

MEMORANDUM

To: Banking Committee
From: Board Office
Subject: Internal Audit Reports
Date: November 3, 2003

Recommended Action:

1. Receive the following internal audit reports:

UNIVERSITY OF IOWA

University Operations

- Information Technology Security Risk Assessment
- Intercollegiate Athletics – Home Game Ticket Revenue (FY 2002-2003)
- Review of Campus-Wide Expenditures for Business Purpose Events

Hospital Operations

- Contract Nursing
- Housekeeping Hazardous Material Compliance Audit
- Radiology

Special Reports

- Construction Accounting Processes
- Department of Nursing Hiring Process - UIHC

IOWA STATE UNIVERSITY

- Conflict of Interest
- Facilities Planning and Management

UNIVERSITY OF NORTHERN IOWA

- FY 2003 Cash on Hand
- Department

2. Receive the report on the Status of the Internal Audit Follow-up reports, including two follow-up reports, one from the University of Iowa and one from the University of Northern Iowa.

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.

Twelve new audit reports are presented this month: eight from the University of Iowa, two 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. Nine follow-up reports are presented this month: four from University of Iowa – University Operations, four from University of Iowa – Hospital Operations, and one from the University of Northern Iowa; all are closed except the UNI audit.

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
November 3, 2003**

University of Iowa

Title	Report Date	Follow-Up Status	Expected Completion
1. Food and Nutrition Gift Card Program (UIHC) Follow-up Memorandum	April 15, 2002 October 17, 2003	Audit closed. (Page 32.)	Closed
2. Patient Fiscal and Registration Services (UIHC) Follow-up Memorandum	March 18, 2002 January 27, 2003	Follow-up scheduled in FY 2004.	November 2003
3. Sponsored Programs – Biomedical Engineering (SUI) Follow-up Memorandum	April 21, 2003 September 22, 2003	Audit closed. (Page 27.)	Closed
4. Broadcast Services – Departmental Audit (SUI)	March 18, 2003	Follow-up scheduled in FY 2004.	November 2003
5. NCAA Coaching Staff Limitations (SUI) Follow-up Memorandum	January 27, 2003 October 17, 2003	Audit closed. (Page 25.)	Closed
6. NCAA Compliance Audit – Eligibility (SUI) Follow-up Memorandum	April 21, 2003 October 17, 2003	Audit closed. (Page 26.)	Closed
7. Sponsored Programs – Departmental Audit (SUI) Follow-up Memorandum	February 17, 2003 October 17, 2003	Audit closed. (Pages 28-29.)	Closed
8. Complimentary Parking Passes – Risk Assessment (UIHC) Follow-up Memorandum	April 21, 2003 October 17, 2003	Audit closed. (Page 31.)	Closed
9. Contractual Adjustments (UIHC)	January 27, 2003	Follow-up scheduled in FY 2004.	December 2003
10. Department of Orthopaedic Surgery – Cash Handling Audit (SUI)	June 17, 2003	Follow-up scheduled in FY 2004.	November 2003
11. Department of Orthopaedic Surgery – Sponsored Program Administration (SUI)	June 17, 2003	Follow-up scheduled in FY 2004.	November 2003
12. Student Legal Services Departmental Audit (SUI)	June 17, 2003	Follow-up scheduled in FY 2004.	March 2004
13. College of Medicine Review of Surplus Computer Disposal Practices (UIHC) Follow-up Memorandum	May 23, 2003 October 17, 2003	Audit closed. (Page 30.)	Closed
14. Homerous Robot (UIHC) Follow-up Memorandum	June 17, 2003 October 17, 2003	Audit closed. (Pages 33-34.)	Closed

Iowa State University

Title	Report Date	Follow-Up Status	Expected Completion
15. NCAA Compliance – Representatives of Athletics Interest	March 11, 2003	Follow-up scheduled in FY 2004.	December 2003
16. Student Financial Aid	June 2, 2003	Follow-up scheduled in FY 2004.	February 2004

University of Northern Iowa

Title	Report Date	Follow-Up Status	Expected Completion
17. FY 2002 Cash on Hand Follow-up Report Follow-up Report	September 10, 2002 January 31, 2003 June 27, 2003	Follow-up scheduled in FY 2004.	December 2003
18. Conference and Event Services Follow-up Report	November 22, 2002 September 26, 2003	Follow-up scheduled in FY 2004.	March 2004

**The University of Iowa – University Operations
Information Technology Security Risk Assessment**

Initial Audit Report Issued: October 17, 2003

Description The current decentralized Information Technology (IT) environment at the University of Iowa has resulted in a general pass-down of responsibility and accountability for IT security to the lowest organizational level: the System Administrator. As a result, each individual IT operation generally views itself as being accountable only to its own user base.

Scope / Objective Internal auditors assessed the general security condition of a sample of independent IT operations on campus. A three-part process was used for gathering information, a face-to-face questionnaire, a physical review of the local IT environment, and the use of remote system vulnerability scanning software. Specific areas of risk identified were:

- System documentation and security policies.
- Data classification and confidentiality agreements.
- System access control.
- Hardware and software inventory practices
- Fire suppression techniques.
- Disposal of computer equipment.
- Encryption of data.
- User training on security concepts and procedures.
- IT staffing at the unit level.
- Lack of institutional guidance on firewalls.
- System configuration at the unit level.

Recommendations / Responses	Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
	<p>1. <u>Policies and Documentation</u>. Define standards for the secure and efficient function of the institution-wide IT environment:</p> <ul style="list-style-type: none"> • Create an index on the IT Security Office website to organize and provide quick references to policies; • Create a clear statement and delineate the responsibilities of individual groups; and • Draft a guidance document to assist system administrators in delineating IT operations. 	<p>Management will:</p> <ul style="list-style-type: none"> • Develop an "A to Z" index to security policies available on the web site and will provide a common presentation format. • Ensure that all institutional roles are represented and adequately defined. • Review, revise (if necessary), and adopt institutional IT security policy and program documents. <p><i>Implementation Target Date:</i> December 31, 2003</p>	<p>Internal Auditor will review and evaluate steps taken to improve policy state.</p> <p><i>Review:</i> May 2004 <i>Report:</i> Jun 2004</p>

<p align="center">The University of Iowa – University Operations Information Technology Security Risk Assessment (continued)</p>		
Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
<p>2. <u>Communication and Management Support.</u> Ensure that users of IT resources understand the importance of security-related policies and procedures:</p> <ul style="list-style-type: none"> • Create clear and precise policies and procedures. • Define user and network risks. • Establish a method to communicate policy statements to all network users. 	<p>Management will continue developing training materials for end-users and for technical staff.</p>	<p>Internal Auditor will review and evaluate Management's progress and resource commitment towards improvement of IT security training.</p>
	<p><i>Implementation Target Date:</i> December 31, 2004</p>	<p><i>Review:</i> May 2004 <i>Report:</i> Jun 2004</p>
<p>3. <u>Immediately Deploy Security Processes with External Assistance.</u> Implement a comprehensive approach to deploy better IT security processes throughout the entire University.</p>	<p>Management will evaluate the development or purchase of risk assessment tools and services.</p>	<p>Internal Auditor will review and evaluate Management's progress and resource commitment towards improvement of IT security environment.</p>
	<p><i>Implementation Target Date:</i> June 30, 2004</p>	<p><i>Review:</i> May 2004 <i>Report:</i> Jun 2004</p>

Other Auditor Observations

The internal auditor made the following observations:

- The largest IT Security issue confronting the campus is the need for a comprehensive and integrated approach to IT security.
- Visible support by senior management will decide the success or failure of the security initiatives.
- The establishment of policies and controls for assuring the safeguarding of Institutional IT assets (hardware, software, and data) rests with Senior Management and not with technical personnel. Technical personnel are charged with implementing these directives and complying with institutional policies.

The University of Iowa – University Operations
Intercollegiate Athletics Home Game Ticket Revenue FY 2002-2003
 Initial Audit Report Issued: September 22, 2003

Description The combined home game gross revenue for Men's and Women's Athletics was approximately \$15.4 million in FY 2002-2003. The \$15.4 million gross revenue is prior to conference revenue sharing and contractual payments to visiting teams.

Scope / Objective The Internal Audit Department performs an annual audit of athletic ticket revenue to provide an independent verification and reconciliation of revenue and guaranteed payments to visiting institutions. As required by University of Iowa policy, unused tickets are reconciled and then destroyed under the supervision of the Internal Audit Department. The audit objectives included determination of compliance with:

- Section V14.1 of the University of Iowa Operations Manual for the accounting of ticket inventory and appropriate disposition of unused tickets;
- Big Ten revenue sharing regulations; and
- Contractual payment obligations to visiting teams.

Recommendations / Responses

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
2. <u>Recruiting Gate Ticket Sales</u> . Establish a clear procedure for the timely review and processing of pass gate ticket sales.	Management will have a staff member review all complimentary admissions the first business day after a home game.	Internal auditors will review and evaluate the effectiveness of procedure.
	<i>Implementation Target Date:</i> October 15, 2003	<i>Review:</i> Jan 2004 <i>Report:</i> Feb 2004
3. <u>Ticketing System Data Integrity Issues</u> . Assure that the ticket sales data generated by the system reconcile and agree with the financial data.	Management will develop a process to assure the appropriate detection and correction of any system errors or discrepancies.	Internal auditors will review and evaluate the effectiveness of procedures.
	<i>Implementation Target Date:</i> December 31, 2003	<i>Review:</i> Jan 2004 <i>Report:</i> Feb 2004

**The University of Iowa – University Operations
Review of Campus-Wide Expenditures for Business Purpose Events**

Initial Audit Report Issued: September 22, 2003

Description The University of Iowa allocates a portion of each year's budget to expenditures associated with business entertaining, recruiting new faculty, staff, and students, and employee appreciation events. These expenditures are necessary for the University to fulfill its strategic mission and operating objectives.

These expenditures are regulated by University policy, which establishes specific requirements for the low-dollar purchase of food and non-alcoholic beverages. University guidelines support the language used by the Internal Revenue Service.

Scope / Objective The purpose of this audit was to review procedures and internal controls in the administrative processes relating to discretionary expenditures for business purpose events to identify and manage associated risks. The specific objectives of this audit were to:

- Measure risk associated with small food and non-alcoholic beverage purchases and provide control recommendations pertaining to policy and procedures, if necessary;
- Assess the types of activities and functions that generate these expenditures;
- Determine the level of training provided to organizational unit managers and identify opportunities for improvement; and
- Evaluate compliance with University policy governing expenditures for small food and beverage purchases.

Recommendations / Responses

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
<p>1. <u>Policy Clarification.</u> Update policy to: (1) exclude social security number requirement and business affiliation of attendees with definite business purposes; (2) remove reference to large groups; and (3) require document event purposes. Designate Business Managers as approvers and Business Officers as second approvers.</p>	<p>Management has discussed proposed changes with the University Business Manager group. Changes will be implemented.</p> <p><i>Implementation Target Date:</i> December 2003</p>	<p>Internal auditors will review the control process during follow-up.</p> <hr/> <p><i>Review:</i> Dec 2003 <i>Report:</i> Jan 2004</p>

The University of Iowa – University Operations
Review of Campus-Wide Expenditures for Business Purpose Events
(continued)

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
2. <u>Details in the General Ledger.</u> Review transaction types; develop a preliminary list of activities; survey business managers for input on detail levels; and modify accounts to include appropriate details.	Management will develop account differentiation based on input from Budget Officers and the Business Office.	Internal auditors will review the control process during follow-up.
	<i>Implementation Target Date:</i> December 2003	<i>Review:</i> Dec 2003 <i>Report:</i> Jan 2004
3. <u>Guidelines for Specific Types of Events.</u> Document, review, and approve specific purchasing and spending guidelines in each department / unit.	Management presented Budget Officers with a proposal. Follow-up discussions will be initiated by the University Controller.	Internal auditors will review the control process during follow-up.
	<i>Implementation Target Date:</i> December 2003	<i>Review:</i> Dec 2003 <i>Report:</i> Jan 2004
4. <u>Departmental and Management Training.</u> Provide on going-training to those accountable for transactions and notify everyone of policy changes.	Management will augment training for requestors and procurement cardholders to include the new operations manual policy and will notify Campus.	Internal auditors will review the control process during follow-up.
	<i>Implementation Target Date:</i> December 2003	<i>Review:</i> Dec 2003 <i>Report:</i> Jan 2004

**The University of Iowa – Hospital Operations
Contract Nursing**

Initial Audit Report Issued: September 22, 2003

Description The Department of Nursing at the University of Iowa Hospitals and Clinics (UIHC) contracts through various third party agencies for Staff Nurses to work at UIHC providing direct patient care.

The current nursing shortage has increased UIHC's dependence on contract nurses in order to maintain the appropriate nurse to patient ratio and to ensure continued quality patient care. The Department of Nursing is diligently trying to hire permanent UIHC nurses.

At the end of fiscal 2003, UIHC employed approximately 128 FTEs, down from a high of 193 in October 2002. The total year-to-date expense for fiscal 2003 was approximately \$17.6 million.

Scope/ Objective A contract nurse is expected to have the appropriate training, skill set and credentials prior to working at UIHC. After going through orientation and unit specific training, each contract nurse is expected to immediately start providing direct patient care. The objectives of this audit were to determine:

- Policies and procedures are in place for the utilization of contract nurses;
- The process used by UIHC to choose specific contract nurses is identified;
- Nurses are adequately oriented and trained in UIHC protocols;
- Contract nurses qualifications and licensures are adequate and current; and
- Timekeeping and billing for contract nurses are in line with contract terms.

Internal Audit reviewed processes and procedures in use for the top four agencies used by UIHC. All nursing divisions were interviewed and specific audit tests were performed on randomly selected agency personnel. Processes starting with the identified need for agency personnel to the termination of that person's contract were evaluated to ensure that appropriate controls were in place to safeguard UIHC's interests.

**The University of Iowa – Hospital Operations
Contract Nursing**
(continued)

Recommendations /
Responses

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
<p>1. <u>Time Approvals.</u> Re-enforce appropriate time approvals and verify timesheets prior to agency invoice generation.</p>	<p>Management sent out a handout describing time signature requirements and will have nursing finance staff continue auditing timecards and provide focused education.</p>	<p>Internal auditors will verify through testing that appropriate time card approvals are taking place during a follow-up review.</p>
	<p><i>Implementation Target Date:</i> Immediately</p>	<p><i>Review:</i> 3rd quarter FY 2004 <i>Report:</i> May 2004</p>
<p>2. <u>Billing Rates.</u> Identify and update nursing contract rates; ensure that rate changes are made; and disseminate to nurse managers.</p>	<p>Management will update the rate sheets and notify nurse managers of future changes.</p>	<p>Internal auditors will review the accuracy of the rate sheet during a follow-up review.</p>
	<p><i>Implementation Target Date:</i> Immediately</p>	<p><i>Review:</i> 3rd quarter FY 2004 <i>Report:</i> May 2004</p>
<p>3. <u>Personnel Files.</u> Create a plan for completing the rework of nursing personnel files for agency staff; disseminate to persons responsible for file maintenance; and complete independent audits at regular intervals.</p>	<p>Management will evaluate the current policy on documentation retained in agency personnel files; draft and implement a plan to ensure that files are complete; and work with nursing personnel to conduct random audit</p>	<p>Internal auditors will perform testing to ensure files have been updated during a follow-up review.</p>
	<p><i>Implementation Target Date:</i> March 2004</p>	<p><i>Review:</i> 3rd quarter FY 2004 <i>Report:</i> May 2004</p>

**The University of Iowa – Hospital Operations
Housekeeping Hazardous Materials Compliance Audit**

Initial Audit Report Issued: July 22, 2003

Description Approximately 304 employees, including administrative staff, maintain housekeeping responsibilities for the University of Iowa Hospital and Clinics (UIHC). Of these employees, 279 are custodial staff and conduct operations under two daily shifts.

Scope / Objective Due to increasing regulations and compliance, internal auditors evaluated the adequacy of controls within the UIHC Housekeeping Department related to hazardous materials management. The following observations were made:

- Mixing machines have been purchased to reduce the risk of injury to custodial staff during the mixing of concentrated cleaning solutions while in their most hazardous form.
- Supply inventories are taken annually and reports are maintained to track usage trends. Custodial carts are mandated to be locked when used in pediatric areas to reduce the risk of inadvertent injury to a child.
- Procedures are in place to comply with regulations requiring original labels on all hazardous chemical containers.
- Housekeeping staff are only responsible for cleaning ceilings, walls, floors, and chairs in the cafeteria. Food and nutrition staff clean food areas and equipment.
- All mixed chemicals / cleaners and soiled rags are safe for disposal through the sanitary sewer and general trash. Most used cleaning rags and mops are laundered and reused.
- Depending on the situation, hazardous waste disposal is conducted by either the University’s Health Protection Office or the City’s Haz Mat Team, not Housekeeping staff.
- Biological waste and sharps are collected in properly identified containers and procedures conducted by housekeeping report any noted non-compliance.
- Training of Housekeeping staff is given high priority by management.

Recommendations / Responses

Auditor’s Recommendation	Management’s Response	Expected Auditor Follow-up
No reportable conditions were noted during audit procedures.	Not applicable.	No follow-up will be conducted. Audit closed.
	<i>Implementation Target Date:</i> None	<i>Review:</i> N/A <i>Report:</i> N/A

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

Initial Audit Report Issued: September 22, 2003

Description The Department of Radiology (DOR) performs more than 190,000 radiographic procedures each year. DOR provides services in 7 different modalities of radiology and has a variety of technology education programs. In FY 2003, DOR received 29 sponsored program awards totaling \$6.3 million.

Scope / Objective The purpose of the audit was to review the administration processes throughout the department and identify any associated risks. The specific goals of this audit were to verify that:

- Controls were in place to ensure employee safety;
- Radiology is compliant with applicable University, State, and JCAHO regulations;
- Charges are captured accurately, appropriately and timely;
- Hazardous / radioactive materials are procured, handled, and disposed of properly;
- Controlled substances were appropriately safe guarded from misappropriation;
- Departmental assets were locatable and safe guarded from misappropriation; and
- Proper segregation of duties exist within appropriate processes (i.e., cash handling).

Recommendations / Responses

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
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.	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.	Internal Audit will follow-up in November 2003
	<i>Implementation Target Date:</i> October, 2003	<i>Review:</i> Nov 2003 <i>Report:</i> Dec 2003
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.	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.	Internal Audit will follow-up in November 2003
	<i>Implementation Target Date:</i> September 2003	<i>Review:</i> Nov 2003 <i>Report:</i> Dec 2003

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

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
<p>3. <u>Research Administration.</u></p> <p>A. <u>Effort Reporting.</u> Develop, document, and communicate procedure detailing Performance Activity Reports (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><i>Implementation Target Date:</i> Immediately</p>	<p>Internal Audit has followed up and verified corrective action has been implemented.</p> <p>Item closed.</p>
<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> <p><i>Implementation Target Date:</i> Immediately</p>	<p>Internal Audit will follow-up in November 2003</p> <p><i>Review: Nov 2003 Report: Dec 2003</i></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> <p><i>Implementation Target Date:</i> Immediately</p>	<p>Internal Audit will follow-up in November 2003</p> <p><i>Review: Nov 2003 Report: Dec 2003</i></p>

The University of Iowa – Hospital Operations
Radiology
(continued)

Auditor's Recommendation	Auditor's Recommendation	Auditor's Recommendation
<p>5. <u>Assets</u>. Ensure that (1) this year's physical inventory is completed and properly filed with the Property Management Office (PMO); (2) the University of Iowa property tag is applied to all assets; (3) PMO is notified of changes in asset custodians; and (4) document and file the use and location of off-campus computers.</p>	<p>Management has: (1) filed the inventory with PMO; (2) properly tagged assets; (3) notified PMO of the custodian change; and (4) documented the use of off-campus computers.</p> <p><i>Implementation Target Date:</i> Immediately</p>	<p>Internal Audit will follow-up in November 2003</p> <hr/> <p><i>Review:</i> Nov 2003 <i>Report:</i> 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> <p><i>Implementation Target Date:</i> September 2003</p>	<p>Internal Audit will follow-up in November 2003</p> <hr/> <p><i>Review:</i> Nov 2003 <i>Report:</i> Dec 2003</p>

**The University of Iowa – Special Report
Construction Accounting Processes**

Initial Audit Report Issued: September 22, 2003

Summary

Internal auditors reviewed accounting processes that occur during large building construction projects, shared information compiled from interviews within Facilities Services and the Business Office about current budget systems, and discussed detailed flowcharts.

Internal auditors will perform similar analysis of specific construction-related processes as appropriate.

**The University of Iowa – Special Report
Department of Nursing Hiring Process - UIHC**

Initial Audit Report Issued: October 17, 2003

Description The hiring process for the Department of Nursing at the University of Iowa Hospitals and Clinics (UIHC) is complex and requires the cooperation and coordination of multiple teams. Processes used by each of the teams impact the speed with which UIHC is able to hire qualified individuals to fill critical positions.

Process Segments Definition of the hiring process used at UIHC is not consistently applied. Breaking down the process into segments that are controllable or non-controllable is important to the definition and analysis of the process. At the highest level, the process can be broken down as follows:

<u>Process Segments</u>	<u>Controllable / Non-Controllable</u>
Date positions opens to advertising date	C
Advertising date to date application is received	N
Application date to interview date	C
Interview date to offer date	C
Offer date to start date	N

Summary Internal auditors tested and identified specific hires where the process worked well and report that there are opportunities to minimize cycle time in the controllable segments of the process. The internal auditor and management have discussed the following suggestions for process improvement and for reducing the hiring cycle time:

- Implement automation as soon as it is available.
- Document a formal policy, clearly defining the hiring process including expectations for milestones (number of days) in each controllable segment. Communicate new policy and guidelines.
- Design and create a shared central data repository to be used by all hiring process teams. The data should be sufficient and adequate for any analysis, reporting, or benchmarking the teams require.
- Eliminate any non-value added steps.
- Discontinue the separate submission of Form B for nurse leadership positions so that it mirrors the staff nurse process. The change should be formally approved and be evaluated each year or until the number of qualified applicants increase. At that point, the original process can be reinstated.
- Extend formal offers to final candidates promptly. Eliminate the use of an INFORMM system generated offer letter. Develop a UIHC offer letter that can be sent to a successful candidate immediately following the verbal offer.
- Work closely with peer institutions to benchmark UIHC's process.

Follow-Up No follow-up will be conducted. This audit is closed.

**Iowa State University
Conflict of Interest**

Initial Audit Report Issued: August 7, 2003

Description ISU and its employees interact with both the public and private sectors as an important part of research, education, and public service activities. These interactions carry with them an increased risk of conflict of interest.

A conflict of interest arises when a faculty or staff member is or may be in a position to influence the University's business, research, or other decisions in ways that could lead to a form of personal gain for the employee or others closely associated with the University employee.

Scope / Objective The internal audit focused primarily on conflicts of interest that can arise from employee-owned companies that have a research relationship with the University and its employees. Procurement conflict of interest issues were also considered during the audit.

The overall audit objective was to evaluate University policies, procedures, and oversight intended to help ensure compliance with conflict of interest policies and to help mitigate associated risks.

Recommendations / Responses

Auditor's Observation	Management's Response	Expected Auditor Follow-up
1. <u>Policies and Procedures.</u> Conflict of interest information is not presented consistently.	Management will evaluate conflict of interest policies and procedures; make the information easier to access and understand; eliminate inconsistencies and redundancies; publish a single website [with links to and from it]; and provide contact information. <i>Implementation Target Date:</i> February 29, 2004	Internal auditors will monitor status of implementation. <i>Review:</i> Jun 2004 <i>Report:</i> Jul 2004
2. <u>Training.</u> Formal training to faculty and staff on conflict of interest policies and procedures is not provided.	Management will develop training and will assess the information needs of employees that may be impacted by conflict of interest issues (e.g., procurements). <i>Implementation Target Date:</i> May 31, 2004	Internal auditors will monitor status of implementation. <i>Review:</i> Jun 2004 <i>Report:</i> Jul 2004

**Iowa State University
Conflict of Interest
(continued)**

Auditor's Observation	Management's Response	Expected Auditor Follow-up
<p>3. <u>Disclosure.</u></p> <ul style="list-style-type: none"> • The disclosure form is not readily available. • Employees may not be utilizing the disclosure form or other acceptable mechanisms due to a lack of training. • The annual report is not intended to be used to disclose potential conflicts of interest. 	<p>Management will:</p> <ul style="list-style-type: none"> • Examine methods of capturing conflict of interest information. • Identify responsibility for collecting and reviewing disclosure information. • Remove the conflict of interest wording from the annual report title. <hr/> <p><i>Implementation Target Date:</i> February 29, 2004</p>	<p>Internal auditors will monitor status of implementation.</p> <hr/> <p><i>Review:</i> Jun 2004 <i>Report:</i> Jul 2004</p>
<p>4. <u>Dissemination of Information.</u> Defined processes do not exist to ensure that conflict of interest information is made available to units for decision-making, oversight, reporting, or procurement purposes.</p>	<p>Management will develop a method to share conflict of interest information with the units that need it for decision-making, oversight, reporting, or procurement purposes.</p> <hr/> <p><i>Implementation Target Date:</i> August 31, 2003</p>	<p>Internal auditors will monitor status of implementation.</p> <hr/> <p><i>Review:</i> Jun 2004 <i>Report:</i> Jul 2004</p>
<p>5. <u>Follow-Up.</u> No process exists to determine whether oversight committees have been established. No process exists to ensure that original information is updated as changes occur.</p>	<p>Management will meet annually with the colleges and the Institute for Physical Research and Technology to verify that necessary oversight exists and to review and update information.</p> <hr/> <p><i>Implementation Target Date:</i> August 31, 2003</p>	<p>Internal auditors will monitor status of implementation.</p> <hr/> <p><i>Review:</i> Jun 2004 <i>Report:</i> July 2004</p>

**Iowa State University
Facilities Planning and Management - FAMIS**

**Phase 1: Physical and Logical Security
Phase 2: FAMIS Maintenance Management**

Initial Audit Report Issued: August 7, 2003

Description Facilities Planning and Management (FP&M) is a service organization that strives to provide the university community with a safe, comfortable, and usable physical environment.

FP&M implemented an enterprise facilities management system, FAMIS Software (Facilities Administrative Management Information System), in 1999. FAMIS Software provides an integrated suite of software products and services to help organizations maintain and operate facilities assets, manage space, and control capital projects.

Scope / Objective Internal auditors conducted the audit in two phases. For the first phase, the physical and logical security practices were examined that directly relate to FP&M's use of FAMIS. The second phase included examination of a single FAMIS module, maintenance management, and the manual processes supporting it. Functioning as the core module, maintenance management is the most widely deployed at FP&M.

Objectives were to review:

- Compliance with policies, plans, procedures, laws, and regulations;
- Accomplishment of established objectives and goals;
- Reliability and integrity of information;
- Economical and efficient use of resources; and
- Safeguarding of assets

Recommendations / Responses	Auditor's Observation	Management's Response	Expected Auditor Follow-up
	1. <u>Security</u> . Removal of access is delayed for terminated employees. Password disciplines are not consistent with emerging University guidelines.	Management will implement a process for timely removal of logical access for terminated employees; remind staff of the importance of password security; and monitor software for the opportunity to implement University disciplines. <i>Implementation Target Date:</i> August 1, 2003	Internal auditors will monitor status of implementation. <i>Review:</i> Sep 2003 <i>Report:</i> Oct 2003
	2. <u>Data Integrity</u> . FP&M has not defined usage of FAMIS features and captured information.	Management will evaluate resources to determine feasible actions. A team of users will coordinate usage of FAMIS and audit data to identify problem areas. <i>Implementation Target Date:</i> September 1, 2003	Internal auditors will monitor status of implementation. <i>Review:</i> Sep 2003 <i>Report:</i> Oct 2003

University of Northern Iowa
FY 2003 Cash on Hand
Initial Audit Report Issued: June 11, 2003

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

Scope / Objective The purpose of the internal audit of the University's cash funds and undeposited revenue is to provide a reasonable assurance that the internal control environment over cash and revenue on hand at the University is reasonable and functioning adequately.

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. <i>Implementation Target Date:</i> June 2003	Internal auditors will verify compliance. <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. <i>Implementation Target Date:</i> June 2003	Internal auditors will verify compliance. <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. <i>Implementation Target Date:</i> June 2003	Internal auditors will verify compliance. <i>Review:</i> Oct/Nov 2003 <i>Report:</i> Dec 2003
	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. <i>Implementation Target Date:</i> June 2003	Internal Auditor will verify compliance. <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
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. <i>Implementation Target Date:</i> June 2003	Internal auditors will verify compliance. <i>Review:</i> Oct/Nov 2003 <i>Report:</i> Dec 2003
6. <u>Adequate Revenue Records</u> . Record, reconcile, and develop adequate documentation for revenues.	Departments / units will record incoming revenue adequately. <i>Implementation Target Date:</i> June 2003	Internal auditors will verify compliance. <i>Review:</i> Oct/Nov 2003 <i>Report:</i> 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. <i>Implementation Target Date:</i> June 2003	Internal auditors will verify compliance. <i>Review:</i> Oct/Nov 2003 <i>Report:</i> Dec 2003
8. <u>Timely Depositing of Revenue</u> . Deposit revenue according to University policy.	Departments / units will deposit checks according to University policy. <i>Implementation Target Date:</i> June 2003	Internal auditors will verify compliance. <i>Review:</i> Oct/Nov 2003 <i>Report:</i> Dec 2003
9. <u>Alarm Procedure</u> . Develop, document, and communicate an alarm procedure.	Departments / units will develop, document, and communicate an alarm procedure. <i>Implementation Target Date:</i> June 2003	Internal auditors will verify compliance. <i>Review:</i> Oct/Nov 2003 <i>Report:</i> Dec 2003

**University of Northern Iowa
Department**

Initial Audit Report Issued: July 7, 2003

Description An internal audit was performed on a UNI department (Department) from July 1, 2001 to April 30, 2003.

Scope / Objective The purpose of the audit was to provide a reasonable assurance that the Department has established an internal control environment that is reasonable, adequate, and operating appropriately. Operations were examined for:

- Compliance with University policies and procedures;
- Reliable financial information; and
- Adequate safeguarding of assets.

The Department became aware of many of the issues before and during the course of the audit and started actions to alleviate concerns.

Recommendations / Responses	Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
GENERAL ADMINISTRATION			
	1. <u>Department Account Review</u> . Review financial accounts monthly.	The Department head will review financial accounts on a monthly basis.	Internal auditors will verify that reviews occurred.
		<i>Implementation Target Date:</i> July 2003	<i>Review:</i> Mar 2004 <i>Report:</i> Apr 2004
	2. <u>Student Assessments</u> . Summarize and record student assessments on a timely basis.	The Department will summarize and record student assessments on a timely basis.	Internal auditors will verify that this work is or will be completed.
		<i>Implementation Target Date:</i> Fall / Winter 2003	<i>Review:</i> Mar 2004 <i>Report:</i> Apr 2004
PAYROLL			
	1. <u>Overtime/Compensatory Time</u> . Require prior written Department head approval for overtime/compensatory time.	The Department head will require written requests for overtime or compensatory time.	Internal auditors will verify that this process is implemented.
		<i>Implementation Target Date:</i> July 2003	<i>Review:</i> Mar 2004 <i>Report:</i> Apr 2004
	2. <u>Timesheets</u> . Complete and submit timesheets according to University policy.	The Department will assure that timesheets are submitted according to University policy.	Internal auditors will verify the proper submission of timesheets.
		<i>Implementation Target Date:</i> July 2003	<i>Review:</i> Mar 2004 <i>Report:</i> Apr 2004

**University of Northern Iowa
Department
(continued)**

SUPPLIES & SERVICES EXPENSES		
1. <u>Expenditures.</u> Complete and authorize expenditure forms accurately; submit timely; and process according to University procedures.	The Department will complete expenditure items accurately, timely, and assure proper authorization.	Internal auditors will verify appropriate department processing for expenditure items.
	<i>Implementation Target Date:</i> July 2003	<i>Review:</i> Mar 2004 <i>Report:</i> Apr 2004
2. <u>Procurement Card.</u> Allow only the authorized person to use the card for authorized expenses and reconcile expenses monthly.	The Department will follow the University's procurement card process and perform monthly reconciliations.	Internal auditors will verify compliance with University procedures.
	<i>Implementation Target Date:</i> July 2003	<i>Review:</i> Mar 2004 <i>Report:</i> Apr 2004
3. <u>Request for Payments.</u> Complete RFPs accurately, adequately, without extraneous information, and include supporting documentation.	The Department will complete RFPs carefully.	Internal auditors will review RFPs for appropriateness.
	<i>Implementation Target Date:</i> July 2003	<i>Review:</i> Mar 2004 <i>Report:</i> Apr 2004
4. <u>Journal Entries.</u> Assure that all journal entries are reviewed and approved by the Department head.	The Department head will review and approve all journal entries.	Internal auditors will verify department head review and approval.
	<i>Implementation Target Date:</i> July 2003	<i>Review:</i> Mar 2004 <i>Report:</i> Apr 2004
TRAVEL		
1. <u>Authorization.</u> Assure that the Department head approves all travel in writing prior to travel taking place.	The Department head will review and approve all appropriate travel.	Internal auditors will verify appropriate review and approval.
	<i>Implementation Target Date:</i> July 2003	<i>Review:</i> Mar 2004 <i>Report:</i> Apr 2004
2. <u>Signature.</u> Obtain employee signatures on all travel reimbursement forms.	The Department will ensure that all travel reimbursement forms include employee signatures.	Internal auditors will verify inclusion of employee signatures.
	<i>Implementation Target Date:</i> July 2003	<i>Review:</i> Mar 2004 <i>Report:</i> Apr 2004

INTERNAL AUDIT FOLLOW-UP REPORTS

University of Iowa – University Operations

- NCAA Compliance – Coaching Staff Limitations Closed
- NCAA Compliance – Eligibility Closed
- Sponsored Programs – Biomedical Engineering Closed
- Sponsored Programs – Departmental Audit Closed

University of Iowa – Hospital Operations

- College of Medicine Review of Surplus Computer Disposal Practices Closed
- Complimentary Parking Passes – Risk Assessment Closed
- Food and Nutrition Gift Card Program Audit Closed
- Homerus Robot Closed

University of Northern Iowa

- Conference and Event Services Remains Open
-

**University of Iowa – University Operations
NCAA Coaching Staff Limitations**

Initial Audit Report Issued: January 27, 2003
Follow-up Memorandum Issued: October 17, 2003

Description The University of Iowa is obligated to comply with National Collegiate Athletic Association (NCAA) rules and regulations as a Division I member. NCAA Bylaw 22.2.1.3(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.

NCAA Bylaws 11.1, 11.2, and 11.3 outline language that must be included in contracts and letters of appointment for coaches, and related duties that coaches are expected to perform to comply with regulations. NCAA Bylaw 11.7 limits the number of coaches for each sport and defines the duties that may be performed only by coaches. The NCAA provides guidance by defining specific coaching categories (head, assistant, graduate assistant, undergraduate assistant, and volunteer.)

The University of Iowa Athletic Department currently monitors the coaching staff limits for twenty-two sports.

Scope / Objective The framework for the audit was developed by The Association of College and University Auditors and included:

- Determining whether an individual has been designated to monitor compliance with respect to coaching staff limitations;
- Reviewing the procedure for reporting team staff information to the Compliance Office to determine if it adequately monitors coaching staff limits;
- Determining whether required NCAA language is included in all coaching contracts and letters of appointment; and
- Determining if Athletic Department staff conforms with NCAA regulations concerning approval and reporting of outside income and benefits.

Recommendations / Responses

Auditor's Recommendation	Management's Response
1. <u>Contracts for Graduate Assistant and Undergraduate Assistant Coaches.</u> Draft and maintain contracts or letters of appointment with NCAA required language.	Management will draft and maintain contracts or letters of appointment with NCAA required language.
2. <u>Coaching Staff Reporting Procedure.</u> Create a master list of coaching staff information.	Management will create and maintain a master list of coaching staff information.
3. <u>Consistent Reporting of Team Staff.</u> Create a standard format for official team web sites and verify sports information before publication.	Management is in the process of developing a standardized format for web sites and will verify information.
4. <u>Review of Duties Performed by Non-Coaching Sport Specific Administrative Personnel.</u> Review personnel to assure that violations have not occurred; complete formal job descriptions; and self-report any violations to the NCAA. Continue to reiterate NCAA restricted duties.	Management will review personnel to determine if violations have occurred; complete formal job descriptions; and self-report any violations to the NCAA.

**University of Iowa – University Operations
NCAA Compliance Audit – Eligibility**

Initial Audit Report Issued: April 21, 2003
Follow-up Memorandum Issued: October 17, 2003

Description The University of Iowa is obligated to comply with National Collegiate Athletic Association (NCAA) rules and regulations as a Division I member. NCAA Bylaw 22.2.1.3(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.

Scope / Objective The objective of the audit was to assess whether the institution has policies and procedures in place regarding student-athlete eligibility based on NCAA and Big Ten regulations and to evaluate their effectiveness.

Audit scope and procedures included review and evaluation of the following:

- Article 14 of the NCAA Division I Manual;
- Rule 14 of the Big Ten Conference Handbook;
- University departmental policies and procedures (Athletics & Registrar);
- Review of records and monitoring process used for various classifications of eligibility issues (General, Freshmen, Continuing, and Transfer).

Audit procedures included:

- Comparison and review of all teams' Certified Eligibility List (CEL) and Squad List for the spring 2002 and fall 2002 semesters;
- Review of required eligibility documentation for a sample of student-athletes from a sample of teams;
- Verification of freshman eligibility qualifier status for a sample of student athletes;
- Review of documentation and process for ensuring continuing eligibility; and
- Review of documentation and process for determining the eligibility status of transfer student athletes.

Recommendations / Responses

Auditor's Recommendation	Management's Response
Records Organization / Squad List. Locate the fall 2002 Women's Tennis Squad list.	Management will continue to try and locate the missing list. A self-report will be filed with the NCAA if it is not located.

**University of Iowa – University Operations
Sponsored Programs – Biomedical Engineering**

Initial Audit Report Issued: April 21, 2003

Follow-up Memorandum Issued: September 22, 2003

Description Biomedical Engineering is one of six departments in the College of Engineering. It fosters interdisciplinary research that applies engineering science and technology to problems that arise in medicine and biology. The ultimate goal of the research is to improve people's lives and produce improved health care at a reduced cost.

The Department has 254 undergraduate and 57 graduate students enrolled in the Biomedical Engineering program as well as 13 primary faculty and 20 secondary faculty in the department. In fiscal year 2002, Biomedical Engineering was awarded 8 sponsored projects, for a total amount of just over \$1.0 million.

Scope / Objective The purpose of the audit was to review the administrative processes surrounding sponsored research and identify any associated risks. Specific goals of this audit were to:

- Determine whether proposals submitted are subject to adequate institutional review for resources, compliance, mission alignment, budgeting, and approvals;
- Determine whether the sponsored accounts are established accurately, timely, and in agreement with the sponsored award;
- Determine that costs charged for goods and services comply with institutional and federal requirements;
- Determine that specific requirements of sponsored projects (i.e., participant costs) are complied with;
- Determine that federal general requirements (within the area's control) of sponsored projects are complied with [e.g., financial, progress and effort reporting, disclosure statements (if required), etc.]; and
- Evaluate the department's culture and tone with regard to controls, ethics, and compliance with rules and regulations.

Recommendations / Responses

Auditor's Recommendation	Management's Response
1. <u>Effort Reporting</u> . Develop, document, and communicate expectations regarding effort reporting.	Management will send out a memo detailing what is expected regarding effort reporting.
2. <u>Regular Fund Monitoring / Reconciliation</u> . Document and communicate monthly expectations and reconciling responsibilities.	Management will send a memo explaining expectations and responsibilities and will discuss during regular monthly meetings.
3. <u>Grant Compliance</u> . Assure that fully executed Administrative Invention Agreements are submitted for each identified project. Document and communicate the importance of compliance with sponsored research requirements.	Management will assure execution of Administrative Invention Agreements; send a memo explaining expectations and responsibilities of sponsored research; and discuss during regular monthly meetings.

**University of Iowa – University Operations
Sponsored Programs – Departmental Audit**

Initial Audit Report Issued: February 17, 2003
Follow-up Memorandum Issued: October 17, 2003

Description The Division of Sponsored Programs (DSP) assists the university community in seeking external financial support for faculty, staff, and student research, training, and service activities. DSP processed 2,911 funding applications totaling \$524.9 million during FY 2002 with 1,870 resulting in actual monetary awards totaling \$339.9 million.

DSP also provides institutional signature authority; negotiates terms and conditions; provides post award administration; assures regulatory compliance; and reports to the Board, the Legislature, University Administration, and the general public.

Scope / Objective The internal audit evaluated the adequacy of departmental procedures and internal controls of predetermined business processes to ensure:

- 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;
- Effective methods for communications exist both inside the department and with other areas of the institution; and
- Efficient processes are in place for departmental operations and grant processing.

Recommendations / Responses

Auditor's Recommendation	Management's Response
1. <u>Communication With Other Departments.</u> Continue to schedule opportunities for departmental personnel to discuss common issues and build relationships.	Management will continue to provide opportunities for staff members to discuss common issues and build relationships.
2. <u>Departmental Efficiencies & Processes.</u> a. <u>Human Resource Management.</u> Review human resource reports weekly or monthly; establish a contact person and maintain files regarding employee absences to make verification possible; submit paperwork for employee pay transactions in a timely manner.	Management will review HR reports monthly; establish a contact person and maintain files regarding employee absences; ensure that paperwork for employee pay transactions are submitted in a timely manner.

**University of Iowa – University Operations
Sponsored Programs – Departmental Audit**
(continued)

<p>b. <u>Departmental Procedure Manuals.</u> Maintain up-to-date procedure manuals for all director-level employees and complete a standardized outline for common director duties.</p>	<p>Management will require each director to document procedures unique to their position and will develop a standard set of guidelines for all director-level positions.</p>
<p>c. <u>Travel Expense Reimbursement Approval.</u> Document and maintain all signature authorities and direct supervisors or designees should review and approve employee expenses.</p> <p>d. <u>Signing of Contracts and Purchase Orders by Purchasing.</u> Formalize the granting of signature authority.</p> <p>e. <u>Grant and Contract Processing.</u> Analyze the process for performing contract reviews and assess the time spent filtering funding applications for grant agencies.</p>	<p>Management has requested written delegation of all signature authority forms and will implement proper expense review procedures.</p> <p>Management is in the process of formalizing the manner for granting signature authority.</p> <p>Management has separated contract reviews between two people and will perform ongoing reviews of the current grant process.</p>
<p>3. <u>Off-Campus Use of Equipment.</u> Create and maintain completed forms for equipment used off campus and monitor the whereabouts of equipment closely.</p>	<p>Management will use appropriate forms for equipment used off campus.</p>

**University of Iowa – Hospital Operations
College of Medicine Review of Surplus Computer Disposal Practices**

Initial Audit Report Issued: May 23, 2003

Follow-up Memorandum Issued: October 17, 2003

Description Recent implementation of the Health Insurance Portability and Accountability Act (HIPPA) has focused increased attention on the importance of removal of all patient data from discarded computers and provides a basis for legal recourse. There is a need to adequately and consistently strip data from hard drives of used computers from the healthcare areas.

Scope / Objective The scope of work included:

- Understanding the internal controls currently in place;
- Ascertaining University of Iowa Surplus Department's role;
- Determining limits of software licensing contracts related to selling used computers containing software;
- Contacting other universities with hospitals to compare practices; and
- Utilizing specialty software to test previously “scrubbed” computers for residual information.

Recommendations / Responses	Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
	1. <u>Erasing of Data</u> . Assure that sensitive data is erased before sending hard drives to surplus.	Management is now using new software to erase data and has assigned an employee to supervise the surplus equipment process.	Recommendation closed.
		<i>Implementation Target Date:</i> Completed	<i>Review:</i> N/A <i>Report:</i> N/A
	2. <u>Computers Earmarked for Sale to Individuals</u> . Determine that discarded computers are of no use to the University or to other state entities before offering them to the public.	Management has proposed changes to policies and procedures to detail how surplus items are discarded.	Internal auditors will review changes.
		<i>Implementation Target Date:</i> September 1, 2003	<i>Review:</i> Sep 2003 <i>Report:</i> Oct 2003

**University of Iowa – Hospital Operations
Complimentary Parking Passes – Risk Assessment**

Initial Audit Report Issued: April 21, 2003
Follow-up Memorandum Issued: October 17, 2003

Description UIHC implemented the Complimentary Parking Pass program in February of 2000. The program provides free parking in one of four hospital parking ramps to Ambulatory Care Clinic patients. Patients receive the pass during their visit and present it when exiting the ramp.

University Parking and Transportation charges UIHC a reduced rate for each actual hour of complimentary parking used.

The UIHC budget for this project in FY 2003 is \$850,000 and provides complimentary parking for approximately 300,000 patients each year.

Scope / Objective A risk assessment of the Complimentary Parking Pass program was conducted at the request of senior hospital administration. Internal auditors:

- Reviewed written documentation created when the program was initiated;
- Conducted interviews with the ambulatory care clinic personnel; and
- Observed and analyzed operating procedures in both the ambulatory care clinics and parking ramps.

Recommendations / Responses

Auditor's Recommendation	Management's Response
<p>OBSERVATIONS</p> <ol style="list-style-type: none"> 1. <u>Ambulatory Care Clinics</u>. The program lacks administrative oversight and review. 2. <u>Hospital Parking Facilities</u>. Multiple passes provide the opportunity for misuse. 	<p>No response provided.</p>
<p>CONTROL RECOMMENDATIONS</p> <ol style="list-style-type: none"> 1. <u>UIHC Business Process Owner</u>. Name a business process owner and design a process with appropriate controls. 2. <u>Documentation of the Complimentary Parking Pass Program</u>. Develop a policy for the program's administration. 3. <u>Communication</u>. The business process owner and University parking officials should communicate regularly to discuss specific issues, address changes, and share critical information. 4. <u>Identify a New Process</u>. Create a task force to review practices, resolve issues, and enhance controls. 	<p>Management will create a task force to respond to the recommendations made by the internal auditor. The task force will design a new process with appropriate controls and be responsible for its implementation and on-going administration.</p>

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

Initial Audit Report Issued: April 15, 2002

Follow-up Memorandum Issued: October 17, 2003

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: <ul style="list-style-type: none">• Physical access and security;• Procedures;• Reconciliations;• Accounting;• Training; and• Point of sale transactions.
Corrective Actions	The Department will incorporate all recommendations for appropriate controls into the design and implementation of the program.

**University of Iowa – Hospital Operations
Homerus Robot**

Initial Audit Report Issued: June 17, 2003

Follow-up Memorandum Issued: October 17, 2003

Description UIHC is a beta site for the Homerus Robot that is sold by Pyxis Corporation. The robot is used for packaging, storing and dispensing single dose, bar coded medications into patient specific cassettes that are distributed to inpatient units throughout the hospital each day. The robot has been installed as part of the Department of Pharmaceutical Care's strategic plan for automating pharmacy processes so that UIHC is positioned to implement bedside verification of medication administration.

Scope / Objective The objectives of the audit were to:

- Determine that processes using the Homerus system are in compliance with state, federal and other regulatory agencies;
- Ensure that pharmaceuticals are safeguarded through the entire process;
- Determine that pharmaceuticals moving through the process are appropriately recorded in inventory;
- Determine that appropriate system resources and personnel are in place to adequately monitor and maintain the system.
- Ensure that reporting tools are in place to assist management in making appropriate decisions;
- Ensure that system security and access is appropriate; and
- Determine the adequacy of policies and procedures.

Recommendations / Responses

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
1. <u>Safety Guards</u> . Address safety concerns; display approved signage prominently; and communicate documented protocols to those working around the robot.	Management has addressed safety concerns and continues to work with Homerus to address other concerns; has placed signage; and will begin training.	Internal auditors will verify safety concerns and training.
	<i>Implementation Target Date:</i> August 2003	<i>Review:</i> Aug 2003 <i>Report:</i> Oct 2003
2. <u>Homerus Software Security</u> . Identify and design new security controls to ensure appropriate user access.	Management has communicated the software security design flaw and is waiting for a response.	Internal auditors will perform additional testing of security.
	<i>Implementation Target Date:</i> August 2003	<i>Review:</i> Aug 2003 <i>Report:</i> Oct 2003
3. <u>User Security and Access</u> . Create a form to standardize user information input and gain formal approval for adding or maintaining user information. Deactivate the generic ID.	Management has created a systematic method for entering users into the system and has attempted to deactivate the generic ID. Assistance has been requested from the vendor.	Internal auditors will verify changes.
	<i>Implementation Target Date:</i> July 2003	<i>Review:</i> Aug 2003 <i>Report:</i> Oct 2003

**University of Iowa – Hospital Operations
Homerus Robot
(continued)**

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
<p>4. <u>Documentation.</u> Review and update or create documentation that is reflective of current operations including disaster recovery plans and downtime procedures. Use the documents as training tools.</p>	<p>Management has updated policies and procedures covering normal operations as well as disaster recovery and downtime have been updated. Specific disaster recovery and database back-up/restore procedures are pending clarification with the vendor. Staff will be re-trained.</p> <p><i>Implementation Target Date:</i> July 2003</p>	<p>Internal auditors will verify training.</p> <p><i>Review:</i> Aug 2003 <i>Report:</i> Oct 2003</p>
<p>5. <u>Data Backup.</u> Assure that staff has adequate knowledge of the backup process and work with the vendor to ensure that backups are performed.</p>	<p>Management will contact the vendor for clarification of data back up and restore procedures.</p> <p><i>Implementation Target Date:</i> July 2003</p>	<p>Internal auditors will verify data backup and restore procedures.</p> <p><i>Review:</i> Jul 2003 <i>Report:</i> Oct 2003</p>
<p>6. <u>Orientation Checklist.</u> Provide user training or limit system functionality; complete a checklist for training documentation and competency; and retain checklist in employee personnel files.</p>	<p>Management has created an orientation checklist; will go through the list with employees within 30 days; and will file a copy.</p> <p><i>Implementation Target Date:</i> August 2003</p>	<p>Internal auditors will confirm the completion of orientation checklists and training.</p> <p><i>Review:</i> Aug 2003 <i>Report:</i> Oct 2003</p>
<p>7. <u>Training.</u> Ensure that key personnel are well trained.</p>	<p>Management will clarify roles and expectations, obtain information to enhance knowledge, and revise department policies.</p> <p><i>Implementation Target Date:</i> August 2003</p>	<p>Internal auditors will confirm that training took place.</p> <p><i>Review:</i> Aug 2003 <i>Report:</i> Oct 2003</p>
<p>8. <u>Technical Support.</u> Ensure appropriate technical support and timely and results-orientation communication with the vendor. Draft and approve a customer support agreement.</p>	<p>Management has met with the vendor to discuss service and has drafted a contractual agreement.</p> <p><i>Implementation Target Date:</i> July 2003</p>	<p>Internal auditors will verify the agreement approval and subsequent vendor compliance.</p> <p><i>Review:</i> Jul 2003 <i>Report:</i> Oct 2003</p>

**University of Northern Iowa
Conference and Event Services**

Initial Audit Report Issued: November 22, 2002
Follow-up Report Issued: September 26, 2003

Description Conference & Event Services (CES) is a sub-center of the Division of Continuing Education. CES is the result of the merger between the Conferences and Visitor Services Office and the Continuing Education Non-Credit Programs Office.

CES provides assistance with planning, budgeting, managing, and evaluating conferences, seminars, and institutes held in cooperation with the University of Northern Iowa. These services enable various colleges and departments to offer non-credit courses that serve the public's continuing education needs. CES is recognized as the official provider of Continuing Education Units (CEUs) for non-credit education.

Scope / Objective The purpose of the audit was to provide reasonable assurance that CES had established adequate internal controls. Operations were examined 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.

The internal audit reviewed CES' internal controls over administration, human resources, information technology, and financial assets and transaction processing.

Recommendations / Responses

Auditor's Recommendation	Management's Response
1. <u>CES Cash Balances</u> . Develop, document, and share with appropriate administration a plan to correct the deficit cash balance.	Management will develop a plan, put it in place by March 1, 2003, work with university personnel to explore ways to reduce the overall deficit, and implement monthly reviews.
2. <u>Cost Recovery Study</u> . Complete a documented cost study of indirect costs.	Management will implement a study on indirect costs.
3. <u>Human Resource Management</u> . Establish support staff responsibilities and consistent procedures.	Management will perform position description questionnaires on all current positions and will review office policies and procedures.

University of Northern Iowa Conference and Event Services <i>(continued)</i>	
<p>4. <u>Conference & Event Management.</u> Assure that (1) appropriate agreements are completed and documented; (2) Insurance Certificates are obtained prior to events; (3) expenses are recorded timely; and (4) review of event files are performed within 60 – 90 days of invoicing.</p>	<p>Management will use a checklist to assure: (1) the timely completion of appropriate documents; (2) receipt of Insurance Certificates; (3) proper recording of expenses; and (4) utilization of Peopleware software as a management tool.</p>
<p>5. <u>Revenue & Expenses.</u> Create immediate record for revenue; prepare accounts receivables record at least monthly; and monitor purchases and payments closely.</p>	<p>Management will implement precise revenue records; prepare monthly lists of accounts receivables; and review purchases and payments closely.</p>
<p>6. <u>FY 2001 Cash on Hand Internal Audit Follow-Up.</u></p> <p>a. <u>Restrictive Check Endorsements.</u> Endorse checks immediately.</p> <p>b. <u>Alarm Procedure.</u> Develop, document, and communicate an alarm procedure.</p> <p>c. <u>Physical Security of Cash Funds & Revenue.</u> Secure revenue in a locked area during business hours; hold undeposited revenue in a fire-resistant safe overnight or when the office is closed; move safe to an inaccessible location.</p> <p>d. <u>Accounts Receivable Records.</u> Maintain an adequate accounts receivable record and update monthly.</p>	<p>Management will instruct employees to endorse checks immediately upon receipt.</p> <p>Management has developed and distributed an alarm procedure.</p> <p>Management will hold cash and revenue to be processed in the fire-resistant safe that will be moved to an inaccessible location.</p> <p>Management will record payments as received and update the accounts receivable report monthly.</p>

Auditor's Response
and Follow-up

Recommendation number two is the only item remaining open; all other recommendations are closed. Follow-up on the remaining item will be performed in FY 2004.