow-up report #2	February 20, 2001 August 20, 2001 December 20, 2001	Audit closed. (page 22).	Closed
3. NCAA Compliance Audit (SUI) Follow-up report #1	February 20, 2001 December 20, 2001	Audit closed. (page 23).	Closed
4. Human Resources – Decentralized Processes (SUI) Follow-up report #1	June 21, 2001 December 20, 2001	Audit closed. (page 21).	Closed
5. Student Organizations – Travel Expenditures (SUI)	May 14, 2001	Follow-up scheduled in FY 2002.	January 2002
6. Human Resources Benefits Administration (SUI) Follow-up report #1	August 20, 2001 November 16, 2001	Audit closed. (page 20).	Closed
7. Surplus Stores (SUI)	August 20, 2001	Follow-up scheduled in FY 2002.	January 2002
8. University Box Office (SUI) Follow-up report #1	August 20, 2001 November 16, 2001	Audit closed. (page 24).	Closed
9. Complimentary Valet Parking – Cash Handling (UIHC) Follow-up report #1	August 20, 2001 October 30, 2001	Audit closed. (page 25).	Closed
10. Hospital Vending Revenue (UIHC) Follow-up report #1	August 20, 2001 December 20, 2001	Audit closed. (page 26).	Closed
11. PYXIS (Pharmacy Dispensing Machines) (UIHC) Follow-up report #1	August 20, 2001 December 20, 2001	Audit closed. (page 27).	Closed

**Iowa State University**

<b>Title</b>	<b>Report Date</b>	<b>Follow-Up Status</b>	<b>Expected Completion</b>
12. Extension Distribution Center Follow-up report #1	February 16, 2001 December 3, 2001	Audit closed. (pages 28-29).	Closed
13. Residence Hall Convenience Stores Follow-up report #1	February 16, 2001 December 6, 2001	Audit closed. (pages 30-31).	May 2002

**University of Northern Iowa**

<b>Title</b>	<b>Report Date</b>	<b>Follow-Up Status</b>	<b>Expected Completion</b>
14. Grants and Contracts Accounting Follow-up report #1	March 22, 2000 June 29, 2001	Second follow-up scheduled in FY 2002.	June 2002
15. North American Review	March 9, 2001	Follow-up scheduled in FY 2002.	February 2002
16. Cash Funds On Hand Follow-up report #1	June 19, 2001 December 14, 2001	Audit closed. (page 32).	Closed

**University of Iowa – University Operations  
Athletic Ticket Office**

The Athletic Ticket Office is responsible for all event sales within the Athletics Department. The combined home game gross revenue for Men's and Women's Athletics totaled approximately \$11.6 million during FY 2001. Football ticket sales accounted for approximately 67% of the revenue. The \$11.6 million gross revenue does not include conference revenue sharing and contractual payments to visiting teams.

The audit is one of a three-part series that the SUI Internal Auditor is conducting to review University-wide box office procedures including University Box Office, Hancher Box Office, and the Athletic Ticket Office.

This audit focused on procedural matters of the Athletic Ticket Office such as cash collection, ticket sales, and complimentary tickets.

**Initial Audit Report Issued: October 16, 2001**

<b>Auditor's Recommendation</b>	<b>Management's Response</b>	<b>Auditor's Response</b>	<b>Auditor's Follow-Up</b>
1. <u>Written Policy and Procedures</u> . Develop a comprehensive policy and procedures manual for the athletic ticket office.	Management has begun drafting a policy and procedure manual covering topics such as balance due tickets, batch balancing, and cash handling procedures.	Response accepted pending follow-up review.	Follow-up to be performed in February 2002.
2. <u>Cash Handling Issues</u> . Assure that necessary steps are taken to comply with University policy on cash handling.	Management will take necessary steps to assure that University cash handling policies are followed.	Response accepted pending follow-up review.	Follow-up to be performed in February 2002.
3. <u>Security of Ticket Window Area</u> . Require that the doorway from the ticket window area into the arena remain locked at all times.	Management will install a coded door lock and a night deadbolt.	Response accepted pending follow-up review.	Follow-up to be performed in February 2002.

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

The SUI internal auditor reviews cash collection activities each year at the University and UIHC Business Offices. Individual departments also collect cash receipts annually totaling over \$113 million; 22 of these departments handled over \$1 million each during FY 2001.

The primary purpose of the review was to confirm that all University departments with cash collection activity over \$1 million have had audit coverage during at least one of the last five fiscal years. Hospital departments were also included. A total of three departments were reviewed: one department was provided coverage since receipts were greater than \$1 million and there had been little or no cash handling audit coverage in the last 5 years and two departments with cash collections below \$1 million were reviewed at the request of the Vice President's Office for Student Services.

The internal auditors documented and evaluated controls to determine whether: cash is safeguarded from loss or misappropriation; receipts are accurately recorded; cash is deposited intact and timely; key cash handling responsibilities are properly segregated; and an independent reconciliation of cash receipts is performed.

**Initial Audit Report Issued: December 20, 2001**

<b>Auditor's Recommendation</b>	<b>Management's Response</b>	<b>Auditor's Response</b>	<b>Auditor's Follow-Up</b>
1. <u>Safeguarding</u> . Store all cash receipts in a secure location until deposited.	Not reported.	Not reported.	Follow-up to be performed in FY 2002.
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.	Not reported.	Follow-up to be performed in FY 2002.
3. <u>Timely Deposits</u> . Make deposits at least weekly or when the amount on hand reaches \$500.	Not reported.	Not reported.	Follow-up to be performed in FY 2002.

**University of Iowa – University Operations  
College of Dentistry – Business Office Cash Handling**

The College of Dentistry's Business Office is responsible for the cash collection and accounts receivable functions of Dentistry operations as well as for the submission of claims to various third party payers. The Business Office processes approximately 60,000 payments with receipts totaling over \$9.0 million each year.

The general purpose of the audit was to review and evaluate the operations of the Business Office: proper segregation of duties; proper safeguarding of cash; timely application and deposit of funds; appropriate reconciliations; and accurate recording of receipts to the general ledger.

**Initial Audit Report Issued: December 20, 2001**

Auditor's Recommendation	Management's Response	Auditor's Response	Auditor's Follow-Up
<p>1. <u>Safeguarding of Cash.</u></p> <p>a. <u>Proper Use of Cash Drawer.</u> Keep all cash in a secure place. Count and reconcile the cash drawer.</p> <p>b. <u>Restrictive Endorsement of Checks.</u> Restrictively endorse checks immediately upon receipt.</p>	<p>Management has begun keeping checks in the cash register drawer and has required cashiers to count and reconcile their own drawers.</p> <p>Management has changed its procedures to require restrictive endorsement of all checks immediately upon receipt.</p>	<p>Corrective actions taken.</p> <p>Corrective actions initiated, subject to follow-up review.</p>	<p>Item closed.</p> <p>Follow-up to be performed in FY 2002.</p>
<p>2. <u>Timely Deposits.</u></p> <p>a. <u>Funds belonging to other University Departments.</u> Restrictively endorse all receipts and deposit according to University policies. Transfer funds belonging to other departments immediately.</p> <p>b. <u>Daily Receipts.</u> Deposit receipts when the total reaches \$500 or at least weekly and apply funds to patient accounts on the day of receipt. Consider using a bank lock box.</p> <p>c. <u>Coverage for Absences.</u> Ensure that all receipts are deposited and applied to customer accounts in a timely manner.</p>	<p>Management will: deposit all receipts on a daily basis (except those immediately identified as not belonging to the College of Dentistry); transfer funds belonging to another department to that department's account; send checks belonging to another department to them on a timely basis.</p> <p>Management will require same day deposit of all funds and consider acquisition of a bank lock box.</p> <p>Management will require same day deposit of all payments and the timely application of them to patient accounts.</p>	<p>Corrective actions initiated, subject to follow-up review.</p>	<p>Follow-up to be performed in FY 2002.</p>

**University of Iowa – University Operations  
College of Dentistry – Business Office Cash Handling**

*(continued)*

<p>3. <u>Segregation of Duties.</u> Restrictively endorse checks immediately; prepare a listing or retain photo copies of the checks; and investigate the use of a bank lock box.</p>	<p>Management's reorganization plan will include segregation of duties.</p>	<p>Corrective actions initiated, subject to follow-up review.</p>	<p>Follow-up to be performed in FY 2002.</p>
<p>4. <u>Collection Processes.</u> Review collections agency statements for accuracy; review and update the contract; request that the collection agency add a type of payment received.</p>	<p>Management will reconcile monthly payments. The vendor has agreed to provide the collection data.</p>	<p>Corrective actions initiated, subject to follow-up review.</p>	<p>Follow-up to be performed in FY 2002.</p>
<p>5. <u>Desk Procedures.</u> Prepare written desk procedures for all Business Office positions.</p>	<p>Management will enlist the assistance of each staff person to prepare written desk procedures.</p>	<p>Corrective actions initiated, subject to follow-up review.</p>	<p>Follow-up to be performed in FY 2002.</p>
<p>6. <u>Patient Confidentiality.</u> Shred or properly dispose of documents containing patient confidential information.</p>	<p>Management has contracted with an outside document destruction company for proper disposal.</p>	<p>Corrective actions taken.</p>	<p>Item closed.</p>
<p>7. <u>Business Systems Controls.</u>  a. <u>Password Security/Individual Accountability.</u> Assure password security and maintenance.   b. <u>System Daily Reports.</u> Design reports to reflect accurate payment information.   c. <u>Windent System Issues.</u> Correct known system flaws in a timely manner.</p>	<p>Management will comply with the auditor's recommendation.</p> <p>Improvements to the daily reports have been made.</p> <p>Management is working to improve the system and has proposed a new billing statement.</p>	<p>Corrective actions initiated, subject to follow-up review.</p> <p>Corrective actions taken.</p> <p>Corrective actions initiated, subject to follow-up review.</p>	<p>Follow-up to be performed in FY 2002.</p> <p>Item closed.</p> <p>Follow-up to be performed in FY 2002.</p>

**University of Iowa – University Operations  
College of Dentistry – Business System Security & Access**

The University of Iowa College of Dentistry, in cooperation with The Ohio State University College of Dentistry and Advanced Applications, Inc., assisted in developing and implementing a new oral health information system in 1997 called Windent EE. Windent offers an integrated appointment, patient information, and business office system. The College has continued working as a beta site for enhancements to the system.

The audit focused on the access rights granted and system security measures in place for the Windent system in the Business Office of the College of Dentistry. Specific audit objectives included, but were not limited to, the review and evaluation of the: validity and authorization of operators; appropriateness of access rights granted; and system and workstation security.

**Initial Audit Report Issued: December 20, 2001**

<b>Auditor's Recommendation</b>	<b>Management's Response</b>	<b>Auditor's Response</b>	<b>Auditor's Follow-Up</b>
1. <u>System Administrator and Programmer Access Issues.</u> Identify a smaller number of internal users for access rights.	Management has reduced the number of security level users and has updated job duties and limited access.	Management made certain changes but will accept identified risks.	Item closed.
2. <u>Remote Access to the System. Inadequate Security.</u> Investigate available methods of providing secure remote access to network applications.	Management has increased security. A signed agreement from all vendors with access to patient data will be acquired.	Management made certain changes but will accept identified risks.	Follow-up to be performed in FY 2002.
3. <u>Windent Security Capabilities. Absence of Security Features.</u> Pursue security features including: session timeout; unsuccessful logon attempt lockout; disallowing multiple user logins; and periodic forced password changes.	Management will use an auto-logout screen saver to close active applications and disconnect users; inactivate the user's Dentistry account after five unsuccessful login attempts; install password-protected screen savers on all PCs; and has required all users to change passwords every 180 days.	Corrective actions initiated, subject to follow-up review.	Follow-up to be performed in FY 2002.
4. <u>Unattended Terminals. Open System Access.</u> Require all unattended terminals be either logged off or be password locked, and all terminals be powered off at night.	Management will require users to lock unattended workstations and are in the process of searching for a software application to automate logoff.	Response accepted pending follow-up review.	Follow-up to be performed in FY 2002.
5. <u>Network Password Length. Low Level of Protection.</u> Require that network passwords contain at least five characters and a mixture of alpha and numeric characters.	Management has enhanced its security settings on the Dentistry domain to require that passwords be at least six characters long.	Response accepted.	Item closed.

**University of Iowa – University Operations  
College of Medicine Departmental Audit  
Otolaryngology – Head and Neck Surgery**

The University of Iowa's Department of Otolaryngology is a nationally recognized research center and has been repeatedly ranked among the top three departments of otolaryngology in the country. During FY 2001, patient revenues totaled more than \$6.1 million.

The internal audit was performed at the request of management. The auditors evaluated the adequacy of departmental procedures and internal controls of predetermined business processes to ensure: compliance with University and other regulatory policy; proper process segregation among individuals; timely and accurate recording of transactions to the general ledger; proper identification, maintenance, and safeguarding of assets; accurate and adequate information is provided to management; and that proper monitoring and follow-up is conducted by management.

**Initial Audit Report Issued: December 20, 2001**

Auditor's Recommendation	Management's Response	Auditor's Response	Auditor's Follow-Up
<p>1. <u>Procurement Card Procedures.</u></p> <p>a. <u>Transactions.</u> Cardholder needs to be closely associated with and knowledgeable of the related purchase transactions.</p> <p>b. <u>Procedures.</u> Develop internal procurement card policy and procedures.</p> <p>c. <u>Safekeeping.</u> Store departmental procurement cards in a safe location on campus.</p> <p>d. <u>Authorization for Use.</u> Complete a form for each procurement cardholder.</p>	<p>Management will:</p> <p>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.</p> <p>Develop procedures including reporting requirements, supporting documentation retention policy, deadlines, and appropriate authorization/signatures and provide copies to all personnel.</p> <p>Request the existing cardholder to remove the procurement card from a personal wallet and store it in a safe place on campus.</p> <p>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.</p>	<p>Responses accepted pending subsequent review.</p>	<p>Follow-up to be performed in FY 2002.</p>

**University of Iowa – University Operations  
College of Medicine Departmental Audit  
Otolaryngology – Head and Neck Surgery**

*(continued)*

<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>Responses accepted pending follow-up review.</p>	<p>Follow-up to be performed in FY 2002.</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>Responses accepted pending follow-up review.</p> <p>Responses accepted pending follow-up review.</p>	<p>Item closed.</p> <p>Follow-up to be performed in FY 2002.</p> <p>Follow-up to be performed in FY 2002.</p>
<p>4. <u>Conferences and Institutes Processes.</u> Adopt Conferences and Institute's 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>Response accepted pending follow-up review.</p>	<p>Follow-up to be performed in FY 2002.</p>

**University of Iowa – University Operations  
Conflict of Interest**

The University of Iowa has had a Conflict of Interest policy since 1974. Deans, Directors, and Department heads are responsible for identifying and disclosing conflict of interest issues and putting management plans in place to mitigate or eliminate the associated risks.

The purpose of the review was to ascertain the level of understanding and institutional compliance regarding the current Conflict of Interest policy. The objectives were to verify:

- The interpretation and understanding that the University community has regarding the Conflict of Interest policy;
- That policy information is being appropriately disseminated to faculty and staff; and
- That appropriate and adequate disclosure processes are in place to adequately identify and minimize the impact of conflict of interest issues at the University.

**Initial Audit Report Issued: December 20, 2001**

<b>Auditor's Recommendation</b>	<b>Management's Response</b>	<b>Auditor's Response</b>	<b>Auditor's Follow-Up</b>
1. <u>Issue Revised Policy.</u> Issue a revised policy in a clear concise tone and include examples of specific issues.	Management has drafted a new policy that has similar intent and language as the American Association of Medical Colleges.	Response accepted pending follow-up review.	Follow-up to be performed in FY 2002.
2. <u>Web Based Reporting.</u> Identify ways to consistently capture data regarding extramural activities and include a field that identifies the type of consulting or activity taking place.	Management will draft a reporting tool that will eventually be web based.	Response accepted pending follow-up review.	Follow-up to be performed in FY 2002.

**University of Iowa – University Operations  
Hancher Box Office**

**Initial Audit Report Issued: September 24, 2001**

Hancher Box Office is responsible for all event sales within the Hancher auditorium and the University Theatres. Ticket sales for FY 2001 totaled \$3.9 million.

The audit is one of a three-part series that the SUI Internal Auditor is conducting to review University-wide box office procedures including University Box Office, Hancher Box Office, and the Athletic Ticket Office.

The auditors evaluated:

- The adequacy of controls, focusing on cash collection and ticketing procedures;
- Tested three random events that occurred during FY 2001;
- Reviewed ticketing procedures to determine that sales were properly collected, deposited timely, reconciled appropriately, and recorded accurately;
- Reviewed and reconciled complimentary ticket procedures; and
- Analyzed ticket refund and exchange procedures.

No reportable conditions involving cash handling or ticketing procedures were noted. This audit is closed.

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

The U.S. Department of Labor's (DOL) Employment Standards Administration, Wage and Hour Division administers and enforces the Family and Medical Leave Act (FMLA). Departments at the University of Iowa have the responsibility to administer the act to their respective employees.

The purpose of the audit was to evaluate the University's compliance with the FMLA, including all departments in the University of Iowa Hospitals and Clinics. Specific procedures included:

- Determining which departments use the FMLA as well as the ones who do not; identifying departments that may be miscoding FMLA;
- Meeting with departmental personnel in areas using the FMLA to assess their understanding of the law;
- Testing of personnel files of employees who have utilized the FMLA to determine compliance with the DOL rules and University Policy as it relates to the FMLA; and
- Assessing the quality and quantity of training and information transmitted to departments.

**Initial Audit Report Issued: December 20, 2001**

<b>Auditor's Recommendation</b>	<b>Management's Response</b>	<b>Auditor's Response</b>	<b>Auditor's Follow-Up</b>
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.	Concur with action plan pending follow-up review.	Follow-up to be performed in FY 2002.
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.	Concur with action plan pending follow-up review.	Follow-up to be performed in FY 2002.
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.	Concur with action plan pending follow-up review.	Follow-up to be performed in FY 2002.

**University of Iowa – University Operations  
Intercollegiate Athletics – Home Game Ticket Revenue – FY 2000-2001**

Internal auditors annually examine regular season home ticket revenue and follow up on prior year recommendations to provide an independent verification and reconciliation of revenue and guaranteed payments to visiting institutions. Objectives of the FY 2001 report included 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.

The combined home game gross revenue for Men's and Women's Athletics was approximately \$11.6 million in FY 2001. Football ticket sales accounted for about 67% of the revenue, and the balance included sales from men's basketball, wrestling, track, baseball and women's basketball, field hockey, volleyball, gymnastics, and softball. The \$11.6 million gross revenue does not include conference revenue sharing and contractual payments to visiting teams.

**Initial Audit Report Issued: September 24, 2001**

Auditor's Recommendation	Management's Response	Auditor's Response	Auditor's Follow-Up
<b>CURRENT FY 2001 RECOMMENDATIONS</b>			
1. <u>Big Ten Revenue Sharing Payments</u> . Include all revenue tickets on the Big Ten Settlement Sheets and complete all ticket reallocations prior to Big Ten settlement.	Management will rework the reporting process to assure that all revenue ticket types are included in the future.	Response accepted pending follow-up review.	Follow-up to be performed in FY 2002.
2. <u>Game Admittance Without Physical Ticket</u> . Assure that admittance to paid events is granted only with physical tickets.	Management will explore options available for issuance of physical tickets for paid admittance on large walk-up groups.	Response accepted pending follow-up review.	Follow-up to be performed in FY 2002.
3. <u>Balance Due/Accounts Payable Tickets</u> . Discontinue issuance of accounts payable tickets or decide at issuance whether tickets are revenue or complimentary tickets.	Management will track balance due tickets as revenue tickets and print them in separate batches. Balance due tickets will be invoiced out to the recipient and payment issues will be resolved prior to preparation of the Big Ten Settlement Reports.	Response accepted pending follow-up review.	Follow-up to be performed in FY 2002.
<b>STATUS OF PRIOR FY 2000 RECOMMENDATIONS (initial audit report issued October 23, 2000)</b>			
1. <u>Payments to Visiting Teams – Contractual Conditions and Deadlines</u> . Assure that guaranteed payments are paid on time.	A diligent attempt will be made to comply with the terms of all third-party contracts.	Response accepted.	Item closed.
2. <u>Ticket Stock Control Logs – Inventory Control Logs</u> . Complete and maintain an accurate control log.	A diligent attempt will be made to maintain the control logs in a complete manner. Computerized spreadsheets will enhance readability and allow for the use of built-in cross checks.	Response accepted.	Item closed.

**University of Iowa – University Operations  
NCAA Compliance Audit – Student Athlete Employment**

**Initial Audit Report Issued: September 24, 2001**

The University of Iowa is obligated to comply with NCAA rules and regulations as a Division I member of the National Collegiate Athletic Association (NCAA). NCAA Bylaw 23.2.1.3(e) requires member institutions to demonstrate at least once every three years that its rules-compliance program is the subject of evaluation by an authority outside the athletics department. This audit was performed to fulfill a portion of the requirement.

The audit was performed to determine:

- If a central administrator (or office) is designated to oversee and monitor employment of student athletes, if the job description matches the responsibilities, and if a periodic performance review is completed;
- If written policies and procedures are in place reflecting NCAA rules;
- Whether adequate documentation is kept regarding employment of student athletes;
- If the effort to inform parties (students, employers, coaches, and administrators) is adequate to meet compliance standards regarding employment of a student athlete; and
- If the process for monitoring student athlete employment is periodically evaluated.

No reportable conditions were noted. This audit is closed.

**University of Iowa – University Operations  
NCAA Representative of Athletics Interest (Boosters)**

The University of Iowa is obligated to comply with the National Collegiate Athletic Association (NCAA) rules and regulations as a Division I member. NCAA Bylaws require its member institutions to have an authority outside the athletics department evaluate its rules-compliance program once every three years. This audit was performed to fulfill a portion of the requirement.

Contributions designated for the support of the athletics program exceeded \$9.3 million, as reported by the acting coordinating entity for athletic booster organizations of the University of Iowa.

The internal audit included:

- Determining if written policies and procedures are in place to maintain control of and monitor the activities of the boosters;
- Determining whether a central office exercises oversight on booster activities; and
- Reviewing a sample of booster organization financial records to determine that no inappropriate extra benefits are being provided to student-athletes.

**Initial Audit Report Issued: December 20, 2001**

<b>Auditor's Recommendation</b>	<b>Management's Response</b>	<b>Auditor's Response</b>	<b>Auditor's Follow-Up</b>
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.	Response accepted pending follow-up review.	Follow-up to be performed in FY 2002.
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.	Response accepted pending follow-up review.	Follow-up to be performed in FY 2002.

**University of Iowa – University Operations  
Registrars – Audit of In-State Tuition**

**Initial Audit Report Issued: December 20, 2001**

The registrar or a designee of the registrar is charged with classifying students as residents or nonresidents for admission, tuition, and fee purposes.

The audit was performed to determine if the internal controls relating to granting in-state tuition rates were adequate. The audit:

- Analyzed the processes involved to grant in-state tuition rates;
- Interviewed admissions personnel to review the process of initially screening admissions applicants for residency;
- Evaluated applications for admission to verify if screening was effective;
- Sampled applications for residency to confirm the adequacy of information provided by the student;
- Reviewed appeals regarding in-state tuition to understand the process; and
- Tested files of graduate assistants receiving tuition waivers and proof of marriage documentation if applicable.

No reportable conditions were noted. This audit is closed.

**University of Iowa – University Operations  
Summary of Internal Audit Review Activity  
for Regent Investment Policy Compliance FY 2000-01**

**Initial Audit Report Issued: December 20, 2001**

The University of Iowa internal auditors conduct monthly and quarterly compliance reviews on all endowment funds of the institutions as well as operating funds at the University of Iowa and the Iowa School for the Deaf.

The purpose of the report is to summarize activity and to report any noncompliance issues with respect to the Board of Regents Investment policy. Including accrued income, the market value at June 30, 2001 for each fund was:

<u>University of Iowa Endowment Portfolio</u>	
University of Iowa	\$ 92.8
University of Iowa Quasi Endowment	137.7
University of Northern Iowa	3.1
<u>Iowa State University Endowment Portfolio</u>	
Iowa State University	\$ 88.5
Iowa School for the Deaf	.6
Iowa Braille and Sight Saving School	4.2
<u>Operating Funds</u>	
University of Iowa	\$525.5
Iowa School for the Deaf	2.7

No reportable conditions were noted. This audit is closed.

## INTERNAL FOLLOW-UP REPORTS

### University of Iowa

#### UNIVERSITY OPERATIONS

- Human Resources – Benefits Administration
  - Human Resources – Decentralized Processes
  - Human Resources – Software Access Security
  - NCAA Compliance – Various Areas
  - University Box Office
- 

#### HOSPITAL OPERATIONS

- Complimentary Valet Parking – Cash Handling
  - Hospital Vending Revenue
  - PYXIS Automated Dispensing System
- 

### Iowa State University

- Extension Distribution Center
  - Residence Hall Convenience Store
- 

### University of Northern Iowa

- Cash Funds on Hand
-

**University of Iowa - University Operations  
Human Resources – Benefits Administration**

Follow-Up Audit Report Issued: November 16, 2001  
Initial Internal Audit Report Issued: August 20, 2001

Auditor's Recommendation	Management's Response	Auditor's Response	Auditor's Follow-Up
1. <u>Employee Verification of Insurability</u> . Require employees to verify family status on the flexible benefit enrollment form.	A disclaimer has been added to the enrollment form to certify eligibility and to acknowledge the risk of providing false, incomplete, or misleading information; or failure to update information according to eligibility guidelines.	Appropriate action taken.	Item closed.
2. <u>Procedures. Retroactive Benefit Changes</u> . Document procedures relating to retroactive benefit activity.	Management will create a procedural guide for University Benefits' employees to access when retroactive changes are made. The guide will be designed to self-audit and identify any omissions in the process that may result in errors.	Concur with action plan.	Item closed.
3. <u>Documentation for Health Care Spending Claims</u> . a. <u>Employee Awareness</u> . Increase opportunities for employees to more fully understand the documentation needed for reimbursement of Health Care Spending Claims.  b. <u>Dependent Status</u> . Ask employees to confirm dependents eligibility on the spending accounts claims.	Questions and answers to the most common claim errors will be added to the Human Resource Benefits web site. The Benefits Office will increase efforts to monitor claims for supporting documentation and evaluate compliance.  A disclaimer will be added to the reimbursement request assigning the responsibility for accuracy and eligibility to the employee filing the claim.	Concur with action plan.	Item closed.

**University of Iowa - University Operations  
Human Resources – Decentralized Processes**

Follow-Up Audit Report Issued: December 20, 2001  
Initial Internal Audit Report Issued: June 21, 2001

Auditor's Recommendation	Management's Response	Auditor's Response	Auditor's Follow-Up
<p>1. <u>Employee Leave.</u></p> <p>a. Exception Reporting. Maintain monthly leave records showing no usage within the department for three years.</p> <p>b. Leave Policy. Assist departments in implementing newly developed guidelines for leave policy.</p>	<p>Controls will be explored and presented for review at the time of the follow-up audit.</p> <p>Management will review ways to assist with documenting current flex and off-site arrangements and encourage departments to inform employees of how these arrangements apply to their department and how to request them.</p>	<p>Corrective action taken.</p>	<p>Item closed.</p>
<p>2. <u>Web Reports.</u></p> <p>a. Documentation. Automate the department's ability to monitor the arrival of final documentation of Human Resources transactions.</p> <p>b. Use of Reports. Provide access to monitor the usage of Human Resource Web reports.</p>	<p>A report will be added to the web reporting system for departments to access current preliminary transactions; this report will be added to the list of reports to be reviewed monthly.</p> <p>A report will be created to provide supervisory oversight at the collegiate/executive level. Names and access frequency will be provided. Additional web report training will be offered.</p>	<p>Corrective action taken.</p>	<p>Item closed.</p>
<p>3. <u>Department of Immigration and Naturalization Service Compliance.</u> Timely filing of I-9's. Develop process to enhance departmental compliance regarding the filing of I-9 forms.</p>	<p>Programming has been changed so departments may not prevent the printing of an I-9 form. Colleges will be granted oversight via the web to determine if departments are monitoring these reports. Additional training will be provided.</p>	<p>Corrective action taken.</p>	<p>Item closed.</p>
<p>4. <u>Student Employment Records.</u> Timely Terminations. Terminate inactive hourly students when the work assignment is completed.</p>	<p>Management will meet with Student Financial Aid to determine a reasonable period of time to allow student appointments to remain open ended. Management will explore options to electronically terminate student appointments extending beyond the reasonable period of time and also to adhere to documentation requirements.</p>	<p>Corrective action taken.</p>	<p>Item closed.</p>

**University of Iowa - University Operations  
Human Resources – Software Access Security**

Second Follow-Up Audit Report Issued: December 20, 2001

First Follow-Up Audit Report Issued: August 20, 2001

Initial Audit Report Issued: February 20, 2001

Auditor's Recommendation	Management's Response	Auditor's Response	Auditor's Follow-Up
<p>1. <u>Appropriate Access.</u></p> <p>b. <u>Non-Web Access Assignments.</u> Revise operator classes to reflect job duties. Segregate update and correction abilities to critical panels. Incorporate compensating controls. Delete unused or obsolete operator classes.</p> <p>c. <u>Web Access Assignments.</u> Update access to accurately reflect user needs.</p>	<p>Management will: 1) delineate critical panels to determine the population of employees needing access to the critical panels and the level of access needed; 2) redefine operator classes; 3) create compensating controls; 4) program action dates and require documentation of changes, relative to the date, be kept on file.</p> <p>Management will provide departments with a listing of current users and request updates; management will update access accordingly.</p>	<p>Corrective action taken.</p>	<p>Item closed.</p>
<p>2. <u>Security Policy.</u> <u>Implement Written Policy.</u> Develop and implement formal security policy within the Central Human Resources Office. Encourage departments to adopt similar policy.</p>	<p>Management will write and enforce formal security policy for the central Human Resource office addressing workstation security.</p>	<p>Corrective action taken.</p>	<p>Item closed.</p>

**University of Iowa - University Operations  
NCAA Compliance – Various Areas**

**Follow-Up Audit Report Issued: December 20, 2001  
Initial Internal Audit Report Issued: February 20, 2001**

<b>Auditor's Recommendation</b>	<b>Management's Response</b>	<b>Auditor's Response</b>	<b>Auditor's Follow-Up</b>
1. <u>Eligibility Clerical Errors.</u> Uniformity of Student-Athlete Information. Assure that accurate information is being reported to both the NCAA and the Big Ten.	Management will utilize a dual-checking system for the Spring 2001 preparation cycle.	Appropriate action taken.	Item closed.
2. <u>Ordering of Athletic Equipment and Apparel.</u> Purchases by Coaching Staff. Redistribute Athletic Department Equipment policy to coaches, sports office staff, and instructors along with instructions to follow prescribed ordering procedures.	Management will remind coaches that everyone needs to follow established procedures for ordering equipment. Management will also direct coaches to notify equipment managers any time items are ordered.	Appropriate action taken.	Item closed.
3. <u>Return of Apparel by Student-Athletes.</u> Lack of Time Limit or Condition Parameters. Establish a policy addressing the issues of timely return and reasonable condition of athletic apparel and equipment.	A policy will be implemented regarding the timely return of items from student-athletes.	Appropriate action taken.	Item closed.
4. <u>Donation of Athletic Items.</u> Compliance Area Review of Process. Donation requests should be forwarded to the Compliance Coordinator with the coach's recommendation for fulfillment. Approved requests should be sent to the equipment manager for fulfillment.	A policy will be implemented to assure that donations are reviewed by the Director of Compliance, Athletics Director, or their designee prior to issuance.	Appropriate action taken.	Item closed.
5. <u>Disposal of Athletic Items.</u> Lack of Written Policy. The Athletic equipment area policy should describe procedures to follow regarding the disposal of athletic items, including donated items.	Policy and procedures for the disposal of athletic items will be formalized.	Appropriate action taken.	Item closed.

**University of Iowa - University Operations  
University Box Office**

Follow-Up Audit Report Issued: November 16, 2001  
Initial Internal Audit Report Issued: August 20, 2001

Auditor's Recommendation	Management's Response	Auditor's Response	Auditor's Follow-Up
1. <u>Final Event Reconciliation and Ledger Entries.</u> <u>Timeliness.</u> Make final event reconciliation and ledger entries within 30 days of the event.	Final reconciliation and ledger entries will be made within 30 days of having all necessary information for settlement.	Concur with action plan.	Item closed.
2. <u>Over/short Account Verification.</u> <u>Independent Verification.</u> Report write-offs to the over and short account and review over a predetermined variance threshold.	Management will review current operating procedures; improve control and tracking of tickets; and report any write-offs to the over and short account in excess of \$50.	Concur with action plan.	Item closed.
3. <u>Complimentary Tickets.</u> <u>Require Control Sheet Reconciliation.</u> Require signatures for complimentary tickets and reconcile to the number of tickets issued.	All complimentary tickets will be clearly marked as complimentary or free; written procedures will be developed that require signature prior to ticket issuance; and tickets will be reconciled with the control sheet.	Concur with action plan.	Item closed.
4. <u>Ticket Refund Procedures.</u> <u>Supporting Documentation.</u> Revise current procedures to log all cash refunds or exchanges at satellite events on control sheets and reconcile to tickets issued.	Written procedures will be developed to log all cash refunds and exchanges on control sheets with supporting documentation.	Concur with action plan.	Item closed.

**University of Iowa - Hospital Operations  
Complimentary Valet Parking – Cash Handling**

Follow-Up Audit Report Issued: October 30, 2001  
Initial Internal Audit Report Issued: August 20, 2001

Auditor's Recommendation	Management's Response	Auditor's Response	Auditor's Follow-Up
<p>1. <u>Cash Handling Controls.</u></p> <p>a. Provide cash handling procedures for the Lead Valets/Cashiers.</p> <p>b. Assure that cash handling duties are segregated among employees.</p> <p>c. Limit register access to the Lead Valets/Cashier.</p> <p>d. Reconcile receipts to the z-tape.</p> <p>e. Employ proper voiding procedures.</p>	<p>Cash handling duties will be assigned to appropriate personnel.</p> <p>Cash handling duties will be segregated among employees.</p> <p>Access to the cash register will be limited.</p> <p>Receipts will be reconciled to the register z-tape.</p> <p>Voids will be noted on the z-tape and will be reconciled by the Supervisor.</p>	<p>Corrective actions taken.</p>	<p>Item closed.</p>
<p>2. <u>Safeguarding of Cash – Restrictive Endorsement of Checks.</u> Restrictively endorse checks immediately upon receipt.</p>	<p>Management will restrictively endorse all checks at the time of receipt.</p>	<p>Response accepted.</p>	<p>Item closed.</p>

**University of Iowa - Hospital Operations  
Hospital Vending Revenue**

**Follow-Up Audit Report Issued: December 20, 2001  
Initial Internal Audit Report Issued: August 20, 2001**

<b>Auditor's Recommendation</b>	<b>Management's Response</b>	<b>Auditor's Response</b>	<b>Auditor's Follow-Up</b>
1. <u>Vending Machine Reconciliation. Independent Reconciliation.</u> Develop written procedures to reconcile and investigate variances between calculated sales and cash deposits.	A written policy will be developed for the reconciliation of refunds.	Corrective action taken.	Item closed.
2. <u>Periodic Inventory Count. Inventory reconciliation.</u> Develop written policy for physical inventories of vending storage areas on a routine basis.	Management will replace outdated vending machines with equipment that provides a measurement for tracking inventory items.	Corrective action taken.	Item closed.
3. <u>Inventory Requisitions. Confirm Receipt Verification.</u> Confirm orders by the individual receiving the vending inventory.	Orders and quantities will be confirmed; discrepancies will be noted; and requisitions will be signed and returned to the vending services Retail Manager.	Corrective action taken.	Item closed.

**University of Iowa - Hospital Operations  
PYXIS (Pharmacy Dispensing Machines) Automated Dispensing System**

Follow-Up Audit Report Issued: December 20, 2001  
Initial Internal Audit Report Issued: August 20, 2001

Auditor's Recommendation	Management's Response	Auditor's Response	Auditor's Follow-Up
1. <u>Deactivation of Employee ID's</u> . Ensure that former staff no longer have access to PYXIS (automated dispensing system for pharmaceuticals).	Management has implemented procedures to monitor user status, including deactivating or deleting user responsibilities as needed.	Corrective action taken.	Item closed.
2. <u>Password Changes</u> . Change user passwords for PYXIS on a routine basis.	Passwords for PYXIS will be changed on a routine basis.	Corrective action taken.	Item closed.
3. <u>Controlled Substance Wasting through PYXIS</u> . Assure that excess controlled substances are wasted properly.	Procedures will be devised to address wasting of issues. Training will be provided to reinforce proper policy on wasting controlled substances.	Corrective action taken.	Item closed.
4. <u>Additional Formulary Support</u> . Assure adequate back up and cross training of critical functions.	Management will provide appropriate back up and training.	Corrective action taken.	Item closed.
5. <u>Medication Overrides</u> . Assure that proper override policies are followed.	Management will review override procedures and provide training to address override issues.	Corrective action taken.	Item closed.
6. <u>Board of Pharmacy 10% Inventory Regulation</u> . Assure inventory coverage for 10% of the meds in 100% of the machines.	Management will implement a new procedure to assure that meds will be appropriately inventoried.	Corrective action taken.	Item closed.
7. <u>Returns to Inventory</u> . Assure that returns are netted against issuances and are recorded properly.	Employees will be required to complete a new form that requests code and key adjustments for inventory returns.	Corrective action taken.	Item closed.
8. <u>Hand Delivered Meds</u> . Assure adequate transport of hand-delivered meds.	Hand-delivered meds will be transported in containers.	Corrective action taken.	Item closed.
9. <u>Formulary Access</u> . Assure that formulary maintenance activities are reserved for appropriately trained personnel.	Management will restrict access to formulary maintenance activities to appropriate personnel.	Corrective action taken.	Item closed.
10. <u>Security Review</u> . Assure consistency in security access and administration.	Management will review the user list to verify appropriate access.	Corrective action taken.	Item closed.

**Iowa State University  
Extension Distribution Center (EDC)**

Follow-Up Audit Report Issued: December 3, 2001  
Initial Internal Audit Report Issued: February 16, 2001

Auditor's Recommendation	Management's Response	Auditor's Response	Auditor's Follow-Up
<p>1. <u>Duplicate Accounts Receivable Processing.</u> Eliminate or reduce duplicate data entry, processing, and mailings between the EDC and ISU Accounts Receivable office.</p>	<p>The EDC will work with Accounts Receivable to develop an automated interface between the two systems or an alternate solution that will eliminate or reduce redundant and inefficient procedures.</p>	<p>Response accepted.</p>	<p>Item closed.</p>
<p>2. <u>Inventory Monitoring and Storage.</u></p> <ul style="list-style-type: none"> <li>a. Record the cost of each inventory unit in the database and maintain a perpetual inventory system.</li> <li>b. Maintain current warehouse inventory.</li> <li>c. Improve poor warehouse conditions.</li> <li>d. Address security issues when EDC employees are not present.</li> </ul>	<ul style="list-style-type: none"> <li>a. Management will add inventory unit cost to the database. Management will also request unit cost data, enter it into the database, summarize the information, and submit to the Controller for inclusion in the financial statements.</li> <li>b. Management has installed a new barcode control system that will automatically update inventory data when inventory is added or removed.</li> <li>c. Management will reduce inventory quantities to assure sufficient warehouse temperatures; contact existing inventory owners for disposal or storage; and develop a standard storage fee agreement.</li> <li>d. The new inventory system will enable management to track inventory closely. Management will evaluate the need to increase security in the main warehouse.</li> </ul>	<p>Responses accepted.</p>	<p>Item closed.</p>
<p>3. <u>Pricing Practices.</u> Document pricing methodology and follow the Controller's guidelines for rate determination and review.</p>	<p>Management will retain documentation of all pricing methods and reviews. Management will also use the Controller's Office rate determination guidelines to establish service fees.</p>	<p>Response accepted.</p>	<p>Item closed.</p>
<p>4. <u>EDC Fund Accounts.</u> Separate EDC's financial activities from those of different units and monitor surpluses and deficits.</p>	<p>Management will establish a revolving fund account to be used exclusively for EDC transactions; move non-EDC activity out of the existing EDC fund accounts; define the purpose and uses for each account; and monitor account balances.</p>	<p>Response accepted.</p>	<p>Item closed.</p>

**Iowa State University**  
**Extension Distribution Center (EDC)**  
**Follow-Up Audit Report Issued: December 3, 2001**  
**Initial Internal Audit Report Issued: February 16, 2001**

(continued)

Auditor's Recommendation	Management's Response	Auditor's Response	Auditor's Follow-Up
5. <u>Chapter IX Penalty Mailing Privilege.</u> Keep all records for all penalty mail returned as undeliverable and return items to their original sender.	The Extension Finance Office will open returned penalty mail, maintain a log of such items according to Chapter IX regulations, and send to the EDC for distribution to the original senders.	Response accepted.	Item closed.
6. <u>Computer System Controls.</u> a. Ensure proper access restrictions to software with passwords.  b. Segregate duties to secure back-up media storage.  c. Relocate the network server from its current high-traffic area location.	a. Management will implement user-specific passwords for all software applications, and will require that passwords be kept confidential and be changed periodically. b. Management will store back-up tapes away from the network server and delegate the responsibility for back-up tape storage to an employee with little or no access to the original data. c. Management will move the computer system to a more protected area.	Responses accepted.	Item closed.
7. <u>Office Procedures &amp; Controls.</u> a. Segregate expenditure authorization and reconciliation duties.  b. Reconcile receipts to monthly statements and include the identification of the person reconciling.  c. Document delegation of authority for approval of UPS charges and assure proper signature.  d. Deposit checks and receipts timely.  e. Follow guidelines for recording cash register overages and shortages.	a. Management will separate transaction authorization, recording, and reconciliation processes. b. Management will reconcile receipts and include the initials of the individual performing the task.  c. The delegation of signature authority will be documented. The person authorizing transactions will sign their own name.  d. The ISU Treasurer has provided a memo authorizing an exception to avoid generating numerous refund checks.  e. Management will record cash overages and shortages per established guidelines.	Responses accepted.	Item closed.
8. <u>Small Purchases.</u> Use purchasing cards for eligible transactions.	The EDC will begin using purchasing cards for eligible transactions.	Response accepted.	Item closed.
9. <u>Documentation of Procedures.</u> Assure that the policy and procedure manual is current and includes significant procedures.	Management will revise the policy and procedure manual to include significant policies as well as last-revised dates, a table of contents, and page or policy numbers.	Response accepted.	Item closed.

Iowa State University  
Residence Hall Convenience Stores

Follow-Up Audit Report Issued: December 6, 2001  
Initial Internal Audit Report Issued: February 16, 2001

Auditor's Recommendation	Management's Response	Auditor's Response	Auditor's Follow-Up
1. <u>C-Stores Reporting Structure.</u> Define duties and responsibilities for C-Store student-managers, the permanent C-Store manager, and the new residence board coordinator.	Management will update the policy and procedure manual to include the specific duties and responsibilities of all C-Store employees.	Response accepted.	Item closed.
2. <u>Projections and Monitoring.</u> Develop a specific set of objectives and assumptions with dates and time periods for the stated goals.	Management will develop clear, dated documentation of short- and long-term goals as well as measurable objectives for achieving those goals. Management will also develop a process for monitoring and sharing results consistently.	Response accepted.	Item closed.
3. <u>Preparation and Retention of Reports.</u> a. Automate financial and management reports. b. Segregate duties and coordinate efforts to prepare analytical, operational, and summary reports. c. Indicate the date prepared, the date revised, or the applicable time period on reports. d. Retain monthly cost worksheets.	a. Reports will be automated. b. Reports will be linked together for consistency. c. Report dates, time periods, and revision dates will be indicated. d. A process will be developed to generate significant analytical reports as determined by management.	Responses accepted.	Item closed.
4. <u>Reconciliation of Reports.</u> Reconcile cash reports and other financial and management reports.	Management will automate and reconcile reports.	Response accepted.	Item closed.
5. <u>Accounting for C-Stores Salaries and Wages.</u> Recognize salary costs of all dedicated C-Stores employees.	Management established a new administration account to post all C-Stores compensation. Management will also include all compensation expenses in C-Stores financial reports.	Response accepted.	Item closed.
6. <u>Inventory Monitoring.</u> Monitor specific inventory purchases and sales. Evaluate inventory handling procedures.	Management will monitor inventory purchases and sales by category and re-evaluate procedures surrounding inventory counts, transfers, recording, reconciling, and reporting.	Response accepted.	Follow-up to be performed in May 2002.

Iowa State University  
Residence Hall Convenience Stores

Follow-Up Audit Report Issued: December 6, 2001  
Initial Internal Audit Report Issued: February 16, 2001

(continued)

Auditor's Recommendation	Management's Response	Auditor's Response	Auditor's Follow-Up
7. <u>Security—Doors, Safes, Cash Handling, and Cameras.</u> Address security weaknesses relating to inventory and cash.	Management will re-evaluate cash procedures and security measures to improve security and provide greater accountability.	Response accepted.	Item closed.
8. <u>Pricing Methodology.</u> Document product selection and product pricing methodology; indicate appropriate procedures for authorizing price changes; and retain documentation for trend information.	Management will document policies, procedures, and methodology for product selection and pricing. Management will also document procedures for recommending and authorizing price changes in the policy and procedure manual.	Responses accepted.	Item closed.
9. <u>Procedural Consistency.</u> Assure consistent handling of duties for all C-Stores.	Management will review and update the C-Stores policies and procedures documentation and training information. A standard checklist of duties has been developed.	Response accepted.	Item closed.
10. <u>Accounting for Change Fund Shortages.</u> Report shortages in the safe change fund according to the ISU Office Procedure Guide.	Management will report and replenish shortages in the safe change fund according to the ISU Office Procedure Guide. Management will also document the procedure in the C-Store policy and procedure manual.	Response accepted.	Item closed.

**University of Northern Iowa  
Cash Funds on Hand**

Follow-Up Audit Report Issued: December 14, 2001  
Initial Internal Audit Report Issued: June 19, 2001

Auditor's Recommendation	Management's Response	Auditor's Response	Auditor's Follow-Up
1. <u>Restrictive Check Endorsements</u> . Endorse checks immediately upon receipt.	The departments/units will endorse checks immediately upon receipt.	Satisfactory action taken.	Item closed.
2. <u>Adequate Revenue Records</u> . Record, reconcile, and develop adequate documentation for revenues.	The departments/units will create initial receipt logs.	Satisfactory action taken.	Item closed.
3. <u>Timely Depositing of Revenue</u> . Deposit all revenue within seven days according to University policy.	The departments/units will deposit checks within seven days accordance with University policy.	Satisfactory action taken.	Item closed.
4. <u>Unauthorized Change Fund</u> . Deposit unauthorized change fund immediately; assure that all income is deposited intact; establish an authorized change fund; and disallow I.O.U.s and cash advances.	The department will not hold cash back and has disallowed I.O.U.s.	Satisfactory action taken.	Item closed.
5. <u>Alarm Procedure</u> . Develop, document, and communicate alarm procedures.	The departments/units have developed, documented, and communicated alarm procedures to employees.	Satisfactory action taken.	Item closed.
6. <u>Physical Security of Cash Funds and Revenue</u> . Provide adequate physical security for cash funds and undeposited revenue at all times.	Departments/units will secure undeposited revenue in locked, fire-resistant safe/cashbox; access will be limited.	Satisfactory action taken.	Item closed.
7. <u>Cash Advances</u> . Adequately document cash advances.	Management has implemented procedures for logging advances.	Satisfactory action taken.	Item closed.
8. <u>Departmental Reimbursement Fund Records</u> . Comply with University reimbursement fund procedures and entertainment policy.	Hospitality and food/entertainment expenses will be documented with participant names and purpose. If unavailable, dates and detailed explanations will be offered. Funds will operate on a set amount and reimbursed receipts will be marked paid, dated, and initialed. Replenishment vouchers will be prepared and sent to the Controller's Office for reimbursement.	Satisfactory action taken.	Item closed.
9. <u>Accounts Receivable Records</u> . Develop adequate internal control procedures for accounts receivable.	Management will implement new invoicing system, monitor on a regular basis, and provide a list of outstanding receivables to the Controller's Office at the end of the fiscal year. Accounts Receivable report will be updated each month and payments will be recorded as received.	Satisfactory action taken.	Item closed.
10. <u>Cash Funds Reporting</u> . Complete and submit required monthly reports for authorized change fund(s) and/or departmental reimbursement fund(s) on a timely basis.	The departments/units will submit proper reports in a timely fashion.	Satisfactory action taken.	Item closed.