



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

July 6, 2012

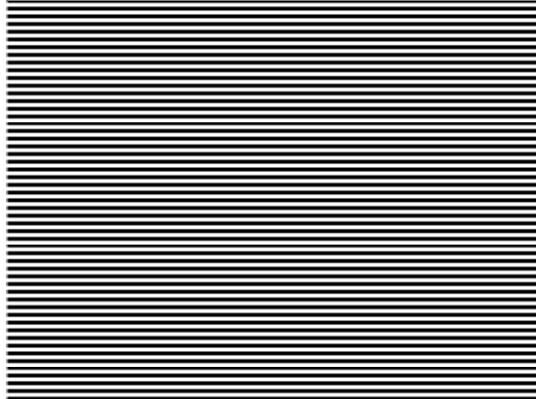
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Auditor of State David A. Vaudt today released a report on the State University of Iowa, Iowa City, Iowa for the year ended June 30, 2011. The State University of Iowa (University of Iowa) previously released its annual financial report for the year ended June 30, 2011.

The University of Iowa is governed by the Board of Regents, State of Iowa. For the year ended June 30, 2011, the full-time equivalent student enrollment was 28,977 with an average cost per student of \$17,646, compared to 28,169 students and an average cost of \$18,035 for the year ended June 30, 2010. The University Hospitals and Clinics provided a total of 196,482 patient days at an average daily cost per patient of \$4,596 for the year ended June 30, 2011, compared to 182,820 patient days at an average daily cost per patient of \$4,609 for the year ended June 30, 2010.

A copy of the report is available for review at the University of Iowa, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1261-8010-BR00.pdf>.

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**REPORT OF RECOMMENDATIONS TO THE
STATE UNIVERSITY OF IOWA**

JUNE 30, 2011

Office of
**AUDITOR
OF STATE**
State Capitol Building • Des Moines, Iowa



David A. Vaudt, CPA
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June 29, 2012

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

The State University of Iowa (University of Iowa) is a part of the State of Iowa and, as such, has been included in our audits of the State's Comprehensive Annual Financial Report (CAFR) and the State's Single Audit Report for the year ended June 30, 2011. We have also audited the financial statements of the University as of and for the year ended June 30, 2011 and have issued our report thereon dated November 30, 2011.

In conducting our audits, we became aware of certain aspects concerning the University's operations 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 relate to internal control. 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.

We have also included certain unaudited financial and other information on pages 7 and 8 to report an average cost per student for the University and an average cost per patient for the University Hospitals and Clinics for the five years ended June 30, 2011, as required by Section 11.28 of the Code of Iowa.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the University of Iowa, citizens of the State of Iowa and other parties to whom the University of 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 audits. 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 audits of the University 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 30, 2011

Findings Reported in the State's Single Audit Report:

No matters were noted.

Findings Reported in the University's Report on Internal Control:

INTERNAL CONTROL DEFICIENCIES:

- (A) Donated Land – The University received land valued at \$3,745,289 but did not record the donated land in the capital asset record and did not recognize gift revenue in the Statement of Revenues, Expenses and Changes in Net Assets.

Recommendation – The University should implement policies and procedures to ensure the value of donated land is properly recorded in the financial statements.

Response – We will develop a policy and document procedures to properly record the value of donated land in the Asset Management system and the annual financial statements.

Conclusion – Response accepted.

- (B) Early Retirement Liability – The Board of Regents approved early retirement incentive programs which allowed eligible employees to retire after meeting established criteria related to age and years of service. The liability for the early retirement programs was not reviewed by an independent person during the financial statement preparation process, resulting in a \$1,612,428 understatement of the early retirement liability. This was corrected for financial reporting purposes.

Recommendation – An independent person should review the early retirement liability for accuracy.

Response – Accounting & Financial Reporting will work with the Benefits Office to revise and document their process for calculating the early retirement liability. The new procedures will also include an extra step for the Benefits Office to conduct audit sampling of employees to further ensure accuracy of the calculation.

Conclusion – Response accepted.

Other Findings Related To Internal Control:

Payroll Overpayments – The University incorrectly made 338 payroll overpayments totaling \$645,741 during the year ended June 30, 2011, which is an increase of \$73,441 over the prior year. Overpayments generally occur when electronic forms reflecting changes in employment status are not submitted by the employing department to Human Resources on a timely basis.

Recommendation – The University should work with the employing departments to ensure the proper electronic forms are submitted timely to help monitor the correct payment of salaries and wages and reduce overpayments.

Report of Recommendations to the University of Iowa

June 30, 2011

Response – The State Auditors Office had a similar report comment for fiscal year 2010. The University provided a management response on June 22, 2011 committing to reducing the number of salary overpayments. Unfortunately the process changes were implemented in July 2011 after fiscal year 2011 was completed. There has been a 20% decrease in overpayments year-to-date in FY2012 compared to FY2011.

The important elements of management's plan communicated to you last year are the following. First, the University pursues immediate reimbursement of all salary overpayments. Recovery of overpayments is accomplished in two ways: 1) full or partial recovery from an employee's next paycheck or final paycheck for earned termination payouts (including payment of vacation and sick leave balances), and 2) billing for overpayment through the University Billing Office.

It is important to note that as of June 12, 2012, 93% of the original \$645,741 in salary overpayment(s) has been collected.

Second, University Human Resources regularly emphasizes the importance of submitting paperwork on time in order to minimize the number of salary overpayments. This is accomplished in a number of ways including: a) distribution of quarterly reports to Senior Human Resources (HR) representatives documenting the number of late termination notices filed that period; b) an annual meeting between Vice President for Human Resources and departmental Senior Human Resource Representative to review prior year's overpayment statistics and unit performance metrics; c) an annual financial sub-certification review process which emphasizes compliance with payroll policies & practices; and, d) a new on-line ICON web tutorial which emphasizes best practices & controls related to payroll activities.

University Human Resources will continue to emphasize to departmental HR staff the importance of processing employee appointment changes in a timely manner.

Conclusion – Response accepted.

Findings Related To Statutory Requirements and Other Matters:

No matters were noted.

Report of Recommendations to the University of Iowa

June 30, 2011

Staff:

Questions or requests for further assistance should be directed to:

Ernest H. Ruben, Jr., CPA, Manager
Gwen D. Fangman, CPA, Senior Auditor II
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audits include:

Daniel L. Grady, Senior Auditor
Jenny M. Podrebarac, Senior Auditor
Tyler L. Carter, Staff Auditor
Jennifer M. Kopp, Staff Auditor
James H. Pitcher, CPA, Staff Auditor
Brandon J. Vogel, Staff Auditor
William B. Corley, Assistant Auditor
Hannah K. Haas, Assistant Auditor
Kelsey J. Kranz, Assistant Auditor
Corey A. Lee, Assistant Auditor
Karie A. Meisgeier, Assistant Auditor
Eric L. Rath, Assistant Auditor

University of Iowa

Cost per Student
(unaudited)

Year ended June 30, 2011
with comparative figures for prior years

Total General Educational Fund expenditures		\$ 604,023,675
Deduct:		
Expenditures not related to teaching programs:		
Research separately budgeted	\$ 18,327,688	
Extension and public service	2,568,455	
Student aid	<u>71,809,027</u>	<u>92,705,170</u>
Net expenditures for teaching programs		<u>\$ 511,318,505</u>
Full-time equivalent enrollment 2010-2011		<u>28,977</u>
Cost per student 2010-2011		<u>\$ 17,646</u>

Comparative enrollment statistics and cost per student for the year ended June 30, 2011 and four previous years:

<u>Year</u>	<u>Enrollment</u>	<u>Cost per Student</u>
2010-2011	28,977	\$ 17,646
2009-2010	28,169	18,035
2008-2009	28,015	18,051
2007-2008	27,814	17,039
2006-2007	26,550	16,766

University of Iowa
University Hospitals and Clinics

Daily Cost per Patient
(unaudited)

Year ended June 30, 2011
with comparative figures for prior years

Total University Hospitals' expense:	<u>\$ 903,039,018</u>
Total patient days 2010-2011	<u>196,482</u>
Daily cost per patient 2010-2011	<u>\$ 4,596</u>

Comparative patient statistics and cost per patient for the year ended June 30, 2011 and four previous years:

<u>Year</u>	<u>Patient Days</u>	<u>Daily Cost per Patient</u>
2010-2011	196,482	\$ 4,596
2009-2010	182,820	4,609
2008-2009	193,196	4,472
2007-2008	194,480	4,032
2006-2007	194,893	3,637