

MEMORANDUM

To: Banking Committee
From: Board Office
Subject: Internal Audit Reports
Date: July 6, 2001

Recommended Actions:

1. Receive the following internal audit reports from:
 - a. State University of Iowa
 - Accounts Payable/Purchase Order and Property Management PeopleSoft Systems – Operator Access Security (SUI)
 - College of Medicine Faculty Practice Plan Compliance Operations (SUI)
 - Human Resources – Decentralized Processes (SUI)
 - Iowa School for the Deaf – Procurement, Inventory, & Fixed Assets (ISD)
 - Student Organizations – Travel Expenditures (SUI)
 - Value Analysis Program (UIHC)
 - b. University of Northern Iowa
 - Cash Funds On Hand
2. Receive the report on the Status of Internal Audit Follow-up.

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.

Fifteen completed internal audit reports are presented, seven new and eight follow-up. Three of the seven new audits require additional follow-up: Human Resources – Decentralized Processes (SUI); Student Organizations – Travel Expenditures (SUI); and Cash Funds on Hand (UNI).

The Status of Internal Audit Follow-Up Table on page 6 reflects the current status of the follow-up audits organized by university. The Table identifies 18 internal audit reports that have previously been presented to the Banking Committee, of which 11 still require follow-up.

The detailed tables, starting on page 7, identify the auditor's recommendations, management responses, and the status of the corrective action for the seven new reports and the eight completed follow-up reports. Internal auditors at the University of Iowa closed three audits; Iowa State University closed one audit; and the University of Northern Iowa closed three audits.

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, while the Iowa State University internal auditor is responsible for those at the Iowa Braille and Sight Saving School.

The Board Office tracks and monitors audit reports indicating a need for corrective action. Corresponding tables highlight auditor recommendations, management responses, auditor responses, and whether corrective actions have been taken. When all recommendations have been satisfactorily completed, the audits are closed.

Analysis:

Accounts Payable/Purchase Order and Property Management PeopleSoft Systems – Operator Access Security

The PeopleSoft system was implemented in January 1998. Approximately 2,000 vouchers and 750 checks are processed daily. Disbursements average \$2.0 million a day. The internal auditor has planned a series of internal audits to evaluate internal control procedures.

This internal audit evaluated the adequacy of operator access and security controls to ensure: valid and authorized operator ID's and classes; appropriate operator ID's/class definitions; adequate system and workstation security; and adequate segregation of duties.

The internal audit recommended improving: operator access authorization; workstation/application security; appropriate system access; and operator identification. Appropriate action has been taken on all recommendations. No formal follow-up audit is planned. (See page 7.)

College of Medicine Faculty Practice Plan Compliance Operations (SUI)

The Faculty Practice Plan maintains an efficient clinical income management system to assure that appropriate charges are made and received for health care services rendered. The Plan facilitates training and monitors compliance with Medicare and Medicaid claims.

The internal audit was performed to assure compliance with pertinent government regulations. Specific audit objectives included review and evaluation of the establishment of standards, policies and procedures; communication of standards and training; compliance monitoring and reporting techniques; and enforcement of standards.

The audit reported two areas regarding internal control including the composition of the compliance oversight committee and non-compliance investigation procedures. Corrective action has been taken. No formal follow-up is planned. (See page 7.)

Human Resources – Decentralized Processes (SUI)

The Human Resource Information System was implemented on July 1, 1999. The new system decentralized processes resulting in departments having an increased share of accountability to achieve efficient operations, assure reliable financial reports, and comply with regulatory laws.

The purpose of the audit was to evaluate the processes related to the transfer of information between Central Human Resources, departments, and employees. Specific audit procedures included: meeting with seven departments to recommend ways to strengthen internal controls; testing the timeliness of transactions affecting pay to minimize retroactive payroll processing; testing to determine if transactions are properly authorized; and testing for compliance with Immigration and Naturalization Laws regarding I-9 forms.

The internal audit report made recommendations regarding: employee leave; web reports; Department of Immigration and Naturalization Service Compliance; and student employment records. (See page 8.)

A formal follow-up audit is scheduled for FY 2002.

Iowa School for the Deaf (ISD) – Procurement, Inventory, & Fixed Assets (SUI)

ISD provides educational and support services to deaf and hard of hearing children and youth.

The University of Iowa internal audit of Iowa School for the Deaf focused on a general review of procurement, inventory, and fixed-asset procedures by evaluating the segregation of duties; adequate documentation to support transactions; and policies and procedures related to the purchase and disposal of items.

The original internal auditor reported one instance where ISD was not in compliance with the School's purchasing policies. The particular instance noted by the auditor was related to a capital project. Capital projects, by Board policy, are subject to different policies than are regular purchases. ISD was in compliance with the Board's capital policies.

The auditor issued a report addendum recommending that ISD, to avoid confusion, should establish institutional procedures for capital projects that mirror Board requirements. The Board Office agrees that ISD would benefit by developing more detailed capital project procedures.

The SUI internal auditor does not plan to follow-up on this issue.

Student Organizations – Travel Expenditures (SUI)

All student organization transactions must comply with University policies and procedures and be processed through the Office of Student Life. There are currently 373 student organizations recognized on campus.

The purpose of the internal audit was to evaluate the adequacy of controls over travel expenditures within Student Organizations to ensure: travel is authorized and pre-approved in a timely manner; travel vouchers are complete, appropriately approved, and expenses are properly reported; and travel advances are appropriately approved and properly cleared or repaid.

The internal audit report made recommendations regarding: prior approval for travel; travel expense vouchers; and travel policy compliance. (See page 9.)

A formal follow-up audit is scheduled for FY 2002.

Value Analysis Program (UIHC)

The Value Analysis Program (VAP) was launched in January 1997 to assist the University of Iowa Hospitals and Clinics with reducing costs and improving performance.

The internal audit was performed to test the reasonableness of the methodologies used to compute the projected cost savings for active projects as of March 2001.

No findings were noted, but the auditor recommended that the Program utilize a range of potential cost savings for analysis until the scope of a project has been identified. (See page 9.) No formal follow-up review is planned.

Cash Funds on Hand (UNI)

Cash funds consist of departmental change funds and departmental reimbursement funds. Change funds allow departments to make change for sales and services so that revenue may be deposited intact. Reimbursement funds reimburse employees for approved department supplies of \$100 or less per reimbursement. Undeposited revenue represents cash, check, and credit card income collected for miscellaneous sales and service that was on hand at the time of the cash count.

The purpose of the audit was to examine the cash funds and undeposited revenue on hand to 1) verify that cash funds on hand as recorded exist, are authorized, properly accounted for, adequately secured, and comply with applicable laws, regulations, policies, and procedures; and 2) to assure that undeposited revenue is controlled and handled until deposited and complies with applicable laws, regulations, policies, and procedures.

The internal audit report contains recommendations regarding: restrictive check endorsements; adequate revenue records; timely depositing of revenue; unauthorized change fund; alarm procedure; physical security of cash funds and revenue; cash advances; department reimbursement fund records; accounts receivable records; and cash funds reporting. (See page 10.)

Only one finding, Required Financial Reports and Invoices, remained unresolved. A formal follow-up review will be performed in approximately six months.

**Status of Internal Audit Follow-Up
July 6, 2001**

University of Iowa

Title	Report Date	Follow-Up Status	Expected Completion
1. Patient Accounts (UIHC)	January 16, 1996	Major changes have occurred in UIHC Business Office operations. A new review will be conducted of these significantly revised operations. Issues included in the initial review will be addressed as applicable.	July 2001
2. Charge Processing Subsystem (UIHC) Follow-up report #1 Follow-up report #2 Follow-up report #3	August 21, 1995 June 14, 1996 July 20, 2000 June 21, 2001	Audit closed (pages 11-12).	Closed
3. Vendor Rebates (UIHC) Follow-up report #1	October 1, 1996 June 21, 2001	Audit closed (page 12).	Closed
4. Cash Receipting Procedures (UIHC) Follow-up report #1	October 11, 1999 June 21, 2001	Audit closed (page 11).	Closed
5. Intercollegiate Athletics – Home Game Ticket Revenue-FY 2000 (SUI)	October 23, 2000	A follow-up will be conducted in FY 2001.	September 2001
6. Human Resources Software Access Security (SUI)	February 20, 2001	A follow-up will be conducted in FY 2002.	September 2001
7. NCAA Compliance Audit (SUI)	February 20, 2001	A follow-up will be conducted in FY 2002.	November 2001
8. NCAA Compliance Audit – Financial Aid (SUI)	January 19, 2001	A follow-up will be conducted in FY 2002.	October 2001

Iowa State University

Title	Report Date	Follow-Up Status	Expected Completion
9. Veterinary Teaching Hospital Follow-up report #1	July 18, 2000 May 31, 2001	Audit closed (pages 13-14).	Closed
10. Academic Course Fees	July 18, 2000	A follow-up will be conducted in FY 2002.	August 2001
11. Extension Distribution Center	February 16, 2001	A follow-up will be conducted in FY 2002.	November 2001
12. Residence Hall Convenience Stores	February 16, 2001	A follow-up will be conducted in FY 2002.	September 2001

University of Northern Iowa

Title	Report Date	Follow-Up Status	Expected Completion
13. Small Business Development Center Preliminary Follow-up Follow-up report #1 Follow-up report #2	October 5, 1999 May 12, 2000 January 26, 2001 June 1, 2001	Audit closed (page 17).	Closed
14. Cash on Hand Follow-up report #1 Follow-up report #2	February 24, 2000 December 1, 2000 June 6, 2001	Audit closed (page 15).	Closed
15. Grants and Contracts Accounting Follow-up report #1	March 22, 2000 June 29, 2001	A second follow-up will be conducted in FY 2002.	June 2002
16. Malcolm Price Laboratory School	June 29, 2000	Audit closed (page 17).	Closed
17. Camp Adventure™ Youth Services (UNI)	July 28, 2000	A follow-up will be conducted in FY 2002.	September 2001
18. North American Review	March 9, 2001	A follow-up will be conducted in FY 2002.	February 2002

**University of Iowa - University Operations
Accounts Payable/Purchase Order and Property Management PeopleSoft Systems –
Operator Access Security**

Initial Internal Audit Report Issued: June 21, 2001

Auditor's Recommendation	Management's Response	Auditor's Response	Auditor's Follow-Up
1. <u>Operator Access Authorization</u> . Periodic Monitoring. Develop procedures to review and confirm access rights periodically.	Management will run quarterly reports to confirm access and update as needed.	Appropriate action taken.	Item closed.
2. <u>Workstation/Application Security</u> . Individual Accountability. Train users of their responsibility toward workstation and application security including password maintenance.	Management continues to send password change reminders quarterly; the Project Leader will verify changes. Operators will be required to close down PeopleSoft windows while away from their desk. New operators will be instructed to review policies and procedures.	Appropriate action taken.	Item closed.
3. <u>Appropriate System Access</u> . a. Independent Monitoring. Develop procedures to review operator access as it relates to job responsibilities. b. Segregation of Duties. Eliminate developers' access to update data within the production environment.	Procedures have been developed to review class assignment and access on an annual basis or when employees are reassigned. Developers' access has been limited to display or view only.	Appropriate action taken.	Item closed.
4. <u>Operator Identification</u> . Independent Accountability. Isolate the operator ID and password for the nightly production operators.	The operator ID and password were isolated to the nightly operators only. The password is changed routinely.	Appropriate action taken.	Item closed.

**University of Iowa – University Operations
College of Medicine Faculty Practice Plan Compliance Operations**

Initial Internal Audit Report Issued: June 21, 2001

Auditor's Recommendation	Management's Response	Auditor's Response	Auditor's Follow-Up
1. <u>Composition of Compliance Oversight Committee</u> . Membership by Legal Counsel. Add a permanent seat for a legal counsel representative to the Compliance Oversight Committee.	The Faculty Practice Plan Management Committee has approved the addition of a legal counsel representative to the Compliance Oversight Committee.	Corrective action completed.	Item closed.
2. <u>Non-Compliance Investigation Procedures</u> . Detailed Investigation Protocol. Develop protocol detailing the process for reporting and investigating non-compliance.	The Faculty Practice Plan Management Committee has approved an Investigation Protocol.	Corrective action completed.	Item closed.

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

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> a. Exception Reporting. Maintain monthly leave records showing no usage within the department for three years. 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. 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>Concur with action plan.</p>	<p>Follow-up to be performed in FY 2002.</p>
<p>2. <u>Web Reports.</u> a. Documentation. Automate the department's ability to monitor the arrival of final documentation of Human Resources transactions. 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. 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>Concur with action plan.</p>	<p>Follow-up to be performed in FY 2002.</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>Concur with action plan.</p>	<p>Follow-up to be performed in FY 2002.</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>Concur with action plan.</p>	<p>Follow-up to be performed in FY 2002.</p>

**University of Iowa – University Operations
Student Organizations – Travel Expenditures**

Initial Internal Audit Report Issued: May 14, 2001

Auditor's Recommendation	Management's Response	Auditor's Response	Auditor's Follow-Up
<p>1. <u>Prior-Approval for Travel</u>.</p> <p>a. Approval Signatures. Evaluate each level of approval for its value to the prior approval process.</p> <p>b. Timeliness. Evaluate the efficiency of the prior approval form, specifically the traveler signature requirement.</p>	<p>Management will evaluate approval levels and document explanations for required signatures. Consideration will be given to eliminating certain approval levels or incorporating thresholds.</p> <p>Management will evaluate the traveler signature requirement to determine its necessity at pre-approval.</p>	Concur with action plan.	Follow-up to be performed in FY 2002.
<p>2. <u>Travel Expense Vouchers</u>. Timeliness. Evaluate the travel voucher signature approval process to determine the value added at each review level versus reimbursement timeliness.</p>	<p>Management will evaluate each level of approval and document explanations for required signatures. Consideration will be given to eliminating certain approval levels or incorporating thresholds.</p>	Concur with action plan.	Follow-up to be performed in FY 2002.
<p>3. <u>Travel Policy Compliance</u>. Accountability. Promote travel policies compliance through increased training to emphasize student organizations accountability.</p>	<p>Management will emphasize training; highlight in the financial manual; and address policy issues in upcoming Student Organization newsletters.</p>	Concur with action plan.	Follow-up to be performed in FY 2002.

**University of Iowa – University Operations
Value Analysis Program**

Initial Internal Audit Report Issued: May 14, 2001

Auditor's Recommendation	Management's Response	Auditor's Response	Auditor's Follow-Up
<p>Provide more comprehensive cost savings estimates to the Subcommittee Coordinating the Value Analysis Program.</p>	<p>The Value Analysis Facilitator will implement reporting of potential cost savings when a project scope has not been identified; a range will be used until the scope is defined.</p>	Response accepted.	Item closed.

University of Northern Iowa
Cash Funds on Hand

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.	Responses accepted.	Follow-up to be performed in FY 2002.
2. <u>Adequate Revenue Records</u> . Record, reconcile, and develop adequate documentation for revenues.	The departments/units will create initial receipt logs.	Responses accepted.	Follow-up to be performed in FY 2002.
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.	Responses accepted.	Follow-up to be performed in FY 2002.
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.	Responses accepted.	Follow-up to be performed in FY 2002.
5. <u>Alarm Procedure</u> . Develop, document, and communicate alarm procedures.	The departments/units have developed, documented, and communicated alarm procedures to employees.	Responses accepted.	Follow-up to be performed in FY 2002.
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.	Responses accepted.	Follow-up to be performed in FY 2002.
7. <u>Cash Advances</u> . Adequately document cash advances.	Management has implemented procedures for logging advances.	Responses accepted.	Follow-up to be performed in FY 2002.
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.	Responses accepted.	Follow-up to be performed in FY 2002.
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.	Responses accepted.	Follow-up to be performed in FY 2002.
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.	Responses accepted.	Follow-up to be performed in FY 2002.

**University of Iowa – Hospital Operations
Cash Receiving Procedures**

**Initial Internal Audit Report Issued: October 11, 1999
First Follow-Up Report Issued: June 21, 2001**

Auditor's Recommendation	Management's Response	Auditor's Response	Auditor's Follow-Up
1. <u>Improve Internal Controls</u> A. Restrictively endorse checks immediately upon receipt.	Memorandum issued. Recommendation implemented.	Corrective action taken.	Item closed.
B. Maintain a complete cash receipts journal as required by UIHC policy.	Memorandum issued. Recommendation implemented.	Corrective action taken.	Item closed.
C. Issue pre-numbered receipts to all collection sites as required by UIHC policy.	Memorandum issued. Recommendation implemented.	Corrective action taken.	Item closed.
D. Segregate the three basic functions of cash receipts at all collection sites as required by policy.	Memorandum issued. Recommendation implemented.	Corrective action taken.	Item closed.
E. Reconcile deposits for all collection sites as required by UIHC policy.	Memorandum issued. Recommendation implemented.	Corrective action taken.	Item closed.
F. Deposit cash receipts daily as required by UIHC policy.	Memorandum issued. Recommendation implemented.	Corrective action taken.	Item closed.
G. Provide adequate safeguards for cash receipts – Telecommunications.	Memorandum issued. Recommendation implemented.	Corrective action taken.	Item closed.
2. Develop written agreement specifying item ordered, price, and delivery date for all orders and segregate responsibilities.	Identified individuals and associated responsibilities.	Corrective action taken.	Item closed.

**University of Iowa – Hospital Operations
Charge Processing Subsystem Report**

**Initial Internal Audit Report Issued: August 21, 1995
First Follow-Up Audit Report Issued: June 14, 1996
Second Follow-Up Audit Report Issued: July 20, 2000
Third Follow-Up Audit Report Issued: June 21, 2001**

Auditor's Recommendation	Management's Response	Auditor's Response	Auditor's Follow-Up
1. Use factor counts to accumulate batch totals in addition to line item counts.	Agrees with recommendation.	Corrective action taken.	Item closed.
2. Use a format that facilitates verification of information for the report of entered and accepted charges.	Agrees with recommendation.	Corrective action taken.	Item closed.
3. Batching clerks need to be accountable for ensuring charge slips are properly completed.	Agrees with recommendation.	Corrective action taken.	Item closed.

**University of Iowa – Hospital Operations
Charge Processing Subsystem Report
(continued)**

Auditor's Recommendation	Management's Response	Auditor's Response	Auditor's Follow-Up
4. Unit batching clerks need to be accountable for ensuring all charges are properly submitted in batches.	Agrees with recommendation.	Corrective action taken.	Item closed.
5. Enforce submission procedures by returning unbatched or incorrectly batched charges to areas where generated.	Agrees with recommendation.	Corrective action taken.	Item closed.
6. Develop a training program, with Staff Relations and Development, for unit batching clerks.	Agrees with recommendation.	Corrective action taken.	Item closed.
7. Maintain a batch control log to record receipt, entry and acceptance of batches.	Agrees with the recommendation; however, a systems defined solution is needed in this case.	Corrective action taken.	Item closed.
8. Change the Charge Processing clerks procedures so that batch integrity is not compromised.	Department provides a high volume of accurate first submittal charge capture in the current environment. To eliminate the process will increase the charge capture error rate.	Corrective action taken.	Item closed.

**University of Iowa – Hospital Operations
Vendor Rebates**

**Initial Internal Audit Report Issued: October 1, 1996
First Follow-Up Audit Report Issued: June 21, 2001**

Auditor's Recommendation	Management's Response	Auditor's Response	Auditor's Follow-Up
1. Establish policy and procedures for restrictive endorsement of checks upon receipt.	New policy and procedures were developed.	Satisfactory action taken.	Item closed.
2. Establish policy and procedures for ensuring checks are recorded upon receipt, with same day deposit.	New policy and procedures were developed.	Satisfactory action taken.	Item closed.
3. Develop a system to calculate & track rebates due from vendors, and research delinquent rebate payments.	Pursuing methods to incorporate recommendation into a variety of existing systems.	Satisfactory action taken.	Item closed.
4. Establish policy and procedures for surrendering credit memos to Purchasing on the day of receipt.	Need fully automated ordering & inventory management system and Accounts Payable system. Planning team for such has been established & advised of issue.	Satisfactory action taken.	Item closed.

Iowa State University
Veterinary Teaching Hospital (VTH)

Initial Internal Audit Report Issued: July 18, 2000
First Follow-Up Audit Report Issued: May 31, 2001

Auditor's Recommendation	Management's Response	Auditor's Response	Auditor's Follow-Up
<p>1. <u>Computer System Reconciliations.</u></p> <p>a. Interface data between VTH's accounting system, VetStar 2000 Hospital Management System (VHMS), and Administrative Information (ADIN) to alleviate manual input of similar data into both systems.</p> <p>b. Account for required pre-payments received before animal treatments are administered.</p> <p>c. Reflect on accounts receivable billings those customer payments that were made at the VTH later in the monthly billing cycle.</p>	<p>a. VTH is working with VHMS vendor and ADIN programmers to develop an interface between the two systems.</p> <p>b. Partial pre-payments will be applied directly to customer accounts. In ADIN, VTH customer accounts will be flagged for "no refunds" of credit balances so that pre-payments remain in these accounts until all charges are posted.</p> <p>c. Accounts Receivable will add a notation to billing statements indicating that if the customer remitted payment during the last three days of the prior month, the payment may not appear on billing.</p>	<p>Corrective actions taken.</p>	<p>Item closed.</p>
<p>2. <u>Accounts Receivable Finance Charges.</u> Comply with finance charge policies and assure that timing differences and other reconciling items are promptly addressed.</p>	<p>VTH has taken steps to comply with finance charge policies. The Office of the Provost will work with others to ensure finance charge assessments and collections are proceeding appropriately and that timing differences or reconciling items are properly addressed.</p>	<p>Corrective actions taken.</p>	<p>Item closed.</p>
<p>3. <u>Inactive Delinquent Accounts.</u> University policy is to delete delinquent customer accounts after two years of inactivity or sooner at the discretion of departmental management. Determine appropriate accounts to delete.</p>	<p>Management will work with Accounts Receivable staff to determine which accounts may be uncollectable and seek the department chair's authorization for the write-off of long-delinquent balances.</p>	<p>Corrective actions taken.</p>	<p>Item closed.</p>
<p>4. <u>Inventory for Resale.</u> Apply reliable inventory accounting procedures and physical security controls to help management ensure proper financial reporting and prevent resale inventory losses.</p>	<p>Management will enhance employee training in inventory procedures; take advantage of automated capabilities and resolve problems with inventory quantities; obtain department chair's signature on inventory variance reports and proposed inventory adjustments after physical inventory counts; and complete implementation of enhanced security system to ensure diligent safeguarding of sensitive inventory.</p>	<p>Corrective actions taken.</p>	<p>Item closed.</p>

**Iowa State University
Veterinary Teaching Hospital (VTH)**
(continued)

Auditor's Recommendation	Management's Response	Auditor's Response	Auditor's Follow-Up
5. <u>Equipment Inventory</u> . Monitor inventories to aid in locating equipment and preventing theft as well as to ensure accurate inventory reporting. Upper management should authorize any write-offs.	Management will periodically communicate equipment procedures and documentation requirements to faculty and staff; update the assigned employee and equipment location when changes occur; notify purchasing staff to watch for trade-ins noted on invoices and verify proper procedures and documentation; and require the department chair's authorization for equipment write-offs.	Corrective actions taken.	Item closed.
6. <u>Computer System Back-up and Security</u> . Develop documentation to describe procedures for alternative end-user processing from the time of a system disruption until system recovery; test computer system back-up files; change user passwords at regular intervals; consistently revoke system access upon departure of staff and students and develop written procedures to ensure that appropriate revocations occur.	VTH will implement a computer policy that addresses systems back-ups, password confidentiality, access monitoring, and revocation procedures for system users who leave VTH employment.	Corrective actions taken.	Item closed.

University of Northern Iowa
Cash on Hand

Initial Audit Report Issued: February 24, 2000
First Follow-Up Audit Report Released: December 1, 2000
Second Follow-Up Audit Report Released: June 6, 2001

Auditor's Recommendation	Management's Response	Auditor's Response	Auditor's Follow-Up
1. <u>Timely Depositing</u> . Deposit revenue according to university deposit policy.	(Not included in report.)	Corrective action taken.	Item closed.
2. <u>Departmental Reimbursement Fund Procedures</u> . a. Reimbursement Limit. Reimbursed expenses should not exceed \$100 per reimbursement. b. Limited Cash Advances. Restrict use and limit to one business day. c. Travel Reimbursements. Reimburse travel expenses according to university travel policies and procedures. d. Restricted Use. Restrict cash funds from loans. e. Adequate Security. Secure cash fund in a locked, out-of-sight location. f. Adequate Receipt Documentation. Review receipts for all required information before reimbursement. g. "Paid Receipts" Mark reimbursed receipts as paid and date after reimbursement occurs. h. Reimbursement Fund Size. Decrease departmental reimbursement fund so that replenishment is necessary every 30 to 45 days. i. Timely Reporting. Complete and submit the Controller's monthly cash fund report in accordance with established deadline.	(Not included in report.)	Corrective action taken.	Item closed.
3. <u>Revenue Control</u> . a. Immediate Revenue Record. Record all revenue immediately when received. b. Appropriate Payee. Instruct payors to include the university as payee on the check payee line. c. Restrictive Endorsement. Restrictively endorse check "for deposit only" immediately upon receipt. d. Adequate Documentation. Document the purpose for credits, refunds, and voids in the revenue records when they occur. e. Enforce "VOID" Procedures. Enforce void procedures in all situations and re-inform employees of void situations.	(Not included in report.)	Corrective action taken.	Item closed.

**University of Northern Iowa
Grants and Contracts Accounting**

**Initial Audit Report Issued: March 22, 2000
First Follow-Up Audit Report Released: June 29, 2001**

Auditor's Recommendation	Management's Response	Auditor's Response	Auditor's Follow-Up
1. <u>Account Set-up</u> . Establish system to assure accurate and complete information.	Periodic procedure will be implemented to compare award notifications with data entry screen.	Corrective action taken.	Item closed.
2. <u>Budget Accuracy</u> . Correct inaccurate budgets as soon as possible. Develop review process to assure accurate recording.	Inaccurate budgets will be corrected immediately. Periodic budget review process will be incorporated with award notification to verify accuracy on a timely basis.	Corrective action taken.	Item closed.
3. <u>Required Financial Reports and Invoices</u> . Assure that information is prepared and authorized in compliance with terms.	Report and invoice preparation will be monitored closely to assure compliance.	Corrective action in process.	Second follow-up review to be performed in 6 – 12 months.
4. <u>Unpaid Invoices</u> . Improve monitoring and collection of invoices.	System for monitoring and collecting outstanding invoices will be developed.	Corrective action taken.	Item closed.
5. <u>Revenue Receipt Records</u> . Develop comprehensive revenue log; deposit revenue consistent with University policy; reconcile revenue with statements.	Revenue will be recorded in log, deposited in accordance with University policy, and reconciled with account statements.	Corrective action taken.	Item closed.
6. <u>Personnel Effort Reporting</u> . Assure effective and accurate report process. Obtain and file missing reports.	Personnel effort reporting process will be improved. Copies of missing Personnel Activity Reports will be obtained and filed.	Corrective action taken.	Item closed.
7. <u>G&C database, Filing and Account Status</u> . Assure office systems reconcile.	Improvements will be made to assure database, filing system, and accounts reconcile with each other.	Corrective action taken.	Item closed.
8. <u>Award File Documentation</u> . Maintain comprehensive award files. Enforce authorization process and document approvals.	Journal entry adjustments and extensions will be filed immediately; missing documentation will be obtained and filed. Approval documentation will be filed appropriately.	Corrective action taken.	Item closed.
9. <u>Account Closing Worksheets</u> . Improve account closing worksheet; record delays.	Worksheet will be implemented and used consistently to close accounts; delay documentation will be maintained.	Corrective action taken.	Item closed.
10. <u>Finalizing and Closing G&C Accounts</u> . Improve account closing procedures. Close pending accounts.	Procedures will be improved to close 90 – 120 days after expiration. Pending accounts will be closed after review and adjustments.	Corrective action taken.	Item closed.

**University of Northern Iowa
Malcolm Price Laboratory School**

**Initial Audit Report Issued: June 29, 2000
First Follow-Up Audit Report Released: June 26, 2001**

Auditor's Recommendation	Management's Response	Auditor's Response	Auditor's Follow-Up
1. <u>Unauthorized Bank Account.</u> Determine account ownership and use. If Price Laboratory School (PLS) owned, close; deposit and report funds.	Bank account will be investigated. Account will be closed, properly deposited, and reported if found to be PLS owned.	Corrective action taken.	Item closed.
2. <u>Unauthorized Change and Petty Cash Fund.</u> Deposit change and petty cash fund receipts timely. Obtain necessary fund accounts.	All cash receipts will be deposited immediately. Purchasing necessary fund accounts and a cash register will be considered.	Corrective action taken.	Item closed.
3. <u>Timely Deposits.</u> Deposit all revenue consistent with University policy.	Revenue will be deposited in accordance with University policy.	Corrective action taken.	Item closed.
4. <u>Adequate Revenue Records.</u> Record all PLS revenue adequately and immediately; record transaction information; and require supporting documentation	Revenue will be recorded when received; additional transaction information will be considered; and supporting documentation will be requested.	Corrective action taken.	Item closed.
5. <u>Adequate Security.</u> Adequately protect and secure checks until deposit.	Undeposited revenue will be secured in the safe each day; additional bank bags will be purchased; and immediate endorsement will be required.	Corrective action taken.	Item closed.
6. <u>Questionable Revenue Practices by Departments.</u> Adequately secure and report school revenue.	Revenue will be handled through school accounts only.	Corrective action taken.	Item closed.

**University of Northern Iowa
Small Business Development Center (SBDC)**

**Initial Audit Report Issued: October 5, 1999
Preliminary Follow-Up Report Issued: March 12, 2000
First Follow-Up Audit Report Issued: January 26, 2001
Second Follow-Up Audit Report Issued: June 1, 2001**

Auditor's Recommendation	Management's Response	Auditor's Response	Auditor's Follow-Up
1. <u>Revenue.</u> Keep a cash receipt log, deposit income in accordance with university policy, deposit on a timely basis, cease unauthorized collections, develop procedures to document class fees policies, document contracted services, and deposit and record all income.	Corrective action has been taken.	Corrective action taken.	Item closed.