

MEMORANDUM

To: Banking Committee
From: Board Office
Subject: Internal Audit Reports
Date: March 12, 2001

Recommended Actions:

1. Receive the internal audit report on Camp Adventure™ Youth Services from the University of Northern Iowa.
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.

One completed internal audit report conducted by the University of Northern Iowa auditors, Camp Adventure™ Youth Services, is presented to the Banking Committee for the first time.

The UNI internal auditors released two follow-up internal audits which both require additional follow-up: Cash on Hand and UNI Small Business Development Center. The University of Iowa internal auditors completed three follow-up reports that closed the related audits.

The Status of Internal Audit Follow-Up table identifies 24 internal audit reports that have previously been presented to the Banking Committee of which 21 still require follow-up (see pages 3 – 4). The tables starting on page 5 identify the status of the corrective action to the recommendations made by the internal auditors for the one new report and the five follow-up reports.

Background:

In accordance with the 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, as well as the University of Iowa Hospitals and Clinics (UIHC), 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:

Audit of Camp Adventure™ Youth Services

Camp Adventure™ is a program of the School of Health, Physical Education, and Leisure Services in the College of Education at the University of Northern Iowa. The program's purpose "is to provide high-quality, high impact programs and services for children and youth while at the same time promoting educationally-based service-learning programs for college and university students that focuses on the integration of theory with practice."

During its fiscal year September 1, 1998, through August 31, 1999, Camp Adventure™ provided 628 university and college students with international educational experience and served an average of 8,000 children and youth during its summer implementation.

The internal audit was designed to review the internal control environment of the program's administration, financial transactions, and program function. The UNI internal auditors also examined the program operations and programs function.

The internal audit report contains recommendations for improvements in the handling of cash and revenue financial transactions, expenditure payments and documentation, and financial reporting.

A follow-up review is planned for twelve months.

**Status of Internal Audit Follow-Up
March 12, 2001**

University of Iowa

Audit Title	Audit Completed	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	August 21, 1995 June 14, 1996 July 20, 2000	A third follow-up will be conducted in FY 2001.	May 2001
3. Rebates (UIHC)	October 1, 1996	Follow-up will be conducted in FY 2001. Preliminary fieldwork has commenced.	May 2001
4. Information Systems Planning & Life Cycle (UIHC) Follow-up report #1 Follow-up report #2	February 7, 1995 September 26, 1997 July 28, 2000	A third follow-up will be conducted in FY 2001.	April 2001
5. General Controls (UIHC) Follow-up report #1 Follow-up report #2 Follow-up report #3	December 2, 1993 January 20, 1995 September 26, 1997 July 28, 2000	A fourth follow-up will be conducted in FY 2001.	April 2001
6. Logical Access (UIHC) Follow-up report #1 Follow-up report #2	July 18, 1994 September 26, 1997 July 28, 2000	A third follow-up will be conducted in FY 2001.	April 2001
7. Accounts Payable & Purchasing Change Management (SUI)	January 27, 1999	Follow-up scheduled in FY 2001.	April 2001
8. Property Management Office – Asset Management System – Central Processing (SUI) Follow-up report #1 Follow-up report #2	September 23, 1999 August 22, 2000 February 20, 2001	Audit closed (page 10).	Completed
9. Non-Business Office Cash Receipting Procedures (UIHC)	October 11, 1999	Follow-up to be initiated subsequent to implementation.	June 2001
10. Ambulatory Care and Ancillary Services Complimentary Parking Pilot Program (UIHC) Follow-up report #1 Follow-up report #2	March 30, 2000 July 24, 2000 February 19, 2001	Audit closed (page 10).	Completed
11. Omnicell System (UIHC)	March 16, 2000	A follow-up will be conducted in FY 2001.	April 2001
12. Taxi Permits (UIHC) Follow-up report	May 8, 2000 February 20, 2001	Audit closed (page 11).	Completed
13. Computer System Access Security (ISD)	June 21, 2000	Follow-up will be performed during next year's audit fieldwork.	June 2001
14. Human Resources Information System Transaction Processes (SUI)	July 17, 2000	Follow-up work will be initiated subsequent to implementation.	May 2001
15. Intercollegiate Athletics – Home Game Ticket Revenue- FY 2000 (SUI)	October 23, 2000	A follow-up will be conducted in FY 2001.	September 2001

**Status of Internal Audit Follow-Up
March 12, 2001**

Iowa State University

Audit Title	Audit Completed	Follow-Up Status	Expected Completion
16. Veterinary Teaching Hospital	July 18, 2000	A follow-up will be conducted in FY 2001.	April 2001
17. Academic Course Fees	July 18, 2000	A follow-up will be conducted in FY 2001.	July 2001
18. NCAA Compliance Audit (Part 2)	November 27, 2000	A follow-up will be conducted in FY 2001.	May 2001
19. Purchasing Card	November 27, 2000	A follow-up will be conducted in FY 2001.	April 2001

University of Northern Iowa

Audit Title	Audit Completed	Follow-Up Status	Expected Completion
20. Small Business Development Center Preliminary Follow-up Follow-up report #1	October 5, 1999 May 12, 2000 January 26, 2001	The follow-up report, page 6 and 7 indicate open items. Another follow-up is scheduled for June 2001.	July 2001
21. University Wide Travel Review	November 17, 1999	Follow-up review to be initiated within 6 – 12 months of original report.	March 2001
22. Cash on Hand Follow-up report #1	February 24, 2000 December 1, 2000	The follow-up report, page 8 and 9, indicate open items. Second follow-up will be conducted in FY 2001.	July 2001
23. Grants and Contracts Accounting	March 22, 2000	A follow-up will be conducted in FY 2001.	April 2001
24. Malcolm Price Laboratory School	June 29, 2000	A follow-up will be conducted in FY 2002.	September 2001

**University of Northern Iowa
Camp Adventure™ Youth Services
July 28, 2000**

Auditor's Recommendation	Management's Response	Auditor's Response	Auditor's Follow-Up
<p>Cash and Revenue</p> <ul style="list-style-type: none"> a) Properly safeguard income until deposit by restrictively endorsing checks and money orders; b) Immediately record revenue when received; c) Adequately secure undeposited revenue; d) Deposit in accordance with university deposit policy; and e) Develop and document a simple alarm procedure in case revenue is lost or stolen. 	<p>Camp Adventure™ will:</p> <ul style="list-style-type: none"> a) Purchase an appropriate restrictive endorsement stamp and use it immediately; b) Investigate best method for recording revenue that satisfies audit recommendation; c) Adequately secure deposits; d) Begin monitoring undeposited revenue and ensure timely deposit are made; and e) Create a written alarm procedure. 	<p>Responses accepted.</p>	<p>Follow-up to be conducted in twelve months.</p>
<p>Expenditures</p> <ul style="list-style-type: none"> a) Pay invoices timely and consider additional accounting assistance for busier program times; b) Ensure all expenditures are supported by appropriate, authentic, and accurate invoices or agreements; c) Process all single vendor purchases expected to exceed \$5,000, including professional services, through the university's purchasing department. 	<p>Camp Adventure™ will:</p> <ul style="list-style-type: none"> a) Monitor invoices more closely and pay bills as recommended; b) Assure that all expenditures are supported by appropriate, authentic, and accurate invoices or agreements; c) Review all future large vendor purchases for the \$5,000 written bid requirement and process them through UNI's purchasing department. 	<p>Responses accepted.</p>	<p>Follow-up to be conducted in twelve months.</p>
<p>Financial Reporting</p> <p>Improve financial reporting by consolidating into formal periodic reports by fiscal program year and provide to Dean's office.</p>	<p>Camp Adventure™ will begin including all financial information on a program year basis and will provide copies to the Dean's office periodically.</p>	<p>Responses accepted.</p>	<p>Follow-up to be conducted in twelve months.</p>

**University of Northern Iowa
Small Business Development Center (SBDC)
Initial Audit Report Issued: October 5, 1999
Preliminary Follow-Up Report: March 12, 2000
Follow-Up Audit Report: January 26, 2001**

Auditor's Recommendation	Management's Response	Auditor's Response	Auditor's Follow-Up
1. <u>Accounting Records</u> . Report all appropriate program income activity on monthly statements in accordance with guidelines.	Reporting discrepancy will be addressed.	Corrective action taken.	Item closed.
2. <u>NxLevel Grant</u> . Treat grant as a program income account and apply all applicable terms and conditions. Improve monitoring of grant.	Will be happy to make adjustments if state officials insist on the recommended change.	Corrective action taken.	Item closed.
3. <u>Financial Management</u> . Develop and implement procedures to identify, monitor, and resolve grant and contract related accounts in unfunded deficit positions. Improve accounting review. More closely monitor financial accounts.	Management concurs. Monitoring to be a joint responsibility. Improvements have been implemented.	Corrective action taken.	Item closed.
4. <u>Federal Financial Reporting</u> . Assure that all federal financial reports are accurate, complete, and in agreement with accounting records. Develop a system to track workshop and class income accurately.	Corrective action has been taken.	Corrective action taken.	Item closed.
5. <u>Cash</u> . Deposit unauthorized petty cash fund to appropriate financial account. Determine whether a petty cash fund is necessary and, if so, obtain authorization. Strengthen security and restrict access to cash and deposits.	The petty cash fund was deposited. A sanctioned fund is being appropriately processed. Security of cash improved.	Corrective action taken.	Item closed.
6. <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.	In process.	Follow-up to be performed in June of 2001.
7. <u>Accounts Receivable</u> . Develop an accounts receivable billing system.	An accounts receivable journal has been developed. A standard service contract has been developed.	Corrective action taken.	Item closed.
8. <u>Expenditures</u> . Provide appropriate approvals, documentation, receipt of goods notations, and reviews of all expenditures. Pay vendor invoices timely.	Corrective action has been taken.	Corrective action taken.	Item closed.

University of Northern Iowa
Small Business Development Center (SBDC) (continued)
Initial Audit Report Issued: October 5, 1999
Follow-Up Audit Report: January 26, 2001

Auditor's Recommendation	Management's Response	Auditor's Response	Auditor's Follow-Up
<p>9. <u>Consultant Services.</u> Appropriately document and monitor consultant counseling services. For services in excess of \$5,000, comply with Board of Regent policies. Develop and implements consultant agreements. Fully pay consultants only upon completion of service. Develop procedures for university employees to serve as consultants. Investigate internal transfers and determine if justified. Establish procedures to monitor outside consultants.</p>	<p>Corrective action is being taken.</p>	<p>Corrective action taken.</p>	<p>Item closed.</p>
<p>10. <u>Travel.</u> Obtain approval of state SBDC for out of state travel. Obtain travel authorization prior to employee's travel.</p>	<p>Vacation was requested for the travel and no reimbursement should be necessary. Procedures were implemented for travel authorization prior to the travel.</p>	<p>Corrective action taken.</p>	<p>Item closed.</p>
<p>11. <u>Telecommunications.</u> Have appropriate university officials review and authorize future contract purchases. Obtain a refund of sales tax paid on the phone system lease. Investigate insurance charge for phone system.</p>	<p>Three quotes for telecommunications services were received. Corrective action being taken on remaining items.</p>	<p>Corrective action taken.</p>	<p>Item closed.</p>
<p>12. <u>Related Parties.</u> Investigate related party for allowability and potential repayment, return books and seek a refund, and develop and implement procedures to assure that transactions with related parties of employee comply with Board policy.</p>	<p>Corrective action will be taken.</p>	<p>Corrective action taken.</p>	<p>Item closed.</p>
<p>13. <u>Books & Subscriptions.</u> Consult with the state SBDC regarding allowability of purchases. Purchases should be reasonable and applicable to Center mission.</p>	<p>The library is information for clients and anyone walking into the office.</p>	<p>Corrective action taken.</p>	<p>Item closed.</p>
<p>14. <u>UNI Vehicle Usage.</u> Vehicle Pool should inform university departments of appropriate log procedures. Personal use of university vehicles must be reported to the payroll office for inclusion in the employee's W-2 information.</p>	<p>Corrective actions are being taken.</p>	<p>Corrective action taken.</p>	<p>Item closed.</p>

University of Northern Iowa
Cash on Hand
Initial Audit Report Issued: February 24, 2000
First Follow-Up Audit Report Released: December 1, 2000

Auditor's Recommendation	Management's Response	Auditor's Response	Auditor's Follow-Up
1. <u>Unallowable Activity</u> . Retrieve unallowable reimbursement from university employee.	(Not included in report.)	Corrective action taken.	Item closed.
2. <u>Timely Depositing</u> . Deposit revenue according to university deposit policy.	(Not included in report.)	Recommendation remains open for Public Safety.	Follow-up to take place during FY 2001 cash audit.
3. <u>Hospitality Reimbursements</u> . Investigate allowability of certain student hospitality expenses for compliance with university entertainment policy and business purpose.	(Not included in report.)	Corrective action taken.	Item closed.
4. <u>Departmental Reimbursement Fund Procedures</u> . a. Reimbursement Limit. Reimbursed expenses should not exceed \$50 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.)	Four of these recommendations remain open for the Environmental Programs-Advanced Technology Center: Reimbursement Limit; "Paid Receipts"; Reimbursement Fund Size; and Timely Reporting.	Follow-up to take place during FY 2001 cash audit.
5. <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.)	Immediate revenue record remains open for the Residence System university apartment administration and dining administration.	Follow-up to take place during FY 2001 cash audit.

University of Northern Iowa
Cash on Hand
Initial Audit Report Issued: February 24, 2000
First Follow-Up Audit Report Released: December 1, 2000

Auditor's Recommendation	Management's Response	Auditor's Response	Auditor's Follow-Up
<p>6. <u>Physical Security.</u></p> <ul style="list-style-type: none"> a. Protecting Revenue. Adequately protect and secure revenue until deposit. b. Access Review. Improve security of safe location to remove public accessibility and restrict access to necessary employees only. Review safe combination knowledge and restrict to as few employees as possible. c. Employee Changes. Change safe combination when an employee with knowledge discontinues employment in the department or unit. d. Locked Cash Box. Lock the cash box holding deposits between deposits and store in safe. e. Key Security. Separately secure keys in a location that is confidential and restricted to necessary employees only. f. Fire Proof Security. Investigate method of securing cash and revenue to assure it is fire proof and fire resistant. g. Alarm Procedure. Develop, document, and communicate an alarm procedure to be prepared in case of theft or loss of cash. 	<p>(Not included in report.)</p>	<p>Corrective action taken.</p>	<p>Item closed.</p>
<p>7. <u>Departmental Reimbursement Control.</u></p> <ul style="list-style-type: none"> a. Cash Advance Documentation. Obtain and record all information and signatures for each cash advance. b. Proper Accounting. Code expenses in accordance with the university's accounting system for expenses. 	<p>(Not included in report.)</p>	<p>Corrective action taken.</p>	<p>Item closed.</p>

**University of Iowa – University Operations
Property Management Office Asset Management System – Central Processing**

**Initial Internal Audit Report Issued: September 23, 1999
First Follow-Up Audit Report Issued: August 22, 2000
Second Follow-Up Audit Memorandum Issued: February 20, 2001**

Auditor's Recommendation	Management's Response	Auditor's Response	Auditor's Follow-Up
<u>Classification of Equipment Purchases.</u> <ul style="list-style-type: none"> ▪ Review encumbrances daily to identify miscoded capitalized equipment and process necessary adjustments. ▪ Process correcting entries timely. ▪ Notify departments of correcting entries made against their accounts for post authorization. ▪ Limit system access/authority to Property Management for equipment classification changes. 	<p>Encumbrance reports will be reviewed daily with corrections posted within 2 working days.</p> <p>Corrections with proper authorization will be entered daily.</p> <p>A correction entry notification system will be developed to inform departments of account errors and corrections.</p> <p>Property Management will be given exclusive access to the web change voucher process and correcting institutional account codes.</p>	Corrective action taken.	Item closed.

**University of Iowa – Hospital Operations
Ambulatory Care and Ancillary Services Complimentary Parking Pilot Program**

**Initial Internal Audit Report Issued: March 30, 2000
First Follow-Up Audit Report Issued: July 24, 2000
Second Follow-Up Report: February 19, 2001**

Auditor's Recommendation	Management's Response	Auditor's Response	Auditor's Follow-Up
1. Parking Passes. Develop procedures to ensure that data collected by the system cannot be corrupted via manual intervention.	HIS will test all changes made to the INFORMM parking function including the production of pertinent reports.	Corrective action taken.	Item closed.
2. Provide departments with reports that will allow them to monitor parking pass issuance.	Reports will be developed and distributed to all Clinical and Hospital Department Administrators and other individuals as appropriate.	Corrective action taken.	Item closed.

University of Iowa – Hospital Operations
UIHC Taxi Permits

Initial Audit Report Issued: May 8, 2000
Follow-Up Report: February 20, 2001

Auditor's Recommendation	Management's Response	Auditor's Response	Auditor's Follow-Up
<p>1. <u>Improve Controls.</u></p> <p>a. Policy Development. Establish written policy for taxi permits.</p> <p>b. Financial Accountability. Establish financial accountability for taxi permits.</p> <p>c. Access to Permits. Limit access to taxi permits to a central authority or specified department.</p> <p>d. Receipt Numbering. Pre-number taxi permits.</p> <p>e. Taxi Permit Usage. Investigate use of an INFORMM function to control and monitor taxi permit usage.</p>	<p>Written policy will be drafted regarding use, reconciliation, approval requirements, and access to taxi permits.</p> <p>The Department of Social Service will accept responsibility for issuance of all taxi permits and will monitor utilization. Access limited to Social Service department and others outlined in the formal written policy.</p> <p>New pre-numbered taxi permit forms will be issued.</p> <p>INFORMM system is not necessary and could not be justified on a cost-effectiveness basis.</p>	<p>Corrective action taken.</p>	<p>Item closed.</p>
<p>2. <u>Reduce Expenditures.</u></p> <p>a. Consolidate or eliminate errands.</p>	<p>More cost-effective means will be used to the extent possible such as courier service, Cambus, city bus, and/or hospital cars.</p>	<p>Corrective action taken.</p>	<p>Item closed.</p>