

**MEMORANDUM**

**To:** Banking Committee  
**From:** Board Office  
**Subject:** Internal Audit Reports  
**Date:** September 9, 2002

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**Recommended Actions:**

1. Receive the following four internal audit reports from the University of Iowa:  
UNIVERSITY OPERATIONS
    - Intercollegiate Athletics – Home Game Ticket Revenue FY 2001-02
    - Internal Controls Relating to Student Activity FeesHOSPITAL OPERATIONS
    - Scanned Signatures
    - UIHC Timekeeping / Payroll
  2. Receive the report on the Status of the Internal Audit Follow-up reports, including ten 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 21 internal audit reports, 11 of which require follow-up. Ten follow-up reports are presented this month (page 9), four from the University of Iowa, three from Iowa State University and three from the University of Northern Iowa; all are closed.

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**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.

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**Status of Internal Audit Follow-Up  
September 9, 2002  
University of Iowa**

<b>Title</b>	<b>Report Date</b>	<b>Follow-Up Status</b>	<b>Expected Completion</b>
1. College of Dentistry – Business System Security & Access (SUI)	December 20, 2001	Follow-up scheduled in FY 2003.	October 2002
2. Conflict of Interest (SUI) Follow-up report	December 20, 2001 August 20, 2002	Audit closed. (Page 9.)	Closed
3. Food and Nutrition Gift Card Program (UIHC)	April 15, 2002	Follow-up scheduled in FY 2003.	December 2002
4. Patient Fiscal and Registration Services (UIHC)	March 18, 2002	Follow-up scheduled in FY 2003.	December 2002
5. Patient Fiscal and Registration Services – Credit Balances (UIHC)	March 18, 2002	Follow-up scheduled in FY 2003.	December 2002
6. Student Billing Processes (SUI) Follow-up report	April 15, 2002 August 20, 2002	Audit closed. (Page 10.)	Closed
7. University Video Center (SUI) Follow-up report	April 15, 2002 August 20, 2002	Audit closed. (Pages 11-12.)	Closed
8. Credit Programs – Division of Continuing Education (SUI)	May 24, 2002	Follow-up scheduled in FY 2003.	November 2002
9. Graduate College – Departmental Audit (SUI)	May 24, 2002	Follow-up scheduled in FY 2003.	November 2002
10. Review of Inventory Purchase Activity (SUI) Follow-up report	May 24, 2002 July 23, 2002	Audit closed. (Page 10.)	Closed

**Iowa State University**

<b>Title</b>	<b>Report Date</b>	<b>Follow-Up Status</b>	<b>Expected Completion</b>
11. Residence Hall Convenience Stores Follow-up report #1 Follow-up report #2	February 16, 2001 December 6, 2001 July 15, 2002	Audit closed. (Page 13.)	Closed
12. Athletic Ticket Office Follow-up report	August 14, 2001 August 8, 2002	Audit closed. (Page 13.)	Closed
13. Athletic Business Office	February 18, 2002	Follow-up scheduled in FY 2003.	September 2002
14. Veterinary Diagnostic and Production Animal Medicine Follow-up report	October 11, 2001 July 15, 2002	Audit closed. (Page 14.)	Closed
15. Department of Agricultural and Biosystems Engineering	April 26, 2002	Follow-up scheduled in FY 2003.	January 2003
16. Department of Electrical and Computer Engineering	May 28, 2002	Follow-up scheduled in FY 2003.	February 2003
17. Department of Residence Accounting	March 11, 2002	Follow-up scheduled in FY 2003.	October 2002
18. IBSSS – Information Technology General Controls Review	March 13, 2002	Follow-up scheduled in FY 2003.	October 2002

**University of Northern Iowa**

<b>Title</b>	<b>Report Date</b>	<b>Follow-Up Status</b>	<b>Expected Completion</b>
19. Cash Funds On Hand Follow-up report #1 Follow-up report #2	June 19, 2001 December 14, 2001 June 26, 2002	Audit closed. (Page 15.)	Closed
20. Grants and Contracts Accounting Follow-up report #1 Follow-up report #2	March 22, 2000 June 29, 2001 July 8, 2002	Audit closed. (Page 15.)	Closed
21. North American Review Follow-up report	March 9, 2001 July 8, 2002	Audit closed. (Page 16.)	Closed

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**University of Iowa – University Operations  
Intercollegiate Athletics – Home Game Ticket Revenue**

Initial Audit Report Issued: August 20, 2002

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Description

Internal auditors annually examine regular season home ticket revenue and follow up on prior year recommendations to provide an independent verification and reconciliation of revenue and guaranteed payments to visiting institutions.

The combined home game gross revenue for Men's and Women's Athletics was approximately \$12.2 million in FY 2002. Football ticket sales accounted for about 62% of the revenue, and the balance included sales from men's basketball, women's basketball, wrestling and other sports. The \$12.2 million gross revenue does not include conference revenue sharing and contractual payments to visiting teams.

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Scope / Objective

Objectives of the FY 2002 report included 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.

The internal auditors performed the following procedures:

- Conducted a count of unsold tickets at the Athletic Ticket Office;
  - Reconciled ticket revenue reported on each game's Event Audit Report to the corresponding Big Ten Financial Settlement Reports for football and Men's basketball;
  - Verified proper reporting of revenue and sales tax obligations on the general ledger;
  - Reconciled the number of complimentary tickets reported on the Big Ten Financial Settlement Reports to the Athletic Ticket Office Comp listings;
  - Reconciled ticket revenue, Iowa sales tax, and guaranteed payments to visiting teams to the appropriate general ledger accounts;
  - Calculated and reconciled the balance due and amount paid to visiting teams on the financial settlement reports and contract agreements to the year end University of Iowa Statement of Account; and
  - Recalculated extensions and totals on the Big Ten Financial Settlement Reports.
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Recommendations /  
Responses

<b>University of Iowa – University Operations Intercollegiate Athletics – Home Game Ticket Revenue</b> <i>(continued)</i>	
<b>CURRENT YEAR RECOMMENDATIONS (FY 2002)</b>	
Auditor's Recommendation	Management's Response
The internal auditors reported no material audit findings or weaknesses.	N/A

<b>STATUS OF PRIOR YEAR RECOMMENDATIONS (FY 2001)</b>	
Auditor's Recommendation	Management's Response
1. <u>Big Ten Revenue Sharing Payments</u> . Include all revenue tickets on the Big Ten Settlement Sheets and complete all ticket reallocations prior to Big Ten settlement.	Management will rework the reporting process to assure that all revenue ticket types are included in the future.
2. <u>Game Admittance Without Physical Ticket</u> . Assure that admittance to paid events is granted only with physical tickets.	Management will explore options available for issuance of physical tickets for paid admittance on large walk-up groups.
3. <u>Balance Due/Accounts Payable Tickets</u> . Discontinue issuance of accounts payable tickets or decide at issuance whether tickets are revenue or complimentary tickets.	Management will track balance due tickets as revenue tickets and print them in separate batches. Balance due tickets will be invoiced out to the recipient and payment issues will be resolved prior to preparation of the Big Ten Settlement Reports.

Response and  
Follow-up

Corrective measures have been taken by management on all of the recommendations made in the FY 2001 audit. The FY 2001 audit is closed.

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**University of Iowa – University Operations  
Internal Controls Relating to Student Activity Fees**

Initial Audit Report Issued: July 23, 2002

**Description** Student Activity Fees are mandatory and are charged to students based on the number of hours enrolled. They support the University of Iowa Student Government (UISG) as well as various student organizations.

Organizations that benefit all students receive the greatest portion of these fees. Other recognized student organizations may apply for an allocation from these funds. Budget guidelines are followed when making recommendations for allocations to the various organizations.

Student Activity Fees totaled \$858,000 for FY 2002.

**Scope / Objective** The purpose of the audit was to evaluate internal controls relating to Student Activity Fee funds and included the following procedures:

- Examining background information relative to administrative fees;
- Tracking Student Activity Fees activity throughout the year to verify reasonableness of transactions;
- Verifying that transfers to the Priority I organizations matched UISG approved budget allocations;
- Testing selected expenditures and transfers during FY 2001 and FY 2002 from the Student Activity Fee account and requesting supporting documentation;
- Gaining an understanding of how groups may request funds and how unspent allocations go back to the Student Activity Fee Account; and
- Reviewing business processes associated with planning, receiving, and allocating Student Activity Fees.

**Recommendations / Responses**

Auditor's Recommendation	Management's Response
<p>1. <u>Accounting Controls.</u></p> <p>a. <u>Segregation of Funding.</u> Maintain funds with different purposes / restrictions in different accounts.</p> <p>b. <u>Reconciliation of Accounts.</u> Segregate transfer / expenditure approval duties from the person that reviews / reconciles the account.</p>	<p>Management will maintain separate accounts for different purposes / restrictions.</p> <p>Management will: 1) assure that a representative who cannot spend or transfer funds from these accounts will review the account; 2) match transactions to source documentation; and 3) sign and date the statement when complete.</p>

<b>University of Iowa – University Operations Internal Controls Relating to Student Activity Fees</b> <i>(continued)</i>	
Auditor's Recommendation	Management's Response
2. <u>Joint Planning</u> . Meet with UISG executives prior to year's end rather than after year's end to review accounts.	Management will meet with UISG executives prior to the beginning of the academic year to: 1) determine minimum dollar amount to be maintained; 2) formulate a list of priorities; 3) outline corrective measures.
3. <u>Documentation of Communication</u> . Document and report activity to students and to UISG.	Management will: 1) encourage open communication with students; 2) maintain documentation of spending agreements in the Vice President's Office; and 3) distribute copies to current participants and make available to future UISG officers upon request.

Response and  
Follow-up

Internal auditors accepted management responses pending a follow-up review subsequent to implementation of corrective actions.

**University of Iowa – Hospital Operations  
Scanned Signatures – University of Iowa Hospital and Clinics**

Initial Audit Report Issued: July 23, 2002

Description

The University of Iowa Hospitals and Clinics (UIHC) uses scanned signatures on various promotional mailings, marketing materials, certificates for staff, and form letters. The Joint Office of Planning, Marketing and Communications (JOPMC) Creative Services Office is the generation point for most of these scanned signatures.

Of the 53 signatures in JOPMC's database, several were for individuals no longer associated with UIHC and date back to 1993.

Scope / Objective

Internal auditors conducted an audit to review the risk associated with scanned signatures generated and stored within UIHC and JOPMC.

Recommendations /  
Responses

Auditor's Recommendation	Management's Response
1. <u>Policy</u> . Establish a written policy governing the creation, retention, and use of scanned signatures.	Management will develop a policy to address the issues and communicate to all departments hospital-wide.
2. <u>Security</u> . Limit access to scanned signatures and establish formal approval process.	
3. <u>Segregation of Duties</u> . Assure that creation and retention duties are segregated.	

Auditor's Response  
and Follow-up

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

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**University of Iowa – Hospital Operations  
UIHC Timekeeping / Payroll**

Initial Audit Report Issued: August 20, 2002

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Description

The University of Iowa Hospitals and Clinics (UIHC) developed and implemented the Human Resource Management and Staff Time and Attendance Facilitator (HRM / STAF) in September 1990. The system records human resource information and provides the ability to key, code, and accumulate time records for payroll purposes.

The programs are part of the Information Network For Online Retrieval and Medical Management (INFORMM) system that resides on UIHC's mainframe computer.

A variety of processes and personnel are decentralized and time records are manually entered into the HRM / STAF system each pay period.

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Scope / Objective

The purpose of the audit was to:

- Verify that departments are following appropriate policies and procedures regarding time keeping and payroll processes;
  - Verify that the processes have appropriate segregation of duties;
  - Determine the adequacy of controls over timekeeping / payroll transactions and records maintained at the unit level;
  - Determine that timekeeping records are properly supported for paid time off and to verify those items are properly coded and promptly keyed for payroll purposes;
  - Verify that processes are appropriately documented to support training and cross training of decentralized personnel;
  - Verify that processes are appropriately documented to support training and cross training of decentralized personnel;
  - Verify the data integrity of time records through the process; and
  - Identify areas of inefficiency and redundant tasks in the process.
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Recommendations /  
Responses

<b>University of Iowa – Hospital Operations</b> <b>UIHC Timekeeping / Payroll</b> <i>(continued)</i>	
Auditor's Recommendation	Management's Response
1. <u>HRM / STAF User Manual</u> . Review, update, and distribute user manual to appropriate staff members.	Management will publish an electronic manual on the web and will review it annually.
2. <u>Desk Procedures and Documentation</u> . Develop desk protocols for personnel that process UIHC timekeeping and payroll data.	Management will put together protocols that will standardize processes across the department.
3. <u>Time Record Approvals</u> . Assure that time records are approved by the employee's direct supervisor or by a subordinate with budgetary responsibility for the unit.	Management will draft a policy stating that all employees are required to sign off on their hours and that supervisors should sign off on any changes.
4. <u>Eliminate Employee Master Cards</u> . Discontinue manual creation and maintenance of UIHC payroll master cards.	Management will utilize the HR Data Access Applications to ensure appropriate tracking of employee information.
5. <u>Pay Check Distribution</u> . Distribute employee checks via appropriate and secure means.	Management will develop a policy regarding appropriate check distribution procedures.
6. <u>HRM / STAF Access Change Form</u> . Establish a policy requiring formal approval of all access changes to the HRM / STAF system.	Management will draft a policy requiring formal approval of HRM / STAF access changes.
7. <u>HRM / STAF Technical Team</u> . Assign additional resources to the technical team, review service requests thoroughly, and reinforce the change management process to provide adequate review of code changes and test results.	Management will assure that a supervisor or peer programmer will review all programming changes to the HRM / STAF system.
8. <u>Union Contract Terms and Manual Calculations</u> . Automate calculations currently being performed manually.	Management will recommend alternatives to the manual calculations.
9. <u>Automated Timekeeping System</u> . Evaluate the benefits of implementing an automated timekeeping system.	Management will identify a plan to migrate off the current application and will work to gain senior management support for a new system.

Auditor's Response  
and Follow-up

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

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**INTERNAL AUDIT FOLLOW-UP REPORTS**

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**University of Iowa – University Operations**

**Status**

- Conflict of Interest Closed
- Review of Inventory Purchase Activity Closed
- Student Billing Processes Closed
- University Video Center Closed

**Iowa State University**

- Athletic Ticket Office Closed
- Residence Hall Convenience Store Closed
- Veterinary Diagnostic and Production Animal Medicine Closed

**University of Northern Iowa**

- Cash Funds on Hand Closed
  - Grants & Contracts Accounting Closed
  - North American Review Closed
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**University of Iowa – University Operations  
Conflict of Interest**

Follow-up Report Issued: August 20, 2002  
Initial Audit Report Issued: December 20, 2001

Recommendations /  
Responses

Auditor's Recommendation	Management's Response
1. <u>Issue Revised Policy</u> . Issue a revised policy in a clear concise tone and include examples of specific issues.	Management has drafted a new policy that has similar intent and language as the American Association of Medical Colleges.
2. <u>Web Based Reporting</u> . Identify ways to consistently capture data regarding extramural activities and include a field that identifies the type of consulting or activity taking place.	Management will draft a reporting tool that will eventually be web based.

Auditor's Response  
and Follow-up

Management is taking appropriate action. This audit is closed.

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**University of Iowa – University Operations  
Review of Inventory Purchase Activity**

Follow-up Report Issued: July 23, 2002  
Initial Audit Report Issued: May 24, 2002

Recommendations / Responses	Auditor's Recommendation	Management's Response
	<u>Separation of Duties.</u> Assure proper segregation of duties for ordering / purchasing, receiving inventory purchases; and approving inventory system adjustments and reconciliations.	Management will assure proper segregation of duties.

Auditor's Response and Follow-up      Management has taken appropriate actions. Internal auditors accept these actions. This audit is closed.

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

Follow-up Report Issued: August 20, 2002  
Initial Audit Report Issued: April 15, 2002

Recommendations / Responses	Auditor's Recommendation	Management's Response
	<ol style="list-style-type: none"> <li>1. <u>Collections Policy Compliance.</u> <ol style="list-style-type: none"> <li>a. <u>Document Collections Process.</u> Establish a written policy on the consequences of non-payment.</li> <li>b. <u>Disseminate Collections Policy.</u> Include the Policy in documents as directed by the Board.</li> </ol> </li> <li>2. <u>Billing Practices.</u> <ol style="list-style-type: none"> <li>a. <u>Timely Billing.</u> Consider billing students on August 1<sup>st</sup> with payment due prior to classes starting; similarly bill for spring/summer sessions.</li> <li>b. <u>Increased Fees Related to Late Billing.</u> Apply restricted fee on the date the account becomes delinquent.</li> <li>c. <u>Optional Installment Plan.</u> Initiate a self-administered installment plan; charge a fee to the outsourced plan.</li> </ol> </li> </ol>	<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>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>

Auditor's Response and Follow-up      Management has taken action on all recommendations. This audit is closed.

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

Follow-up Report Issued: August 20, 2002  
Initial Audit Report Issued: April 15, 2002

Recommendations /  
Responses

Auditor's Recommendation	Management's Response
<p>1. <u>Cash Handling Procedures.</u></p> <p>a. File for a change fund and receive Business Office certification.</p> <p>b. Reconcile and deposit excess funds weekly and provide training.</p>	<p>Management has:</p> <p>Filed for a change fund and for certification from the Business Office.</p> <p>Developed, documented, and implemented procedures to reconcile cash receipts monthly and has taken steps to deposit cash receipts weekly.</p>
<p>2. <u>Contracts Not Reviewed &amp; Approval by Legal.</u> Review and approve all contracts prior to execution.</p>	<p>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.</p>
<p>3. <u>Staff Performance Evaluations.</u> Conduct annual performance evaluations. Encourage training opportunities.</p>	<p>Management will conduct timely annual reviews and will require attendance at one or more staff development courses.</p>
<p>4. <u>Employee Productivity.</u> Develop a comprehensive time reporting / tracking tool and a formal review process. Calculate and review statistics.</p>	<p>Management will develop and implement an employee time reporting / tracking tool and process that will be utilized to calculate and review statistics.</p>
<p>5. <u>Personnel File Organization.</u> Consolidate departmental and human resource personnel files and develop procedures for periodic review.</p>	<p>Management will consolidate personnel files and review periodically.</p>
<p>6. <u>Staff Development &amp; Training.</u></p> <p>a. Formalize the distribution / communication of staff development activities.</p> <p>b. Encourage participation in staff development opportunities.</p> <p>c. Develop a process to record and monitor attendance records.</p>	<p>Management will:</p> <p>Notify employees of development opportunities through email or hard copy.</p> <p>Establish training goals during annual performance reviews.</p> <p>Develop a process to record and monitor training attendance records.</p>
<p>7. <u>Vacation &amp; Sick Time Reconciliation Process &amp; Records Retention.</u> Develop formal procedures to reconcile leave reported by employees with leave reported by personnel.</p>	<p>Management will develop formal procedures to require monthly leave report reconciliations.</p>

Recommendations /  
Responses

<b>University of Iowa – University Operations University Video Center</b> <i>(continued)</i>	
Auditor's Recommendation	Management's Response
<p>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.</p>	<p>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.</p>
<p>9. <u>Software Licensing &amp; Compliance Monitoring.</u></p> <p>Formalize and document software licensing and compliance monitoring process including assignment responsibilities for compliance monitoring.</p>	<p>Management will designate personnel to coordinate and verify software license compliance.</p>
<p>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.</p>	<p>Management will notify employees of the policy regarding personal use of University property at least annually.</p>
<p>11. <u>Miscalculated Cost Rates.</u> Adjust calculations to account for offset costs and prior year results. Assign appropriate costs to externally supported projects.</p>	<p>Management will adjust the calculations to account for offset costs and prior year results and will assign appropriate costs to externally supported projects.</p>

Auditor's Response  
and Follow-up

Management has taken appropriate action on all recommendations. This audit is closed.

**Iowa State University  
Athletic Ticket Office**

Follow-up Report Issued: August 8, 2002  
Initial Audit Report Issued: August 14, 2001

Recommendations /  
Responses

Auditor's Recommendation	Management's Response
1. <u>Authorization of Complimentary Admissions.</u> Assure proper and timely approval for complimentary admissions.	Management will revise and document the procedures for complimentary admission approvals. All complimentary admissions will be approved prior to events.
2. <u>Ticket Reconciliation Variances.</u> a. Automate data transfers between the two accounting systems utilized.	Management will pursue automated data transfers between the two accounting systems.
b. Identify reasons for variances between the two accounting systems.	The accounting structure will be revised to provide more detail that can help to explain variances.
3. <u>Accounts Receivable.</u> Improve the accounts receivable process for ticket sales made prior to receiving payment.	Management will develop and implement a plan for improving the accounts receivable process.
4. <u>Accounting System Controls.</u> a. Change passwords on a periodic basis.	Management will develop and document a procedure to periodically change all passwords.
b. Verify the ability to recover back-up tape information	Management will develop, document, and implement a procedure for annual testing of back-up tapes.

Auditor's Response  
and Follow-up

Management has taken appropriate actions. Internal auditors accept these actions. This audit is closed.

**Iowa State University  
Residence Hall Convenience Store**

Follow-up Report #2 Issued: July 15, 2002  
Follow-up Report #1 Issued: December 6, 2001  
Initial Audit Report Issued: May 24, 2002

Recommendations /  
Responses

Auditor's Recommendation	Management's Response
<u>Inventory Monitoring.</u> Monitor specific inventory purchases and sales. Evaluate inventory handling procedures.	Management will monitor inventory purchases and sales by category and re-evaluate procedures surrounding inventory counts, transfers, recording, reconciling, and reporting.

Auditor's Response  
and Follow-up

Management has taken appropriate actions. Internal auditors accept these actions. This audit is closed.

**Iowa State University**  
**Veterinary Diagnostic and Production Animal Medicine**

Follow-up report issued: August 21, 2002  
Initial Audit Report Issued: October 11, 2001

Recommendations /  
Responses

Auditor's Recommendation	Management's Response
1. <u>Administrative Support Organizational Structure.</u> Integrate PAM and VDL administrative support areas and document procedures.	Management has formed an ad hoc committee to formulate a plan for a new administrative structure to: identify and evaluate areas of duplication; reorganize administrative support areas into a single unit; develop and document consistent procedures; and incorporate provisions for training.
2. <u>Consulting Activities.</u> Assure pre-approval of consulting activities.	Management has instituted a monitoring system and will implement an explicit departmental consulting policy and develop a consistent approach to consulting activities, including approval and monitoring
3. <u>Password Security.</u> Require passwords to be changed periodically.	Management will implement procedures to require periodic password changes.
4. <u>Payroll Reporting and Reconciliation.</u> Segregate payroll entry and reconciliation functions.	Management will implement a temporary solution and address a permanent approach.
5. <u>Telecommunication Review.</u> Limit use of phones to University business only.	Management will require the use of personal phone cards and phones for personal calls.
6. <u>Authorization.</u> Incorporate specific language regarding limitations when delegating approval authority and provide back-up approval.	Management will incorporate more specific language into all signature authorizations and has requested signature authority for back-up approval.
7. <u>Segregation of Duties.</u> Establish separate duties for receipt, deposit, and reconciliation of cash receipts.	Management will evaluate all transaction processes and enhance control through proper segregation of duties.
8. <u>Accounts Receivable.</u> Assure that all billings run through the centralized University receivable system.	Management will work with the Accounts Receivable Office to determine the viability of transferring all billings to the University accounts receivable system.
9. <u>Supplemental Materials Fee.</u> Request approval for all supplemental materials fees from the Office of the Provost and utilize the University Book Store whenever possible.	Management will seek approval for all supplemental materials fees from the Office of the Provost and for guidance on the best delivery method.

Auditor's Response  
and Follow-up

Management has taken appropriate actions to address all reported observations. This audit is closed.

**University of Northern Iowa  
Cash Funds on Hand**

Follow-up Report #2 Issued: June 26, 2002  
Follow-up Report #1 Issued: December 14, 2001  
Initial Audit Report Issued: June 19, 2001

Recommendations / Responses

Auditor's Recommendation	Management's Response
<u>Timely Depositing of Revenue.</u> Deposit all revenue within seven days according to University policy.	The departments / units will deposit checks within seven days accordance with University policy.

Auditor's Response and Follow-up

Management has taken satisfactory corrective actions on all recommendations (except for Conference and Visitor Services.) Internal auditors accept these actions. This audit is closed.

A separate review will be conducted and an audit report will be issued for the Conference and Visitor Services Department.

**University of Northern Iowa  
Grants & Contracts Accounting**

Follow-up Report #2 Issued: July 8, 2002  
Follow-up Report #1 Issued: June 29, 2001  
Initial Audit Report Issued: March 22, 2000

Recommendations / Responses

Auditor's Recommendation	Management's Response
<u>Required Financial Reports and Invoices.</u> Assure that information is prepared and authorized in compliance with terms.	Report and invoice preparation will be monitored closely to assure compliance.

Auditor's Response and Follow-up

Management has taken appropriate actions. Internal auditors accept these actions. This audit is closed.

**University of Northern Iowa  
North American Review**

Follow-up Report Issued: July 8, 2002  
Initial Audit Report Issued: March 9, 2001

Recommendations /  
Responses

Auditor's Recommendation	Management's Response
<p>1. <u>Financial Monitoring</u>. Develop adequate procedures to monitor cash balances and available funding prior to making purchases. Perform adequate financial review and planning of all financial resources.</p>	<p>NAR will develop procedures to check cash and available fund balances before making purchases. NAR will also review available financial resources on a regular basis to improve operations.</p>
<p>2. <u>Timely Payment of Expenses</u>. Develop procedures to assure that all expenses are paid within thirty days to avoid interest expense and late fees.</p>	<p>NAR will develop procedures to assure that all expenses are paid within thirty days.</p>
<p>3. <u>Competitive Bidding Compliance</u>. Begin the competitive bid process for a printer for FY 2002 or develop a sole source vender justification for the current printer.</p>	<p>NAR will contact the University's Purchasing Office to obtain assistance in developing sole source vender justification for its current magazine printer.</p>
<p>4. <u>Professional Service Contracts</u>. Begin documenting verbal agreements or contracts with various editors and visual contributors to support authorized payments. Utilize a properly authorized personnel action form for paid faculty and staff.</p>	<p>NAR will document verbal agreements and contracts with its various editors; NAR will also use a revised contract for visual contributors. Personnel action forms will be used to pay faculty and staff.</p>

Auditor's Response  
and Follow-up

Management has taken appropriate actions on all recommendations. Internal auditors accept these actions. This audit is closed.