

MEMORANDUM

To: Banking Committee
From: Board Office
Subject: Internal Audit Reports
Date: March 1, 2004

Recommended Action:

1. Receive the following internal audit reports:
 - UNIVERSITY OF IOWA
 - University Operations
 - Iowa House Hotel Business Process Review
 - NCAA Certification of Compliance Audit
 - NCAA Compliance – Complimentary Admissions
 - NCAA Rules Education Audit
 - Hospital Operations
 - HIPAA Privacy Compliance
 - Hospital Mail Room
 - Medical Records Security
 - OIG Exclusion Program
 - Special Reports
 - Cash Handling Training
 - IOWA STATE UNIVERSITY
 - Dining Dollar\$ Program
 - Genetics, Development and Cell Biology
 - Travel and Hospitality
 - UNIVERSITY OF NORTHERN IOWA
 - Department of Residence – Administration
 - University-Wide Financial Business Procedures
 2. Receive the report on the Status of the Internal Audit Follow-up reports, including eleven follow-up reports.
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Executive Summary:

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

Fourteen new audit reports are presented this month: nine from the University of Iowa, three from Iowa State University, and two from the University of Northern Iowa.

The Status of Internal Audit Follow-Up Table on page 3 identifies 18 internal audit reports, 10 of which require follow-up. Eleven follow-up reports are presented this month: three from University of Iowa – University Operations, four from University of Iowa – Hospital Operations, two from Iowa State University, and two from the University of Northern Iowa; one follow-up at the University of Northern Iowa remains open.

The Board Office is continuing discussions with Iowa State University regarding a change in the University's reporting methodology. The Banking Committee will be asked at a future time to address these changes. As a result, two follow-up reports are listed as being "on hold".

Background:

In accordance with Regent Policy Manual §1.05, 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
March 1, 2004**

University of Iowa

Title	Report Date	Follow-Up Status	Expected Completion
1. Joint Office of Patient Financial Services* (UIHC) Follow-Up Memorandum Follow-Up Memorandum	March 18, 2002 January 27, 2003 February 13, 2004	Audit closed. (page 31.)	Closed
2. Broadcast Services – Departmental Audit (SUI) Follow-Up Memorandum Follow-Up Memorandum	March 18, 2003 November 17, 2003 January 26, 2004	Audit closed. (pages 28-29.)	Closed
3. Contractual Adjustments (UIHC)	January 27, 2003	Follow-up scheduled in FY 2004.	June 2004
4. Department of Orthopaedic Surgery – Cash Handling Audit (SUI) Follow-Up Memorandum	June 17, 2003 February 13, 2004	Audit closed. (page 29.)	Closed
5. Student Legal Services Departmental Audit (SUI) Follow-Up Memorandum	June 17, 2003 January 26, 2004	Audit closed. (page 30.)	Closed
6. Information Technology Security Risk Assessment (SUI)	October 17, 2003	Follow-up scheduled in FY 2004.	June 2004
7. Intercollegiate Athletics – Home Game Ticket Revenue (FY 2002-2003) (SUI)	September 22, 2003	Follow-up scheduled in FY 2004.	April 2004
8. Review of Campus-Wide Expenditures for Business Purpose Events (SUI)	September 22, 2003	Follow-up scheduled in FY 2004.	March 2004
9. Contract Nursing (UIHC)	September 22, 2003	Follow-up scheduled in FY 2004.	May 2004
10. Radiology (UIHC) Follow-Up Memorandum Follow-Up Memorandum	September 22, 2003 December 18, 2003 February 13, 2004	Audit closed. (pages 32-33.)	Closed
11. Medical Records Security Follow-Up Memorandum	November 17, 2003 February 13, 2004	Audit closed. (page 16.)	Closed

* Formerly titled "Patient Fiscal and Registration Services."

Iowa State University

Title	Report Date	Follow-Up Status	Expected Completion
12. NCAA Compliance – Representatives of Athletics Interests Follow-Up Review	March 11, 2003 January 8, 2004	On hold pending further discussion by the Banking Committee. (page 34.)	On Hold
13. Student Financial Aid Follow-Up Review	June 2, 2003 January 23, 2004		On Hold
14. Conflict of Interest	August 7, 2003	Follow-up scheduled in FY 2005.	July 2004
15. Sponsored Programs	November 10, 2003	Follow-up scheduled in FY 2005.	August 2004

University of Northern Iowa

Title	Report Date	Follow-Up Status	Expected Completion
15. FY 2002 Cash on Hand Follow-Up Report Follow-Up Report Follow-Up Report	September 10, 2002 January 31, 2003 June 27, 2003 December 5, 2003	Audit closed. (page 35.)	Closed
16. Conference and Event Services Follow-up Report	November 22, 2002 September 26, 2003	Follow-up scheduled in FY 2004.	March 2004
17. FY 2003 Cash on Hand Follow-Up Report	July 11, 2003 December 15, 2003	Follow-up scheduled in FY 2004.	June 2004
18. Department	July 11, 2003	Follow-up scheduled in FY 2004.	April 2004

**The University of Iowa – University Operations
Iowa House Hotel Business Process Review**

Initial Audit Report Issued: November 17, 2003

Audit Remains Open

Description The Iowa House Hotel is located in the Iowa Memorial Union on the University of Iowa campus. The 100-room hotel is AAA three diamond accredited. Revenues for the hotel during FY 2003 totaled \$1.3 million.

Scope / Objective Internal auditors evaluated the adequacy of procedures and internal controls of predetermined business processes to ensure:

- Employee safety;
- Compliance with fire, health, ADA regulations, and UI policies and procedures;
- Measures are taken to safeguard and secure guests, guest possessions, and guest information;
- Cash sales are properly recorded and safeguarded and that accountability exists for cash and cash equivalents handled by the hotel staff;
- Accounts receivable are properly maintained;
- Billable services are properly reported and accurately reflected in the financial statements;
- The recording, reporting, and maintenance of inventories are adequate to provide reasonable assurance against the perpetration and concealment of irregularities;
- General disbursements are approved, documented, appropriate, compliant with University policy, and processes are properly segregated; and
- Employee time and leave are properly recorded and annual performance evaluations are conducted.

Recommendations / Responses

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
1. <u>Server Security</u> . Keep the server in a secure location accessible only to employees that need it to perform their job responsibilities. Use a password-protected screensaver.	Management will install a lock on the back door to minimize access to the server area and will activate a password-protected screensaver on the server. Implementation Target Date: December 1, 2003	Internal auditors will follow-up in March 2004. Review: Mar 2004 Report: Mar 2004

**The University of Iowa – University Operations
Iowa House Hotel Business Process Review**
(continued)

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
<p>2. <u>Organization.</u></p> <p>A) <u>Disaster Recovery/ Emergency Response Plans.</u></p> <p>a. <u>Systems:</u> Document emergency/disaster procedures and keep a copy of the document off-site.</p> <p>b. <u>Employee Procedures:</u> Review and update written emergency procedures, if necessary.</p> <p>B) <u>Key Card Management.</u> Assure up-to-date key card list and good key control practices.</p>	<p>Management will formalize emergency/disaster procedures.</p> <p>Management will conduct biannual training sessions and drills and set and review standards annually.</p> <p>Management will update and review the key card list bimonthly.</p> <p>Implementation Target Date: A) March 1, 2004 B) December 1, 2003</p>	<p>Internal auditors will follow-up in March 2004.</p> <p>Review: Mar 2004 Report: Mar 2004</p>
<p>3. <u>Security.</u></p> <p>A) <u>Backroom.</u> Minimize entry to the hotel front desk area.</p> <p>B) <u>Guest Credit Card Information.</u> Discontinue retaining a hard copy of the credit card batch report with the night audit pack in the storage room.</p> <p>C) <u>Files/Documents.</u> Lock the front desk door when not occupied and provide keys to staff; lock up certain identified items; assure that managers have a key; keep a spare key in a central location.</p>	<p>Management will lock the door from 4:00 pm to 7:00 am daily; add an electronic lock; and provide keys to employees only.</p> <p>Management has discontinued the practice of retaining a copy of the guest credit card settlement information in the audit pack.</p> <p>Management has added an electronic lock to the front desk area and has locked up procurement cards and personnel information.</p>	<p>Internal auditors will follow-up in March 2004.</p> <p>Appropriate action taken. Item closed.</p> <p>Internal auditors will follow-up in March 2004.</p>

**The University of Iowa – University Operations
Iowa House Hotel Business Process Review**
(continued)

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
D) <u>Moneybags</u> . Review moneybag handling processes and develop controls to prevent loss and protect employees.	Someone from the hotel front desk staff now checks in/observes the moneybags being delivered and initials the change fund listing. The moneybag storage cabinet is locked at all times .	Appropriate action taken. Item closed.
	Implementation Target Date: A & C) December 1, 2003 B & D) Immediately	Review: Mar 2004 Report: Mar 2004 Items closed.
4. <u>Procurement Card</u> . Complete and retain authorization form. Review the form at least annually and update as necessary.	A <i>Procurement Card Secondary Use Authorization</i> form has been completed and will be kept on file. The form will be (1) taken with the secondary cardholders when making a purchase with the procurement card; and (2) reviewed at least annually and updated as necessary.	Internal auditors conducted follow-up and verified that corrective action has been implemented.
	Implementation Target Date: Immediately	Item closed.
5. <u>Segregation of Duties</u> . Designate someone other than the person who records the accounts receivable data on the system to receive payments and be involved in the reconciling process.	Accounts receivable payments will be received and recorded by someone other than the person who creates the account on the system. A listing of the payments received will be forwarded to the Business Office for the reconciliation process.	Internal auditors will follow-up in March 2004.
	Implementation Target Date: December 1, 2003	Review: Mar 2004 Report: Mar 2004

University of Iowa – University Operations
NCAA Certification of Compliance

Initial Audit Report Issued: November 17, 2003

Audit Closed

Description	As a Division I member of the National Collegiate Athletic Association (NCAA), the University of Iowa is obligated to comply with NCAA rules and regulations. NCAA Bylaw 23.2.1.3(e) requires member institutions to demonstrate at least once every four years that its rules-compliance program has been evaluated by an authority outside the athletics department. This audit was performed to fulfill a portion of the requirement.
Scope / Objective	<p>The audit report noted that the framework for this audit was developed by The Association of College and University Auditors. Internal auditors:</p> <ul style="list-style-type: none">• Reviewed the most recent “Certification of Compliance for Institutions” form to verify that it is signed and dated no later than September 15.• Determined that the chief executive officer’s signature was based on accurate information by verifying that all applicable athletic department personnel signed the “Certification of Compliance for Staff Members of Athletics Departments” (Form 03-2), attesting that the individuals who signed have reported any knowledge of any violations of NCAA legislation involving the institution. University of Iowa compliance officers have included certification by required personnel and by additional personnel such as secretaries and temporary employees.• Verified that tools and training are provided and will continue to be provided to the staff and the institution to maintain NCAA compliance.
Auditor’s Response and Follow-Up	The University of Iowa Athletic Department was found to be in compliance.

**The University of Iowa – University Operations
NCAA Compliance – Complimentary Admissions**

Initial Audit Report Issued: December 18, 2003

Audit Remains Open

Description As a Division I member of the National Collegiate Athletic Association (NCAA), the University of Iowa is obligated to comply with NCAA rules and regulations. NCAA Bylaw 22.2.1.3.(e) requires member institutions to demonstrate at least once every four 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.

Scope / Objective The objective of this audit was to determine whether the Athletic Department has policies, procedures, and practices in place to ensure compliance with NCAA, Big Ten, and University requirements. Audit procedures included:

- Review of policies and procedures for NCAA designated groups;
- Selection of a sample of events to determine, through review of records, compliance with applicable regulations and policies;
- Review of records and monitoring process used for various classes of complimentary admissions (Student-Athlete, Prospect, High School and 2-Year School Coaches, Institutional Coaches, Athletic Director's Office, and Sports Marketing); and
- Evaluation of the sufficiency of controls in place.

Recommendations / Responses	Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
	1. <u>Graduate Assistant Coach Tickets</u> . Self report the violation of NCAA 11.01.4(a). Seek reimbursement for the extra two tickets from each individual, as appropriate.	The violation will be self reported to the NCAA and reimbursement pursued. Management will take appropriate steps to ensure future compliance.	Internal auditors will review the self report and the complimentary ticket records of any current season bowl game.
		Implementation Target Date: December 31, 2003	Review: Mar 2004 Report: Apr 2004
	2. <u>Orange Bowl Complimentary Tickets</u> . Train staff handling the issuance of complimentary admissions as to the importance of obtaining and documenting both who is using the ticket and on whose behalf the ticket is being issued.	Process adjustments will be made to ensure better tracking, which will allow verification of compliance with NCAA regulations.	Internal auditors will review the complimentary ticket records of any current season bowl game.
		Implementation Target Date: December 31, 2003	Review: Mar 2004 Report: Apr 2004

**The University of Iowa – University Operations
NCAA Compliance – Complimentary Admissions**
(continued)

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
<p>3. <u>Record Availability and Control</u>. Review the complimentary admissions record collection, management review, and retention process. Assure that complete documentation of complimentary ticket usage for all events is both received and retained per policy and regulatory requirements.</p>	<p>Management will ensure that complimentary ticket records for away games and home events are received and filed in the department in a timely manner.</p> <p>Implementation Target Date: December 31, 2003</p>	<p>Internal auditors will discuss with management and will review a sample of records.</p> <p>Review: Mar 2004 Report: Apr 2004</p>
<p>4. <u>Tracking of High School/2-Year College Coach Complimentary Tickets</u>. Establish a consistent method for tracking complimentary tickets provided to high school and 2-year college coaches.</p>	<p>Management will implement a consistent method across all sports for handling high school and 2-year college coach complimentary tickets.</p> <p>Implementation Target Date: December 31, 2003</p>	<p>Internal auditors will review ticket tracking procedures and records to determine consistency of process.</p> <p>Review: Mar 2004 Report: Apr 2004</p>

**University of Iowa – University Operations
NCAA Rules Education**

Initial Audit Report Issued: November 17, 2003

Audit Closed

Description	As a Division I member of the National Collegiate Athletic Association (NCAA), the University of Iowa is obligated to comply with NCAA rules and regulations. NCAA Bylaw 23.2.1.3 (e) requires member institutions to demonstrate at least once every four years that its rules-compliance program has been evaluated by an authority outside the athletics department. This audit was performed to fulfill a portion of the requirement.
Scope / Objective	<p>The framework for this audit was developed by The Association of College and University Auditors. Internal auditors determined the following:</p> <ul style="list-style-type: none">• Central Administrators have been charged with the responsibility for NCAA rules compliance education, including rules interpretation:<ul style="list-style-type: none">• The related responsibilities are reflected in their job descriptions; and• The administrators are evaluated periodically on related compliance responsibilities.• The Athletic Department has a written rules education policy.• A rules education program is in place for:<ul style="list-style-type: none">• Athletic department staff members and coaches;• Student-athletes;• Representatives of athletic interests; and• Other appropriate university personnel (in Financial Aid, Registrar, Bursar, Admissions offices, etc.)• The groups identified above receive written material documenting applicable compliance policies and procedures.
Auditor's Response and Follow-Up	The University of Iowa Athletic Department was found to be in compliance.

**The University of Iowa – Hospital Operations
HIPAA Privacy Compliance**

Initial Audit Report Issued: January 26, 2004

Audit Remains Open

Description The Health Insurance Portability and Accountability Act (HIPAA) Privacy Rule was implemented April 14, 2003. The Privacy Rule limits the way health care providers can use patient’s protected health information (PHI). PHI is information related to a patient’s health care or any information that could be used to identify a patient, such as name, phone number, address, or social security number. UIHC uses PHI primarily for treatment, payment collection, and appointment reminders.

Prior to the implementation date, University of Iowa Hospitals and Clinics (UIHC) developed policies and procedures and trained employees in preparation for the privacy rule requirements. Training continues on a monthly basis for new employees.

Scope / Objective The purpose of this audit was to:

- Verify that UIHC and all University of Iowa Community Medical Services (UICMS) are compliant with the HIPAA Privacy Rule;
- Verify that employees have attended mandatory HIPAA Privacy Rule training;
- Verify that employees have retained training information; and
- Develop testing procedures for the Joint Office of Compliance (JOC) to utilize for continuous monitoring of UIHC compliance.

Recommendations / Responses

Auditor’s Recommendation	Management’s Response	Expected Auditor Follow-up
1. <u>Distribution of HIPAA Privacy Notice.</u> Communicate the importance of compliance and expectations regarding proper distribution of the HIPAA Privacy Notice.	The UICMS Privacy Officer is conducting meetings with staff at each of the UICMS clinics and discussing the importance of HIPAA Compliance.	Internal auditors will verify that corrective action has been implemented.
	Implementation Target Date: Immediately	Review: Mar 2004 Report: Apr 2004
2. <u>Signed Acknowledgement Forms.</u> Communicate proper procedures for filing acknowledgement forms; mail privacy notice to patients that do not have a signed form; detail when it was mailed; update IDX with the same date; test for signed forms at least quarterly; retain data; and work with non-compliant areas.	Management has communicated correct procedures for filing acknowledgement forms and will mail privacy notices to identified patients; file in their medical record; update the IDX with the same date; and perform quarterly testing.	Internal auditors will follow up and verify that corrective action has been implemented and that the identified patients have been provided with the privacy notice.
	Implementation Target Date: Immediately	Review: Mar 2004 Report: Apr 2004

**The University of Iowa – Hospital Operations
HIPAA Privacy Compliance**
(continued)

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
<p>3. <u>Privacy Notices Not Distributed On Patient's First Date Of Service After 4/14/03.</u> Review correct procedures for addressing IDX hold bill 591 issues; retain until proper mailing, posting, and filing is complete. Monitor regularly and follow-up with noncompliant areas.</p>	<p>Management has reviewed correct procedures with staff; is no longer deleting hold bills monthly; will monitor regularly; and follow-up with non-compliant areas.</p>	<p>Internal auditors will verify that corrective action has been implemented.</p>
	<p>Implementation Target Date: Immediately</p>	<p>Review: Mar 2004 Report: Apr 2004</p>
<p>4. <u>Invalid Dates in IDX HIPAA Privacy Date field.</u> Communicate usable dates; implement systems controls limiting the acceptance of dates prior to 4/13/03; and delete dates prior to 4/13/03.</p>	<p>Management has communicated the importance of using correct dates; is working to ensure the appropriate system edit is implemented; and is working to identify and delete dates prior to 4/14/03.</p>	<p>Internal auditors will verify that the appropriate system edit has been implemented and that dates prior to 4/14/03 have been deleted.</p>
	<p>Implementation Target Date: February 2004</p>	<p>Review: Mar 2004 Report: Apr 2004</p>
<p>5. <u>IDX, INFORMM/IPR User ID's.</u> Review and verify all active user ID's and deactivate terminated employee user ID's; communicate correct procedures for deactivating access; implement monitoring controls on a weekly basis; and investigate and resolve discrepancies immediately.</p>	<p>Management will obtain a list of internally transferred and terminated employees; compare it to active user ID's weekly; deactivate terminated employee ID's; remind the security officer of his/her responsibilities; monitor contract and internally transferred employees; review and verify current ID's; and release expectations regarding deactivation of user ID's.</p>	<p>Internal auditors will verify that only current employees have access to these systems and that monitoring is being performed.</p>
	<p>Implementation Target Date: February 2004</p>	<p>Review: Mar 2004 Report: Apr 2004</p>
<p>6. <u>Improper Disposal of PHI.</u> Communicate the proper method for document disposal.</p>	<p>Management has communicated the proper method for disposing of documents containing PHI.</p>	<p>Internal auditors have verified that corrective action has been implemented.</p>
	<p>Implementation Target Date: Immediately</p>	<p>Item closed.</p>

**The University of Iowa – Hospital Operations
HIPAA Privacy Compliance**
(continued)

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
<p>7. <u>HIPAA Training Retention.</u> Communicate audit results; perform retention testing at least quarterly; and address areas where questions were answered incorrectly.</p>	<p>Management will re-educate staff on proper procedures; retest staff quarterly; and re-educate when necessary.</p> <hr/> <p>Implementation Target Date: Immediately</p>	<p>Internal auditors will verify that corrective action has been implemented.</p> <hr/> <p>Review: Mar 2004 Report: Apr 2004</p>
<p>8. <u>Disclosure of PHI.</u> Communicate the correct policy and procedure regarding disclosure of patient information to all appropriate staff. Continue inquiry testing on at least a quarterly basis.</p>	<p>JOC has communicated the correct procedures to staff regarding patients opting out of the inpatient directory and disclosure of PHI. JOC will continue to audit/monitor and retrain when necessary.</p> <hr/> <p>Implementation Target Date: Immediately</p>	<p>Internal auditors will verify that corrective action has been implemented.</p> <hr/> <p>Review: Mar 2004 Report: Apr 2004</p>

**The University of Iowa – Hospital Operations
Hospital Mail Room**

Initial Audit Report Issued: February 13, 2004

Audit Remains Open

Description The Hospital Mail Room is responsible for sorting and delivering all incoming United States Postal Service (USPS) and campus mail to hospital departments. The Hospital Mail Room also processes all outgoing USPS and campus mail for hospital departments. Processing outgoing mail involves gathering mail, placing postage on the mail, and readying the mail for pick-up by either the USPS or campus mail.

Scope / Objective The audit was a comprehensive review of the Hospital Mail Room's present system of internal control. Emphasis was given to the following systems/processes:

- Delivery of incoming mail to departments;
- Metering of outgoing mail;
- Security of all mail;
- Presort contract and billings;
- Coordination/communication with University Central Mail;
- Postage equipment purchase/lease;
- Purchasing and expenditures;
- Payroll and personnel; and
- IT security.

Recommendations / Responses

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
<p>1. <u>Revolving Fund Balance.</u> Determine the cause of the excess fund balance by monitoring the fund on a daily basis; define a standard fund balance amount to use as an operational benchmark; and determine the disposition of the excess balance.</p>	<p>Management will establish a method for comparing daily readings; develop an acceptable balance to use as a benchmark; and determine the disposition of the excess balance.</p>	<p>Internal auditors will review progress on determining cause of excess fund balance, establishing a benchmark, and the disposition of the excess balance.</p>
<p>2. <u>Personal Mail.</u> Enforce university policy of not allowing the use of hospital equipment for personal mail.</p>	<p>Personal mail is no longer being processed on hospital equipment.</p>	<p>Internal auditors will verify that personal postage accounts are inactive.</p>
	<p>Implementation Target Date: April 2004</p>	<p>Review: Apr 2004 Report: May 2004</p>
	<p>Implementation Target Date: Immediately</p>	<p>Review: Apr 2004 Report: May 2004</p>

**The University of Iowa – Hospital Operations
Hospital Mail Room
(continued)**

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
<p>3. <u>Equipment Purchase.</u> Consider extending use of current machines beyond planned retirement date; ensure plans to purchase new equipment include a bid process open to all manufacturers; perform a lease/purchase analysis; and develop a closer relationship with University Central Mail to ensure that major issues are well coordinated.</p>	<p>Management will consult with University Central Mail and Accounting Services before purchase. Purchases of new equipment will occur when the existing equipment can no longer meet operational demands, be economically maintained, or meet USPS requirements.</p>	<p>Internal auditors will review purchasing files for compliance.</p>
	<p>Implementation Target Date: May 2004</p>	<p>Review: May 2004 Report: May 2004</p>
<p>4. <u>Presort Charges.</u> Review presort service billings and promptly investigate significant differences.</p>	<p>Presort charges will be routinely verified.</p>	<p>Internal auditors will verify that a review procedure is established.</p>
	<p>Implementation Target Date: March 2004</p>	<p>Review: Apr 2004 Report: May 2004</p>
<p>5. <u>Delayed Mail.</u> Establish a procedure that avoids returning mail back to hospital departments for minor infractions.</p>	<p>Mail is now processed as received and not returned to the departments.</p>	<p>Internal auditors will observe procedures to verify compliance.</p>
	<p>Implementation Target Date: Immediately</p>	<p>Review: Apr 2004 Report: May 2004</p>
<p>6. <u>Maintenance Contracts.</u> Obtain a written contract for ongoing maintenance and use the contract as the basis for reviewing quarterly invoices.</p>	<p>A copy of the equipment maintenance agreement has been requested and received and is on file.</p>	<p>Internal auditors will review the agreement and comment on its appropriateness.</p>
	<p>Implementation Target Date: Immediately</p>	<p>Review: Apr 2004 Report: May 2004</p>
<p>7. <u>Contingency Plans.</u> Document backup contingency plans and inform and confirm cooperation of the external parties.</p>	<p>Management will document plans and confirm with external parties.</p>	<p>Internal auditors will review plan documentation and confirm communication with external parties.</p>
	<p>Implementation Target Date: March 2004</p>	<p>Review: Apr 2004 Report: May 2004</p>

**The University of Iowa – Hospital Operations
Medical Records Security***

Initial Audit Report Issued: November 17, 2003
Follow-up Review Issued: February 13, 2004

Audit Closed

Description University of Iowa Hospitals and Clinics (UIHC) tracks the location of each hard copy printed medical record in the medical record tracking computer system. Permanent storage of medical records is in the Health Information Management (HIM) Department.

UIHC has been actively migrating medical record information to the INFORMM Patient Record (IPR) computer system. UIHC is also implementing wireless technology over a two-year time frame, beginning in Spring 2004.

Scope / Objective Ten clinic chart control areas and the HIM Department were selected for review. The review was conducted via observation, interviews, and an inventory test, in which the location of the medical record scanned into INFORMM was compared to the physical location of the medical record.

The purpose of this audit was to verify that:

- All hard copy printed medical records can be successfully located in an efficient manner, and are secured and intact at all times;
- Storage areas are secured and access is limited to only personnel with a need to access medical records;
- Medical records are handled in compliance with University policies and any other applicable rules and regulations; and
- All loose correspondence is filed into the permanent medical record in a timely and efficient manner.

Recommendations / Responses

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
<u>Complete and Timely filing of loose correspondence.</u> Implement a process that is compliant with UIHC policy.	Management will work with HIM to bring the clinics into compliance with UIHC policy. Implementation Target Date: Immediately	Internal auditors will follow-up in January 2004 Review: Jan 2004 Report: Feb 2004

*The original report and the follow-up report are both presented this month.

**The University of Iowa – Hospital Operations
OIG Exclusion Program**

Initial Audit Report Issued: January 26, 2004

Audit Remains Open

Description The United States federal government has taken steps to exclude certain individuals and entities from participation in Medicare, Medicaid, and other federal health care programs in order to protect the health and welfare of the nation's elderly and poor. The Office of Inspector General (OIG) maintains a database of all excluded individuals and entities that have been convicted of program-related fraud, patient abuse, licensing board actions, or default on Health Education Assistance Loans.

The OIG website has an on-line query function and files that can be downloaded for use in querying and comparing the exclusion list with University data. The federal regulation requires regular screening to ensure continued compliance.

Scope/ Objective Internal Auditors reviewed the processes at UI Health Care to ensure that excluded parties are not used as service providers and reviewed the UIHC, the College of Dentistry, and the College of Medicine to ascertain regulatory compliance.

Recommendations / Responses

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
1. <u>University Purchasing.</u> Perform quarterly active vendor comparisons; deactivate sanctioned vendors in the accounts payable system; and restrict sanctioned vendors in the procurement card software.	Management will perform quarterly active vendor comparisons for PeopleSoft and procurement card vendors; and post a link on the Purchasing website to the OIG Exclusion list.	Internal auditors will verify the process during the follow-up review.
	Implementation Target Date: March 2004	Review: FY 2004 Report: Jun 2004
2. <u>College of Dentistry New Hires.</u> Verify College of Dentistry new hires against the OIG exclusion list.	Management will verify all new hires for the College of Dentistry against the OIG exclusion list prior to making employment offers.	Internal auditors will verify compliance during the follow-up review.
	Implementation Target Date: Immediately	Review: FY 2004 Report: Jun 2004
3. <u>Employee Verifications.</u> Compare all University employees against the OIG exclusion list quarterly.	University Payroll will run quarterly comparisons between OIG and the current University employment file and forward matches to the appropriate Human Resource Office and the Joint Office of Compliance.	Internal auditors will evaluate the new process during the follow-up review.
	Implementation Target Date: FY 2004	Review: FY 2004 Report: Jun 2004
4. <u>Notification Process.</u> Ensure that all relevant parties are notified of the identified exclusion and its impact on UI Health Care. Document the process and communicate it to the appropriate departments.	Management will draft a notification procedure that includes the College of Medicine, the College of Dentistry, and the UIHC.	The draft procedure has been completed and is awaiting review. Internal auditors will evaluate the document during the follow-up review.
	Implementation Target Date: January 2004	Review: Jan 2004 Report: Jun 2004

**The University of Iowa – Special Report
Cash Handling Training**

Report Date: February 16, 2004

Description	<p>Internal auditors at the University of Iowa, Iowa State University, and the University of Northern Iowa have met three times since mid-2003 to discuss the following risk issues:</p> <ul style="list-style-type: none">• Stolen or lost cash;• No audit trail when something goes wrong;• Lost revenue;• Protection of employees from malfeasance; and• Employees at risk when transporting cash for deposit.
Objectives	<p>Internal auditors identified objectives to:</p> <ul style="list-style-type: none">• Develop a cash handling training program targeted at all employees and their supervisors that handle cash or cash equivalents;• Provide information related to cash handling that directs departments to establish procedures that protect cash and equivalents and the employees involved with them;• Assist supervisors and department heads in overseeing the associated processes including delegation of authority and ultimate responsibility;• Promote good controls, most importantly segregation of duties, into all cash handling and cash equivalents processes; and• Reduce the possibility of mismanagement of University “cash” assets.
Status	<p>As of the date of this memorandum, the team of internal auditors have developed two tools: (1) a presentation to provide the basis of training and points for discussion; and (2) a department assessment form that identifies weaknesses in each department’s cash handling procedures.</p> <p>Internal auditors plan to present these tools to groups of trainees, execute web-based training, and provide the tools and training to all employees that need to protect University assets.</p>

**Iowa State University
Dining Dollar\$***

Initial Audit Report Issued: January 13, 2004

Description Dining Dollar\$ accounts enable students to pay for food items with a swipe of their university identification card at any ISU residential dining center, cafe and eatery, or convenience store. Purchases are charged to the student's University bill.

Dining Dollar\$ are sold individually and as part of meal plans. They may be purchased on-line or in the Department of Residence (DoR) administrative office.

As of August 31, 2003, just over \$1.0 million in Dining Dollar\$ had been purchased for the FY 2004 academic year and were available for redemption.

Scope / Objective Internal auditors examined the technology and related processes to assess the adequacy of controls that help to achieve:

- Strong information technology security and procedural controls;
- Compliance with policies;
- Accomplishment of established goals and objectives;
- Reliable management data for oversight of functions;
- Efficient and effective operations; and
- Safeguarding of assets.

Recommendations / Responses

*Observations rather than recommendations are used in this report.

Auditor's Observation	Management's Response	Expected Auditor Follow-up
<p>1. <u>Segregation of Duties.</u> A single employee administers the program, which allows the opportunity for errors and/or irregularities without detection.</p>	<p>Management will: require supervisor authorization for refunds; test refunds and changes in the system for appropriateness and documentation; and cross train another staff member.</p> <p>Implementation Target Date: 1. Implemented 2. January 31, 2004 3. February 28, 2004</p>	<p>Internal auditors will interview staff to confirm implementation.</p> <p>Review: Mar 2004 Report: Apr 2004</p>

Iowa State University
Dining Dollar\$
(continued)

Auditor's Observation	Management's Response	Expected Auditor Follow-up
<p>2. <u>Reconciliation.</u></p> <p>a. Redemptions of Dining Dollar\$ are not reconciled for accuracy.</p> <p>b. Transaction activity in the Diebold, University Receivables, and the DoR room and board system are not reconciled.</p> <p>c. The July/August summary reconciliation of receivables, payments received, and liability showed an unexplained variance.</p>	<p>a. Redemptions will be reconciled during the daily cash reconciliation process.</p> <p>b. Weekly activity will be reconciled.</p> <p>c. The variance has been materially resolved.</p> <p>Implementation Target Date:</p> <p>a. January 31, 2004</p> <p>b. January 31, 2004</p> <p>c. January 31, 2004</p>	<p>Internal auditors will review for evidence of reconciliations.</p> <hr/> <p>Review: Mar 2004 Report: Apr 2004</p>
<p>3. <u>Logical access controls.</u></p> <p>a. The password discipline used for Dining Dollar\$ is not consistent with emerging University guidelines.</p> <p>b. The vendor has unmonitored access to provide technical support to the software.</p>	<p>a. DoR will comply with University password guidelines.</p> <p>b. Vendor access will be allowed only when management requests support.</p> <p>Implementation Target Date: Implemented</p>	<p>Internal auditors will discuss security measures with DoR management.</p> <hr/> <p>Review: Mar 2004 Report: Apr 2004</p>
<p>4. <u>Restriction of Credit.</u> The University receivables system places holds on student accounts that are past due. This hold is bypassed if Dining Dollar\$ purchases are made in the DoR administrative office.</p>	<p>The DoR administrative office staff will assist students with purchases. The system does not bypass the receivables system hold.</p> <p>Implementation Target Date: Implemented</p>	<p>Internal auditors will confirm that this approach is working.</p> <hr/> <p>Review: Mar 2004 Report: Apr 2004</p>

**Iowa State University
Genetics, Development and Cell Biology***

Initial Audit Report Issued: January 7, 2004

Audit Remains Open

Description The Department of Genetics, Development and Cell Biology (GDCB) is responsible for providing core courses for undergraduate and graduate programs in Biology, Bioinformatics and Computational Biology, Genetics, Molecular, Cellular and Developmental Biology, Neuroscience, and Plant Physiology.

GDCB was established in July 2003 and is co-administered by the College of Agriculture and the College of Liberal Arts and Sciences.

Scope / Objective Internal auditors reviewed administrative and accounting processes in order to assess the adequacy of controls that help to achieve:

- Compliance with policies;
- Accomplishment of established goals and objectives;
- Reliable management data for oversight of functions;
- Efficient and effective operations; and
- Safeguarding of assets.

Recommendations / Responses *Observations rather than recommendations are used in this report.

Auditor's Observation	Management's Response	Expected Auditor Follow-up
<p>1. <u>Management of Sponsored Program and Foundation Accounts.</u> GDCB has not established an adequate system for management of sponsored program or foundation accounts. The following conditions were noted that warrant further investigation in several sponsored program accounts:</p> <ul style="list-style-type: none"> • Deficit balances in closed accounts; • Expenses greater than total budget; • Expenses greater than receipts; • Receipts greater than total budget; and • Potential need for rebudgeting. 	<p>The department head will assign responsibilities for management of sponsored program accounts. The administrative specialist will review account activity on the foundation system on a monthly basis to assess the allowability and appropriateness of the transactions, and to monitor the expendable balance of each account.</p> <hr/> <p>Implementation Target Date: December 31, 2003</p>	<p>Internal auditors will discuss with the department head the system in place for management of sponsored program and foundation accounts.</p> <hr/> <p>Review: Apr 2004 Report: May 2004</p>

Iowa State University
Genetics, Development and Cell Biology*
(continued)

Auditor's Observation	Management's Response	Expected Auditor Follow-up
<p>2. <u>Segregation of Duties.</u> A lack of segregation of duties exists within the following processes:</p> <ul style="list-style-type: none"> • <u>Procurement.</u> The account clerk is responsible for performing all steps of the procurement process with the exception of purchasing card transactions. • <u>Hourly payroll.</u> The account clerk is responsible for entering and reconciling hourly payroll. • <u>Disbursement of GDCB scholarship funds.</u> The record analyst identifies scholarship recipients and approves disbursements from a scholarship fund. 	<p>Management will segregate procurement tasks as much as possible. The administrative specialist will monitor departmental statements for allowability and appropriateness of expenditures.</p> <p>The secretary will be responsible for reconciling the hourly payroll entry to the timesheets.</p> <p>The department chair will determine the recipient selection process and approve the disbursement of funds. The administrative specialist will review the scholarship fund account activity on a monthly basis.</p>	<p>Management will review the segregation of duties for these processes.</p>
<p>3. <u>Procedures and Documentation.</u> GDCB does not have the following thoroughly documented:</p> <ul style="list-style-type: none"> • Departmental responsibilities regarding sponsored program and foundation accounts; • Transactions, reconciling, and other recurring processes; • Organizational reporting; • Signature authority designation; and • Processes specific to the department. 	<p>Management will complete an assessment of departmental policies and procedures and will create an electronic manual format.</p>	<p>Internal auditors will review the policies and procedures documented by the department.</p>

Implementation Target Date:
December 31, 2003

Review: Apr 2004
Report: May 2004

Implementation Target Date:
April 30, 2004

Review: Apr 2004
Report: May 2004

**Iowa State University
Travel and Hospitality***
Initial Audit Report Issued: January 16, 2004

Audit Remains Open

Description Travel expenditures include transportation, mileage, lodging, meals, registration fees, and other miscellaneous costs. Hospitality expenditures include meal costs incurred when interviewing prospective employees, and the cost of facilities and meals associated with business meetings, staff meetings, conferences or seminars sponsored by ISU, fund raising, or events not specifically classified elsewhere.

Based on the classification of expenditures within the university's financial management system, \$25.1 million was expended on travel and hospitality during FY 2003. Of this amount, \$6.6 million was expended from appropriated funds, and \$18.4 million was expended from self-supported funds, restricted current funds, and plant funds.

Scope/Objective Internal auditors examined selected FY 2003 travel and hospitality expense transactions (excluding the Ames Lab and agency funds) in order to assess compliance with policies, appropriateness of expenditures, and prudent use of funds. As the audit progressed, internal auditors expanded the scope to include a review of University travel and hospitality policies for completeness and clarity.

Recommendations / Responses *Observations rather than recommendations are used in this report.

Auditor's Observation	Management's Response	Expected Auditor Follow-up
1. <u>Hospitality Expenditures.</u> The business purpose of hospitality expenditures is not adequately documented.	The Controller's Department will reassess the wording regarding hospitality in the Office Procedure Guide. The Accounting Office web site and voucher forms will be updated to explicitly indicate all items of information necessary to provide an adequate explanation of business purpose. The Procurement web site will be hyperlinked to the Accounting Office web site for further guidance, procedures, and forms regarding hospitality.	Internal auditors will review the accounting and procurement web sites and the revised voucher forms.
	Implementation Target Date: February 27, 2004	Review: Feb 2004 Report: Mar 2004

**Iowa State University
Travel and Hospitality***
(continued)

Auditor's Observation	Management's Response	Expected Auditor Follow-up
<p>2. <u>Monitoring Travel and Hospitality.</u> Travel and hospitality practices and trends captured by university systems are not examined on a regular basis.</p> <p>Incorrect usage of hospitality expense class codes is a monitoring barrier. Data that could be used for managerial analysis can be distorted by incorrect class code usage.</p>	<p>Future enhancements to the web travel system will be evaluated for generating quarterly reports of travel and expenditures and be used to reexamine policies and guidance.</p> <p>Management will communicate the importance of using correct codes to help improve the reliability of managerial accounting information.</p> <p>Implementation Target Date: February 1, 2004</p>	<p>Internal auditors will review the status of enhancing the web travel system and communication.</p> <p>Review: Feb 2004 Report: Mar 2004</p>

University of Northern Iowa
Department of Residence – Administration
Initial Audit Report Issued: November 11, 2003

Audit Closed

Description The Department of Residence (DOR) provides the University’s on-campus dining and housing services to the students and guests of UNI.

DOR operates:

- Nine traditional residence halls;
- One apartment-style residence hall;
- Three university apartment locations;
- Three dining centers with two express food services;
- Two convenience stores with express food services;
- Three food carts;
- Five fast-food operations;
- Catering for on-campus events;
- Laundry facilities;
- Student senate-run convenience stores;
- Internet access; and
- Computer labs.

Scope / Objective The purpose of the internal audit was to provide reasonable assurance that the DOR-Administration has established an adequate internal control environment that reasonably protects DOR’s administrative activities and the University from exposure, loss, and/or misuse of the public trust.

Internal auditors examined operations for:

- Compliance with University, state, and federal policies, procedures, rules, regulations, and laws;
- Effective accomplishment of its mission;
- Reliable financial information;
- Effective and efficient use of resources; and
- Adequate safeguarding of assets.

Recommendations / Responses	Auditor’s Recommendation	Management’s Response	Expected Auditor Follow-up
	No significant internal control improvements identified.	N/A	N/A
		Implementation Target Date: Immediately	Review: Jan 2004 Report: Feb 2004

**University of Northern Iowa
University-Wide Financial Business Procedures**

Initial Audit Report Issued: February 16, 2004

Audit Remains Open

Description This report covers the results of an internal audit of documented financial business procedures at UNI for FY 2004.

Scope / Objective The purpose of the internal audit was to identify which of UNI's financial business procedures need to be documented.

Recommendations / Responses	Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
	<p>Document, revise, and/or make accessible financial business policies and procedures in the following areas:</p> <ol style="list-style-type: none"> 1. <u>General Accounting</u>: Account structure and fund type, revolving accounts, account management, internal financial management, budget process, journal entry, use of University assets/resources, and audits. 2. <u>Cash & Revenue</u>: Cash funds, cash and revenue handling, deposits, check acceptance, sales tax requirements, accounts receivable, gift process, internal sales/revenue, sales of services and products, competition with private sector, and university-wide robbery/theft/loss. 3. <u>Purchasing Guidelines Additions/Revisions</u>: Purchasing authority, unallowable purchases, procurement card information, campus supply requirements, maintenance contracts, receipt of goods/services, cross-reference to purchasing and expense policies, and purchase order prepayments. 4. <u>Expenditures</u>: Risk management, reimbursable expenses, and honoraria payment. 	<p>Management will convene a task force to document and revise financial business procedures; make them accessible to all University employees; and create a consolidated financial business procedures guide.</p>	<p>Internal auditors will verify that the identified procedures are in operation and have been documented, revised, and are made accessible to the university community.</p>
		<p>Implementation Target Date: March 2005</p>	<p>Review: Mar 2005 Report: Apr 2005</p>

INTERNAL AUDIT FOLLOW-UP REPORTS

University of Iowa – University Operations

- Broadcast Services Closed
- Department of Orthopaedic Surgery – Cash Handling Closed
- Student Legal Services Closed

University of Iowa – Hospital Operations

- Joint Office of Patient Financial Services Closed
- Medical Records Security Closed
(Presented with the original report on page 16)
- Radiology (follow-up #1) Open
- Radiology (follow-up #2) Closed

Iowa State University

- NCAA Compliance – Representatives of Athletics Interests On Hold
- Student Financial Aid On Hold

University of Northern Iowa

- FY 2002 Cash on Hand Closed
 - FY 2003 Cash on Hand Open
-

**University of Iowa – University Operations
Broadcast Services – Departmental Audit**
Initial Audit Report Issued: March 18, 2003
Follow-up Memorandum Issued: November 17, 2003
Second Follow-up Memorandum Issued: January 26, 2004

Audit Closed

Recommendations / Responses

Auditor's Recommendation	Management's Response
<p>1. <u>Strategic Management Concerns.</u></p> <p>b. <u>Information Technology.</u> Restrict access to equipment area; address data security concerns; monitor needs; develop backup policies and procedures; review backups to ensure that information is reloadable; and develop replacement plan for outdated hardware and software.</p>	<p>Management will initiate proper security measures; seek assistance regarding information security; and develop a policy and schedule routine information backups. A long-term plan has been developed and approved to outline funding for technology updates.</p>
<p>2. <u>Fund Handling Procedures.</u></p> <p>b. <u>Specific Comments Concerning Underwriter Donations.</u></p> <p>(1) <u>Control Processes Associated with Negotiation.</u> Review current obligations for restricted donations; analyze appropriate handling; and secure signature authority.</p> <p>(2) <u>Revise and Utilize an Approved Donation Schedule.</u> Correct mathematical errors and reduce ambiguity; update marketing literature; establish guidelines for underwriter discounts; and document variations from the donation schedule.</p> <p>(3) <u>Improved Communication and Administrative Handling of Restricted Donation Agreements.</u> Improve the process for proper handling of restricted donation agreements.</p>	<p>Management will review restricted donation obligations; analyze appropriate handling; and request written signature authority documentation.</p> <p>Management will correct mathematical errors and reduce ambiguity and will establish guidelines for underwriter discounts. The marketing manager will review contracts for compliance.</p> <p>Management will implement changes to improve the handling of restricted donation agreements.</p>

**University of Iowa – University Operations
Broadcast Services – Departmental Audit**
(continued)

Auditor's Recommendation	Management's Response
(4) <u>Developing a Formal Collection and Adjustment Policy.</u> Coordinate changes to underwriter agreements. Develop a written collection and adjustment policy.	Management will institute rules for underwriter agreements and a system for handling write-offs.
4. <u>Asset Handling Procedures.</u> b. <u>Capital Equipment.</u> Record and reconcile capital equipment.	Management will re-inventory and reconcile capital equipment.

Items 1a, 2a, 3, and 4a were closed in the first follow-up report. The second follow-up report, presented this month, closes the remaining items. This audit is closed.

**University of Iowa – University Operations
Department of Orthopaedic Surgery – Cash Handling Audit**

Initial Audit Report Issued: June 17, 2003

Follow-up Memorandum Issued: February 13, 2004

Audit Closed

Recommendations / Responses

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
<u>Cash Handling Procedures.</u> Assure segregation of duties, signatures, deposit security, and monthly reconciliations.	Management will segregate cash collection duties and assure proper signature, deposit security, and monthly reconciliations.	Internal auditors will review cash handling processes.
	Implementation Target Date: August 2003	Review: Aug 2003 Report: Feb 2004

**University of Iowa – University Operations
Student Legal Services**

Initial Audit Report Issued: June 17, 2003
Follow-up Memorandum Issued: January 26, 2004

Audit Closed

Recommendations /
Responses

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
<p>1. <u>Confidentiality.</u> Develop and implement a confidentiality statement to be signed by staff not required to comply with professional codes of ethics.</p>	<p>Management will implement a confidentiality statement process requiring staff and volunteers not guided by professional ethics to sign the form on an annual basis.</p> <hr/> <p>Implementation Target Date: September 1, 2003</p>	<p>Internal auditors will review the process.</p> <hr/> <p>Review: September 2003 Report: January 2004</p>
<p>2. <u>Client Fees.</u> A) Review and revise fee guidelines as appropriate on an annual basis; and B) Designate an employee to verify prospective and active clients' student status.</p>	<p>Management will review fee guidelines annually and make revisions with proper approval as needed and will coordinate with the Registrar's Office to verify clients' student status.</p> <hr/> <p>Implementation Target Date: A) December 31, 2003 B) September 1, 2003</p>	<p>Internal auditors will review the guidelines.</p> <hr/> <p>Review: A) January 2004 B) September 2003 Report: January 2004</p>
<p>3. <u>Computer Backups.</u> Designated staff should meet with a consultant from University Life Centers Information Technologies Services to review network issues and available options.</p>	<p>Management will begin computer backups on the local network immediately. University Life Centers ITS will be consulted for long-term analysis and solutions.</p> <hr/> <p>Implementation Target Date: December 31, 2003</p>	<p>Internal auditors will verify computer backups.</p> <hr/> <p>Review: January 2004 Report: January 2004</p>

**University of Iowa – Hospital Operations
Joint Office of Patient Financial Services
(formerly titled “Patient Fiscal and Registration Services”)**

Initial Audit Report Issued: March 18, 2002

Follow-up Memorandum Issued: January 27, 2003

Second Follow-up Memorandum Issued: February 13, 2004

Audit Closed

Recommendations /
Responses

Auditor's Recommendation	Management's Response
<p>2. <u>Wellmark Data Reconciliation and Care Medic Data Reconciliation*</u> Include source system information to reconcile transfer data and assure that reconciliations provide accurate information. Ensure data integrity between INFORMM system and Care Medic system.</p>	<p>Management will incorporate the appropriate report into the reconciliation process. Management is working to create an on-line view of data transmitted from INFORMM to Care Medic and will request a report detailing transactions if unable to create the on-line view.</p>
<p>5. <u>INFORMM B324 Medical Services Claim Follow-up Report.</u> Modify to include hospital balances for each account, download into Excel, and distribute to staff for cross-referencing.</p>	<p>Management has requested programming changes to the B324 report including that data be downloaded to Excel each day.</p>
<p>6. <u>Adjustment and Write-off Reviews.</u> Draft a formal document that identifies approvals.</p>	<p>Management will draft a document that clearly identifies required write-off approvals. Business office managers will review and verify that write-off activity is appropriate.</p>
<p>7. <u>Contractual Adjustment Reviews.</u> Perform monthly contractual adjustment audits.</p>	<p>Management will perform monthly audits of contractual adjustments for three months, re-evaluate the process, and generate system reports once the new patient accounting system is in place.</p>

Items 1, 3, 4, and 8 were closed in the first follow-up report. The remaining items are now closed.

**The University of Iowa – Hospital Operations
Radiology**

Initial Audit Report Issued: September 22, 2003
Follow-up Memorandum Issued: December 18, 2003
Second Follow-up Memorandum Issued: February 13, 2004

Audit Closed

Recommendations /
Responses

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
<p>1. <u>Unbilled Radiological Procedures.</u> (1) Perform review of INFORMM report R660 daily; (2) establish a benchmark for film management; (3) agree on the proper use of the "read" status; (4) implement uniform organization in the radiologist reading rooms; and (5) develop a procedure for timely return of films to Radiology Film Management.</p>	<p>Management has assigned personnel to work specific sections of the INFORMM report R660 on a daily basis; will establish a consistent process to identify read and unread orders; and will devise a procedure for the timely return of films to Radiology Film Management.</p> <p>Implementation Target Date: October 2003</p>	<p>Internal Audit will follow-up in November 2003</p> <hr/> <p>Review: Nov 2003 Report: Dec 2003</p>
<p>2. <u>Lung Physiology Center.</u> Perform a cost benefit analysis of billing for any procedures not associated with the grant that purchased the Lung Physiology's CT scanner. Ensure all applicable regulations are taken into consideration.</p>	<p>Management will analyze Lung Physiology's expenses by project and work with Grant Accounting, Sponsored Programs, and the Business Office to set a billing rate for unassociated federal and non-federal funded projects.</p> <p>Implementation Target Date: September 2003</p>	<p>Internal Audit will follow-up in November 2003</p> <hr/> <p>Review: Nov 2003 Report: Dec 2003</p>
<p>3. <u>Research Administration.</u> A. <u>Effort Reporting.</u> Develop, document, and communicate procedure detailing Performance Activity Report (PARs) timeliness; communicate to all Principal Investigators (PIs); assure that the list supplied by the Business Office is used to track PARs; and follow up on PARs not returned.</p>	<p>Management will ensure that the list provided by University Business Office is used to track returned PAR's and will follow up on unreturned PAR's.</p> <p>Implementation Target Date: Immediately</p>	<p>Internal Audit has followed up and verified corrective action has been implemented.</p> <hr/> <p>Item closed.</p>

**The University of Iowa – Hospital Operations
Radiology
(continued)**

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
<p>B. <u>Project Documentation.</u> Ensure that the proper forms are completed and returned to the Sponsored Programs Office (SPO) in a timely fashion and communicate the importance to all PI's.</p>	<p>Management has completed and submitted the forms to the Sponsored Programs Office and will request a copy of the completed forms when projects are awarded.</p> <hr/> <p>Implementation Target Date: Immediately</p>	<p>Internal Audit will follow-up in November 2003</p> <hr/> <p>Review: Nov 2003 Report: Dec 2003</p>
<p>4. <u>Dosimeters</u> Follow up with residents that do not return dosimeters on a monthly basis; communicate expectations; include compliance in performance evaluations; and maintain return history in personnel files.</p>	<p>Management has communicated the importance of wearing dosimeters properly and the return expectations. Each resident's dosimeter return history will be reviewed quarterly and will become part of the resident's semi-annual evaluation and personnel file.</p> <hr/> <p>Implementation Target Date: Immediately</p>	<p>Internal Audit will follow-up in November 2003</p> <hr/> <p>Review: Nov 2003 Report: Dec 2003</p>
<p>6. <u>Cash Handling.</u> Consolidate areas of cash handling into a single department-wide cash handling process. If not feasible, properly segregate the duties to comply with the University's cash handling policy.</p>	<p>Management will review existing cash handling practices and develop new procedures in each area that will comply with the University's cash handling policy.</p> <hr/> <p>Implementation Target Date: September 2003</p>	<p>Internal Audit will follow-up in November 2003</p> <hr/> <p>Review: Nov 2003 Report: Dec 2003</p>

Item 5 was closed in the original report. Two follow-up reports are presented this month. Items 2, 3, and 6 were closed in the first follow-up report and items 1 and 4 were closed in the second follow-up report. This audit is now closed.

**Iowa State University
NCAA Compliance – Representatives of Athletics Interests***

Initial Audit Report Issued: March 11, 2003

Follow-up Review Issued: January 8, 2004

Hold

Recommendations /
Responses

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
<u>Evidence to Demonstrate Compliance.</u> Determine whether supporting documentation is maintained to substantiate that the policies and procedures related to boosters are properly followed.	Management will implement improved documentation procedures concerning the areas of education and monitoring of boosters and conduct a review to determine the best methods available for evidence retention.	Internal auditors will review documentation.
	Implementation Target Date: January 1, 2004	Review: January 2004 Report: February 2004

*Internal auditors report that follow-up was performed by requesting that management indicate what actions were taken in response to the audit observations. This audit will remain in an "on hold" status pending further discussion by the Banking Committee.

**Iowa State University
Student Financial Aid***

Initial Audit Report Issued: June 2, 2003

Follow-up Review Issued: January 23, 2004

Hold

Recommendations /
Responses

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
1. <u>Documentation of Aid Programs.</u> Document financial aid award criteria consistently for each program administered by OSFA and Enrollment Services.	Management will compile consistent documentation for each tuition revenue funded program administered by OSFA and Enrollment Services.	Internal auditors will review documentation.
	Implementation Target Date: January 1, 2004	Review: January 2004 Report: February 2004
2. <u>System Testing.</u> Document the methodology for testing the financial aid awarding program and the testing of the program.	Management will document the testing methodology for the award program and retain documentary evidence of the testing of the program.	Internal auditors will review documentation.
	Implementation Target Date: July 1, 2003	Review: January 2004 Report: February 2004

*Internal auditors report that follow-up was performed by requesting that management indicate what actions were taken in response to the audit observations. This audit will remain in an "on hold" status pending further discussion by the Banking Committee.

**University of Northern Iowa
FY 2002 Cash on Hand**

Initial Audit Report Issued: September 10, 2002
Follow-up Review Issued: January 31, 2003
Second Follow-up Review Issued: June 27, 2003
Third Follow-up Review Issued: December 5, 2003

Audit Closed

Recommendations /
Responses

Auditor's Recommendation	Management's Response
10. <u>Revenue Collection</u> . Develop and implement revenue collection procedures.	Management will develop and implement revenue collection procedures.

Previously, items 1-9 were closed. Item 10, which was added during the second follow-up review, is now closed.

**University of Northern Iowa
FY 2003 Cash on Hand**

Initial Audit Report Issued: June 11, 2003
Follow-up Report Issued: December 15, 2003

Audit Remains Open

Recommendations /
Responses

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
1. <u>Departmental Reimbursement Fund Compliance</u> . Comply with the University's departmental reimbursement fund procedures and/or hospitality policy.	Departments/units will comply with reimbursement fund procedures.	Internal auditors will verify compliance.
	<i>Implementation Target Date:</i> June 2003	<i>Review:</i> Oct/Nov 2003 <i>Report:</i> Dec 2003
2. <u>Unauthorized Cash Fund</u> . Deposit the unauthorized cash fund, establish an authorized change fund with the Controller's Office, and comply with the University's cash fund procedures.	Departments/units will comply with cash fund procedures.	Internal auditors will verify compliance.
	<i>Implementation Target Date:</i> June 2003	<i>Review:</i> Oct/Nov 2003 <i>Report:</i> Dec 2003
3. <u>Cash Funds Reporting</u> . Accurately complete and return the monthly cash fund verification report for each authorized cash fund to the Controller's Office within 10 days of the end of each month.	Departments / units will comply with cash funds reporting procedures.	Internal auditors will verify compliance.
	<i>Implementation Target Date:</i> June 2003	<i>Review:</i> Oct/Nov 2003 <i>Report:</i> Dec 2003

**University of Northern Iowa
FY 2003 Cash on Hand
(continued)**

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
4. <u>Physical Security of Cash Funds and Revenue.</u> Purchase fire-resistant, locking containers to secure cash funds and/or undeposited revenue.	Departments/units will comply with physical security of cash funds and revenue procedures. Implementation Target Date: June 2003	Internal Auditor will verify compliance. Review: Oct/Nov 2003 Report: Dec 2003
5. <u>Cash Overages and Shortages.</u> Record cash overages and shortages in the University's accounting system.	Departments/units will comply with recording procedures. Implementation Target Date: June 2003	Internal auditors will verify compliance. Review: Oct/Nov 2003 Report: Dec 2003
6. <u>Adequate Revenue Records.</u> Record, reconcile, and develop adequate documentation for revenues.	Departments/units will record incoming revenue adequately. Implementation Target Date: June 2003	Internal auditors will verify compliance. Review: Oct/Nov 2003 Report: Dec 2003
7. <u>Appropriate Check Negotiation.</u> Restrictively endorse checks immediately upon receipt and assure that UNI is included as payee.	Departments/units will endorse checks immediately upon receipt and require checks to include UNI as payee. Implementation Target Date: June 2003	Internal auditors will verify compliance. Review: Oct/Nov 2003 Report: Dec 2003
8. <u>Timely Depositing of Revenue.</u> Deposit revenue according to University policy.	Departments/units will deposit checks according to University policy. Implementation Target Date: June 2003	Internal auditors will verify compliance. Review: Oct/Nov 2003 Report: Dec 2003
9. <u>Alarm Procedure.</u> Develop, document, and communicate an alarm procedure.	Departments/units will develop, document, and communicate an alarm procedure. Implementation Target Date: June 2003	Internal auditors will verify compliance. Review: Oct/Nov 2003 Report: Dec 2003

Items 1-5 and 8 have been satisfactorily completed and are closed. Items 6, 7, and 9 remain open and will be reviewed again on or before June 30, 2004.