

**MEMORANDUM**

**To:** Banking Committee  
**From:** Board Office  
**Subject:** Internal Audit Reports  
**Date:** May 7, 2001

**Recommended Actions:**

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. When corrective action has been satisfactorily completed, the audits are closed. One follow-up internal audit report is presented.

The Status of Internal Audit Follow-Up table reflects the most current status of the follow-up audits, which is sorted by university. The status report identifies 15 internal audit reports that have previously been presented to the Banking Committee of which 14 still require follow-up (see page 2.) The University of Iowa internal auditors closed one follow-up audit.

The table on page 3 identifies the auditors' recommendations, management responses, and status of the corrective action for the internal follow-up audit presented this month.

**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.

**Status of Internal Audit Follow-Up  
May 7, 2001**

**University of Iowa**

<b>Audit Title</b>	<b>Audit Completed</b>	<b>Follow-Up Status</b>	<b>Expected Completion</b>
1. Patient Accounts (UIHC)	January 16, 1996	Major changes have occurred in UIHC Business Office operations. A new review 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. Non-Business Office Cash Receipting Procedures (UIHC)	October 11, 1999	A follow-up to be initiated subsequent to implementation.	June 2001
5. Computer System Access Security (ISD)	June 21, 2000	Follow-up will be performed during next year's audit fieldwork.	June 2001
6. Human Resources Information System Transaction Processes (SUI) Follow-up memorandum	July 17, 2000  April 13, 2001	Audit closed (page 3.)	Closed
7. Intercollegiate Athletics – Home Game Ticket Revenue-FY 2000 (SUI)	October 23, 2000	A follow-up will be conducted in FY 2001.	September 2001

**Iowa State University**

<b>Audit Title</b>	<b>Audit Completed</b>	<b>Follow-Up Status</b>	<b>Expected Completion</b>
8. Veterinary Teaching Hospital	July 18, 2000	A follow-up will be conducted in FY 2001.	May 2001
9. Academic Course Fees	July 18, 2000	A follow-up will be conducted in FY 2002.	July 2001
10. NCAA Compliance Audit (Part 2)	November 27, 2000	A follow-up will be conducted in FY 2001.	May 2001
11. Purchasing Card	November 27, 2000	A follow-up will be conducted in FY 2001.	May 2001

**University of Northern Iowa**

<b>Audit Title</b>	<b>Audit Completed</b>	<b>Follow-Up Status</b>	<b>Expected Completion</b>
12. Small Business Development Center Preliminary Follow-up Follow-up report #1	October 5, 1999  May 12, 2000 January 26, 2001	The follow-up report indicates open items. Another follow-up is scheduled for June 2001.	July 2001
13. Cash on Hand Follow-up report #1	February 24, 2000 December 1, 2000	The follow-up report indicates open items. A second follow-up will be conducted.	July 2001
14. Grants and Contracts Accounting	March 22, 2000	A follow-up will be conducted in FY 2001.	May 2001
15. Malcolm Price Laboratory School	June 29, 2000	A follow-up will be conducted in FY 2002.	September 2001

**University of Iowa – University Operations  
Human Resources Information System Transaction Processes**

**Initial Internal Audit Report Issued: July 17, 2000  
First Follow-Up Audit Memorandum: April 13, 2001**

<b>Auditor's Recommendation</b>	<b>Management's Response</b>	<b>Auditor's Response</b>	<b>Auditor's Follow-Up</b>
<p>1. <u>Authorization of Human Resources Transactions.</u> Segregation of Duties – Require a person other than the creator or editor of the transaction to perform the departmental approval.</p> <p>Approval Signatures – Discontinue the use of rubber signature stamps for human resources transactions involving a commitment of funds.</p> <p>Documented Delegation of Authority – Develop University policy requiring documentation and periodic monitoring of delegated authority to approve human resources transactions.</p>	<p>Policy will be implemented requiring a signature on Human Resource transactions different from the electronic imprint of the creator/editor of the document.</p> <p>Policy will be implemented not authorizing signature stamps and requiring each approver or designated representative to sign their own name on documents that commit the University to expend funds.</p> <p>Process will be developed to obtain proper approval on documents submitted without appropriate authorization including changes made subsequent to the initial creation of a document.</p> <p>Policy will be implemented to require a signature authorization form in cases where signature authority is delegated for the purpose of committing the University to the expenditure of funds.</p>	<p>Corrective actions taken.</p>	<p>Recommendations closed.</p>
<p>2. <u>Use of Termination Forms.</u> Timely Filing – Enforce University Policy requiring formal terminations in a timely manner.</p>	<p>Human Resources will work with the Provost's Office, Affirmative Action and Human Resources-Compensation and Classification section to determine a course of action on the use of terminations.</p>	<p>Corrective action taken.</p>	<p>Recommendation closed.</p>
<p>3. <u>Verification of Payroll Expenditures.</u> Departmental Training. Provide tools and training to departments so verification of the payroll expenditures may be performed.</p>	<p>Human Resources will improve existing reports and establish new reports that will help verify payroll expenditures. Human Resources will also train colleges and administrative units on the availability and purpose of reports.</p>	<p>Corrective action taken.</p>	<p>Recommendation closed.</p>
<p>4. <u>Department of Immigration and Naturalization Service Compliance.</u> Timely Filing of I-9. Develop procedures to prevent payment to individuals who do not have a current I-9 Form on file.</p>	<p>A new web page is being developed that will provide departments with standard reports such as an I-9 report. Individuals that do not have an I-9 on file will be listed and the employing department will be notified that an I-9 is required or the employee will be terminated.</p>	<p>Corrective action taken.</p>	<p>Recommendation closed.</p>