

MEMORANDUM

To: Banking Committee
From: Board Office
Subject: Internal Audit Reports
Date: May 6, 2002

Recommended Actions:

1. Receive the following nine internal audit reports:
 - University of Iowa – Hospital Operations
 - Food and Nutrition Gift Card Program Audit
 - Patient Fiscal and Registration Services
 - Patient Fiscal and Registration Services – Credit Balances
 - University of Iowa – University Operations
 - Iowa School for the Deaf Leases
 - NCAA Compliance Audit – Sports Camps & Clinics
 - Student Billing Processes
 - University Bookstore
 - University Video Center
 - Iowa State University
 - Overview of Iowa Braille and Sight Saving School Annual Review
 2. Receive the report on the Status of the Internal Audit Follow-up reports, which includes one follow-up report, College of Dentistry – Business Office Cash Handling.
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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.

At the April Banking Committee meeting, the Board questioned the time period for the University of Northern Iowa's follow-up on the Grants and Contracts Accounting audit. The University reports that follow-up audits are generally performed approximately 12 months after the original issuance. Internal audit staff states that due to the number and complexity of the needed corrective actions, implementation of the recommendations has taken additional time.

The Status of Internal Audit Follow-Up Table on page 2 identifies 12 internal audit reports, 11 of which require follow-up. The first audit, Patient Accounts, is closed, but has been replaced by two separate audits: Patient Fiscal and Registration Services and Patient Fiscal and Registration Services – Credit Balances.

One follow-up report (page 17) is presented this month, but remains open.

Background:

In accordance with Regent Policy Manual §1.06, internal audit reports are presented to the Banking Committee. Internal audits provide appraisals of institutional services to the Board and institutional administrators by measuring and evaluating the effectiveness of financial and managerial controls.

These audits are designed to determine the adequacy of controls and procedures by providing reasonable assurance that assets are properly safeguarded, resources are used economically and efficiently, and compliance is maintained.

The three universities have internal auditors to perform these functions. The University of Iowa internal auditor is responsible for internal audits at the Iowa School for the Deaf. The Iowa State University internal auditor is responsible for internal audits at the Iowa Braille and Sight Saving School.

The Board Office tracks and monitors audit reports indicating a need for corrective action. When all recommendations have been satisfactorily completed, the audits are closed.

**Status of Internal Audit Follow-Up
May 6, 2002**

University of Iowa

Title	Report Date	Follow-Up Status	Expected Completion
1. Patient Accounts (UIHC)	January 16, 1996	Two new audits focusing on Patient Accounts are presented this month: • Credit Balances; and • Patient Fiscal & Registration Services	Replaced/Closed
2. Athletic Ticket Office (SUI)	October 16, 2001	Follow-up scheduled in FY 2002.	May 2002
3. College of Dentistry – Business Office Cash Handling (SUI) Follow-up report #1	December 20, 2001 April 15, 2002	Second follow-up scheduled in FY 2002.	June 2002
4. College of Dentistry – Business System Security & Access (SUI)	December 20, 2001	Follow-up scheduled in FY 2002.	May 2002
5. Conflict of Interest (SUI)	December 20, 2001	Follow-up scheduled in FY 2002.	June 2002

Iowa State University

Title	Report Date	Follow-Up Status	Expected Completion
6. Residence Hall Convenience Stores Follow-up report #1	February 16, 2001 December 6, 2001	Second follow-up scheduled in FY 2002.	June 2002
7. Athletic Ticket Office	August 14, 2001	Follow-up scheduled in FY 2002.	June 2002
8. Athletic Business Office	February 18, 2002	Follow-up scheduled in FY 2003.	July 2002
9. Department of Animal Science	December 3, 2001	Follow-up scheduled in FY 2002.	June 2002
10. Veterinary Diagnostic and Production Animal Medicine	October 11, 2001	Follow-up scheduled in FY 2002.	June 2002

University of Northern Iowa

Title	Report Date	Follow-Up Status	Expected Completion
11. Grants and Contracts Accounting Follow-up report #1	March 22, 2000 June 29, 2001	Second follow-up scheduled in FY 2002.	June 2002
12. North American Review	March 9, 2001	Follow-up scheduled in FY 2002.	May 2002

**University of Iowa - Hospital Operations
Food and Nutrition Gift Card Program Audit**

April 15, 2002

Description Internal Audit reviewed the plans for a future program, Gift Cards for Cafeteria purchases, at the request of the University of Iowa Hospitals and Clinics Food and Nutrition Department. The Gift Cards will replace the paper gift certificates currently used by patients, visitors, and staff for food purchases.

Purpose The internal audit staff worked with management to identify internal control points and potential areas of risk prior to implementation of the Gift Card Program.

Recommendations The internal auditors suggested controls in the following areas:

- Physical access and security;
 - Procedures;
 - Reconciliations;
 - Accounting;
 - Training; and
 - Point of sale transactions.
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Corrective Actions The Department will incorporate all recommendations for appropriate controls into the design and implementation of the program.

Follow-Up An internal audit review will be performed during the first quarter of FY 2003.

**University of Iowa – Hospital Operations
Patient Fiscal and Registration Services**

Initial Audit Report Issued: March 18, 2002

Description

A significant volume and variety of transactions are processed in the Office of Patient Fiscal and Registration Services (PFRS) each day.

An audit report on Patient Accounts was issued on January 16, 1996. Since that time, significant process changes were implemented to the Business Office as a result of the re-engineering of critical business processes. A new review subsequently split the original audit into two separate audits, both of which are presented this month:

- Patient Fiscal and Registration Services, designed to evaluate critical processes starting with claim generation and following through to final resolution; and
- Patient Fiscal and Registration Services – Credit Balances, designed to identify and address issues that contributed to the generation of credit balances.

Purpose

The intent of the PFRS internal audit was to review specific business processes to ensure that processes were in place to support transaction processing up to and through the new patient accounting system implementation. Goals of the audit were to:

- Verify the data integrity of claims from the time they are generated to final resolution of the patient account;
- Verify the data integrity of third party claims submission software;
- Verify that patient accounts are appropriately updated for submitted claims, adjustments, and payments;
- Review hospital late charge processing and identify major areas of policy non-compliance; and
- Verify that claims turned over to collections and subsequently remitted are in compliance with the current contracts.

Recommendations and Corrective Actions	<u>Auditor's Recommendation</u>	<u>Management's Response</u>	<u>Auditor's Response</u>
	1. <u>Collection Commission Rates</u> . Review collection agency invoices and verify commission rates. Update programs to reflect current rates. Review remittance reports consistently.	Management is working to correct the rates and will use reports to identify outliers and follow-up on discrepancies.	Corrective actions taken. Item closed.
	2. <u>Blue Cross Electronic Transfer Reconciliation</u> . Include source system information to reconcile transfer data.	Management will incorporate the appropriate report into the reconciliation process.	Response accepted pending subsequent review.

**University of Iowa – Hospital Operations
Patient Fiscal and Registration Services**

(continued)

<u>Auditor's Recommendation</u>	<u>Management's Response</u>	<u>Auditor's Response</u>
3. <u>Care Medic Data Reconciliation</u> . Ensure data integrity between INFORMM system and Care Medic system.	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.	Response accepted pending subsequent review.
4. <u>Satellite Office Checks</u> . Code and deposit satellite checks daily. Complete change vouchers and reconcile the suspense account each month.	Management will deposit satellite office checks daily and write a change voucher monthly to reconcile with the suspense account each month.	Response accepted pending subsequent review.
5. <u>Change Fund Tills in PFRS</u> . Establish separate cash drawers for clerks and persons filling in.	Management will maintain one open window during breaks and lunches.	Response accepted pending subsequent review.
6. <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.	Management has requested programming changes to the B324 report including that data be downloaded to Excel each day.	Response accepted pending subsequent review.
7. <u>Adjustment and Write-off Reviews</u> . Draft a formal document that identifies approvals.	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.	Response accepted pending subsequent review.
8. <u>Contractual Adjustment Reviews</u> . Perform monthly contractual adjustment audits.	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.	Response accepted pending subsequent review.
9. <u>Hospital Late Charges</u> . Build a current cost model identifying late charge processing costs. Identify and quantify the impact of late charges.	Management will build a current cost model identifying costs associated with processing hospital late charges and will identify and quantify the financial impact of reworking claims.	Response accepted pending subsequent review.

Follow-Up

Item one is closed. Follow-up on the remaining items will be performed in FY 2002.

University of Iowa – Hospital Operations
Patient Fiscal and Registration Services – Credit Balances

Initial Audit Report Issued: March 18, 2002

Description	<p>An audit report on Patient Accounts was issued on January 16, 1996. Since that time, significant process changes have been implemented to the Business Office as a result of re-engineering critical business processes. A new review subsequently split the original audit into two separate audits, both of which are presented this month:</p> <ul style="list-style-type: none">• Patient Fiscal and Registration Services, designed to evaluate critical processes starting with claim generation and following through to final resolution; and• Patient Fiscal and Registration Services – Credit Balances, designed to identify and address issues that contributed to the generation of credit balances.
Purpose	<p>The purpose of the review was to review the current processes associated with credit balances and offer suggestions on more effective processing to reduce the credit balances prior to implementation of the new patient accounting software system in 2002. There were 11,874 accounts totaling over \$5.1 million:</p> <ul style="list-style-type: none">• 11,152 accounts were less than \$1,000;• 660 accounts were between \$1,000 and \$9,999;• 59 accounts were between \$10,000 and \$99,999; and• 3 accounts were greater than \$100,000.
Scope / Objective	<p>The internal auditor reviewed fiscal year-end balances at the University of Iowa Hospitals and Clinics (UIHC) from 1996 to 2001 to determine the credit balance history. Credit balances are created for several reasons, including:</p> <ul style="list-style-type: none">• Patient pre-payments for non-covered services;• Payments not posted to the proper account due to lack of identifiers on remittance form;• Third party payments received in a lump sum awaiting manual distribution to the various charge areas;• Insurance overpayments – some stemming from late charges, some from double billing primary and secondary insurances, and others are from insurers incorrectly processing claims; and• Payments on accounts removed from the INFORMM system; i.e. accounts that are sent to collections are then written off the system. <p>This audit was conducted at the request of hospital management and included UIHC and Medical Services. It was conducted separately but concurrently with the Patient Fiscal and Registration Services audit.</p>

University of Iowa – Hospital Operations
Patient Fiscal and Registration Services – Credit Balances
(continued)

Recommendations and Corrective Actions	<u>Auditor's Recommendation</u>	<u>Management's Response</u>	<u>Auditor's Response</u>
	1. <u>Work Plan</u> . Establish a work plan to reduce credit balances and focus on: clearing issues, reducing accounts and dollars, and maintaining an efficient and timely process.	Management has been attempting to resolve credit. A written policy and procedure clarifying staff responsibilities for resolving and reporting has been established and reviewed with staff. The action plan will be expanded to escalate resolution of small credit balances in a timely manner. Management is working with an outside agency to review and resolve credit balances.	Response accepted pending subsequent review.
	2. <u>Separation of Credits by Type</u> . Verify that current issues will be addressed in the new system. Assure that credit balance types can be separated.	Management has been working to accommodate the separation of credits by type.	Response accepted pending subsequent review.
	3. <u>Contractual Adjustments</u> . Program the system to identify duplicate contractual adjustments; review electronic payment remittances; and verify payments and adjustments.	Management is developing a program that will stop duplicate contractual adjustments. Electronic remittance reviews will be completed to verify accuracy.	Response accepted pending subsequent review.
	4. <u>Holding Accounts</u> . Resolve issues and apply payments monthly.	Management will implement a process to identify and reconcile holding accounts monthly.	Response accepted pending subsequent review.
	5. <u>Returned Refund Checks</u> . Follow-up on refund checks immediately; verify proper handling procedures; and educate staff on procedures.	Management has addressed returned check processing and will outline proper handling procedures and train staff.	Response accepted pending subsequent review.
Follow-Up	Follow-up will be performed on items one and two in FY 2003. Follow-up will be performed on items three through five in June 2002.		

**University of Iowa - University Operations
Iowa School for the Deaf Leases**

Initial Audit Report Issued: April 15, 2002

Description The Iowa School for the Deaf (ISD) provides educational and support services to deaf and hard-of-hearing children and youth in the State of Iowa and serves in a leadership and resource role in statewide efforts. During FY 2002, the school served 126 on-campus students, 101 off-campus students, and 1,100 students statewide through outreach. As of February 2002, ISD had 16 leases in effect, representing approximately \$102,000 in revenue for FY 2001.

Purpose The purpose of the audit was to provide audit coverage as requested by the Board. The audit focused on a general review of documentation and procedures for leases where the institution acts as the landlord.

Scope / Objective The internal auditors had specific objectives and reviewed and evaluated the following:

- Compliance to Board of Regents policies;
- Lease terms reflecting local market conditions;
- Proper monitoring and crediting of payment receipts; and
- Whether each party followed responsibilities according to the contract.

**Recommendations
and Corrective
Actions**

<u>Auditor's Recommendation</u>	<u>Management's Response</u>	<u>Auditor's Response</u>
1. <u>Documentation of Lease Market Rates.</u> Obtain and document comparable lease value information for each new or renewal lease.	Management will document each time lease market rates are checked.	Response accepted pending follow-up review.
2. <u>Notification of Farm Lease Termination.</u> Establish a tickler file to assure that Board policy is followed in 2007 with the expiration of the recently renewed lease.	Management will check with the Board Office to clarify why this needs to be done if the tenant is not changing and will take steps to comply in the future.	Response accepted.
3. <u>Lease Renewal Frequency.</u> Consider using multi-year leases with annual payment changes tied to an independent cost index.	Management will implement as current leases expire (if tenants do not object) and will work with the Board Office to make the lease renewal process more efficient.	Response accepted.

Follow-Up Follow-up on item one will be performed in FY 2003. Items two and three are closed.

**University of Iowa – University Operations
NCAA Compliance Audit – Sports Camps & Clinics**

Initial Audit Report Issued: January 23, 2002

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

For the year ended August 31, 2001, there were 40 institutional sports camp and clinic sessions conducted, representing 14 different sports, with nearly 5,500 attendees. Most camps were held on-site at the University during the summer and were coordinated by the Sports Camps office.

Purpose The audit was performed to:

- Determine if written policies and procedures were in place to maintain control of and monitor sports camps and clinics;
- Determine whether the department maintains adequate documentation of sports camp activities and approvals;
- Review employment practices and compensation for a sample of institutional camps and clinics; and
- Review income and expenses for a sample of institutional camps and clinics.

Recommendations and Corrective Actions	<u>Auditor's Recommendation</u>	<u>Management's Response</u>	<u>Auditor's Response</u>
1.	<p><u>Men's Basketball Camps.</u></p> <p>Reiterate and require all Athletic Department staff to comply with camp and clinic participation requirements.</p> <p>Assure that the Sports Director receives advance notification of potential participation in any camp or clinic event.</p> <p>Review all aspects of the Muscatine and Storm Lake basketball camps to determine to what extent NCAA regulations may have been violated and self-report the situation.</p>	<p>Management will:</p> <p>Address notification and classification issues through an institutional camp/clinic guidebook to be released and explained at a department-wide coaches' meeting.</p> <p>The guidebook will contain an Initial Request Form and a private camp informational form to be forwarded to the Director of Sports Camps for processing and evaluation.</p> <p>Review past operations to determine if any NCAA infractions occurred and self-report any violations.</p>	<p>Response accepted pending follow-up review.</p>

**University of Iowa – University Operations
NCAA Compliance Audit – Sports Camps & Clinics**
(continued)

Auditor's Recommendation	Management's Response	Auditor's Response
2. <u>Information on Institutional, Department Run Camps and Clinics.</u> Require that attendance information be provided to the Sports Camps Director for all camps and clinics.	Management will assure that: (1) the Director of Sports Camps will be notified and will have classified all camp/clinic offerings; and (2) coaches will be notified of the requirement for submission and pre-approval of brochures.	Response accepted pending follow-up review.
3. <u>Complimentary Camp Admissions.</u> Remind staff to obtain approval for free or reduced admission. Advise coaches willing to work in exchange for admission that it cannot be done. Self-report impermissible discounts that occurred in the summer of 2001.	Management will: (1) clarify circumstances for discounts in the guidebook; (2) assure that the Director of Sports Camp is the clearinghouse for approved discounted admissions; and (3) self-report impermissible discounts that occurred in the summer of 2001.	Response accepted pending follow-up review.
4. <u>Student-Athlete Employment at Non-Institutional Camps and Clinics.</u> Assure that Permission Forms are reviewed and present accurate information.	Management will assure that: (1) Student-Employment Permission Forms will be reviewed by the Director of Sports Camps; and (2) indications of greater than 50% time coaching/officiating will be explored prior to approval.	Response accepted pending follow-up review.
5. <u>Institutional Camps and Clinic Accounting Issues.</u>	Management will:	Response accepted pending follow-up review.
a. <u>Softball Clinic Revenue and Roster.</u> Reinforce the need to maintain attendance records; reconcile income; and investigate and document variances.	Assure that the Director of Sports Camps will advise camp administrators of proper procedures for recording camp attendance, expenditures, and revenues.	
b. <u>Off-Campus Revenue and Expense Documentation.</u> Outline sound financial accounting practices to handle revenues and expenses related to institutional camps/clinics and off-campus events.	Add clarifications to the guidebook on how to handle revenues and expenditures in general and expenditures in particular at off-campus venues.	

Follow-Up

Follow-up will be performed in FY 2002.

**University of Iowa – University Operations
Student Billing Processes**

Initial Audit Report Issued: April 15, 2002

Description The University of Iowa Cashier billed over \$120 million dollars during FY 2001. An evaluation of the efficiency of the revenue collection process has resulted from tuition increases and the State's economy. A new web-based system, Managing Academic Revenue System (MARS), with increased capabilities will be implemented in the fall of 2002 and will allow for billing practice changes.

Purpose The purpose of the audit was to determine current processes and make recommendations to reduce Student Billing revenue loss and included:

- Reviewing a sample of student billings from fall semester 2002;
- Determining practices at other Big Ten Universities as well as the other two Regents universities;
- Evaluating various University publications to assess how billing and collection processes are communicated to the students;
- Comparing current collections procedures to Board Policy requirements;
- Estimating revenue missed by outsourcing the student installment payment plan; and
- Meeting with the University Cashier and the Supervisor of Student Loans to understand current billing and collection processes.

Recommendations and Corrective Actions

<u>Auditor's Recommendation</u>	<u>Management's Response</u>	<u>Auditor's Response</u>
<p>1. <u>Collections Policy Compliance.</u></p> <p>a. <u>Document Collections Process.</u> Establish a written policy on the consequences of non-payment.</p> <p>b. <u>Disseminate Collections Policy.</u> Include the Policy in documents as directed by the Board.</p>	<p>Management will draft a Collections Policy reflecting the Board's criteria; develop a plan to distribute the Policy; and revise web sites to link to the Policy.</p>	<p>Response accepted pending subsequent review.</p>
<p>2. <u>Billing Practices.</u></p> <p>a. <u>Timely Billing.</u> Consider billing students on August 1st with payment due prior to classes starting; similarly bill for spring/summer sessions.</p> <p>b. <u>Increased Fees Related to Late Billing.</u> Apply restricted fee on the date the account becomes delinquent.</p> <p>c. <u>Optional Installment Plan.</u> Initiate a self-administered installment plan; charge a fee to the outsourced plan.</p>	<p>Management will consider an earlier billing date, increased fees, changes to when fees are applied, and the initiation of an in-house optional installment plan.</p>	<p>Response accepted pending subsequent review.</p>

Follow-Up Follow-up will be performed in FY 2003.

**University of Iowa – University Operations
University Bookstore**

Initial Audit Report Issued: April 15, 2002

Description	<p>The primary source of revenue for the University Bookstore is from the sale of new and used textbooks. The bookstore had \$12.9 million in total revenues for the fiscal year ended June 30, 2001; net inventory purchases totaled \$9.2 million. The two-week period at the beginning of each academic semester accounts for approximately \$6.7 million (52%) of total sales.</p>
Purpose	<p>The purpose of the audit was to evaluate the adequacy of controls within the Bookstore and focused on cash collection and inventory processes.</p>
Scope / Objective	<p>The audit performed procedures to assure that:</p> <ul style="list-style-type: none">• Cash is properly collected, deposited timely, accurately recorded, and appropriately reconciled;• Cash handling duties are properly segregated and receipts are secure until deposited; and• Refunds are appropriately justified and accounted for.
Testing	<p>Inventory transactions (purchases and credits) from December 2001 and January 2002 were randomly selected for testing as well as other testing of inventory for resale. Results from this testing indicated that:</p> <ul style="list-style-type: none">• Inventory purchases are conducted consistently and efficiently;• Purchases and credits are properly authorized and recorded;• Cost of goods sold and markdowns are tracked for appropriateness and future decision making;• Job duties related to inventory are properly segregated;• Inventory documentation is maintained within the University's retention policy; and• An annual periodic inventory count is taken and records are adjusted appropriately. <p>Storerooms and warehouse / receiving areas were also observed:</p> <ul style="list-style-type: none">• Security appears to be cost effective; and• Overstocked, obsolete, and slow-moving items are periodically identified and either marked down for sale, sent back to the vendor for credit, or written off for disposal.
Recommendations and Corrective Actions	<p>No reportable conditions involving the cash handling or inventory procedures were noted.</p>
Follow-Up	<p>Audit closed.</p>

**University of Iowa – University Operations
University Video Center**

Initial Audit Report Issued: April 15, 2002

Description	The University of Iowa Video Center (UVC) was established in 1978 and offers a wide range of services that support the teaching, research, and service missions of the University. Services include video and multimedia production, video conferencing, digital video services, web design and tape duplication. UVC is essential in designing, staffing, maintaining, and installing campus ICN network classrooms for distance learning. UVC services over 100 departments at the University each year and has provided production services to state and national organizations, winning national awards for many projects.
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Scope / Objective	<p>The internal audit evaluated the adequacy of departmental procedures and internal controls of predetermined business processes to ensure:</p> <ul style="list-style-type: none"> • Compliance with University and other regulatory policy; • Proper process segregation among individuals; • Timely and accurate recording of transactions to the General Ledger; • Proper identification, maintenance, and safeguarding of assets; • Accurate and adequate information is provided to management; and • Management conducts proper monitoring and follow-up activities.
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Recommendations and Corrective Actions	Auditor's Recommendation	Management's Response	Auditor's Response
1.	<u>Cash Handling Procedures.</u> a. File for a change fund and receive Business Office certification. b. Reconcile and deposit excess funds weekly and provide training.	Management has: Filed for a change fund and for certification from the Business Office. Developed, documented, and implemented procedures to reconcile cash receipts monthly and has taken steps to deposit cash receipts weekly.	Response accepted.
2.	<u>Contracts Not Reviewed & Approval by Legal.</u> Review and approve all contracts prior to execution.	Management will develop and implement a policy on review and approval of contracts, including which contracts are required to be reviewed by the General Counsel's Office.	Response accepted pending subsequent review.

**University of Iowa – University Operations
University Video Center**
(continued)

<u>Auditor's Recommendation</u>	<u>Management's Response</u>	<u>Auditor's Response</u>
3. <u>Staff Performance Evaluations.</u> Conduct annual performance evaluations. Encourage training opportunities.	Management will conduct timely annual reviews and will require attendance at one or more staff development courses.	Response accepted pending subsequent review.
4. <u>Employee Productivity.</u> Develop a comprehensive time reporting / tracking tool and a formal review process. Calculate and review statistics.	Management will develop and implement an employee time reporting / tracking tool and process that will be utilized to calculate and review statistics.	Response accepted pending subsequent review.
5. <u>Personnel File Organization.</u> Consolidate departmental and human resource personnel files and develop procedures for periodic review.	Management will consolidate personnel files and review periodically.	Response accepted pending subsequent review.
6. <u>Staff Development & Training.</u> a. Formalize the distribution / communication of staff development activities.	Management will: Notify employees of development opportunities through email or hard copy.	Response accepted pending subsequent review.
b. Encourage participation in staff development opportunities.	Establish training goals during annual performance reviews.	
c. Develop a process to record and monitor attendance records.	Develop a process to record and monitor training attendance records.	
7. <u>Vacation & Sick Time Reconciliation Process & Records Retention.</u> Develop formal procedures to reconcile leave reported by employees with leave reported by personnel.	Management will develop formal procedures to require monthly leave report reconciliations.	Response accepted pending subsequent review.
8. <u>Tape Inventory Procedures.</u> Formalize procedures and responsibility for periodic review of tape inventory. Investigate and explain any material differences found in the reviews. Retain results in accordance with University standards.	Management will develop and implement formalized procedures to review tape inventory. Explanations for any material differences will be required. Management will review and approve all inventory adjustments. Reports will be maintained for three fiscal years.	Response accepted pending subsequent review.

**University of Iowa – University Operations
University Video Center**

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| 9. <u>Software Licensing & Compliance Monitoring.</u> Formalize and document software licensing and compliance monitoring process including assignment responsibilities for compliance monitoring. | Management will designate personnel to coordinate and verify software license compliance. | Response accepted pending subsequent review. |
| 10. <u>Personal Use of University Property.</u> Notify employees of the policy related to personal use of University policy or services at least annually. | Management will notify employees of the policy regarding personal use of University property at least annually. | Response accepted pending subsequent review. |
| 11. <u>Miscalculated Cost Rates.</u> Adjust calculations to account for offset costs and prior year results. Assign appropriate costs to externally supported projects. | Management will adjust the calculations to account for offset costs and prior year results and will assign appropriate costs to externally supported projects. | Response accepted pending subsequent review. |
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Follow-Up

Item one is closed. Follow-up will be performed on the remaining items during FY 2003.

Iowa State University
IBSSS – Information Technology General Controls Review

Initial Audit Report Issued: March 13, 2002

Description	<p>The Iowa Braille and Sight Saving School (IBSSS) has a Microsoft-based computer network with three network servers. Support for faculty, staff, and two student computer labs is provided by an information technology specialist.</p> <p>IBSSS developed a Crisis Management Plan that includes policies for computer data back-up and an outline to aid in data recovery efforts. The School also instituted an acceptable use policy outlining expectations for the legal and ethical use of computer resources.</p>
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Scope / Objective	<p>The internal audit was limited to a general review of information technology and examined:</p> <ul style="list-style-type: none"> • Back-up and recovery; • Physical and logical security; and • Hardware and software inventory.
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Recommendations and Corrective Actions	<u>Auditor's Recommendation</u>	<u>Management's Response</u>	<u>Auditor's Response</u>
1. <u>Disaster Recovery.</u>	<p>a. Document agreement with UNI to re-establish IT operations in a disaster recovery situation.</p> <p>b. Establish written procedures in the Crisis Management Plan (CMP) to address alternative end-user processing and technical restoration guide.</p>	<p>Management will: Document the agreement with UNI to re-establish IT operations in a disaster recovery situation and address the responsibilities of both parties.</p> <p>Enhance the CMP to include documentation that addresses alternative end-user processing and provides restoration instructions.</p>	<p>Response accepted pending subsequent review.</p>
2. <u>Logical Security.</u>	<p>a. Require periodic password changes for personnel and students.</p> <p>b. Activate automatic log off after a period of inactivity.</p> <p>c. Develop written procedures for set-up, review, and revocation responsibilities for Human Resources and IT personnel.</p>	<p>Management will implement periodic password changes and automatic log-off procedures and will document intended procedures for access set-up, review, and revocation.</p>	<p>Response accepted pending subsequent review.</p>
3. <u>Inventory Controls.</u>	<p>Inventory and document all computer hardware and significant software.</p>	<p>Management will inventory and document all computer hardware and significant software; update records as necessary; establish a written plan to document reviews on a regular basis; and review results and authorize adjustments.</p>	<p>Response accepted pending subsequent review.</p>

Follow-Up	Follow-up will be performed in July 2002.
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INTERNAL AUDIT FOLLOW-UP REPORTS

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

First Follow-Up Audit Report Issued: April 15, 2002

Initial Audit Report Issued: December 20, 2001

**Recommendations
and Corrective
Actions**

Auditor's Recommendation	Management's Response	Auditor's Response
1. <u>Safeguarding of Cash.</u> <u>Restrictive Endorsement of Checks.</u> Endorse checks restrictively upon receipt.	Management has changed its procedures to require restrictive endorsement of all checks immediately upon receipt.	Corrective actions taken.
2. <u>Timely Deposits.</u> a. <u>Funds belonging to other University Departments.</u> Restrictively endorse all receipts and deposit according to University policies. Transfer funds belonging to other departments immediately.	Management will: deposit all receipts on a daily basis (except those immediately identified as not belonging to the College of Dentistry); transfer funds belonging to another department to that department's account; send checks belonging to another department to them on a timely basis.	Corrective actions taken.
b. <u>Daily Receipts.</u> Deposit receipts when the total reaches \$500 or at least weekly and apply funds to patient accounts on the day of receipt. Consider using a bank lock box.	Management will require same day deposit of all funds and consider acquisition of a bank lock box.	
c. <u>Coverage for Absences.</u> Ensure that all receipts are deposited and applied to customer accounts in a timely manner.	Management will require same day deposit of all payments and the timely application of them to patient accounts.	
3. <u>Segregation of Duties.</u> Restrictively endorse checks immediately; prepare a listing or retain photocopies of the checks; and investigate the use of a bank lock box.	Management's reorganization plan will include segregation of duties.	Corrective actions taken.
4. <u>Collection Processes.</u> Review collections agency statements for accuracy; review and update the contract; request that the collection agency add a type of payment received.	Management will reconcile monthly payments. The vendor has agreed to provide the collection data.	Corrective actions taken.

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

<u>Auditor's Recommendation</u>	<u>Management's Response</u>	<u>Auditor's Response</u>
5. <u>Desk Procedures</u> . Prepare written desk procedures for all Business Office positions.	Management will enlist the assistance of each staff person to prepare written desk procedures.	Corrective actions in process.
6. <u>Business Systems Controls</u> .		Corrective actions taken.
a. <u>Password Security/Individual Accountability</u> . Assure password security and maintenance.	Management will comply with the auditor's recommendation.	
b. <u>Windent System Issues</u> . Correct known system flaws in a timely manner.	Management is working to improve the system and has proposed a new billing statement.	The billing statement will not be changed due to system and resource limitations. Management has accepted the associated risk.

Follow-Up	Follow-up will be performed on item five in FY 2002. All remaining items are closed.
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