

Audit and Compliance Committee Memorandum
Board of Regents, State of Iowa

Subject: Internal Audit Reports

Prepared by: Andrea Anania

Date Submitted: May 10, 2004

Recommended Action:

1. Receive the following internal audit reports:

UNIVERSITY OF IOWA

University Operations

- Data Backup and Business Continuation Planning
- Henry B. Tippie College of Business – Evening, Executive, Executive Engineer and International Programs
- NCAA Team Travel

Hospital Operations

- Dialysis Program

IOWA STATE UNIVERSITY

- Security of Internet-Initiated ACH Transactions

UNIVERSITY OF NORTHERN IOWA

- Campus Supply – Process Review
- Transportation Services – Motor Vehicle Usage

2. Receive the report on the Status of the Internal Audit Follow-up reports, including eleven follow-up reports.
-

Executive Summary:

Completed institutional internal audit reports had been previously presented to the Banking Committee as required by Board policy. Beginning this month, these reports will be presented to the Audit and Compliance Committee, one of the new committees established by the Board in May 2004.

Seven new audit reports are presented this month: four from SUI, one from ISU, and two from UNI. Seven follow-up reports are presented this month: three from SUI – University Operations, two from SUI – Hospital Operations, and two from ISU; two follow-up reports at the SUI remain open.

The Status of Internal Audit Follow-Up Table on page 3 identifies 21 internal audit reports, 14 of which require follow-up.

Background:

Internal audits provide appraisals of institutional services to the Board and institutional administrators by measuring and evaluating the effectiveness of financial and managerial controls.

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

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

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

**Status of Internal Audit Follow-Up
May 10, 2004**

University of Iowa

Title	Report Date	Follow-Up Status	Expected Completion
1. Contractual Adjustments (UIHC)	January 27, 2003	Follow-up scheduled in FY 2004.	June 2004
2. Information Technology Security Risk Assessment (SUI)	October 17, 2003	Follow-up scheduled in FY 2004.	June 2004
3. Intercollegiate Athletics – Home Game Ticket Revenue (FY 2002-2003) (SUI) Follow-up Memorandum	September 22, 2003 March 26, 2004	Audit closed. (Page 17.)	Closed
4. Review of Campus-Wide Expenditures for Business Purpose Events (SUI)	September 22, 2003	Follow-up scheduled in FY 2004.	May 2004
5. Contract Nursing (UIHC) Follow-up memorandum	September 22, 2003 April 16, 2004	Audit closed. (Page 20.)	Closed
6. Iowa House Hotel Business Process Review (SUI) Follow-up memorandum	November 17, 2003 April 16, 2004	Audit closed. (Page 17.)	Closed
7. NCAA Compliance – Complimentary Admissions (SUI)	December 18, 2003	Follow-up scheduled in FY 2005.	July 2004
8. HIPAA Privacy Compliance (UIHC)	January 26, 2004	Follow-up scheduled in FY 2005.	July 2004
9. Hospital Mail Room (UIHC)	February 13, 2004	Follow-up scheduled in FY 2004.	June 2004
10. OIG Exclusion Program (UIHC)	January 26, 2004	Follow-up scheduled in FY 2004.	June 2004

Iowa State University

Title	Report Date	Follow-Up Status	Expected Completion
11. NCAA Compliance – Representatives of Athletics Interests Follow-Up Review	March 11, 2003 January 8, 2004	Audit closed.	Closed
12. Student Financial Aid Follow-Up Review	June 2, 2003 January 23, 2004	Audit closed.	Closed
13. Conflict of Interest	August 7, 2003	Follow-up scheduled in FY 2005.	July 2004
14. Sponsored Programs	November 10, 2003	Follow-up scheduled in FY 2005.	August 2004
15. Dining Dollar\$ Program	January 13, 2004	Audit closed. (Page 23.)	Closed
16. Genetics, Development and Cell Biology	January 7, 2004	Follow-up scheduled in FY 2004.	June 2004
17. Travel and Hospitality	January 16, 2004	Audit closed. (Page 24.)	Closed

University of Northern Iowa

Title	Report Date	Follow-Up Status	Expected Completion
18. Conference and Event Services Follow-up Report	November 22, 2002 September 26, 2003	Follow-up scheduled in FY 2004.	June 2004
19. FY 2003 Cash on Hand Follow-Up Report	July 11, 2003 December 15, 2003	Follow-up scheduled in FY 2004.	June 2004
20. Department	July 11, 2003	Follow-up scheduled in FY 2004.	May 2004
21. University-Wide Financial Business Procedures	February 16, 2004	Follow-up scheduled in FY 2005.	March 2004

**The University of Iowa – University Operations
Data Backup and Business Continuation Planning**

Initial Audit Report Issued: March 26, 2004

Audit Remains Open

Description This report summarizes the results of the University's recently completed assessment of decentralized Information Technology (IT) data backup processes and business continuation planning. During this project, the internal auditors assessed the general condition of a sample of IT operations on campus in these areas and attempted to identify common areas of exposure to the Institution.

Scope / Objective The auditors employed a two-part process for gathering information utilizing a face-to-face questionnaire and a physical review of the local IT environment of eleven areas. The establishment of policies and controls for ensuring the safeguarding of Institutional IT data and the ability to quickly recover from any local disaster rests with Senior Management and not with technical personnel. Technical personnel are charged with implementing these directives and complying with institutional policies.

Recommendations / Responses

Auditor's Recommendation	Management's Response	<u>Expected Auditor Follow-up</u>
1. <u>Workstation and Laptop Backups</u> . Explore methods to provide a centrally controlled means for users to automatically backup computers onto a network drive.	Management will encourage the formation of a task force to investigate and recommend ways to provide automatic data backup.	Internal auditors will review and evaluate the assessment process and the recommendation.
	Implementation Target Date: December 31, 2004	Review: Feb 2005 Report: Mar 2005
2. <u>Backup Process Documentation</u> . Document data backup procedures.	Management will organize a group to determine the most effective way to address this issue and make a recommendation for action.	Internal auditors will review the group's recommendation and management's resulting actions.
	Implementation Target Date: December 31, 2004	Review: Feb 2005 Report: Mar 2005
3. <u>Off-site Storage of Data Backups</u> . Establish secure off-site electronic media storage.	Management will discuss and investigate available options and practices of other schools. Based on the results, appropriate actions will be taken to help mitigate the risk of data loss.	Internal auditors will review management's assessment, conclusions, and actions.
	Implementation Target Date: December 31, 2004	Review: Feb 2005 Report: Mar 2005
4. <u>Business Continuation/ Disaster Recovery Documentation</u> . Develop a template document to assist decentralized IT operations with a disaster plan.	Management will create a document to assist in a disaster, and outline the basic steps and processes that need to be taken and will hold discussions with management to advocate the need for a consistent and comprehensive policy.	Internal auditors will review and evaluate management's progress and resource commitment towards improvement of IT security environment.
	Implementation Target Date: June 30, 2004	Review: May 2004 Report: Jun 2004

University of Iowa – University Operations
Henry B. Tippie College of Business
Evening, Executive, Executive Engineer, and International Programs
 Initial Audit Report Issued: March 26, 2004

Audit Closed

Description Various MBA programs are offered by the University to accommodate the traditional student and the full-time professional. This audit focused on the offerings to those other than the traditional student. Class sites include Des Moines, Cedar Rapids, Iowa City, and the Quad Cities. Programs are also offered in Hong Kong and Beijing.

Scope / Objective The purpose of the audit was to ensure that good business practices are followed and the processes are well documented in order to initiate similar programs on campus.

The review focused on the following processes:

- Contracts and agreement with external agencies;
- Controls relating to income and expenditures;
- Selection and compensation of instructors;
- Meeting accreditation standards;
- Standards used to benchmark to other MBA programs; and
- Marketing plans.

Recommendations / Responses	Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
	1. <u>Contracts and Agreements with External Agencies.</u> Involve the University Business Manager in the approval process of contracts with external agencies.	Management has outlined a process to include the Business Manager and General Counsel in the Contract Process.	Recommendation Closed.
		Implementation Target Date: N/A	Review: N/A Report: N/A
	2. <u>Instructor Selection and Compensation.</u> Document how MBA instructors are selected and compensated.	Management formally documented how compensation is determined.	Recommendation Closed.
		Implementation Target Date: N/A	Review: N/A Report: N/A

**The University of Iowa – University Operations
NCAA Team Travel**

Initial Audit Report Issued: April 16, 2004

Audit Remains Open

Description As a Division I member of the National Collegiate Athletic Association (NCAA), the University of Iowa is obligated to comply with NCAA rule and regulations. NCAA Article 22.2.1.3 (e) requires member institutions to demonstrate at least once every four years that its rules-compliance program has been evaluated by an authority outside the Athletics Department. This audit was performed to fulfill a portion of the requirement.

Scope / Objective The framework for this audit was developed by The Association of College and University Auditors (ACUA). The audit scope included:

- Reviewing the job descriptions and annual performance reviews of the central administrators responsible for oversight of team travel;
- Reading departmental policies and procedures to determine if they correspond to NCAA regulations; and
- Testing in-season team travel expenditures to determine if documentation is adequate to establish compliance with NCAA regulations.

Recommendations / Responses	Auditor's Recommendation	Management's Response	<u>Expected Auditor Follow-up</u>
	1. <u>Departmental Travel Policies.</u> Revise Athletic Department rules regarding meals during team travel. Communicate to those individuals who are responsible for team travel expenditures.	Management will revise the rules for team travel meal allowances. Compliance officers will meet with those responsible for team travel charges to discuss the changes and offer guidelines and illustrations to assist them with providing the necessary documentation for meal expenditures.	Internal auditors will follow up and verify that corrective action has been implemented.
		Implementation Target Date: June 11, 2004	Review: Jun 2004 Report: Jun 2004
	2. <u>Team Meal Expenditures Documentation.</u> Revise the current request for team travel form to include a meal itinerary. Request employee names associated with charges for team travel.	Management will revise the team travel form to include the meal itinerary in addition to the lodging itinerary that is currently requested. Additional changes to the form will be considered to strengthen controls and allow for expense tracking.	Internal auditors will follow up and verify that corrective action has been implemented.
		Implementation Target Date: June 11, 2004	Review: Jun 2004 Report: Jun 2004

**University of Iowa – University Operations
Dialysis Program**

Initial Audit Report Issued: March 26, 2004

Audit Remains Open

Description The Dialysis Program at the University of Iowa Hospitals and Clinics (UIHC) operates dialysis centers that provide all modalities of renal dialysis to a varied patient population.

Outpatient units exist in Iowa City, Muscatine, Grinnell, North Liberty and Washington, Iowa, with acute inpatient services at UIHC and Mercy Hospital in Iowa City. The staff also operates a home dialysis program providing training and support services for hemodialysis, peritoneal dialysis, and pediatric dialysis patients.

Scope / Objective The purpose of the audit was to review the operational and administrative process control environment by determining that:

- Timekeeping, payroll and personnel transactions and documents are appropriately approved and recorded;
- Billing transactions are accurate and timely;
- Purchasing and inventory transactions are appropriately approved and recorded;
- Security and access to the dialysis units and equipment is appropriate;
- Policies and procedures currently in place are adequate;
- Assets are properly identified, maintained, and safeguarded; and
- Processes are properly segregated among individuals.

Processes were reviewed for each of the dialysis centers (excluding Mercy Hospital in Iowa City) to evaluate processes across the program.

Recommendations/ Responses	Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
	INVENTORY		
	1. <u>Dialysis Supply Inventory Processes</u> . Design and implement an inventory control system; evaluate supply levels; rotate inventory; implement a formal transfer mechanism; assure accurate financial data, adequate and secure storage area, and segregation of duties; and document the process.	Management has been working to improve the inventory system and will develop written procedures and assure segregation of duties.	Auditor will evaluate the new inventory system during the follow-up review.
		Implementation Target Date: April 2004	Review: May 2004 Report: FY 2005 (1 st quarter)

**University of Iowa – University Operations
Dialysis Program
(continued)**

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
2. <u>Spare Parts Inventory Process.</u> Implement a spare parts inventory system. Determine inventory levels from historical trends and preventive maintenance schedules. Assure appropriate vendor billing.	Management will add a spare parts inventory system to the supply inventory database currently being developed and will assure appropriate vendor billing.	Auditor concurs with management's corrective action and will verify during the follow-up review.
	Implementation Target Date: July 2004	Review: Aug 2004 Report: FY 2005 (1 st quarter)
3. <u>Home Dialysis Supply Ordering.</u> Compare vendor invoices with patient verified packing lists.	Management has established supply inventory controls for the Home Program.	Verification of the process will take place during the follow-up review.
	Implementation Target Date: April 2004	Review: May 2004 Report: FY 2005 (1 st quarter)
4. <u>Transporting Items.</u> Establish a formal distribution process to transport supplies and medications to the satellite dialysis centers. Reconcile transfer/distribution documents with inventory and medication records. Procure a temperature controlled transport container for delivery of medications.	Management has established distribution processes; created a monthly newsletter; and stressed communication.	Auditor will review the new process during the follow-up review.
	Implementation Target Date: May 2004	Review: Jun 2004 Report: FY 2005 (1 st quarter)
5. <u>Expired Supplies.</u> Dispose expired supplies immediately via appropriate means. Review supply items regularly.	Management instructed staff to perform supply reviews and will conduct periodic spot checks to ensure compliance.	Auditor concurs and will perform testing during the follow-up review.
	Implementation Target Date: Immediately	Review: May 2004 Report: FY 2005 (1 st quarter)

**University of Iowa – University Operations
Dialysis Program**
(continued)

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
BUSINESS PRACTICES		
6. <u>Job Descriptions</u> . Draft new job descriptions or re-organize tasks.	Management will submit job reclassification requests to Human Resources. If the requests are not approved, tasks will be re-allocated.	Auditor will evaluate progress made towards re-classifying these positions or re-assigning tasks during the follow-up review.
	Implementation Target Date: July 2004	Review: Aug 2004 Report: FY 2005 (1 st quarter)
7. <u>Documentation and Cross-training</u> . Document each employee's key processes and software/business applications to ensure continuity of processes during times of change and employee absence.	Management will develop documented processes and procedures to ensure processes can continue during times of change or employee absence. Written procedures will be completed and approved by the management team.	Auditor will review documentation during the follow-up review.
	Implementation Target Date: July 2004	Review: Aug 2004 Report: FY 2005 (1 st quarter)
8. <u>Cash Handling</u> . Implement cash handling procedures in accordance with University policy.	Management will develop cash handling procedures.	Auditor will review procedures during the follow-up review.
	Implementation Target Date: Immediately	Review: Apr 2004 Report: FY 2005 (1 st quarter)
9. <u>Asset Listing</u> . Ensure that inventory listings are correct and up to date.	Management will conduct a physical inventory and submit applicable forms to the Property Management Office (PMO).	Auditor will perform testing to ensure that appropriate documentation has been submitted to the PMO.
	Implementation Target Date: June 2004	Review: Aug 2004 Report: FY 2005 (1 st quarter)

**University of Iowa – University Operations
Dialysis Program**
(continued)

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
10. <u>Procurement Card</u> . Deactivate current procurement card and reissue a new one; lock in a secure location; resolve charges to the old card; and ensure proper use of procurement card and segregation of duties.	Management will deactivate the current card and have a new one reissued.	Auditor will verify during the follow-up review.
	Implementation Target Date: Immediately	Review: Apr 2004 Report: FY 2005 (1 st quarter)
11. <u>Personal Computers</u> . Provide training regarding acceptable use of computers; delete unauthorized programs; perform random audits; discontinue use of generic user ID's; and assign individual ID's.	Management will provide information to all staff regarding acceptable use of computers; delete unauthorized programs; perform random audits; and assign individual user ID's.	Auditor will verify during the follow-up review.
	Implementation Target Date: March 2004	Review: May 2004 Report: FY 2005 (1 st quarter)
12. <u>Physical Access Controls</u> . Enhance physical security at all satellite centers. Re-key locks; issue keys to appropriate personnel; maintain log; report lost or stolen keys; obtain keys from terminated employees.	Management will implement auditor's proposal.	Auditor agrees with corrective action.
	Implementation Target Date: May 2004	Review: Jun 2004 Report: FY 2005 (1 st quarter)
13. <u>Month-End Financial Transactions</u> . Establish a formal tracking mechanism for supplies; record transactions in a timely manner; assure correct journal entries; and maintain supporting documentation.	Management will implement a formal tracking system.	Auditor will verify that transactions are being appropriately recorded during the follow-up review.
	Implementation Target Date: March 2004	Review: May 2004 Report: FY 2005 (1 st quarter)

**University of Iowa – University Operations
Dialysis Program**
(continued)

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
COMPLIANCE		
<p>14. <u>Joint Commission and Medicare Standard on Medication Security.</u> Assure that medicine cabinet keys are in the possession of the primary registered nurses in the satellite; no keys are available to all employees nor are they hidden in another room; and lock medicine cabinets when not in direct sight of the nurse on duty.</p>	<p>Management will make periodic compliance evaluations.</p>	<p>Auditor will conduct interviews to ensure compliance.</p>
	<p>Implementation Target Date: Immediately.</p>	<p>Review: May 2004 Report: FY 2005 (1st quarter)</p>
<p>15. <u>Medicare Billing – Urea Reduction Ratio (URR).</u> Assess risk regarding non-compliance with Medicare rule 3644.5. Notify senior management of any financial impact. Formulate action plans for compliance.</p>	<p>Management will (1) assess financial risk regarding non-compliance with Medicare rule 3644.5; (2) notify senior management of any financial impact; (3) reinforce the importance of compliance to attending physicians; and (4) conduct compliance audits.</p>	<p>Auditor will verify that the issue is being addressed during a follow-up review.</p>
	<p>Implementation Target Date: April 2004</p>	<p>Review: May 2004 Report: FY 2005 (1st quarter)</p>

Iowa State University
Security of Internet-Initiated ACH Transactions
Initial Audit Report Issued: March 31, 2004

Audit Closed

Description The University has an agreement with Bankers Trust Company for ACH (automated clearing house) transactions. In an ACH transaction, payment information is processed and settled electronically, providing reliability, efficiency, and cost-effectiveness. The National Automated Clearing House Association (NACHA) requires originators (in this case ISU) of ACH transactions initiated via the Internet to follow *NACHA Operating Rules*.

NACHA requires an annual audit of security practices and procedures and prescribes minimum components for the audit. The Treasurer's Office requested an internal audit of Internet ACH security to ensure compliance with the *NACHA Operating Rules*.

Scope / Objective The audit objectives included examination of risk management techniques, including the minimum components prescribed by NACHA for audits of website security. Only security policies, procedures and practices surrounding ACH transactions initiated via the Internet were included in the audit scope.

Recommendations/ Responses	Auditor's Observation	Management's Response	<u>Expected Auditor</u> Follow-up
	Based on audit work performed, it appears the University is in compliance with the NACHA Operating Rules.	Not applicable; no reported observations.	No actions required.
		Implementation Target Date: Not applicable	Review: None Report: None

University of Northern Iowa
Campus Supply – Process Review
Initial Audit Report Issued: April 14, 2004

Audit Remains Open

Description As of July 1, 2003, Campus Supply is managed under the Director of Physical Plant. Prior to July 1, 2003, Campus Supply was managed by the Purchasing Office. This internal audit covers the period from July 1, 2003, through February 29, 2004.

Scope / Objective The purpose of the audit was to review processes in order to provide management with a reasonable assurance that an adequate internal control environment had been established. Processes 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 in its care.

Recommendations / Responses

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
1. <u>Function Justification.</u> Review value of unit's function to the University. If justified, develop a policy statement (or something similar) that directs the University community to use Campus Supply (CS) as the "supplier of first choice".	CS will meet with administration to discuss its mission and the possibility of writing a policy that all departments/units of the University use CS as the "supplier of first choice".	Internal auditors will verify that the value of CS and the adequacy of any policy statement was reviewed.
	Implementation Target Date: June 2004	Review: Feb 2005 Report: Mar 2005
2. <u>Written Procedures.</u> Document procedures: a) used by University community when utilizing CS function, making them easily accessible; and b) used internally by CS to keep processes appropriate and consistent.	CS will: a) add procedures to its web page that explain how to use CS and outline the responsibilities of CS staff, and b) review and document internal processes, making its available to all staff.	Internal auditors will verify that CS has documented procedures and assured that they are appropriate and used consistently.
	Implementation Target Date: July 2005	Review: Feb 2005 Report: Mar 2005

**University of Northern Iowa
Campus Supply – Process Review**
(continued)

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
3. <u>Perpetual Inventory Quantities</u> . Consider implementing a more precise method of tracking inventory.	CS will start taking a mid-year total inventory in January 2005.	Internal auditors will verify that a more precise method was implemented.
	Implementation Target Date: January 2005	Review: Feb 2005 Report: Mar 2005
4. <u>Cost Margin Review</u> . Review direct and indirect costs to identify a reasonable mark-up margin for all items, and then apply it consistently and/or reasonably.	CS will determine mark-up percentages at year-end based on evaluation of costs.	Internal auditors will verify that costs were reviewed and applied.
	Implementation Target Date: July 2005	Review: Feb 2005 Report: Mar 2005
5. <u>Revenue Recording</u> . Work with appropriate University staff to investigate correcting the recording of CS revenue from the first day of the month for the previous month activity to recording CS revenue within the current month.	CS will meet with appropriate staff to determine if monthly revenue can be recorded in the current month.	Internal Auditor will verify that CS worked with appropriate staff to determine if CS revenue can be recorded in the current month.
	Implementation Target Date: June 2004	Review: Feb 2005 Report: Mar 2005
6. <u>Account Management and Review</u> . Consider implementing: (1) monthly cost of goods journal entries; (2) correction of inaccurate balances; and (3) a management review of accounts and their performance on a regular basis.	Management will: (1) complete a monthly cost of goods journal entries; (2) investigate the inaccurate balances; and (3) monitor accounts monthly.	Internal auditors will verify: (1) monthly journal entries; (2) balance corrections; and (3) monthly account reviews.
	Implementation Target Date: April 2004	Review: Feb 2005 Report: Mar 2005

**University of Northern Iowa
Transportation Services – Motor Vehicle Usage**

Initial Audit Report Issued: April 14, 2004

Audit Remains Open

Description This report covers the results of an internal audit of motor vehicle usage (MVU) under the auspices of Transportation Services (TS) at the University of Northern Iowa (UNI) from July 1, 2003 through February 29, 2004 as scheduled per the UNI internal audit plan.

Scope / Objective The purpose of the audit is to provide a reasonable assurance that Transportation Services has established an adequate internal control environment for motor vehicle usage that reasonably protects the University from loss. Internal auditors examined motor vehicle usage for:

- Compliance with IRS regulations;
- Accountability of all vehicles;
- Appropriate use of vehicles; and
- Adequate procedure documentation for use of vehicles.

The audit included a review of current University procedures for motor vehicle use, the use of surveys to the University community, physical observation of some vehicles, research of IRS guidelines, and discussion of questions and concerns with various University personnel.

Recommendations / Responses	Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
	<p><u>Motor Vehicle Usage Policy & Procedures</u>. Review and update the Motor Vehicle Usage (MVU) policy to include information regarding personal and business usage; purchases; leases; insurance; state license plates; guidelines; and rate schedules. Inform the University community of the revisions and maintain current procedures on the web site.</p>	<p>Management will review and update the University's MVU policy and procedures as recommended.</p>	<p>Internal auditors will verify that the policy and procedures have been reviewed and updated and that the University community has been informed of the revisions.</p>
		<p>Implementation Target Date: July 2004</p>	<p>Review: Oct 2004 Report: Nov 2004</p>

INTERNAL AUDIT FOLLOW-UP REPORTS		
<u>University of Iowa – University Operations</u>		
• Intercollegiate Athletics – Home Game Ticket Revenue FY 2002-2003		Closed
• Iowa House Hotel Business Process Review		Closed
• NCAA Compliance – Complimentary Admissions		Open
<u>University of Iowa – Hospital Operations</u>		
• Contract Nursing		Closed
• UIHC HIPPA Privacy Compliance		Open
<u>Iowa State University</u>		
• Dining Dollar\$ Program		Closed
• Travel and Hospitality		Closed

**The University of Iowa – University Operations
Intercollegiate Athletics Home Game Ticket Revenue FY 2002-2003**

Initial Audit Report Issued: September 22, 2003
Follow-up Memorandum Issued: March 26, 2004

Audit Closed

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.	Item closed.
	Implementation Target Date: October 15, 2003	Review: Jan 2004 Report: 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.	Item closed.
	Implementation Target Date: December 31, 2003	Review: Jan 2004 Report: Feb 2004

**The University of Iowa – University Operations
Iowa House Hotel Business Process Review**

Initial Audit Report Issued: November 17, 2003
Follow-up Memorandum Issued: April 16, 2004

Audit Closed

Recommendations / Responses

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
<u>Server Security</u> . Keep the server in a secure location accessible only to employees that need it to perform their job responsibilities. Use a password-protected screensaver.	Management will install a lock on the back door to minimize access to the server area and will activate a password-protected screensaver on the server.	Item closed.
	Implementation Target Date: December 1, 2003	Review: Mar 2004 Report: Mar 2004

**The University of Iowa – University Operations
Iowa House Hotel Business Process Review**
(continued)

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
<p>1. <u>Organization.</u></p> <p>A) <u>Disaster Recovery/ Emergency Response Plans.</u></p> <p>a. <u>Systems:</u> Document emergency/disaster procedures and keep a copy of the document off-site.</p> <p>b. <u>Employee Procedures:</u> Review and update written emergency procedures, if necessary.</p> <p>B) <u>Key Card Management.</u> Assure up-to-date key card list and good key control practices.</p>	<p>Management will formalize emergency/disaster procedures.</p> <p>Management will conduct biannual training sessions and drills and set and review standards annually.</p> <p>Management will update and review the key card list bimonthly.</p> <p>Implementation Target Date: A) March 1, 2004 B) December 1, 2003</p>	<p>Item closed.</p> <p>Review: Mar 2004 Report: Mar 2004</p>
<p>3. <u>Security.</u></p> <p>A) <u>Backroom.</u> Minimize entry to the hotel front desk area.</p> <p>C) <u>Files/Documents.</u> Lock the front desk door when not occupied and provide keys to staff; lock up certain identified items; assure that managers have a key; keep a spare key in a central location.</p>	<p>Management will lock the door from 4:00 pm to 7:00 am daily; add an electronic lock; and provide keys to employees only.</p> <p>Management has added an electronic lock to the front desk area and has locked up procurement cards and personnel information.</p>	<p>Item closed.</p> <p>Item closed.</p>
<p>5. <u>Segregation of Duties.</u> Designate someone other than the person who records the accounts receivable data on the system to receive payments and be involved in the reconciling process.</p>	<p>Accounts receivable payments will be received and recorded by someone other than the person who creates the account on the system. A listing of the payments received will be forwarded to the Business Office for the reconciliation process.</p> <p>Implementation Target Date: December 1, 2003</p>	<p>Item closed.</p> <p>Review: Mar 2004 Report: Mar 2004</p>

**The University of Iowa – University Operations
NCAA Compliance – Complimentary Admissions**

Initial Audit Report Issued: December 18, 2003
Follow-up Memorandum Issued: March 26, 2004

Audit Remains Open

Recommendations /
Responses

Auditor's Recommendation	Management's Response	<u>Expected Auditor Follow-up</u>
1. <u>Graduate Assistant Coach Tickets</u> . Self report the violation of NCAA 11.01.4(a). Seek reimbursement for the extra two tickets from each individual, as appropriate.	The violation will be self reported to the NCAA and reimbursement pursued. Management will take appropriate steps to ensure future compliance.	Item closed.
	Implementation Target Date: December 31, 2003	<u>Review: Mar 2004</u> <u>Report: Apr 2004</u>
2. <u>Orange Bowl Complimentary Tickets</u> . Train staff handling the issuance of complimentary admissions as to the importance of obtaining and documenting both who is using the ticket and on whose behalf the ticket is being issued.	Process adjustments will be made to ensure better tracking, which will allow verification of compliance with NCAA regulations.	Item closed.
	Implementation Target Date: December 31, 2003	Review: Mar 2004 Report: Apr 2004
3. <u>Record Availability and Control</u> . Review the complimentary admissions record collection, management review, and retention process. Assure that complete documentation of complimentary ticket usage for all events is both received and retained per policy and regulatory requirements.	Management will ensure that complimentary ticket records for away games and home events are received and filed in the department in a timely manner.	Item closed.
	Implementation Target Date: December 31, 2003	Review: Mar 2004 Report: Apr 2004
4. <u>Tracking of High School/2-Year College Coach Complimentary Tickets</u> . Establish a consistent method for tracking complimentary tickets provided to high school and 2-year college coaches.	Management will implement a consistent method across all sports for handling high school and 2-year college coach complimentary tickets. <u>Status update:</u> Management had plans to meet and discuss this situation, no action has been taken yet	Internal auditors will review ticket tracking procedures and records to determine consistency of process.
	Implementation Target Date: December 31, 2003	Review: Jul 2004 Report: Aug 2004

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

Initial Audit Report Issued: September 22, 2003

Follow-up Memorandum Issued: April 16, 2004

Audit Closed

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>Item closed.</p>
	<p>Implementation Target Date: Immediately</p>	<p>Review: 3rd quarter FY 2004 Report: 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>Item closed.</p>
	<p>Implementation Target Date: Immediately</p>	<p>Review: 3rd quarter FY 2004 Report: 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>Item closed.</p>
	<p>Implementation Target Date: March 2004</p>	<p>Review: 3rd quarter FY 2004 Report: May 2004</p>

**The University of Iowa – Hospital Operations
HIPAA Privacy Compliance**

Initial Audit Report Issued: January 26, 2004
Follow-up Memorandum Issued: April 16, 2004

Audit Remains Open

Recommendations
/ Responses

Auditor's Recommendation	Management's Response	<u>Expected Auditor</u> Follow-up
1. <u>Distribution of HIPAA Privacy Notice.</u> Communicate the importance of compliance and expectations regarding proper distribution of the HIPAA Privacy Notice.	The UICMS Privacy Officer is conducting meetings with staff at each of the UICMS clinics and discussing the importance of HIPAA Compliance.	Item closed.
	Implementation Target Date: Immediately	Review: Mar 2004 Report: Apr 2004
2. <u>Signed Acknowledgement Forms.</u> Communicate proper procedures for filing acknowledgement forms; mail privacy notice to patients that do not have a signed form; detail when it was mailed; update IDX with the same date; test for signed forms at least quarterly; retain data; and work with non-compliant areas.	Management has communicated correct procedures for filing acknowledgement forms and will mail privacy notices to identified patients; file in their medical record; update the IDX with the same date; and perform quarterly testing.	Item closed.
	Implementation Target Date: Immediately	Review: Mar 2004 Report: Apr 2004
3. <u>Privacy Notices Not Distributed On Patient's First Date Of Service After 4/14/03.</u> Review correct procedures for addressing IDX hold bill 591 issues; retain until proper mailing, posting, and filing is complete. Monitor regularly and follow-up with noncompliant areas.	Management has reviewed correct procedures with staff; is no longer deleting hold bills monthly; will monitor regularly; and follow-up with non-compliant areas. <u>Status Report:</u> Management will monitor these reports and follow correct procedure.	Internal auditors will verify that corrective action has been implemented.
	Implementation Target Date: Immediately	Review: Mar 2004 Report: Apr 2004
4. <u>Invalid Dates in IDX HIPAA Privacy Date field.</u> Communicate usable dates; implement systems controls limiting the acceptance of dates prior to 4/13/03; and delete dates prior to 4/13/03.	Management has communicated the importance of using correct dates; is working to ensure the appropriate system edit is implemented; and is working to identify and delete dates prior to 4/14/03.	Item closed.
	Implementation Target Date: February 2004	Review: Mar 2004 Report: Apr 2004

**The University of Iowa – Hospital Operations
HIPAA Privacy Compliance**
(continued)

Auditor's Recommendation	Management's Response	Expected Auditor Follow-up
<p>5. <u>IDX, INFORMM/IPR User ID's</u>. Review and verify all active user ID's and deactivate terminated employee user ID's; communicate correct procedures for deactivating access; implement monitoring controls on a weekly basis; and investigate and resolve discrepancies immediately.</p>	<p>Management will obtain a list of internally transferred and terminated employees; compare it to active user ID's weekly; deactivate terminated employee ID's; remind the security officer of his/her responsibilities; monitor contract and internally transferred employees; review and verify current ID's; and release expectations regarding deactivation of user ID's. <u>Status Report:</u> Management will create a report with the level of detail needed for monitoring.</p>	<p>Internal auditors will verify that only current employees have access to these systems and that monitoring is being performed.</p>
	<p>Implementation Target Date: February 2004</p>	<p>Review: Mar 2004 Report: Apr 2004</p>
<p>7. <u>HIPAA Training Retention</u>. Communicate audit results; perform retention testing at least quarterly; and address areas where questions were answered incorrectly.</p>	<p>Management will re-educate staff on proper procedures; retest staff quarterly; and re-educate when necessary.</p>	<p>Item closed.</p>
	<p>Implementation Target Date: Immediately</p>	<p>Review: Mar 2004 Report: Apr 2004</p>
<p>8. <u>Disclosure of PHI</u>. Communicate the correct policy and procedure regarding disclosure of patient information to all appropriate staff. Continue inquiry testing on at least a quarterly basis.</p>	<p>JOC has communicated the correct procedures to staff regarding patients opting out of the inpatient directory and disclosure of PHI. JOC will continue to audit/monitor and retrain when necessary.</p>	<p>Item closed.</p>
	<p>Implementation Target Date: Immediately</p>	<p>Review: Mar 2004 Report: Apr 2004</p>

**Iowa State University
Dining Dollar\$**

Initial Audit Report Issued: January 13, 2004
Follow-up Memorandum Issued: April 7, 2004

Audit Closed

Recommendations/
Responses

Auditor's Observation	Management's Response	Expected Auditor Follow-up
<p>1. <u>Segregation of Duties.</u> A single employee administers the program, which allows the opportunity for errors and/or irregularities without detection.</p>	<p>Management will: require supervisor authorization for refunds; test refunds and changes in the system for appropriateness and documentation; and cross train another staff member.</p>	<p>Item closed.</p>
	<p>Implementation Target Date: 1. Implemented 2. January 31, 2004 3. February 28, 2004</p>	<p>Review: Mar 2004 Report: Apr 2004</p>
<p>2. <u>Reconciliation.</u> a. Redemptions of Dining Dollar\$ are not reconciled for accuracy. b. Transaction activity in the Diebold, University Receivables, and the DoR room and board system are not reconciled. c. The July/August summary reconciliation of receivables, payments received, and liability showed an unexplained variance.</p>	<p>a. Redemptions will be reconciled during the daily cash reconciliation process. b. Weekly activity will be reconciled. c. The variance has been materially resolved.</p>	<p>Item closed.</p>
	<p>Implementation Target Date: a. January 31, 2004 b. January 31, 2004 c. January 31, 2004</p>	<p>Review: Mar 2004 Report: Apr 2004</p>
<p>3. <u>Logical access controls.</u> a. The password discipline used for Dining Dollar\$ is not consistent with emerging University guidelines. b. The vendor has unmonitored access to provide technical support to the software.</p>	<p>a. DoR will comply with University password guidelines. b. Vendor access will be allowed only when management requests support.</p>	<p>Item closed.</p>
	<p>Implementation Target Date: Implemented</p>	<p>Review: Mar 2004 Report: Apr 2004</p>
<p>4. <u>Restriction of Credit.</u> The University receivables system places holds on student accounts that are past due. This hold s bypassed if Dining Dollar\$ purchases are made in the DoR administrative office.</p>	<p>The DoR administrative office staff will assist students with purchases. The system does not bypass the receivables system hold.</p>	<p>Item closed.</p>
	<p>Implementation Target Date: Implemented</p>	<p>Review: Mar 2004 Report: Apr 2004</p>

**Iowa State University
Travel and Hospitality**

Initial Audit Report Issued: January 16, 2004
Follow-up Memorandum Issued: March 22, 2004

Audit Closed

Recommendations
/ Responses

Auditor's Observation	Management's Response	Expected Auditor Follow-up
<p>1. <u>Hospitality Expenditures.</u> The business purpose of hospitality expenditures is not adequately documented.</p>	<p>The Controller's Department will reassess the wording regarding hospitality in the Office Procedure Guide. The Accounting Office web site and voucher forms will be updated to explicitly indicate all items of information necessary to provide an adequate explanation of business purpose. The Procurement web site will be hyperlinked to the Accounting Office web site for further guidance, procedures, and forms regarding hospitality.</p>	<p>Item closed.</p>
	<p>Implementation Target Date: February 27, 2004</p>	<p>Review: Feb 2004 Report: Mar 2004</p>
<p>2. <u>Monitoring Travel and Hospitality.</u> Travel and hospitality practices and trends captured by university systems are not examined on a regular basis.</p> <p>Incorrect usage of hospitality expense class codes is a monitoring barrier. Data that could be used for managerial analysis can be distorted by incorrect class code usage.</p>	<p>Future enhancements to the web travel system will be evaluated for generating quarterly reports of travel and expenditures and be used to reexamine policies and guidance.</p> <p>Management will communicate the importance of using correct codes to help improve the reliability of managerial accounting information.</p>	<p>Item closed.</p>
	<p>Implementation Target Date: February 1, 2004</p>	<p>Review: Feb 2004 Report: Mar 2004</p>

H:\BF\2004\04maydoc\0504_AUD05.doc