

MEMORANDUM

To: Banking Committee
From: Board Office
Subject: Internal Audit Reports
Date: October 7, 2002

Recommended Actions:

1. Receive the FY 2002 Cash on Hand internal audit report from the University of Northern Iowa.
 2. Receive the report on the Status of the Internal Audit Follow-up reports, including two follow-up reports.
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Executive Summary:

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

The Status of Internal Audit Follow-Up Table on page 2 identifies 14 internal audit reports, 12 of which require follow-up. Two follow-up reports are presented this month from Iowa State University (pages 5-6); both are closed.

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
October 7, 2002**

University of Iowa

Title	Report Date	Follow-Up Status	Expected Completion
1. College of Dentistry – Business System Security & Access (SUI)	December 20, 2001	Follow-up scheduled in FY 2003.	October 2002
2. Food and Nutrition Gift Card Program (UIHC)	April 15, 2002	Follow-up scheduled in FY 2003.	December 2002
3. Patient Fiscal and Registration Services (UIHC)	March 18, 2002	Follow-up scheduled in FY 2003.	December 2002
4. Patient Fiscal and Registration Services – Credit Balances (UIHC)	March 18, 2002	Follow-up scheduled in FY 2003.	December 2002
5. Credit Programs – Division of Continuing Education (SUI)	May 24, 2002	Follow-up scheduled in FY 2003.	November 2002
6. Graduate College – Departmental Audit (SUI)	May 24, 2002	Follow-up scheduled in FY 2003.	November 2002
7. Internal Controls Relating to Student Activity Fees (SUI)	July 23, 2002	Follow-up scheduled in FY 2003.	January 2003
8. Scanned Signatures (UIHC)	July 23, 2002	Follow-up scheduled in FY 2003.	November 2002
9. UIHC Timekeeping / Payroll (UIHC)	August 20, 2002	Follow-up scheduled in FY 2003.	January 2003

Iowa State University

Title	Report Date	Follow-Up Status	Expected Completion
10. Athletic Business Office	February 18, 2002	Audit closed (page 5.)	Closed
11. Department of Agricultural and Biosystems Engineering	April 26, 2002	Follow-up scheduled in FY 2003.	January 2003
12. Department of Electrical and Computer Engineering	May 28, 2002	Follow-up scheduled in FY 2003.	February 2003
13. Department of Residence Accounting	March 11, 2002	Audit closed (page 6.)	Closed
14. IBSSS – Information Technology General Controls Review	March 13, 2002	Follow-up scheduled in FY 2003.	October 2002

University of Northern Iowa

Title	Report Date	Follow-Up Status	Expected Completion
No follow-ups pending.			

University of Northern Iowa
FY 2002 Cash on Hand
Initial Audit Report Issued: September 10, 2002

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 audit was to provide a reasonable assurance that internal control over cash and revenue on hand is reasonable and is functioning adequately. The auditors verified that cash funds and undeposited revenue is recorded, authorized, accounted for, controlled, secured, deposited timely, and is in compliance with applicable laws, regulations, policies, and procedures.

Auditor's Recommendation	Management's Response
1. <u>Departmental Reimbursement Fund Compliance</u> . Comply with the University's departmental reimbursement fund procedures.	Departments / units will comply with reimbursement fund procedures.
2. <u>Unauthorized Cash Fund</u> . Make stamp purchases out of departmental reimbursement funds or through the normal voucher process; maintain departmental change funds at authorized amounts at all times; create adequate revenue records; and deposit revenue in accordance with University policy.	Departments / units will make stamp purchases properly; maintain change funds at authorized amounts; create adequate revenue records; and deposit revenue in accordance with University policy.
3. <u>Cash Funds Reporting</u> . Complete and submit required monthly reports for authorized change fund(s) and/or departmental reimbursement fund(s) on a timely basis.	Departments / units will submit proper reports in a timely fashion.
4. <u>Physical Security of Cash Funds & Revenue</u> . Provide adequate physical security for cash funds and undeposited revenue at all times.	Departments / units will secure undeposited revenue in locked, fire-resistant safe/cashbox; access will be limited.

University of Northern Iowa FY 2002 Cash on Hand <i>(continued)</i>	
<p>5. <u>Cash Overages & Shortages.</u> Record cash overages and shortages in the University's accounting system; review year-to-date totals monthly; and develop and implement procedures to resolve overages and shortages appropriately.</p>	<p>Departments / units will: record overages and shortages; review year-to-date totals monthly; and develop and implement procedures to resolve overages and shortages.</p>
<p>6. <u>Adequate Revenue Records.</u> Record, reconcile, and develop adequate documentation for revenues.</p>	<p>Departments / units will create initial receipt logs.</p>
<p>7. <u>Appropriate Check Negotiation.</u> Restrictively endorse checks immediately upon receipt.</p>	<p>Departments / units will endorse checks immediately upon receipt.</p>
<p>8. <u>Timely Depositing of Revenue.</u> Deposit all revenue at least weekly or sooner if \$250 is on hand according to University policy.</p>	<p>Departments / units will deposit checks accordance with University policy.</p>
<p>9. <u>Alarm Procedure.</u> Communicate alarm procedures and maintain copies in or near the unit's main operation location.</p>	<p>Departments / units will communicate alarm procedures to employees and distribute copies.</p>

Auditor's Response
and Follow-up

Internal auditors accepted management responses pending a follow-up review that will be performed in FY 2003.

INTERNAL AUDIT FOLLOW-UP REPORTS

Iowa State University

- Athletic Business Office Closed
 - Department of Residence Accounting Closed
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**Iowa State University
Athletic Business Office**

Follow-up Report Issued: September 4, 2002
Initial Audit Report Issued: February 18, 2002

Recommendations /
Responses

Auditor's Recommendation	Management's Response
1. <u>Cell Phone Policy and Procedures.</u> Review, revise, and document cell phone procedures.	Management will review, revise, and document cell phone policies and procedures.
2. <u>Travel-Related Procedures.</u> <u>Cash Advances.</u> Comply with University and/or departmental policies and procedures for cash advances, travel reimbursements and AMEX Cards.	Management will revise its travel advance, travel reimbursement, and AMEX card policies and procedures to be consistent with those of the University.
3. <u>Petty/Imprest Cash Fund Uses and Procedures.</u> Reduce employee access, decrease the fund balance, and perform periodic fund audits.	Management will revise petty/imprest cash fund procedures to include reduce employee access, decrease the fund balance, and perform periodic fund audits.
4. <u>Delegations of Signature Authority.</u> Document signature authority delegations.	Management will evaluate and document signature authority delegations.
5. <u>Bowl Travel Policy and Procedures.</u> Document departures from University policies and include supporting rationale. Provide written approval of departmental policies more liberal than the University's.	Management will provide supporting rationale for deviations from University policies and provide written approval of departmental policies more liberal than the University's.

Auditor's Response
and Follow-up

Management's actions have been effectively implemented as planned, or are in progress. This audit is closed.

Iowa State University
Department of Residence Accounting
Follow-up Report Issued: September 24, 2002
Initial Audit Report Issued: March 11, 2002

Recommendations /
Responses

Auditor's Recommendation	Management's Response
1. <u>Management Operating Statements</u> . Evaluate accounting and reporting methodology to assure effective and efficient operating statements.	Management will reevaluate the methodology used to identify, measure, classify, and report operating information.
2. <u>Documentation of Accounting Methodology</u> . Document methodology used to generate operating statements.	Management will develop and maintain an accounting methodology manual including procedures and processes unique to the DOR.

Auditor's Response
and Follow-up

Management's actions have been effectively implemented as planned, or are in progress. This audit is closed.