

Contact: Patrice Sayre

**MINUTES OF FEBRUARY 3, 2009
AUDIT/COMPLIANCE AND INVESTMENT COMMITTEE
BOARD OF REGENTS, STATE OF IOWA
COURTYARD BY MARRIOTT
ANKENY, IOWA**

Committee Members

Jack Evans (Chair)
Bonnie Campbell
Robert Downer

Michael Gartner
Ruth Harkin
Greta Johnson

Craig Lang
David Miles
Rose Vasquez

Staff Members

Bob Donley, Patrice Sayre, Todd Stewart

Others

David Vaudt, Auditor of State; Andrew Nielsen, Deputy Auditor of State
Sarah Bohnsack, McGladrey & Pullen
Mike Meinders, Carney, Alexander, Marold & Co., LLC
Dan Koraleski, Tyler March, KMPG, LLP

The corresponding docket memorandum for each agenda item, an integral component of the minutes, is available on the Board of Regents website: www2.state.ia.us/regents. Copies of these memoranda can also be obtained from the Board Office by calling 515-281-3934.

Chair Evans called the meeting to order at 9:39 a.m.

Approve Minutes from December 10, 2008, Committee Meeting

- MOVED by LANG, SECONDED by DOWNER, to approve the minutes of the December 10, 2008, meeting. Motion APPROVED by GENERAL CONSENT.

Revenue Bond Fund Audits

University of Iowa – Sarah Bohnsack with McGladrey & Pullen reported that they performed eleven bond audits for the year ended June 30 2008. Significant changes this year were the additional bond fund that was created for the construction of the Wellness and Recreation building, and that five funds disclosed an extraordinary item related to the loss of capital assets due to the 2008 Flood. All audits received a clean opinion and there were no compliance issues.

University of Northern Iowa – Mike Meinders of Carney, Alexander, Marold & Co., LLC reported on the audit of five funds and nineteen bonds issues. The report gave an unqualified opinion. There were no findings and no material weaknesses; further, there were no differences with management regarding selection or implementation of accounting policies.

Iowa State University –David Vaudt, Auditor of State reported on eleven bond audits, stating that the report gave an unqualified opinion and there were no material weaknesses.

- The Committee received the report on Bond Fund Audits

Auditor of State Audits

Auditor Vaudt reported on the following audits:

- Audits of Selected Programs – Auditor Vaudt reported on two selected areas for review of general and application controls:
- ISU Tuition and Fees System for the period April 11 – May 2, 2008 and
- UNI Tuition and Fees System for the period May 24 – July 3, 2007
 - Management agreed with the recommendations made; state auditors will perform follow-up audits in June 30, 2009.
- Iowa State Center Business Office – Auditor Vaudt informed the Board that this audit received an unqualified opinion.
- UNI Camp Adventure – Auditor Vaudt reported on an audit that was just released prior to the Board of Regents meeting. This audit was brought to the attention of auditors by UNI employees and was jointly conducted by Internal Auditors and the Auditor of State. The audit involved the misuse of a procurement card, resulting in approximately \$19,000 in inappropriate purchases. In addition, this employee did not appropriately record personal time on the payroll records. All of the dollars were recovered and payroll records have been appropriately adjusted. The employee is no longer with UNI.

President Allen stated that UNI took this issue very seriously and felt it was a good partnership with the internal auditors, state auditors and UNI staff. Camp Adventure is an outstanding program that accommodates a lot of students across the world and he wants to ensure its integrity.

Regent Vasquez asked if this was discovered through an audit. Auditor Vaudt responded that the attention came to the university when the employee self-identified the misuse of funds, and the university felt an audit should be conducted.

Regent Gartner asked why internal controls for expense accounts were not in place. Auditor Vaudt noted that controls were in place, but fell by the wayside in the absence of a key employee. He said recommendations for improving controls and payroll records have been made, to which the university has responded favorably. These recommendations will be reviewed for implementation during the next audit.

- The Committee received the report on Auditor of State Audits

UIHC Audit

Dan Koraleski and Tyler Marsh, KMPG, LLP reported on the audit and noted that it was an unqualified opinion, with no internal controls or material weaknesses. Of the accounting pronouncements listed in the audit, two are new pronouncements that applied to the UIHC audit; both were appropriately adopted.

- The Committee received the report on UIHC Audits

Graduate Center Audits

Patrice Sayre reported on the audits for the Quad-Cities Graduate Center and the Tri-State Graduate Center, the latter incorporated into the Siouxland Interstate Metropolitan Planning Council, saying that there were no reported findings for either.

- The Committee received the report on UIHC Audits

Internal Audit Reports

Internal Audit Director Todd Stewart discussed the audit reports presented this month, highlighting the following:

- 1) **UI Patent Policy Center**
- 2) **UI Medical Kiosk**
- 3) **ISU Building Access Services – Key Control and Access**
- 4) **UNI – Price Laboratory School Fees**

UI Patent Policy Center – This audit was to determine if the university was in compliance with its patent policy and that the university's intellectual property interest was properly safeguarded. Weaknesses were identified. Chair Evans called on Jordan Cohen, Vice President of Research Administration, asking him for comments concerning the audit recommendations. Vice President Cohen reported that a series of questions had been identified on how the UI Research Foundation came into being, originally being a subset of the Foundation. As part of the Foundation, it was not exposed to state of the art policies and procedures for technology transfer. The UI Research Foundation is becoming more focused. Vice President Cohen visited with peer institutions, Purdue and Wisconsin, looked at issues of dependence/independence and initiated the audit. Conflict of interest is a national topic and UI Research Foundation is looking into policies closely.

President Miles asked for a clarification on the date for the corrective action plan. Director Stewart noted a typo and confirmed that the target date was October 2010. President Miles went on to encourage Mr. Cohen to accomplish the audit recommendations before the October 2010 date. Mr. Cohen responded that all is being working on, and a search for a business consultant for best practices is imminent.

UI Medical Kiosk – Director Stewart reported that this was an audit of controlled substances requested by the College of Nursing.

ISU Building Access Services – Key Control and Access – Director Stewart reported that this audit was similar to a keycard control and access audit done last year. Problems identified were: due to a software conversion, keys had unknown holders; keys were assigned to people who were no longer employees or students; temporary keys assigned were past due for return.

UNI – Price Laboratory School Fees – The audit was requested by President Allen and involved determining the revenue process for tuition payments.

Chair Jack Evans commented that he liked that the Presidents were calling in the Internal Auditors for areas of concern.

Regent Bob Downer asked if the ISU Building Access Services – Access Cards was an extension of the prior one. Director Stewart replied that it was a different audit, but essentially the same process.

Director Stewart went on to say that the open issues from the 2006 Outback Bowl audit were resolved due to the testing of practices in the review of the 2008 Outback Bowl processes. He reported further that since the submission of the audit report, the IMU Food Service, UI Physicians, University Hygienic Lab, UI Speech Pathology and Audiology have been closed.

President David Miles commented that this report underscores the value of an internal audit function and thanked Director Stewart, the audit team and everyone within the system that works so hard on cooperating in audits of this large, complex system.

- The Committee received the Internal Audit Reports.

Meeting adjourned at 10:05 a.m.