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David A. Vaudt, CPA
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NEWS RELEASE

FOR RELEASE _____ January 31, 2011

Contact: Andy Nielsen
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Auditor of State David A. Vaudt today released a report on a review of selected application controls over the University of Northern Iowa Non-Student Accounts Receivable System for the period June 10, 2010 through July 23, 2010.

Vaudt recommended the University of Northern Iowa restrict object code changes, establish written policies and procedures for monthly reconciliations and ensure overdue notices are prepared and sent out timely for the Non-Student Accounts Receivable System. The University has responded positively to the recommendations.

A copy of the report is available for review at the University of Northern Iowa, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1161-8030-BT01.pdf>.

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**REPORT OF RECOMMENDATIONS TO
THE UNIVERSITY OF NORTHERN IOWA
ON A REVIEW OF SELECTED
APPLICATION CONTROLS OVER
THE UNIVERSITY'S NON-STUDENT ACCOUNTS
RECEIVABLE SYSTEM**

JUNE 10, 2010 THROUGH JULY 23, 2010

Office of
**AUDITOR
OF STATE**

State Capitol Building • Des Moines, Iowa



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December 17, 2010

To the Members of the Board of Regents, State of Iowa:

In conjunction with our audit of the financial statements of the University of Northern Iowa for the year ended June 30, 2010, we conducted an information technology review of selected application controls for the period June 10, 2010 through July 23, 2010. Our review focused on the application controls of the University's Non-Student Accounts Receivable System as they relate to our audit of the financial statements. The review was more limited than would be necessary to give an opinion on internal controls. Accordingly, we do not express an opinion on internal controls or ensure all deficiencies in internal controls are disclosed.

In conducting our review, we became aware of certain aspects concerning information technology controls for which we believe corrective action is necessary. As a result, we have developed recommendations which are reported on the following pages. We believe you should be aware of these recommendations which pertain to the University's application controls over the Non-Student Accounts Receivable System. These recommendations have been discussed with University personnel and their responses to these recommendations are included in this report. While we have expressed our conclusions on the University's responses, we did not audit the University's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the University of Northern Iowa, citizens of the State of Iowa and other parties to whom the University of Northern Iowa may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the University during the course of our review. Should you have questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience. Individuals who participated in our review of the University's Non-Student Accounts Receivable System are listed on page 6 and they are available to discuss these matters with you.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

cc: Honorable Terry E. Branstad, Governor
David Roederer, Director, Department of Management
Glen P. Dickinson, Director, Legislative Services Agency

June 10, 2010 through July 23, 2010

Non-Student Accounts Receivable System Application Controls

A. Background

The Non-Student Accounts Receivable System at the University of Northern Iowa (University) is used to record charges and payments to the accounts of University customers (the general public and staff).

B. Scope and Methodology

In conjunction with our audit of the financial statements of the University, we reviewed selected aspects of the application controls in place over the University's Non-Student Accounts Receivable System for the period June 10, 2010 through July 23, 2010. Specifically, we reviewed the application controls: access controls, segregation of users and the business process controls, including input, processing and output. We interviewed staff of the University and we reviewed University policies and procedures. To assess the level of compliance with identified controls, we performed selected tests.

We planned and performed our review to adequately assess those University operations within the scope of our review. We developed an understanding of the University's internal controls relevant to the operations included in the scope of our review. We believe our review provides a reasonable basis for our recommendations.

We used a risk-based approach when selecting activities to be reviewed. We focused our review efforts on those activities we identified through a preliminary survey as having the greatest probability for needing improvement. Consequently, by design, we use our finite review resources to identify where and how improvements can be made. Thus, we devote little effort to reviewing operations that may be relatively efficient or effective. As a result, we prepare our review reports on an "exception basis." This report, therefore, highlights those areas needing improvement and does not address activities that may be functioning properly.

C. Results of the Review

As a result of our review, we found certain controls can be strengthened to further ensure the reliability of financial information. Our recommendations, along with the University's responses, are detailed in the remainder of this report.

June 10, 2010 through July 23, 2010

Application Controls

- (1) Receivables Object Coding – When reviewing the monthly Oracle non-student accounts receivable reconciliation for May 2010, we noted non-student accounts receivable coded to a non-receivable object code. (revenue or expenditure code versus accounts receivable).

Recommendation – Users should be restricted from changing the accounts receivable object code for non-student accounts receivable.

Response – The University agrees it would be beneficial if users could not update the account number for the receivable entry. The non-student accounts receivable system does not allow this default control; therefore, we have implemented other mitigating procedures to minimize the risk of this account being changed. These procedures include user training and review during the monthly reconciliation process. Other options will be evaluated as they are identified.

Conclusion – Response accepted.

- (2) Monthly Reconciliations – A non-student accounts receivable reconciliation is performed each month by University staff. There are no written policies or procedures for guidance, including resolution of differences and the review and approval of the reconciliation by an independent person.

Recommendation – The University should establish written policies and procedures for performing the monthly non-student accounts receivable reconciliation, including procedures for resolution of differences and review and approval of the reconciliation by an independent person.

Response – The monthly non-student accounts receivable reconciliation process will be documented per the above recommendation.

Conclusion – Response accepted.

- (3) Overdue Notices – The non-student accounts receivable system generates a “Past Due Invoice Report” which identifies unpaid invoices after the due date, which is normally 30 days. While the listing is available, someone must review, prepare and send out an overdue notice. We noted several unpaid invoices after the due date for which overdue notices had not yet been sent. Currently, only one individual performs these responsibilities and has not been able to follow up on unpaid non-student accounts receivable billings in a timely manner.

Recommendation – The University should ensure overdue notices are prepared and sent out timely to ensure collection of past due non-student accounts receivable billings.

Response – The University concurs past due receivables should be followed up timely. During the months immediately following implementation of the non-student receivables system, emphasis was placed on ensuring users were using the system correctly and troubleshooting questions. Follow up of delinquent invoices was evaluated based on materiality of amount and length of time outstanding. Standard procedures have been established and implemented to ensure timely follow up of all past due invoices, including letter and the telephone contact.

Conclusion – Response accepted.

Report of Recommendations to the University of Northern Iowa

June 10, 2010 through July 23, 2010

Staff:

Questions or requests for further assistance should be directed to:

Erwin L. Erickson, CPA, Director
Darryl J. Brumm, CPA, Senior Auditor II
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in this review include:

Billie Jo Heth, Senior Auditor II
Aaron P. Wagner, CPA, Staff Auditor